

## BOROUGH OF KETTERING

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<b>Report Originator</b>	Head of Resources Mark Dickenson	<i>Forward Plan Ref</i> N/A	
<b>Wards Affected</b>	All	4 <sup>th</sup> February 2020	
<b>Title</b>	<b>BUDGET PROPOSALS FOR 2020/21 AND PREPARING FOR THE MEDIUM TERM</b>		

### 1. PURPOSE

- 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 15<sup>th</sup> February 2020.
- 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 2020/21 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 15<sup>th</sup> January 2020 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 2020/21 (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 2 - 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
<b>1</b>	<b>Net Council Budget</b>	11,118	11,148	10,883	10,942	11,062	10,692
<b>2</b>	<b>Forecast Resources:</b>						
	<b>Government Grant</b>						
<b>2a</b>	Revenue Support Grant	0	0	0	0	0	0
<b>2b</b>	Business Rates	(2,484)	(2,524)	(2,524)	(2,524)	(2,524)	(2,524)
	<b>Total Government Grant</b>	<b>(2,484)</b>	<b>(2,524)</b>	<b>(2,524)</b>	<b>(2,524)</b>	<b>(2,524)</b>	<b>(2,524)</b>
	Council Tax / Coll'n Fund	(350)	(100)	(100)	(100)	(100)	(100)
	Income From Council Tax	(6,722)	(6,790)	(6,893)	(6,996)	(7,100)	(7,207)
	<b>Total Resources</b>	<b>(9,556)</b>	<b>(9,414)</b>	<b>(9,517)</b>	<b>(9,620)</b>	<b>(9,724)</b>	<b>(9,831)</b>
<b>3</b>	<b>Budget (Surplus) / Deficit</b>	<b>1,562</b>	<b>1,734</b>	<b>1,366</b>	<b>1,322</b>	<b>1,338</b>	<b>861</b>
<b>4</b>	<b>'efficiencies' Identified</b>	<b>(1,562)</b>	<b>(1,734)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>5</b>	<b>'efficiencies' - To be Identified</b>	<b>0</b>	<b>0</b>	<b>(1,366)</b>	<b>(1,322)</b>	<b>(1,338)</b>	<b>(861)</b>
<b>6</b>	<b>Budget (Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
GENERAL FUND WORKING BALANCE							
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		£000	£000	£000	£000	£000	£000
<b>7</b>	<b>Estimated Opening Balance</b>	1,415	1,415	1,375	1,375	1,375	1,375
<b>8</b>	Town Centre Initiatives	0	40	0	0	0	0
<b>9</b>	<b>Estimated Closing Balance</b>	<b>1,415</b>	<b>1,375</b>	<b>1,375</b>	<b>1,375</b>	<b>1,375</b>	<b>1,375</b>

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 assumptions have been made regarding future council tax increases.

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The small increase in revenue each year reflects anticipated housing growth in the borough.

The level of government grant is known for 2019/20 and in 2020/21 this is shown based on the Provisional Local Government Financial Settlement.

- 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 2021 this is shown in line 2b. The Revenue Support Grant, which is detailed in Line 2a remains at nil in 2020/21.
- 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 2020/21
- 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**

#### **2019/20**

- 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 £14.3m of efficiencies by the end of March 2020

#### **2020/21**

- 3.3 Taken in isolation, at this stage most of the **main issues** are 'known' for 2020/21. The Council's Provisional Financial Settlement for 2020/21 is £2,524,000 which is £40,000 higher than in 2019/20.
- 3.4 Prior to the consideration of any council tax increase, it is estimated that **£1,734,000 of 'efficiencies' will be required**. We will start 2020/21 in a similar position to 2019/20 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 2020/21. 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.

- 3.5 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.
- 3.6 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.
- 3.7 Members will need to consider the medium-term projections and associated risks when deciding a level of council tax for 2020/21. In light of these, officer advice is to consider a council tax increase to the threshold level of £5 for 2020/21 – this would yield an additional £165,000 and would help contribute to the challenging medium terms savings target.
- 3.8 **A capital programme of around £39m** is a significant commitment and clearly demonstrates the Council's continued strategy regarding commercial investments.
- 3.9 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**

#### **2021/22 and Beyond**

- 3.10 The levels of uncertainty and reductions in government funding in the medium term are very significant and should not be understated.
- 3.11 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 cash reductions for this Council of up to £5m over the next few years.
- 3.12 Both the resetting of the Business Rates Baseline and the review of the funding formula could have a significant impact on the Council's Medium-Term Financial Strategy.
- 3.13 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 15<sup>th</sup> January Executive Report).
- 3.14 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**

- 4.1 The formal budget consultation period is from 15<sup>th</sup> January 2020 to 26<sup>th</sup> February 2020 when the Council sets the Council Tax for 2020/21. Comments from this Committee will be reported to the Executive for consideration at its meeting on 19<sup>th</sup> February 2020.

### 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. **CLIMATE CHANGE IMPLICATIONS**

- 9.1 None as a result of this report.

### 10. **RECOMMENDATION**

- 10.1 That the Committee consider the draft budget proposals of the Executive and submit any comments back to the Executive for consideration at the Executive meeting of 19<sup>th</sup> February 2020.