

BOROUGH OF KETTERING

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Report Originator	Head of Resources Mark Dickenson	<i>Forward Plan Ref N/A</i>	
Wards Affected	All	6 th February 2019	
Title	BUDGET PROPOSALS FOR 2019/20 AND PREPARING FOR THE MEDIUM TERM		

1. PURPOSE OF REPORT

- 1.1 In accordance with the Council Constitution, this Committee should consider the Council's draft budget proposals and submit any comments back to the Executive for consideration at its meeting on 13th February 2019.
- 1.2 Members are requested to perform the scrutiny role on the draft budget proposals and submit any relevant comments back to the Executive for further consideration.
- 1.3 When considering the draft budget, members will need to ensure that they have a general understanding of the main budget drivers, the services that comprise the budget, and the process that has been followed when putting the budget together. A short presentation will be given at the start of this item to ensure that the key issues are highlighted to members.
- 1.4 In accordance with the overall remit of this Committee, members are encouraged to focus their attention on the 2019/20 budget figures in the light of any potential impacts on the delivery of Council Priorities.
- 1.5 A copy of the Executive budget report from its meeting of 16th January 2019 has already been circulated to all Members. **Members are requested to bring copies of the Executive report with them to this meeting.** Additional copies can be obtained from Member Services or accessed via the Council Website.
- 1.6 Members will be mindful of the current situation about the potential local government reorganisation in the County.
- 1.7 Whilst it is not necessary to repeat the background to this issue in this report, it is important that members understand what their statutory duties are in relation to the current budget setting process.
- 1.8 At the time of considering the draft budget proposals contained within this report, members of this council must take into account the financial projections for 2019/20 (and the subsequent medium term projections) when making decisions. Although the spectre of a new local government structure exists, at the time of making decisions, councillors must assume that the status quo will remain with regard to Kettering Borough Council and make informed decisions based upon the financial projections that are contained within this report. As such, full regard should be given to the financial estimates, pressures, business and funding risks into the medium term.

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2. KEY ISSUES

2.1 As outlined in the previous section, members will need to read the draft budget report (and supporting appendices) that has been circulated under separate cover. Given the amount of detail in that report, the key issues summary from that report is reproduced in the following paragraphs for ease of reference, together with the latest Medium Term Financial Forecast.

TABLE 1 - MEDIUM TERM FINANCIAL FORECAST							
		Zone of "Predictability"		Zone of "Unpredictability"			
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
		£000	£000	£000	£000	£000	£000
1	Net Council Budget	10,893	11,118	10,385	10,107	10,482	10,364
2	Forecast Resources:						
	Government Grant						
2a	Revenue Support Grant	(171)	0	0	0	0	0
2b	Business Rates	(2,428)	(2,484)	(2,000)	(2,000)	(2,000)	(2,000)
	Total Government Grant	(2,599)	(2,484)	(2,000)	(2,000)	(2,000)	(2,000)
	Council Tax / Coll'n Fund	(300)	(350)	(100)	(100)	(100)	(100)
	Income From Council Tax	(6,521)	(6,722)	(6,823)	(6,926)	(7,030)	(7,135)
	Total Resources	(9,420)	(9,556)	(8,923)	(9,026)	(9,130)	(9,235)
3	Budget (Surplus) / Deficit	1,473	1,562	1,462	1,081	1,352	1,129
4	'efficiencies' Identified	(1,473)	(1,562)	0	0	0	0
5	'efficiencies' - To be Identified	0	0	(1,462)	(1,081)	(1,352)	(1,129)
6	Budget (Surplus) / Deficit	0	0	0	0	0	0
GENERAL FUND WORKING BALANCE							
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
		£000	£000	£000	£000	£000	£000
7	Estimated Opening Balance	1,415	1,375	1,335	1,295	1,295	1,295
8	Town Centre Initiatives	40	40	40	0	0	0
9	Estimated Closing Balance	1,375	1,335	1,295	1,295	1,295	1,295

Please note * 'efficiencies' denotes efficiencies, savings, and income generation.

Notes to Medium Term Financial Forecast

- 1 **Net Council Budget** – This represents the net expenditure prior to the Budget Framework savings.
- 2 **Forecast Resources** – These are the Council's main funding streams (excluding fees and charges which are incorporated into Line 1). This illustrates the significant reduction in Central Government funding. To enable the total resources required to balance the budget to be identified, no

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assumptions have been made regarding future council tax increases. The small increase in revenue each year reflects anticipated housing growth in the borough.

The level of government grant is known for 2018/19 – the government funding levels for 2019/20 are based on the provisional grant settlement and is the last year of the current four year settlement which covered the period 2016/17 – 2019/20.

2a / 2b Revenue Support Grant / Business Rates - *Following the introduction of the Business Rates Retention Scheme the local share of business rates will be uplifted by RPI each year until the system is reset in 2020 this is shown in line 2b. The Revenue Support Grant reduces to nil in 2019/20.*

3 Budget (Surplus) / Deficit – *This illustrates the gap between the budget and the total resources available before identifying budget framework savings.*

5 Savings to be identified – *This identifies the total resources that are required to balance the budget in future years after 2019/20.*

8 Town Centre Initiatives – *This relates to parking incentives and / or other town centre related items. Due to the short term nature this is being funded from the General Fund working balance rather than forming part of the base budget.*

3. SUMMARY & CONCLUSIONS

2018/19

- 3.1 The Council has continued to successfully use the 'budget delivery framework' for the delivery of efficiencies.
- 3.2 Since 2010, the Council will have delivered a total of £12.8m of efficiencies by the end of March 2019.

2019/20

- 3.3 Taken in isolation, most of the main issues are 'known' for 2019/20 at this stage.
- 3.4 The Council had budgeted for a grant reduction of £365,000 (14%) for 2019/20 the provisional figure from the Government was a reduction of £115,000 (4.5%). This was £250,000 better than previously being modelled in the Council's MTFS owing to negative RSG being removed.
- 3.5 Prior to the consideration of any council tax increase, it is estimated that **£1,562,000 of 'efficiencies' will be required.** We will start 2019/20 in a similar position to 2018/19 because of the continued use of the Council's successful budget delivery framework which has resulted in the Council already having secured some of the on-going savings required for 2019/20. The remaining 'savings' have also been identified

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the Council will need to remain focused and stick to its Financial Golden Rules and Financial Guiding Principles if these are to be successfully delivered.

- 3.6 The Council's strong and controlled budgetary position is a direct result of the adherence to the guiding principles that have been diligently followed over recent years. It remains important that the guiding principles are followed if the Council is to remain in a relatively good financial position. This financial discipline is a pre-requisite of any future financial strategy.
- 3.7 The Council will need to ensure that it continues to look for ways of generating additional income, whilst ensuring that services continue to be delivered efficiently.
- 3.8 Members will need to consider the medium term projections and associated risks when deciding a level of council tax for 2019/20. In light of these, officer advice is to consider a council tax increase of the threshold level (3%) for 2019/20.
- 3.9 **A capital programme of around £29.3m** is a significant commitment and clearly demonstrates the Council's strategy regarding commercial investments.
- 3.10 The Council uses the budget "**swingometer**" as detailed at Appendix A – Section 1 to highlight and assess the sensitivity of the most volatile and material budgets.

The Medium Term

2020/21 and Beyond

- 3.11 The levels of uncertainty and reductions in government funding in the medium term are very significant and should not be understated.
- 3.12 It is fair to say that the local government as a Sector has not seen such volatility and uncertainty in funding levels from the Government in recent times. The scale of these changes could see reductions for this Council of anywhere between £2m and £4m over the next few years.
- 3.13 Both the resetting of the baseline and the review of the funding formula could have a significant impact on the Council's Medium Term Financial Strategy.

Other Considerations

- 3.14 The projections in all years rest on the Executive's adherence to the "*Financial Golden Rules and Financial Guiding Principles* (para 4.6 and 4.7).
- 3.15 The assumptions within the Council's Medium Term Financial Strategy will continue to be reviewed and amended where necessary. What will actually happen will only become clearer as time progresses.

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4. CONSULTATION AND CUSTOMER IMPACT

The formal budget consultation period is from 16th January 2019 to 27th February 2019 when the Council sets the Council Tax for 2019/20. Comments from this Committee will be reported to the Executive for consideration at its meeting on 13th February 2019.

5. POLICY IMPLICATIONS

5.1 There are no direct policy implications as a result of this report.

6. FINANCIAL RESOURCE IMPLICATIONS

6.1 The implications on the Council's resources are considered throughout this report.

7. HUMAN RESOURCE IMPLICATIONS

7.1 None as a result of this report.

8. LEGAL IMPLICATIONS

8.1 None as a result of this report.

9. RECOMMENDATION

9.1 That the Committee consider the draft budget proposals of the Executive and submit any comments back to the Executive for consideration at its meeting of 13th February 2019.