

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 1
Report Originator	Strategic Management Team	<i>Fwd Plan Ref No: A19/012</i>	
Wards Affected	All	16 th October 2019	
Title	DURABLE BUDGET REPORT		

Portfolio Holder: Cllr Lloyd Bunday

1. PURPOSE OF REPORT

The purpose of the report is to:

- a) Remind Members of the context / background to the council's budget and medium-term financial strategy;
- b) In line with best practice, provide a mid-year update on Treasury Management;

2. BACKGROUND

- 2.1. The background / context section can now be found in **Appendix A**. This includes information about potential local government reform in Northamptonshire and what they may mean to future budget setting rounds.

3. BUDGET UPDATE (KEY ISSUES AND PROJECTIONS)

- 3.1 The Council's Medium-Term Financial Strategy is reproduced in Table 1 notes to the Medium-Term Financial Forecast are included at **Appendix B**.

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 2
------------------	----------------------------	------------	--------

TABLE 1 - MEDIUM TERM FINANCIAL FORECAST							
		Current Spending Round		Future Spending Review Period			
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
		£000	£000	£000	£000	£000	£000
1	Net Council Budget	11,118	10,387	10,104	10,331	10,363	10,397
2	Forecast Resources:						
	Government Grant						
2a	Revenue Support Grant	0	0	0	0	0	0
2b	Business Rates	(2,484)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
	Total Government Grant	(2,484)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
	Council Tax / Coll'n Fund	(350)	(100)	(100)	(100)	(100)	(100)
	Income From Council Tax	(6,722)	(6,823)	(6,926)	(7,030)	(7,135)	(7,242)
	Total Resources	(9,556)	(8,923)	(9,026)	(9,130)	(9,235)	(9,342)
3	Budget (Surplus) / Deficit	1,562	1,464	1,078	1,201	1,128	1,055
4	'efficiencies' Identified	(1,562)	(798)	0	0	0	0
5	'efficiencies' - To be Identified	0	(666)	(1,078)	(1,201)	(1,128)	(1,055)
6	Budget (Surplus) / Deficit	0	0	0	0	0	0
GENERAL FUND WORKING BALANCE							
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		£000	£000	£000	£000	£000	£000
7	Estimated Opening Balance	1,415	1,375	1,335	1,335	1,335	1,335
8	Town Centre Initiatives	40	40	0	0	0	0
9	Estimated Closing Balance	1,375	1,335	1,335	1,335	1,335	1,335

- 3.2 The Executive at the April meeting approved that the Council continue using the existing budget delivery framework for the preparation of the 2020/21 budget.
- 3.3 As part of the 2020/21 budget process the key underlying assumptions have been updated and remodelled, the Medium-Term Financial Strategy will continue to be reviewed as part of the budget process. Overall the level of savings required over the next five years are around £6m.
- 3.4 As clearly outlined in previous budget reports considered by the Executive and Full Council, the best estimates of the ongoing efficiency targets going forward are at least of a similar scale to those already met, Chart 1 shows:

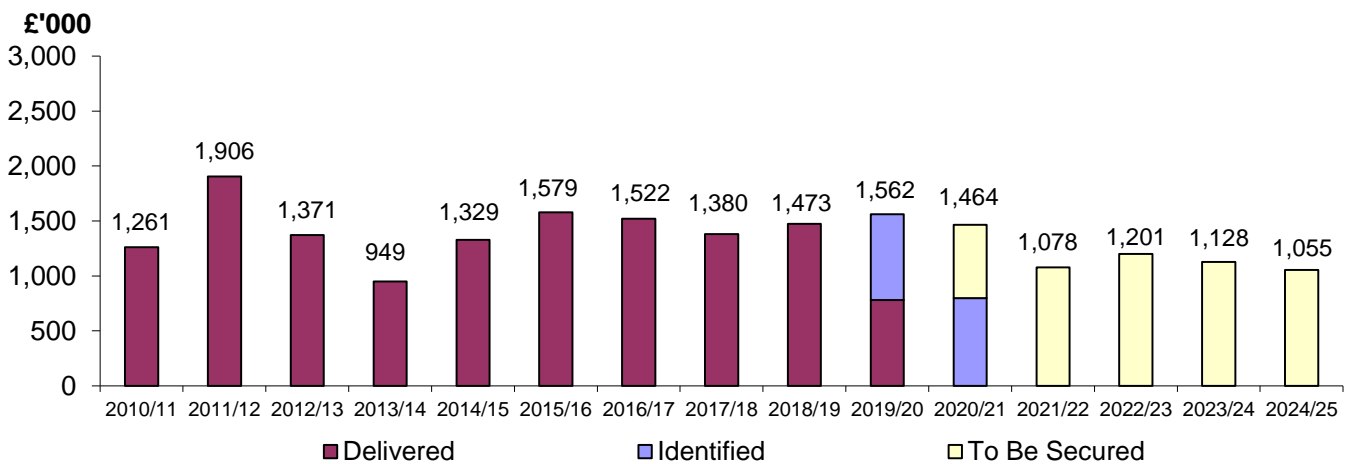
BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 3
------------------	----------------------------	------------	--------

- Efficiencies of £12.8m have been identified and delivered between 2010/11 – 2018/19;
- Efficiencies of £1.562m have been identified and continue to be delivered for 2019/20
- Efficiencies of around £6m need to be identified and delivered over the next five years (2020/21 – 2024/25).

Chart 1

Efficiencies / Savings / Income Generation



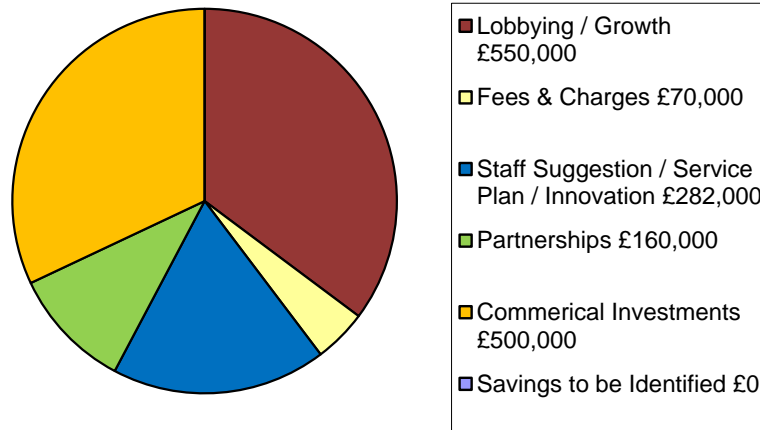
2019/20 Budget Update (General Fund)

3.5 Members will recall that additional ongoing 'efficiencies' of £1,562,000 were required to set a balanced budget for 2019/20. Those 'efficiencies' were identified in full before the budget was formally set and are summarised in Chart 2:

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 4
------------------	----------------------------	------------	--------

**Chart 2
Framework Efficiencies for the next Year
(2019/20)**



3.6 Table 2 provides further information – relating to the composition of the 2019/20 Framework efficiencies:

Table 2 – Composition of 2019/20 Efficiencies		
Framework		£'000
Commercial Investments	Income from Commercial Investments	500
Lobbying / Growth	Business Rates Income	400
Staff / Innovation	Treasury Management Income	280
Partnerships	Joint Working	110
Lobbying / Growth	Homelessness Grant	83
Lobbying / Growth	New Homes Bonus	67
Fees & Charges	Crematorium Income	28
Fees & Charges	Recycling Credits	22
Various	Minor Variations	72
Total		1,562

3.7 During each budget process, members are informed of a number of ‘big ticket’ items. These are typically items of large value that could have a disproportionate impact on the Council’s budget if they moved in an adverse fashion. Consequently, these are monitored very closely and members and officers may occasionally try to influence (through lobbying) any changes that may take place especially when such changes are triggered through changes in national policy. These items are included in the Council’s Swing – o – meter as detailed at **Appendix C**.

3.8 The General Fund budget is currently projected to come in around £300,000 below budget, these areas will continue to be closely monitored and further reviewed as part of the forthcoming budget process - some of these (such as homelessness) are essentially demand led and reflective of national economic issues. As part of the budget process, it will be recommended that the same strategy be used as in

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 5
------------------	----------------------------	------------	--------

previous years in relation to any one-off 'savings' this is due to the growing levels of uncertainty and risk in the medium term. The most significant areas of volatility are shown in Table 3.

Table 3 – General Fund Projected Variances (2019/20)		
	Projected Variance	Reason
Treasury Management	£300,000 (favourable)	This reflects additional income from investing surplus cash and lower borrowing costs which is in line with the Council's Treasury Management Strategy.
Recycling / Waste	£150,000 (favourable)	Costs for the disposal of co-mingled waste lower than originally budgeted.
Commercial Investments	£100,000 (favourable)	The additional income reflects the Council's continued progress with its Commercial Investment Strategy.
Homelessness	£150,000 (adverse)	There continues to be a significant increase in the number of homeless applications, which is reflective of the picture across the country. Locally, the Council's response has been to ensure we are best placed to take action to prevent homelessness and, secondly, to minimise expenditure on expensive nightly paid accommodation and bed & breakfast hotels. This has involved utilising HRA properties for temporary accommodation and acquiring a number of properties on the open market to use as temporary housing for homeless households.
Fee Income	£150,000 (adverse)	A number of the Council's main income streams (eg, Parking and Crematorium Income) are generating less income than budgeted at the present time. This is partly off-set by additional income for planning fees which reflects a number of large planning applications.
Other Items	£50,000 (favourable)	The General Fund budget consists of many budgets to which there is some degree of variation – overall current projections show this as an favourable variance.

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 6
-----------	----------------------------	------------	--------

- 3.9 Members may recall that the financial landscape changed significantly from April 2013 following the Government's introduction of the Business Rates Retention Scheme prior to this date all Business Rates were pooled and distributed nationally there was no risk or reward for authorities who collected more or less in Business Rates. However, from 1 April 2013 local authorities would receive a reward where there is growth in Business Rates and would see a reduction in grant if there was a decline in Business Rates.
- 3.10 The Council takes a prudent view and resilience tests any projected savings before they are incorporated into the budget; as such any growth from the Business Rates Retention Scheme would only be reflected in the budget when the growth has actually been delivered. This approach ensures that only growth that has been delivered is budgeted and secondly will act as a smoothing strategy when the scheme is reset which will enable to Council to meet the significant financial challenges a full re-set is expected to bring.
- 3.11 It should be noted that a favourable variance of around £1.5m from timing variances is projected from the Business Rates Retention Scheme during 2019/20. Due to the technical nature and the accounting arrangements for Business Rates being spread over three years a further favourable variance of around £700,000 is projected which will be accounted for over the next two years.

2020/21 Budget (General Fund)

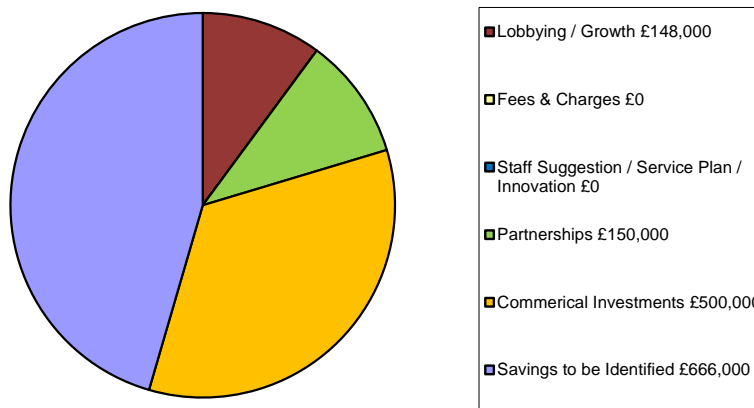
- 3.12 The Executive at the April meeting approved that the Council continue using the existing budget delivery framework for the preparation of the 2020/21 budget.
- 3.13 At that time, the period from 2020/21 onwards was identified as much more uncertain. That was due to uncertainty about the future operation of the local government finance system following a review by the government – that was expected to be completed during this year and a new system commencing from 2020/21 onwards.
- 3.14 As part of the Governments Spending Round announcements, it was announced that any new system of local government funding would not now be introduced until 2021/22. This clearly will have implications for all local authority budget planning. Members should note that at this stage, the numbers being modelled in the budget projections in this report **have not been updated** following the announcement – this is because the information about how this will impact upon individual council budgets will not be available until later in the year.
- 3.15 MHCLG have published the 2020/21 Local Government Finance Settlement - Technical Consultation. This consultation will run for four weeks from 3 October to 31 October 2019. The Council will be responding to this consultation and the projections in the Council's Medium Term Financial Strategy will be updated later in the year, following the announcement of the 2020/21 settlement.

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 7
------------------	----------------------------	------------	--------

- 3.16 As well as monitoring framework savings identified for 2019/20 work as in previous years continues on identifying savings for the following year (2020/21). Members are reminded that the Medium-Term Financial Forecast required an additional £1,464,000 of ongoing savings to balance the budget in 2020/21 (which are reflected in Table 1).
- 3.17 Members are reminded that significant efficiency savings have been delivered in recent years as shown in Chart 1. It has been previously reported that savings and income growth of this magnitude are going to be difficult to maintain and this is emphasised by the 2020/21 budget process.
- 3.18 Efficiencies of £648,000 have previously been identified and reported to the Executive. Further efficiencies of £150,000 have been identified these relate to the recycling service meaning further efficiencies of £666,000 are required in order to deliver a balanced budget for 2020/21. Chart 3 illustrates how the identified efficiencies are to be delivered and the levels of efficiencies that are required to deliver a balanced budget – to date over half of the efficiencies have been identified.

**Chart 3
Framework Efficiencies for the next Year
(2020/21)**



- 3.19 As explained in previous budget reports although we have traditionally referred to the term 'efficiencies', in reality these are a combination of efficiency savings and additional income. Table 4 illustrates how the efficiency targets in 2020/21 are being delivered:

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 8
------------------	----------------------------	------------	--------

Table 4 – 2020/21 Budget Changes			
Framework	Additional Income £'000	Reduced Expenditure £'000	Total £'000
Lobbying / Growth	148	0	148
Commercial Investments	500	0	500
Recycling	0	150	150
Total	648	150	798

3.20 It is important that the Council considers all frameworks and all income streams and continues to explore how efficiency savings of around £666,000 can be delivered to meet the estimated savings target for 2020/21. As further savings are identified, and resilience tested these will be reported to future Executive meetings.

4 HOUSING REVENUE ACCOUNT

2019/20

4.1 A summary of Housing Revenue Account monitoring at the end of September 2019 is shown in Table 5. The HRA remains broadly on target to be delivered within budget for 2019/20.

Table 5 - HRA	Current Budget £'000	Projected Outturn £'000	Variance £'000
Gross Expenditure	15,318	15,318	0
Gross Income	(15,318)	(15,318)	0
Net Expenditure	0	0	0

5 CAPITAL PROGRAMME

2019/20 - Update

5.1 A summary of the Capital Programme monitoring at the end of September 2019 is shown in Table 6. The 2019/20 Capital Programme is currently projecting to come in around £4.8m under budget, this underspend is to be carried forward

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 9
------------------	----------------------------	------------	--------

into 2020/21 as the variance relates to the timing on the delivery of a number of projects. The main variances relate to the timing of the Community Leisure scheme at Burton Latimer and the new build schemes at Scott Road and Albert Street.

Table 6 - Capital Programme	Current Budget 2019/20	Projected Outturn 2019/20	Variance (underspend) / overspend
	£'000	£'000	£'000
Expenditure			
HRA Schemes	7,531	3,869	(3,662)
General Fund Schemes	48,749	47,599	(1,150)
	56,280	51,468	(4,812)
Financing			
Capital Receipts	2,342	1,077	(1,265)
Prudential Borrowing	48,815	46,268	(2,547)
Revenue Contribution	2,728	2,728	0
Grants and Contributions	2,395	1,395	(1,000)
	56,280	51,468	(4,812)

- 5.2 It was reported to the September Executive meeting, that the Council, following a competitive process, had been successful in receiving external funding of £1.985m from Historic England for the High Street Heritage Action Zone (HAZ) Fund, in respect of Kettering Town Centre Conservation Area.
- 5.3 Stage 2 of the process requires the Council to work with Historic England and our local stakeholders to develop and submit a Programme Design by January 2020, with a view that delivery will commence from April 2020 and run for a maximum of four years. The process for Stage 2 requires the Council to demonstrate how they can match fund the HAZ funding allocation and provide an indication of the spending profile. A spend profile and the source of funds for match funding will be reported to a future Executive Committee and Full Council for approval.

6 TREASURY MANAGEMENT – MID YEAR UPDATE

- 6.1 The Treasury Management Policy Statement is a high level document, which defines the Council's policies and objectives of its Treasury Management activities.
- 6.2 To comply with the requirements of best practice, the Treasury Management Strategy is reported to members in advance of the forthcoming financial year, (this was approved by the Executive and Council at the February meetings) and a mid-year report that covers the following:
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy (6.3).

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 10
------------------	----------------------------	------------	------------

- The Council's capital expenditure (prudential indicators) (6.4);
 - A review of the Council's investment portfolio, borrowing strategy and compliance with Treasury and Prudential Limits for 2019/20 (6.5 – 6.7).
- 6.3 The Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy for 2019/20 were approved by Council on 27th February 2019. There have been no policy changes to either of these strategies.
- 6.4 The current estimates for capital expenditure and financing arrangements since the capital programme was approved by Council on 27th February 2019 have all previously been reported to the Executive.
- 6.5 The Council's current investment and borrowing portfolios (as at 30th September 2019) are detailed in Table 7. These are in line with the Council's Treasury Management Strategy.

Table 7	
Investment Portfolio	£000
Santander	16,617
Lloyds	8,000
HSBC	12,656
Goldman Sachs	5,500
Bank of Scotland	10,014
Rockspring (Property Fund)	5,168
Lothbury (Property Fund)	5,012
Hermes (Property Fund)	3,000
Other	2,512
Total	68,479

Borrowing Portfolio	£000
Daventry District Council	3,500
PWLB	131,424
Total	134,924

- 6.6 The Council's projected closing capital financing requirement (CFR) for 2019/20 is £168m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.
- 6.7 Table 8 shows the Council has estimated external borrowings of £162m at the 31st March 2020 – this is dependent on the capital outturn for 2019/20.

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 11
------------------	----------------------------	------------	------------

Table 8	2019/20 Original Budget £000	2019/20 Current Projection £000
Gross Borrowing	157,498	161,986
Less Investments	30,397	38,736
Net Borrowing	127,101	123,250
CFR (year end position)	165,132	167,515
Operational Boundary (External Debt)	170,000	170,000
Authorised Limit	175,000	175,000

7 CONSULTATION AND CUSTOMER IMPACT

- 7.1 None as a direct consequence of this report. However members are reminded that the formal budget consultation period is from 15th January 2020 to 26th February 2020 when the Council sets its Council Tax for 2020/21. Comments from the consultation process will be reported to the Executive for consideration at its meeting on 19th February 2020.

8 POLICY IMPLICATIONS

- 8.1 As outlined in the report.

9 USE OF RESOURCES

- 9.1 As outlined in the report.

10 CLIMATE CHANGE IMPLICATIONS

- 10.1 There are no climate change implications arising directly from this report. Climate Change implications will be considered as part of setting a balanced budget for 2020/21.

BOROUGH OF KETTERING

Committee	EXECUTIVE COMMITTEE	Item 10	Page 12
-----------	----------------------------	------------	------------

11. **RECOMMENDATIONS**

That the Executive Committee;

- a) Note the Council's Medium-Term Financial Strategy and associated guiding principles; and
- b) Note the Treasury Management performance for the period 1st April – 30th September 2019.

Background Papers:
Contact Officers: M Dickenson

Previous Reports/Minutes:
Monthly Durable Budget Reports