

## BOROUGH OF KETTERING

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<b>Report Originator</b>	Strategic Management Team	<i>Fwd Plan Ref no.</i>	
<b>Wards Affected</b>	All	26 <sup>th</sup> February 2020	
<b>Title</b>	<b>BUDGET PROPOSALS 2020/21 – GENERAL FUND, CAPITAL PROGRAMME, AND HOUSING REVENUE ACCOUNT</b>		

Portfolio Holder – Cllr Lloyd Bunday

### 1. PURPOSE OF REPORT

To report to Full Council the recommendations from the Executive Committee to enable Full Council to make a formal decision in relation to each of the following;

- ◆ The Revised General Fund budget 2019/20 and the General Fund budget 2020/21;
- ◆ The Council Tax level for 2020/21;
- ◆ The Revised Housing Revenue Account budget 2019/20 and the Housing Revenue Account budget 2020/21;
- ◆ The Capital Programme 2019 – 2025;

As part of the formal budget setting process, the Council must approve a statutory 'Council Tax Resolution' – this combines the precepts for all the precepting authorities in Kettering Borough (i.e. the County Council, Kettering Borough Council, Northamptonshire Office of the Police, Fire & Crime Commissioner, Town and Parish Councils) and provides a legal basis upon which to issue Council Tax bills and collect the amounts due.

The report also includes recommendations that were made at the January Executive meeting in relation to the local government reorganisation project.

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## 2. BACKGROUND

- 2.1. On the 15<sup>th</sup> January 2020, the Executive considered a report containing initial budget proposals for 2020/21. Since that meeting, the budget proposals have been the subject of consultation and have been discussed at a number of meetings including the formal Budget Consultation event on 23<sup>rd</sup> January 2020.
- 2.2. At its meeting of 19<sup>th</sup> February 2020, the Executive gave further consideration to the budget proposals (including consideration of comments that had been made through the consultation process) and made specific budget recommendations to the Council including a recommended level of Council Tax for 2020/21.
- 2.3. This report is made up of a number of sections to provide members with a brief resume of the budget setting process and the key issues. The report comprises the following;

Section 2:	Background / Local Government Reorganisation
Section 3:	Key Issues Summary & Guiding Principles
Section 4:	General Fund Budget & the Medium Term
Section 5:	Council Tax Setting
Section 6:	Housing Revenue Account
Section 7:	Capital Programme
Section 8:	Statutory Officers Comments
Section 9:	Recommendations

Appendix A:	Draft Budget Booklet
Appendix B:	Budget Consultation Comments
Appendix C:	Statutory Officer Report
Appendix D:	Formal Council Tax Resolution 2020/21 <b><i>(this will be distributed at the Council meeting itself – all other precepting bodies must have formally approved their respective precepts first).</i></b>

- 2.4 It is worth emphasising the financial background against which this budget is being considered. Local Government has and continues to experience significant reductions in central government grant. By the end of 2019/20, the Council will have delivered efficiency savings (i.e. a combination of savings, service efficiencies, additional income and the positive impact from lobbying on national government policies) of £14.3m since 2010, efficiencies of £1.734m have been identified for 2020/21. Further efficiencies of around £4.9m would be required over the next four years (2021/22 – 2024/25) and delivering savings of this scale would have been a significant challenge.
- 2.5 Members are encouraged to read this report in conjunction with the budget report that was considered by the Executive at its January meeting. Whilst the key issues are covered in this report, the January report provides additional background.

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- 2.6 At the time of considering the draft budget proposals, members of this council must take into account the financial projections for 2020/21 (and the subsequent medium-term projections) when making decisions.
- 2.7 Members are also reminded of the current situation about the potential local government reorganisation in the County, 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.
- 2.9 The Northamptonshire Structural Changes Order 2019 (SCO) – which sets out how the two new unitary authorities will be formed to replace the existing eight councils on 1 April 2021 – was laid before Parliament on 28<sup>th</sup> October 2019. The SCO has now completed its approval journey through Parliament and came into effect on 14<sup>th</sup> February.
- 2.10 All the principle local authorities in the county still have to set their individual budgets for 2020/21 this being their final year of their existence. Clearly, members of all local authorities in the county need to be aware of this major impending decision when considering their council's budget, however it doesn't alter their statutory duties when setting the 2020/21 budgets.
- 2.11 The Council's formal budget consultation period has been running since 15<sup>th</sup> January 2020 and will end on the 26<sup>th</sup> February 2020 (when the Council formally sets the budgets).

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### **3 KEY ISSUES SUMMARY / GUIDING PRINCIPLES**

3.1 For ease of reference, this section of the report provides a summary of the 'key issues' and the 'guiding principles' that have previously been reported to the Executive Committee in both the January and February budget reports.

#### **2019/20**

- ◆ The Council has continued to successfully use the 'budget delivery framework' for the delivery of efficiencies.
- ◆ Since 2010, the Council will have delivered a total of £14.3m of efficiencies by the end of March 2020

#### **2020/21**

- ◆ 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.
- ◆ 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 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.
- ◆ 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.
- ◆ 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.
- ◆ 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.
- ◆ **A capital programme of around £39m** is a significant commitment and clearly demonstrates the Council's continued strategy regarding commercial investments.

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- ◆ 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

- ◆ The levels of uncertainty and reductions in government funding in the medium term are very significant and should not be understated.
- ◆ 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.
- ◆ 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.

#### Other Considerations

- ◆ The projections in all years rest on the Executive’s adherence to the “*Financial Golden Rules and Financial Guiding Principles*”.
- ◆ 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.

3.2 Since 2010, the Council has successfully delivered around £14.3m through ‘efficiencies, savings, and income generation’ – this has been a challenging task. To have a realistic chance of continuing to balance its budget into the medium term, all of the above frameworks must continue to make a positive contribution. One of these sources alone will not provide the mechanism to set a balanced budget, it has to be a balanced approach.

3.3 The Council’s financial ‘golden rules’ and the financial ‘guiding principles’ provide a strong basis for the Council’s medium-term financial strategy. Both of these 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);

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- 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 of 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;  
  
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';

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

3.4 The Council has developed strategies necessary to deal with the changing financial circumstances, the strategies the Council has adopted over the past few years have resulted in the authority being in a much better shape than many others. In Kettering, our approach ensured that the Council was able to pro-actively deal with the challenges faced through: -

- ◆ Anticipating and influencing major 'Big Ticket' items;
- ◆ Having a well-motivated and flexible workforce that is pro-actively delivering change.

3.5 These have allowed us to develop and deliver the strategies necessary to deal with changing financial circumstances including such things as

- ◆ establishing (and sticking to) budget guiding principles;
- ◆ developing a budget delivery solution that suited KBC;
- ◆ finding innovative methods of service delivery.

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**4 GENERAL FUND BUDGET AND THE MEDIUM TERM**

4.1 This section provides a summary of the key issues (and resultant budget figures) for the following;

- ◆ Revised Budget 2019/20
- ◆ Draft Budget 2020/21
- ◆ Medium Term Forecast (and associated key issues)

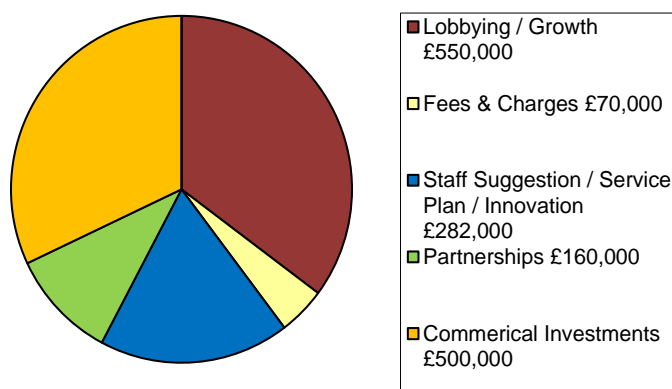
**Revised Budget 2019/20**

4.2 The detail of the revised estimate figures for 2019/20 can be seen by reference to the draft budget booklet Appendix A (Section 1).

4.3 From when the 2019/20 budget was set, Members will recall that additional ongoing ‘efficiencies’ of £1,562,000 were required to set a balanced budget.

4.4 Those ‘efficiencies’ were identified before the budget was formally set and are summarised in Chart 1:

**Chart 1  
Framework Efficiencies for the next Year  
(2019/20)**



4.5 As explained in previous budget reports although we have traditionally referred to the term ‘savings’, in reality these are a combination of efficiencies, savings and income generation. The General Fund budget is currently projected to come in around £350,000 below budget, this is largely as a result of the early delivery of the 2020/21 efficiencies which provides the Council with a good start in delivering next years budget. Table 1 illustrates how the efficiencies in 2019/20 are being delivered.



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<b>Table 1 – Framework Efficiencies 2019/20</b>			
<b>Framework</b>	<b>Additional Income £'000</b>	<b>Reduced Expenditure £'000</b>	<b>Total £'000</b>
Lobbying / Growth	550	0	550
Fees & Charges	70	0	70
Staff Suggestion / Service Plan / Innovation	280	2	282
Partnerships	110	50	160
Commercial Investments	500	0	500
<b>Total</b>	<b>1,510</b>	<b>52</b>	<b>1,562</b>

### **Draft Budget 2020/21**

- 4.6 The Executive Committee have delegated responsibility for the setting of Car Parking charges and at the February meeting the Executive agreed that they would pilot free parking between 3pm and 6pm Monday to Thursday from 1<sup>st</sup> April. The 2020/21 draft budgets reflects this change. As this is a pilot, the Executive Committee agreed that it should be financed through the Council's Economic Development & Regeneration Reserve in 2020/21. If the pilot scheme is deemed to be successful, and were to be made permanent, this would need to be funded from on-going resources and these would need to be identified as part of the following years budget process, ongoing decisions would therefore rest with the new unitary authority.
- 4.7 The Executive Committee considered the draft budget figures and comments that had been made during the budget consultation period when it met on 19 February 2020. The comments are reproduced at Appendix B for information.
- 4.8 The Council will need to continue to keep its key budget assumptions under review throughout 2020/21. These continue to be challenging times and the assumptions used are again likely to require amendment through the year to respond to changes in national policy, in particular: -
- Inflation
  - Interest Rates
  - Delivery of Growth (both economic and housing)

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- Local, national and wider economic issues
- Impact from other public service providers.

4.9 It remains important the Council continues to adhere to the guiding principles which it has set and does not deviate from these, particularly with regard to the Financial Guiding Principles and in particular point i which is reproduced below:

- 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.

4.10 There are a number of more specific service pressures the Council may face in both the short and the medium term. The key ones are summarised in the Swing-o-meter (within Appendix A) and include:

- Recycling
- Homelessness
- Commercial Investments

4.11 The draft budget that the Executive Committee has recommended for approval by Council forms part of the medium-term financial forecast that is shown in Table 2. The budget figures have continued to be resilience tested during the budget period and have remained unchanged to those presented in the January report with the exception of parking charges as detailed in Section 4.6. Notes to the MTFs are provided at Appendix A.

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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 £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
1	<b>Net Council Budget</b>	11,118	11,148	10,883	10,942	11,062	10,692
2	<b>Forecast Resources:</b>						
	<b>Government Grant</b>						
2a	Revenue Support Grant	0	0	0	0	0	0
2b	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>
3	<b>Budget (Surplus) / Deficit</b>	1,562	1,734	1,366	1,322	1,338	861
4	'efficiencies' Identified	(1,562)	(1,734)	0	0	0	0
5	'efficiencies' - To be Identified	0	0	(1,366)	(1,322)	(1,338)	(861)
6	<b>Budget (Surplus) / Deficit</b>	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	<b>Estimated Opening Balance</b>	1,415	1,415	1,375	1,375	1,375	1,375
8	Town Centre Initiatives	0	40	0	0	0	0
9	<b>Estimated Closing Balance</b>	1,415	1,375	1,375	1,375	1,375	1,375

At this stage the levels of efficiencies for 2020/21 have remain unchanged – should the car parking pilot be successful and continue this would increase the efficiencies required in 2021/22.

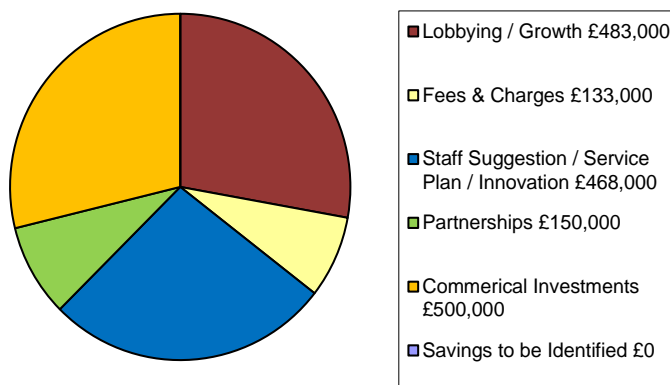
4.12 By reference to Table 2, it can be seen from line 4 that the Council needed to deliver ongoing budget savings of £1,734,000 in order to deliver a balanced budget for the year. The budget delivery framework has continued to be used and savings of £1,734,000 have been identified and formed part of the 2020/21 draft budget proposals.

4.13 The identified savings of £1,734,000 are summarised in Chart 2 and Table 3:

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**Chart 2  
Framework Efficiencies for the next Year  
(2020/21)**



<b>Table 3 – Framework Efficiencies 2020/21</b>			
<b>Framework</b>	<b>Additional Income £'000</b>	<b>Reduced Expenditure £'000</b>	<b>Total £'000</b>
Lobbying / Growth	483	0	483
Fees & Charges	133	0	133
Staff Suggestion / Service Plan / Innovation	385	83	468
Partnerships	0	150	150
Commercial Investments	500	0	500
<b>Total</b>	<b>1,501</b>	<b>233</b>	<b>1,734</b>

4.14 The Council's record in identifying and delivering efficiency savings over the past nine years, including the year under consideration (2020/21), are around **£16m** - as illustrated in Table 4.

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<b>Table 4 – ‘Efficiency’ Savings</b>	<b>£000</b>
2010/11	1,260
2011/12	1,910
2012/13	1,330
2013/14	950
2014/15	1,330
2015/16	1,580
2016/17	1,520
2017/18	1,380
2018/19	1,473
2019/20	1,562
<b>Total</b>	<b>14,295</b>
2020/21	1,734
<b>Total</b>	<b>16,029</b>

### Medium term Forecast

- 4.16 It is expected that over the coming months that the Government will issue three major consultation papers that will have significant implications on how local authority funding operates from 2021 onwards.
- 4.17 The three main consultation papers are on the following:

- **Fair Funding Review**

This is about how the quantum of local authority funding will be allocated between different tiers of local government. In effect, the review will allocate priority spending (based upon things like population, need etc.) alongside government spending priorities.

It is widely anticipated in local government that this review is likely to allocate more funding towards national priority areas such as adult social care, and children’s services rather than be beneficial to the services that borough and district councils provide.

Accordingly, this review poses a major funding risk to local authorities in the medium term.

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### ▪ Business Rates Retention

Following on from the above, the way that the business rate retention scheme operates in the future will have major financial implications for the Council.

As a local authority, we have benefitted well under the present system due to the above average increase in our business base in the borough. This has significantly benefited the Council's revenue budget over the past few years.

The system will be re-based in 2021 (alongside a number of other reforms). This could run a significant risk for local authorities such as Kettering who have been managing to help facilitate significant business growth over the past number of years. It could result in a significant proportion of our increased business rates funding being taken away and effectively re-allocated to other areas as part of this (and the Fair Funding Review). This is a very significant funding risk for the medium term, one that should not be under-estimated.

### ▪ New Home Bonus

New Homes Bonus (NHB) is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas.

Whilst there is no change in the operation of the NHB scheme in 2020/21 and Councils will continue to receive four years-worth of payments there are significant changes in 2021/22 where NHB will only be paid for 2 years (2018/19 and 2019/20) and in 2022/23 NHB will only be paid for one year (2019/20).

The government clearly intends to consider alternative options for incentivising housing growth going forward.

- 4.15 The Council has already done an impressive job of delivering around £14.3m of 'efficiency savings' to date. To have a realistic chance of continuing to balance its budget into the medium term, all of the above frameworks must continue to make a positive contribution – specifically Income from Commercial Investment Schemes, Council Tax and fees and charges. One of these sources alone will not provide the mechanism to set a balanced budget in the medium term, all of them must contribute.
- 4.16 KBC's Council Tax has been frozen since 2010/11. It currently costs the average household £3.07 per week.
- 4.17 Based upon the figures in the Council's Medium-Term Financial Strategy (Table 2) it can be seen that the following levels of savings maybe required over the next few years (prior to the consideration of any increase in council tax);
- ♦ £1,366,000 in 2021/22
  - ♦ £1,322,000 in 2022/23
  - ♦ £1,338,000 in 2023/24 and

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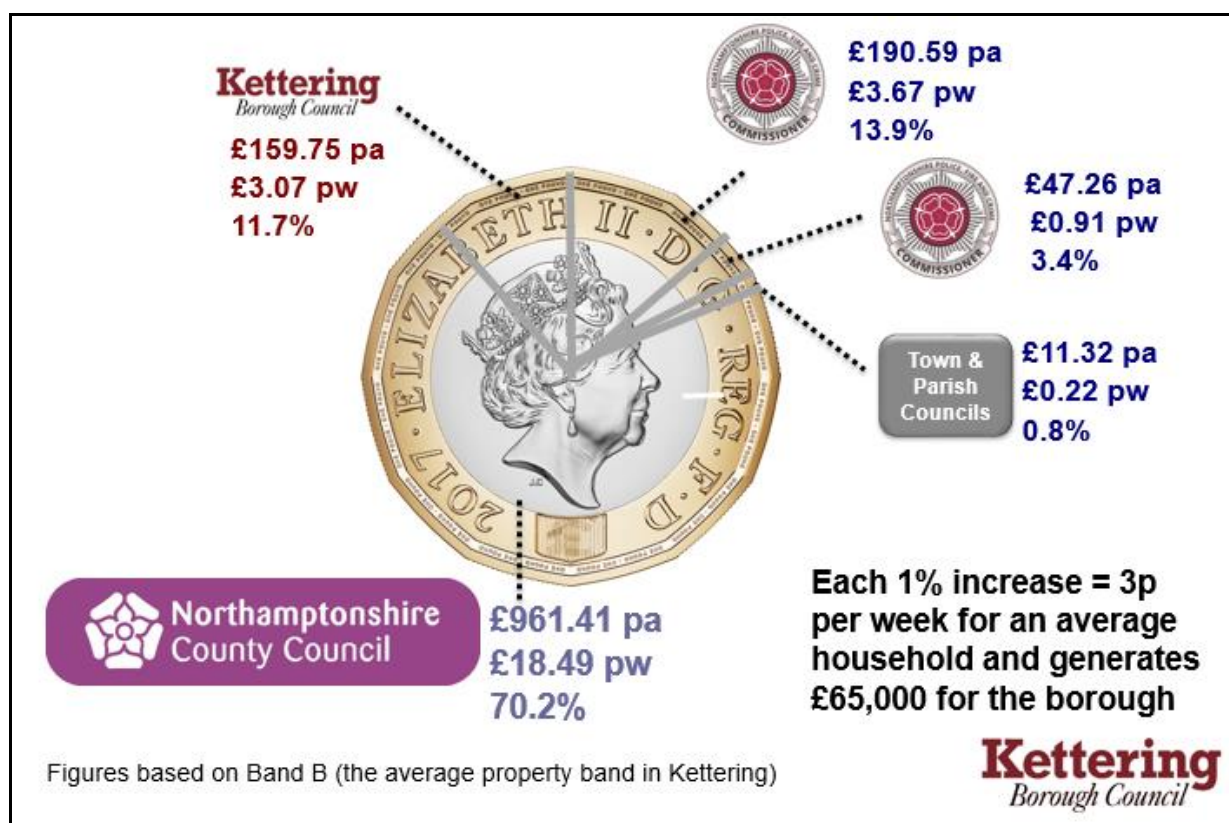
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♦     £ 861,000 in 2024/25

4.18 When setting a balanced budget (and council tax) for 2020/21 members need to give due consideration to all material issues and risks - including those clearly outlined in this report and the reports that were submitted to the January and February Executive Meetings.

### 5 COUNCIL TAX SETTING (2020/21)

5.1 The following illustration was used at the recent budget consultation meeting and serves to remind members of the relative size of the Council tax figures that are under consideration (for the major precepting bodies).



5.2 When deciding upon a preferred level of Council Tax for 2020/21, the Executive Committee were advised to have regard to the following;

- a. The medium-term financial projections for the council's General Fund budget (statutory requirement)
- b. The advice of its professional officers.
- c. The financial (and business) risks that face the authority in the medium term.

5.3 Having taken these into account the Executive Committee have recommended that a 0% increase in Council Tax for 2020/21 be considered by Council at this meeting.

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- 5.4 In 2019/20 the referendum limit for Districts and Boroughs was the higher of a 3% increase or £5 for a Band D property. When announcing the Local Government Finance Settlement for 2020/21 the referendum limit for Districts and Boroughs was announced as being the higher of a 2% increase or £5 for a Band D property.
- 5.5 For Kettering Borough Council this means the referendum limit is an increase of £5 (2.4%) as 2% would represent an annual increase of £4.11 per Band D property. A £5 increase is equivalent to an increase of 10p per week for a Band D property. The average Band in Kettering Borough is a Band B and this would represent an increase of 8p per week – and would generate additional council tax income of around £165,000 during 2020/21.
- 5.6 Although the draft budget figures for 2020/21 currently show a balanced budget (at the same level of council tax), the increasing medium-term pressures / risks clearly indicate that a continuation of the council's previous council tax freeze 'policy' would be difficult to sustain in the medium term – if local government reorganisation were not taking place.
- 5.7 Following the established practice of previous years, the Council's medium-term financial strategy (shown in Table 2) is shown prior to the consideration of any Council Tax increases.
- 5.8 Table 5 summarises the real terms impact of Council Tax freezes. If the current rate of inflation is used as a reference point, in effect local residents have experienced a real terms reduction in their local council tax for Kettering Borough Council of around 18% for the 9-year period.

<b>Table 5</b>	<b>Actual / Estimated Inflation Rate</b>	<b>Council Tax Increase</b>	<b>Cumulative Real Terms Reduction</b>
2011/12	4.80%	0.00%	4.80%
2012/13	2.70%	0.00%	7.50%
2013/14	2.10%	0.00%	9.60%
2014/15	1.00%	0.00%	10.60%
2015/16	0.10%	0.00%	10.70%
2016/17	1.50%	0.00%	12.20%
2017/18	2.80%	0.00%	15.00%
2018/19	2.10%	0.00%	17.10%
2019/20	1.30%	0.00%	18.40%

- 5.9 The overall scale of budget reduction continues to be very significant. Collectively the Council has coped well by delivering a balanced budget despite having no council tax increase, no cuts to front line services, and no reduction to overall funding for the voluntary sector since 2011/12. This has only been achievable by following the budget guiding principles and making sure that other income sources, such as fees and charges, are harvested in line with their previously agreed guiding principles –



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this would have been an important part of the Council's budget moving forward, especially in relation to income generation and this is clearly evidenced by reference to Table 3 which shows that around 86% of the efficiency savings for 2020/21 are being delivered through additional income.

- 5.10 When considering the medium term, the scale of risks have clearly been outlined in previous budget reports and the scale of the savings targets from 2020/21 should be fully considered and should also consider the context of what has been delivered (£14.3m) what is being delivered (£1.734m) and what would need to be delivered (£4.9m).
- 5.11 Although through this budget process members will only be setting a level of council tax for 2020/21, this should be done by reference to the medium term and the risks faced – such risks and issues will still exist for the new North Northamptonshire Unitary Council when it comes into being on 1<sup>st</sup> April 2021.
- 5.12 To comply with best practice, the Council's Statutory Officers have a responsibility to provide a commentary on the budget (and the underlying assumptions). This is produced at Section 8 and is supplemented by the required Statutory Statement by the Council's Responsible Financial Officer (Appendix C).
- 5.13 At the meeting of 19<sup>th</sup> February 2020, the Executive recommended a 0% increase in Council Tax for 2020/21. Table 6 illustrates the proposed levels of council tax for each council tax band for Kettering Borough Council's budget based upon this recommendation from the Executive;

<b>Band</b>	<b>A</b>	<b>B*</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
Increase per week (rounded to nearest pence)	0.00p	<b>0.00p</b>	0.00p	0.00p	0.00p	0.00p	0.00p	0.00p
Proposed Weekly Council Tax for 2019/20	£2.63	<b>£3.07</b>	£3.51	£3.95	£4.83	£5.70	£6.58	£7.90
Proposed Annual Council Tax for 2019/20	£136.93	<b>£159.75</b>	£182.57	£205.39	£251.03	£296.67	£342.32	£410.78
<b>Increase</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
* Represents the average level of the household bill within the District relating purely to Kettering Borough Council's budget.								

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### Council Tax Resolution

- 5.14 The figures included in the above table are in relation to the proposed levels of Council Tax for Kettering Borough Council only.
- 5.15 The Council Tax for the County Council will be set at its meeting on 20<sup>th</sup> February. The recommendation being considered by the County Council is for an increase of 3.99% in Council Tax. The Council Tax referendum principles for 2020/21 were announced alongside the Final Local Government Finance Settlement, and the maximum increase for the County Council is 4% this consists of 2% in the core Council Tax and 2% for the adult social care precept.
- 5.16 The Police Fire and Crime Commissioner have already approved an increase in their Council Tax. The Police have approved an increase in their Council Tax of £10 for a Band D Property equivalent to 4.08% - this is the maximum increase without the need to hold a referendum for 2020/21. The Fire Authority have already approved an increase in their Council Tax of 1.99% for 2020/21 for a Band D this is an increase of £1.21. The maximum increase without the need to hold a referendum for the Fire Authority is a 2% increase.
- 5.17 These precept figures from all the precepting bodies will be combined into a formal Council Tax Resolution that requires approval by the Council (as the Collection Authority). ***The resolution will constitute Appendix D of this report and will be distributed at the Council meeting itself.***
- 5.18 Table 7 below illustrates what the average Council Tax Bill would be in 2020/21 if the County Council and Borough Council approve its recommendations.

Table 7	Increase	New Weekly		New Yearly	
		Amount	Increase	Amount	Increase
		Northants County Council	3.99%	£19.23	£0.74
Kettering Borough Council	0.00%	£3.07	£0.00	£159.75	£0.00
NPFCC - Fire	1.99%	£0.93	£0.02	£48.20	£0.94
NPFCC - Police	4.08%	£3.81	£0.15	£198.36	£7.77

*NB – The above figures are based on Band B Council Tax (which is the average Council Tax in Kettering Borough).*

- 5.19 Based upon the above, the combined Council Tax bill that Kettering Borough Council will issue to residents of the borough (as the 'Billing Authority') on behalf of the three major precepting bodies will show an overall increase of 3.46% for 2020/21. Residents who are in Town or Parish areas will also see the impact of any changes in the respective Town and Parish Council precepts and Table 8 summarises the Town / Parish Council's precepts for 2020/21, these amounts will be included in the formal Council Tax Resolution.

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<b>Table 8</b>			
<b>Parish</b>	<b>Precept 2019/20</b>	<b>Precept 2020/21</b>	<b>Percentage Change</b>
	<b>£</b>	<b>£</b>	<b>%</b>
Ashley	6,730	6,730	0.0
Barton Seagrave	70,000	70,000	0.0
Brampton Ash	1,000	1,000	0.0
Braybrooke	6,200	7,000	12.9
Broughton	14,000	14,000	0.0
Burton Latimer	63,120	110,000	74.3
Cranford	9,000	9,800	8.9
Cransley	6,800	7,300	7.4
Desborough	76,016	74,999	(1.3)
Dingley	4,946	5,055	2.2
Geddington, Newton, Little Oakley	20,000	20,000	0.0
Grafton Underwood	2,100	2,100	0.0
Harrington	3,100	4,350	40.3
Loddington	6,000	6,500	8.3
Mawsley	80,000	70,000	(12.5)
Pytchley	12,000	13,271	10.6
Rothwell	66,000	66,000	0.0
Rushton	6,000	6,700	11.7
Stoke Albany	3,450	3,615	4.8
Sutton Bassett	1,300	1,300	0.0
Thorpe Malsor	2,000	2,000	0.0
Warkton	1,000	1,500	50.0
Weekly	1,500	1,500	0.0
Weston by Welland	2,040	2,040	0.0
Wilbarston	12,000	12,000	0.0
<b>Total</b>	<b>476,302</b>	<b>518,760</b>	<b>8.9</b>

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### 6 HOUSING REVENUE ACCOUNT (2020/21)

- 6.1 The Housing Revenue Account (HRA) budget for 2020/21 is contained at Appendix A (Section 2).
- 6.2 In accordance with the Council's Constitution, although the Executive will be recommending the HRA budget for 2020/21 to full Council for approval, the Executive meeting on 19<sup>th</sup> February 2020 formally approved an increase of 2.70% (September's CPI 1.7% + 1%). in the average level of Council housing rents for 2020/21 (in line with Central Government Guidance). The increase is effective from 6<sup>th</sup> April 2020 and will result in the average weekly rent increasing to £80.96. The draft HRA budget included an average rent increase of 2.70%.

### 7 CAPITAL PROGRAMME (2020/21)

- 7.1 The detailed capital budgets for the period 2019 – 2025 are contained at Appendix A (Section 3).
- 7.2 The draft Capital Programme was reported to the Executive as part of the initial budget proposals in January and has since been the subject of consultation and further review. There are no changes to the draft Capital Programme to that presented to the January Executive meeting, the programme being recommended to Council is summarised in Table 9.

<b>Table 9 - Capital Programme</b>	<b>Draft Budget 2020/21</b>	<b>Indicative Estimate 2021/22</b>	<b>Indicative Estimate 2022/23</b>	<b>Indicative Estimate 2023/24</b>	<b>Indicative Estimate 2024/25</b>
	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>					
HRA Schemes	8,719	4,244	4,333	4,113	4,198
General Fund Schemes	30,471	26,442	27,832	24,942	23,182
	<b>39,190</b>	<b>30,686</b>	<b>32,165</b>	<b>29,055</b>	<b>27,380</b>
<b>Financing</b>					
Capital Receipts	2,857	1,689	1,698	1,396	1,396
Prudential Borrowing	27,891	25,742	26,942	24,292	21,792
Revenue Contribution	5,131	2,755	3,025	2,867	3,692
Grants and Contributions	3,311	500	500	500	500
	<b>39,190</b>	<b>30,686</b>	<b>32,165</b>	<b>29,055</b>	<b>27,380</b>

- 7.3 The Prudential Code introduced a requirement for local authorities to produce an annual capital strategy this Strategy is also being considered at this meeting of Full Council (see report 10 on this agenda).
- 7.4 The financing estimate for borrowing for 2020/21 is £27.9m. The main contributor to the borrowing costs is the increased commercial investment budget. The additional

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revenue from these investments is shown net of MRP and borrowing costs. To finance such investments the Council will need to borrow externally in accordance with the Council's Treasury Management Strategy (see report 11 on this agenda).

### **8 STATUTORY OFFICERS COMMENTS**

- 8.1 To comply with best practice, the Council's Statutory Officers have a responsibility to provide a commentary on the budget (and the underlying assumptions) in the report that is considered by full Council on 26<sup>th</sup> February 2020.
- 8.2 The commentary is different to that of previous years, the SCO has now completed its approval journey through Parliament and came into effect on 14<sup>th</sup> February, meaning that this will be the last budget setting process for this Council and the other sovereign Councils in Northamptonshire – before the two new unitary councils come into being on 1<sup>st</sup> April 2021.
- 8.3 Despite the significant changes that this brings to local government across Northamptonshire, all the principle local authorities in the county still have to set their individual budgets for 2020/21, this being their final year of their existence.
- 8.4 Clearly, members of all local authorities in the county need to be aware of this major impending decision when considering their council's budget, however it doesn't alter their statutory duties when setting the 2020/21 budgets. The comments made in this section refer specifically to Kettering Borough Council but will nonetheless be a consideration for the Unitary Council going forward.
- 8.5 Members are reminded that the Council has identified and delivered efficiency measures of £14.3m over the ten-year period 2010/11 – 2019/20, and further efficiency measures of £1.734m have been identified for 2020/21. The total over the past 11 years amounts to around £16m.
- 8.6 Based on the assumptions applied to the Council's Medium Term Financial Strategy, in the years after 2020/21 **additional annual on-going savings in the region of £1,250,000** would be required – this would add up to around £5m over the medium term which is on top of the £16m ongoing savings achieved since 2010. This would have been a very significant challenge for this Council – had the local government landscape not changed. The Council would have needed to ensure that progress was made on all elements of its budget framework if a balanced budget were to be achievable into the medium term.
- 8.7 If the Council were to deliver a balanced budget in the medium term, in addition to continuing to make progress on 'commercial investments' it would need to seriously consider its main sources of income (Council Tax, Fees and Charges) at the same time as starting to consider its priorities for services (and levels of services).
- 8.8 Members' attention is specifically drawn to the comments made in Section 5 in this report, in relation to Council Tax levels and considerations. Whilst decisions about the level of Council Tax are ultimately a political choice – such decisions need to be

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made in full appreciation of the medium-term financial projections and associated risks. The Council Tax has been frozen for the past nine years – it is difficult to see how this could have continued throughout the medium term without other elements of the budget having to give.

- 8.9 The Governments consultation on the Fair Funding Review will look at what factors should initially drive the allocation of government core funding to each local authority – principally looking at factors, which drive ‘need’. This will be a very important review for all sectors of local government and will be the basis for determining the levels of Government Grant for authorities from 2021/22.
- 8.10 It is widely anticipated in local government that this review is likely to allocate more funding towards national priority areas such as adult social care, and children’s services rather than be beneficial to the services that borough and district councils provide
- 8.11 A 75% Business Rates Retention Scheme is due to be implemented from April 2021 – whereby the local share for Business rate retention is to increase from 50% to 75%. The Government have indicated that they are minded to do a full reset when setting the Business Rates Baseline (being the point from which growth is measured). This is likely to have a significant impact on authorities such as Kettering who have delivered significant Business Rates growth in their areas, as they are unlikely to receive future benefits for the levels of growth already delivered through the Business Rates Retention Scheme.
- 8.12 Rather than see the benefits of growth they are likely to find they will have a higher Business Rate Baseline and in effect this will mean they are penalised financially for delivering growth. The extent nationally of having a full reset in 2021/22 could see growth of around £2.4bn being removed from the system and redistributed based on the Fair Funding Review this may not benefit the Districts and Boroughs.
- 8.13 The Council prudently created a Business Rates smoothing reserve which would help mitigate national changes to the Business Rates Retention scheme – this strategy would have been required over the coming years as the Business Rates scheme is reset.
- 8.14 The potential ramifications of changes to the Fair Funding Review and Business Rates Retention scheme should not be understated – there have been very few (if any) major changes in funding mechanisms over recent years that have actually resulted in local authorities particularly Districts and Boroughs being better off financially in the medium term. It would be prudent to assume the same in relation to Business Rates and the Fair Funding Review.
- 8.15 The stronger the Council Tax yield – the greater the flexibility to deal with the budget pressures in the medium term (and the associated risks).
- 8.16 Members should be aware that the indicative savings levels for the period 2020/21 onwards are subject to a number of high-level assumptions – these include

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assumptions about the future level of Government Grant, Retention of Business Rates, income from the New Homes Bonus Scheme and Commercial Investments.

- 8.17 It is important to note that, although members have a statutory duty to consider the medium term when setting the 2020/21 budget and council tax, they will only be setting the budget and council tax for 2020/21. Levels of council tax for future years cannot be set in advance by the council.
- 8.18 Clearly the decision around Council Tax levels from 2021/22 will be a decision for the new North Northamptonshire Unitary Council. Future year's decisions can only be taken at the appropriate time and only once all of the financial and business risks have been analysed, understood and discussed.
- 8.19 The period from 2021/22 brings unprecedented change for local government in Northamptonshire this along with the changes to the national financial landscape brings much uncertainty for the reasons outlined in this report. The risks are significant for the local government sector as a whole and in coming to a decision about council tax for 2020/21, members will need to carefully consider the balance that would have needed to be struck between providing sufficient financial flexibility to deal with the challenges faced in local government funding.
- 8.20 The clear advice from the professional officers of the Council is that members should consider increasing the level of council tax for 2020/21 by the threshold limit amount (i.e. £5). Taking into account the significant financial risks that the council would have faced in 2021, this is the most prudent course of action to take.

### **9 FUTURE NORTHANTS / BUSINESS RATES**

- 9.1 The Budget report to the January Executive Committee considered the following two issues, for each of these there has been a recommendation by the Executive to Council;
- ◆ Business Rates Pilot Board and
  - ◆ Funding of Local Government Reform

#### **Business Rate Pilot Board**

- 9.2 The current Business Rates Retention Scheme took effect from 1 April 2013 and allowed authorities that experience a growth in business rates income (above treasury targets) to retain some of the money. The growth would be subject to a levy payment to the Government.
- 9.3 Members will recall that Kettering administers the Pool on behalf of the Northamptonshire authorities. The Northamptonshire pool has been successful in that it has allowed the pool members to retain more funding because the 'levy' that has to be paid to the Government (on business rates growth) is lower in such an aggregate pool position.

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- 9.4 Members will recall that the Northamptonshire Business Rates Pool was selected to be a Pilot for 75% Business Rate Retention along with 14 other Pools. Becoming a Pilot in 2019/20 for 75% Business Rates Retention enabled more of the growth to be retained locally - which was good news for Northamptonshire. The financial benefit for the Northamptonshire Business Rates Pool is estimated to be around £20m. The additional financial benefit from being a Pilot is being used to fund a number of transformation projects across Northamptonshire as set out in the application form.
- 9.5 The application and the governance arrangements also described how the money would be managed, that is there would be a joint board, comprising officers and members from each of the county, borough and district councils, which would make allocation decisions for how the additional funds would be used.
- 9.6 In order for the governance arrangements to function in line with this, it is necessary to formally delegate powers to the Council's representatives and, therefore, the Executive recommended to Council that the Leader of the Council and the Managing Director represent the Council on the Business Rates Pilot Board, and be given authority, in consultation with the S151 Officer, to determine proposals for the allocation of business rates, in line with the specified projects approved by the Secretary of State for Housing, Communities and Local Government. The same delegations are also being formalised / approved by each of the other seven local authorities.

### **Funding of Local Government Reform**

- 9.7 Members will recall that at the extraordinary meeting of Full Council at the end of August 2018, it was agreed that all eight local authorities in the County would initially contribute £500,000 each towards the cost of moving the unitary programme forward.
- 9.8 It was previously reported that should the government formally approve the creation of two new unitary councils it was anticipated that this figure will need to be supplemented in due course and any additional funding would need to come from reserves.
- 9.9 An integrated plan for Local Government Reform and Transformation in Northamptonshire titled 'Prospectus for Change' was published last summer. This document set out the projected costs which amount to £44.4m and are subject to the Government approving the SCO – should the SCO be approved then each of the eight Council's would be required to make a further contribution of up to £1.9m – meaning a total contribution of up to £2.4m. Council approval is required as this Council's contribution will be funded from the Organisational reserve (due to the one-off nature), it does not form part of the base revenue budget.



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### 10 CLIMATE CHANGE

10.1 In effect, this budget report costs all the Councils activities and services and combines the individual budgets so that the Council can meet its statutory responsibilities in relation to setting a budget and council tax level. The Council's commitment to climate change actions have been the detail of a report to a recent Executive meeting and the actions and policies that are relevant to the Council have been included within the budget workings (where applicable).

### 11. RECOMMENDATIONS

#### **That Council approve:**

1. The General Fund Revised Budget (2019/20) and the General Fund Budget (2020/21) (as detailed at Appendix A Section 1);
2. The HRA budget for 2020/21 (as detailed at Appendix A Section 2);
3. The Capital Programme for 2019 – 2025 (as detailed at Appendix A Section 3);
4. The Council Tax Resolution for 2020/21 (as detailed at Appendix D);
5. That the Leader of the Council and the Managing Director represent the Council on the Business Rates Pilot Board, and be given authority, in consultation with the S151 Officer, to determine proposals for the allocation of business rates, in line with the specified projects approved by the Secretary of State for Housing, Communities and Local Government.
6. That responsibility is delegated to the Managing Director (in consultation with the leader and the S151 Officer) to contribute up to £2.4m in total to the Future Northants Programme in order for the Local Government Reorganisation project to proceed in line with legislative requirements.

#### **That Council receive:**

7. The Medium-Term Financial Forecast (as detailed in Table 2)
8. The report of the Statutory Officer (as detailed at Appendix C).

Background Papers:

Previous Reports/Minutes:

Title of Document: Estimate Working Papers  
Contact Officers: M Dickenson

Ref: Exec Report 15/01/20,19/02/20