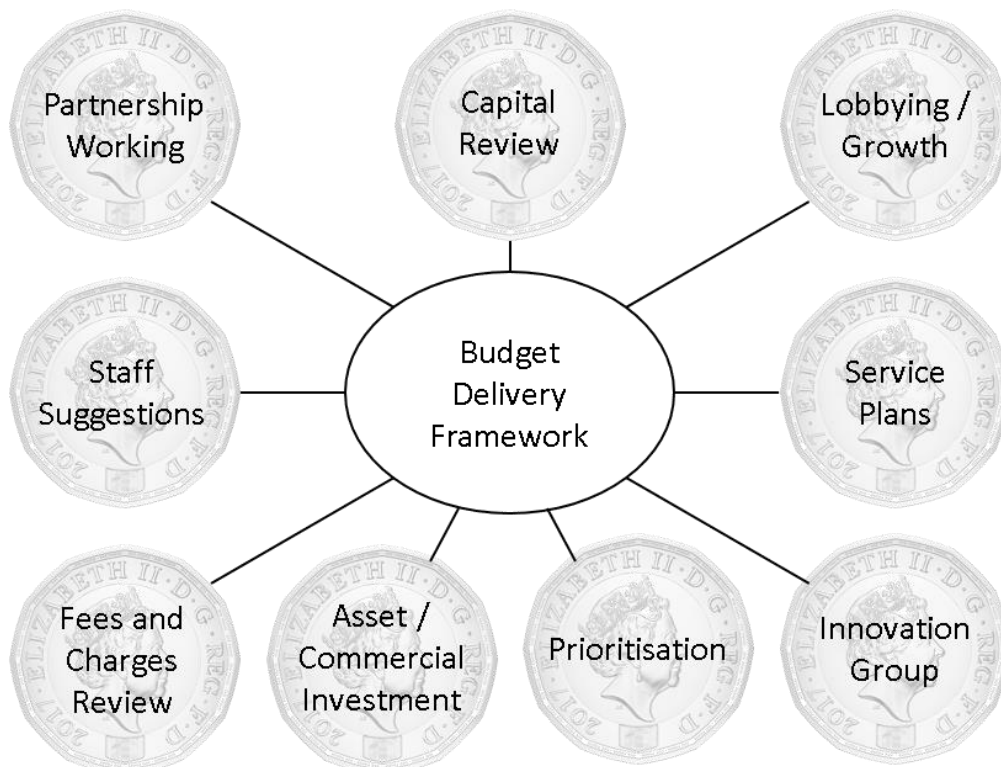


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### Background to the Council's Budget Process, Guiding Principles and Golden Rules

1. The Council's 2019/20 budget was approved by Council at its meeting on 27<sup>th</sup> February 2019. In terms of setting a balanced budget, the Council's strategy to date has been successful, although it has to be stressed that the budget setting process is a paper exercise and all the changes being proposed have to be realised and delivered over the next year if we are to avoid additional strain being placed on the following years' budgets. The budgets for 2019/20 will be closely monitored throughout the year and any variances will be reported to the Executive as part of the Durable Budget report.
2. Members will appreciate that the strategies the Council has adopted over the past few years have generally kept the authority in a good position from which to move forward. In Kettering, our approach ensured that the Council was able to pro-actively deal with the challenges faced through: -
  - ♦ Anticipating and trying to influence major 'Big Ticket' items;
  - ♦ Having a well-motivated and flexible workforce that is pro-active in helping to deliver services.
3. The Council's success in delivering a balanced budget over the past number of years has come from the Budget Delivery Framework however budget reductions of this magnitude are becoming increasingly difficult to maintain. For the Council to remain in the best possible shape in the medium term it will need to ensure that it 'delivers' on all aspects of its budget framework as outlined below:



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4. The Council has already done an impressive job of delivering around £12.8m of budget reductions to date and a further £1.5m were identified as part of setting a balanced budget for 2019/20. The Council's financial 'golden rules' and the financial 'guiding principles' provide a strong basis for the Council's medium-term financial strategy. Both are specifically for the Council's General Fund budgets (revenue and capital) – for ease of reference these are reproduced below:

### **Financial Golden Rules;**

- a. The General Fund Working Balance should not fall below £1m or 10% of net revenue expenditure (whichever is the greater);
- b. When setting the level of council tax, members should always consider the medium-term outlook to ensure that a sustainable budget position is maintained;
- c. The Council must always ensure that adequate funding is provided to cover all its statutory and regulatory responsibilities;
- d. Should the Council decide to allocate significant additional / new funding to a specific service – it should identify where the required funding is coming from (or compensating savings are to be made);
- e. When setting the Capital Programme, in addition to meeting statutory responsibilities, priority will be given to schemes that are beneficial to the council's overall revenue budget position;
- f. The council must ensure that it has an overall level of revenue reserves that are appropriate for the overall level of risks that the organisation faces – including potential national funding changes;
- g. In line with the council's investment strategy, the council will look to invest in schemes that will have a positive impact over the medium term on its budget position including taking out long-term debt financing (where there is an appropriate business case).

### **Financial Guiding Principles;**

- i. When funding for a specific service is reduced / withdrawn (from national government or another provider) the council should not substitute itself as a provider or funder of the service – unless there are exceptional circumstances;
- ii. When considering the Capital Programme, due regard is given to ensure that existing council assets are properly maintained;
- iii. Where decisions are required about the priority of funding for services, the following is followed;

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Priority 1 - Statutory Requirements

Priority 2 – Fit to Council Objectives of;

- ◆ Better Town Centres
- ◆ Better Jobs
- ◆ Better Education Offer

- iv. Continue to seek strategic partnerships with other public sector providers to help protect services for our residents – especially those that help promote economies of ‘scope’ rather than ‘scale’;
- v. To maximise the resources that are available to the authority, the council will continue to actively lobby the Government on relevant issues.

### **Housing Revenue Account Guiding Principles**

5. The HRA Golden Rules and Guiding Principles were approved by the Executive at the meeting on 23<sup>rd</sup> May 2018 for ease of reference they are reproduced below:

#### ***HRA Financial Golden Rules;***

- a. *The Housing Revenue Account Working Balance should not fall below £300,000;*
- b. *When setting the level of rents, members should always consider the national policy position;*
- c. *The Council must always ensure that adequate funding is provided to cover all its statutory and regulatory responsibilities;*
- d. *Should the Council decide to allocate significant additional / new funding to a specific service – it should identify where the required funding is coming from (or compensating savings are to be made);*
- e. *The council must ensure that it has an overall level of revenue reserves that are appropriate for the overall level of risks that the HRA faces – including potential national funding and policy changes.*

#### ***HRA Financial Guiding Principles;***

- i. *When funding for a specific service is reduced / withdrawn (from national government or another provider) the council should not substitute itself as a provider or funder of the service – unless there are exceptional circumstances.*
- ii. *When setting the HRA budgets and considering the HRA Capital Programme, due regard is given to ensure that expenditure protects the long term viability of the Council’s housing stock by making sure the assets*

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*are properly maintained and have the ability to meet the Borough's housing needs.*

- iii. *Where decisions are required about the priority of funding for services, the following is followed;*

*Priority 1 - Statutory Requirements*

*Priority 2 – Investment in Existing Housing Stock*

*Priority 3 – Fit to Housing Strategy of;*

- ♦ Increasing housing supply across all tenures*
- ♦ Ensuring safe and healthy homes, reducing the opportunity for crime and anti-social behavior*
- ♦ Helping people to live independently*

- iv. *Continue to seek strategic partnerships with other public sector providers to help protect services for our residents – especially those that help promote economies of 'scope' rather than 'scale';*

- v. *To maximise the resources that are available to the authority, the council will continue to actively lobby the Government on relevant issues.*

6. The Executive at the April meeting approved *"that the same methodology be applied to the formulation of the 2020/21 budget as it applied to the 2019/20 with particular reliance on:-*

- the financial 'golden rules'*
- the financial 'guiding principles'*
- the existing nine 'workstreams'*

### **Local Government Reform in Northamptonshire**

7. It was previously reported to the Executive that should the government formally approve the creation of two new unitary councils, that the setting of the budgets for the Unitary will be a decision for the shadow authority and that any progress that this Council can make to delivering a balanced budget for 2020/21 would help towards the financial sustainability of the new authority.
8. The Secretary of State on the 14<sup>th</sup> May issued his 'minded to' decision in relation to the future structure of local government. In short, the government's stated preference is: -
- ♦ To replace the current arrangement with two new Unitary Councils (one for the north, one for the west).*
  - ♦ The implementation date being 1st April 2021.*

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- ◆ The above are contingent on a Children's Trust being established on a countywide basis, and progress being made towards moving towards an integrated system for health and adult social care.
9. The statutory process for the creation of the new authorities has not yet formally commenced. This requires the government to lay a bill in parliament (commonly referred to as the Structural Change Order) which then needs to run its course through the parliamentary process. It is likely that the parliamentary process will take two to three months to complete (once the bill is laid).
  10. The potential creation of the two new Unitary Councils does not detract from the legal requirement all eight individual authorities in Northamptonshire to set their own balanced budgets for 2020/21, and plan for a sustainable budget position into the medium term.
  11. The setting of the 2021/22 budget for the new Unitary Councils will be a decision for the shadow authority as part of this process and at the appropriate point it will be necessary to consolidate the Medium-Term Financial Strategies for the District and Borough Councils in the North and to disaggregate the MTFS for the County Council. At this stage it is sensible to continue to show the scale of what needs to be delivered in future years for each of the individual councils which should assist in the Medium-Term financial modelling for the new Unitary Councils.