

Budget Consultation



*“Making the Borough
of Kettering number
one in the eyes of
local people”*

27th January 2011

Kettering
Borough Council

Time	What	Why	Who
7:00 – 7:05	Welcome and Introductions	To welcome everybody and introduce Members and Officers	Cllr James Hakewill
7:05 – 8:00	Budget Presentation – to include; a. Technical presentation b. Interactive Questions c. Questions on the presentation	To provide a comprehensive technical briefing on the Council’s draft budget and the key issues.	Officers
8:00 – 8:55	General Question and Answer Session about Council priorities, policies and ambitions for the area, including; a. Budget Guiding Principles b. Modelling for Recovery c. Budget Containment Strategies Also including the key priorities of; a. Better town centres b. Better education offer c. Better employment offer	To provide an opportunity to debate with members on key policy issues	Members (to answer questions about objectives, policy, priorities) Officers (to answer questions on any technical issues)
8:55	Thank you for attending	To conclude the meeting	Cllr James Hakewill
9:00	Close of Meeting		

What level of efficiency savings did KBC achieve in the past few years?
(prior to this one)

- ◆ A. £480,000
- ◆ B. £630,000
- ◆ C. £850,000
- ◆ D. £1,900,000

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Of the following places which is growing their business base at over twice the national average?

- ◆ A. Kettering
- ◆ B. Cambridge
- ◆ C. Oxford
- ◆ D. Manchester

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- ◆ D. Manchester

How much has Kettering's business base increased over the last four years?

- ◆ A. 39%
- ◆ B. 6%
- ◆ C. 15%
- ◆ D. 24%

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What is Kettering Borough Council's Annual Gross budget?

- ◆ A. £14m
- ◆ B. £40m
- ◆ C. £70m
- ◆ D. £7m

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Context

- ◆ Turnover £70m per year
- ◆ Companies Act = Large Company
- ◆ Over 100 services to over 100,000 people
- ◆ Third largest business in the Borough

How we spend our money



**General
Fund
Account
£49.0m**



**Housing
Revenue
Account
£13.5m**



**Capital
Programme
£7.5m**

£70.0m

Context

- ◆ Council Tax is below the national average, whilst performance remains consistently above average;
- ◆ Service delivery in priority areas continues to improve and is above average;
- ◆ Future financial position is ‘difficult but doable’ – the main uncertainty being future levels of Central Government Grant;

How much is the average weekly Council Tax for Kettering Borough Council?

- ◆ A. £ 2.89
- ◆ B. £ 3.07
- ◆ C. £15.38
- ◆ D. £21.34

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◆ C. £15.38

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Council Tax: we keep how much?



£150.27 pa

£2.89 pw

14%

Kettering
Borough Council

£159.75 pa

£3.07 pw

14%



Northamptonshire
County Council

£799.64 pa

£15.38 pw

72%

Each 1% increase = 3p
per week for an average
household and generates
£64,000 for the borough

Figures based on Band B (the average property band in Kettering)

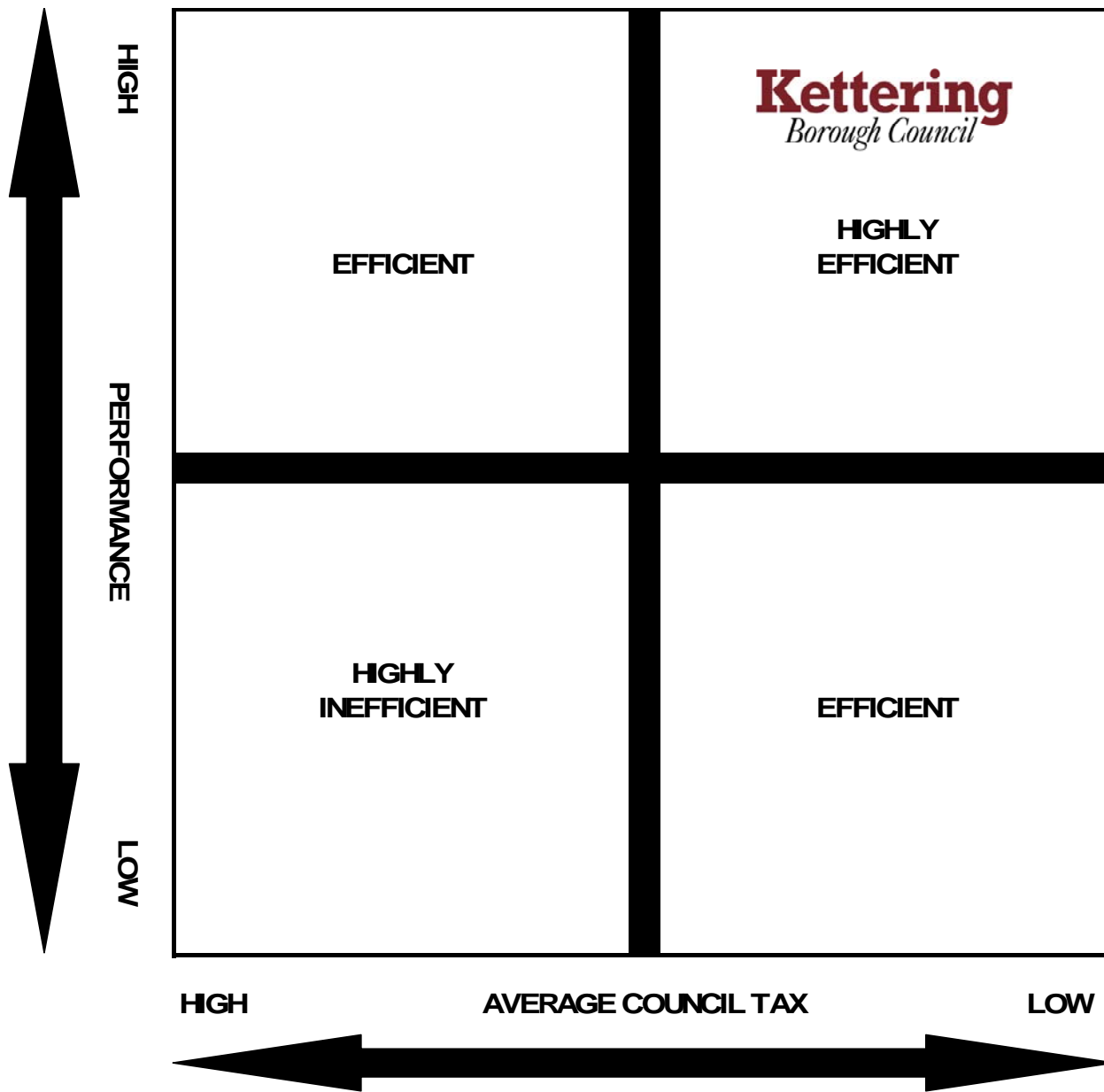
Kettering
Borough Council

Compared to other councils in the country is Kettering Borough's Council Tax?

- ◆ A. One of the most expensive
- ◆ B. Above the average
- ◆ C. Below the average
- ◆ D. One of the cheapest

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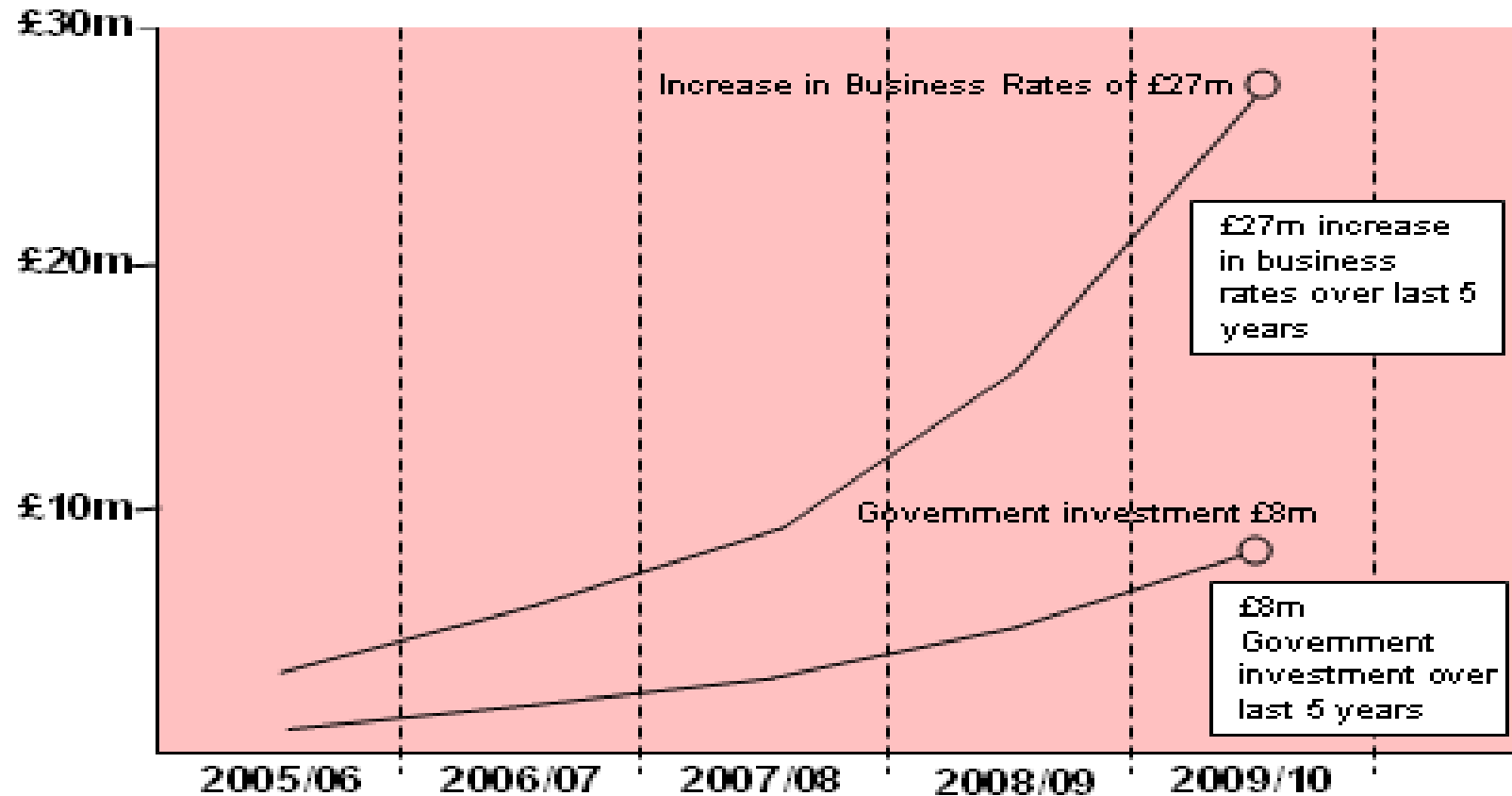
Kettering Borough Council collects local business rates, but where do they go?

- ◆ A. Central Government
- ◆ B. Kettering Borough Council
- ◆ C. Chamber of Trade
- ◆ D. Shared between Kettering Borough Council / Northamptonshire County Council / Police Authority

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Increase in Business rates – return on investment



BOROUGH OF KETTERING

Committee	EXECUTIVE	Item 10	Page 1
Report Originator	Paul Sutton Head of Finance	Fwd Plan Ref No: A10/001	
Wards Affected	All	19 January 2011	
Title	INITIAL BUDGET PROPOSALS FOR GENERAL FUND, HOUSING REVENUE ACCOUNT AND CAPITAL 2011/12		

Portfolio Holder: Cllr J Hakewill

1 PURPOSE OF REPORT

The purpose of this report is to outline the draft budget figures for the Council's three main accounts for 2011/12 and to start the formal budget consultation process.

2 CONTENTS

2.1 The report contains the following sections:

- Introduction
- Guiding Principles
- Current Years Budget Position
 - ◆ General Fund
 - ◆ Capital Programme
 - ◆ Housing Revenue Account
- Funding Implications
 - ◆ Grant Settlement
 - ◆ Council Tax
- 2011/12 Draft Budget
 - ◆ Draft General Fund Budget 2011/12
 - ◆ Service Pressures
 - ◆ Financial Markets
 - ◆ Budget Delivery Framework
 - ◆ Closing the Budget Gap
 - ◆ General Fund Balance & earmarked Reserves
 - ◆ Draft Capital Programme 2011 – 2014
 - ◆ Capital Key Messages, Funding & Budget Issues
 - ◆ Draft Housing Revenue Account (HRA) 2011/12
 - ◆ HRA Key Messages, Budget Issues & Risks
- Key Issues Summary

Golden Rules

- ◆ Financial Strategy Guiding Principles
(para 4.5, page 10)
- ◆ Modelling for Recovery Principles
(para 4.7, page 11)
- ◆ Budget Containment Strategy
(para 4.9, page 12)

Current Year (2010/11)

- ◆ Housing Revenue Account
(para 5.2, page 13)
- ◆ Capital Programme
(para 5.3, page 13)
- ◆ General Fund
(para 5.4 and 5.5, page 14)

How much has the Council saved in 2010/11?

- ◆ A. £ 258,000
- ◆ B. £ 511,000
- ◆ C. £1,037,000
- ◆ D. £1,261,000

How much has the Council saved in 2010/11?

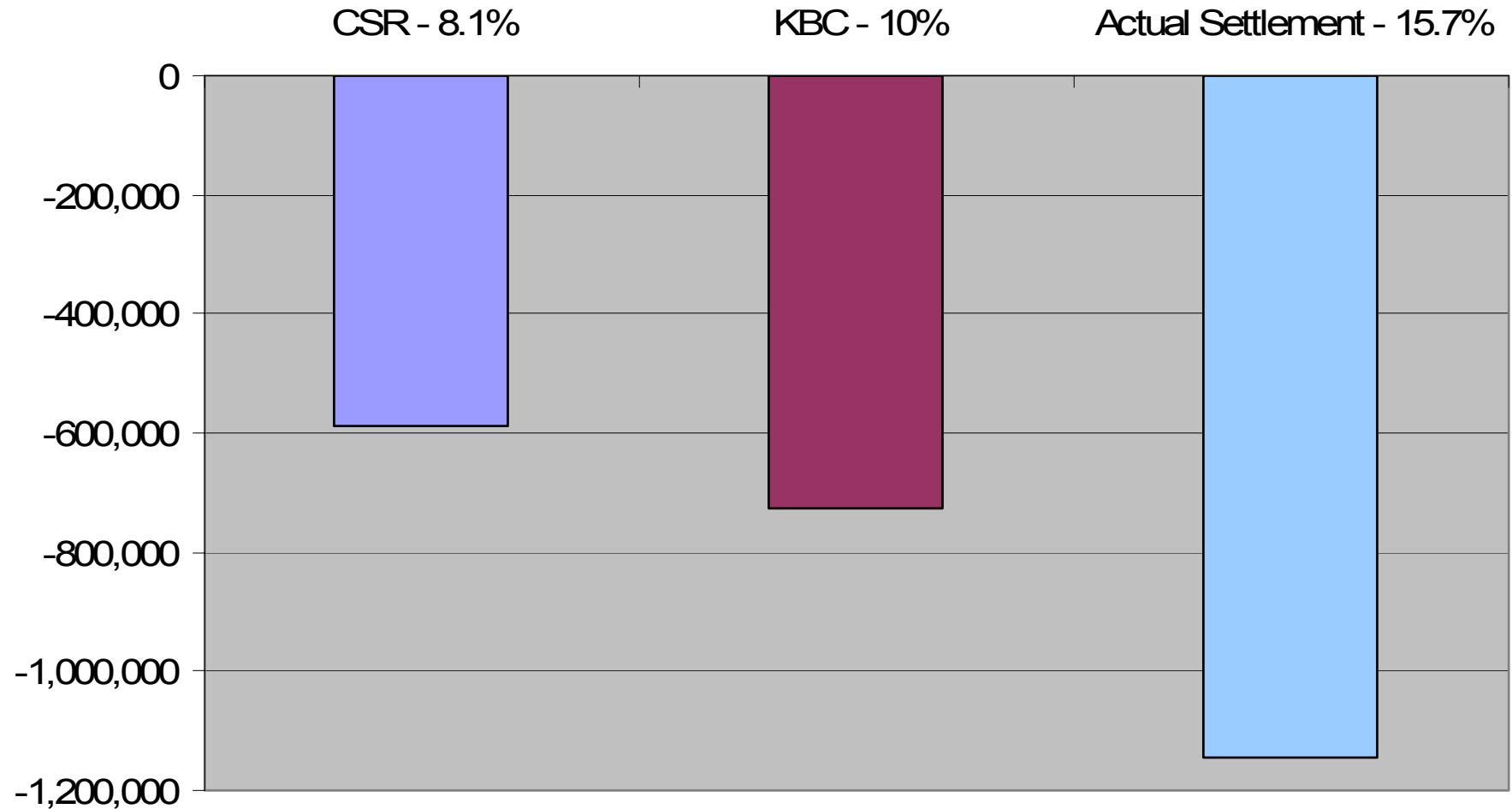
◆ A. £ 258,000

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Grant Assumptions / Actual



In addition to the 15.7% decrease in Grant for 2011/12 what is the likely decrease for 2012/13?

- ◆ A. 14.4%
- ◆ B. 8.8%
- ◆ C. 9.5%
- ◆ D. 11.2%

In addition to the 15.7% decrease in Grant for 2011/12 what is the likely decrease for 2012/13?

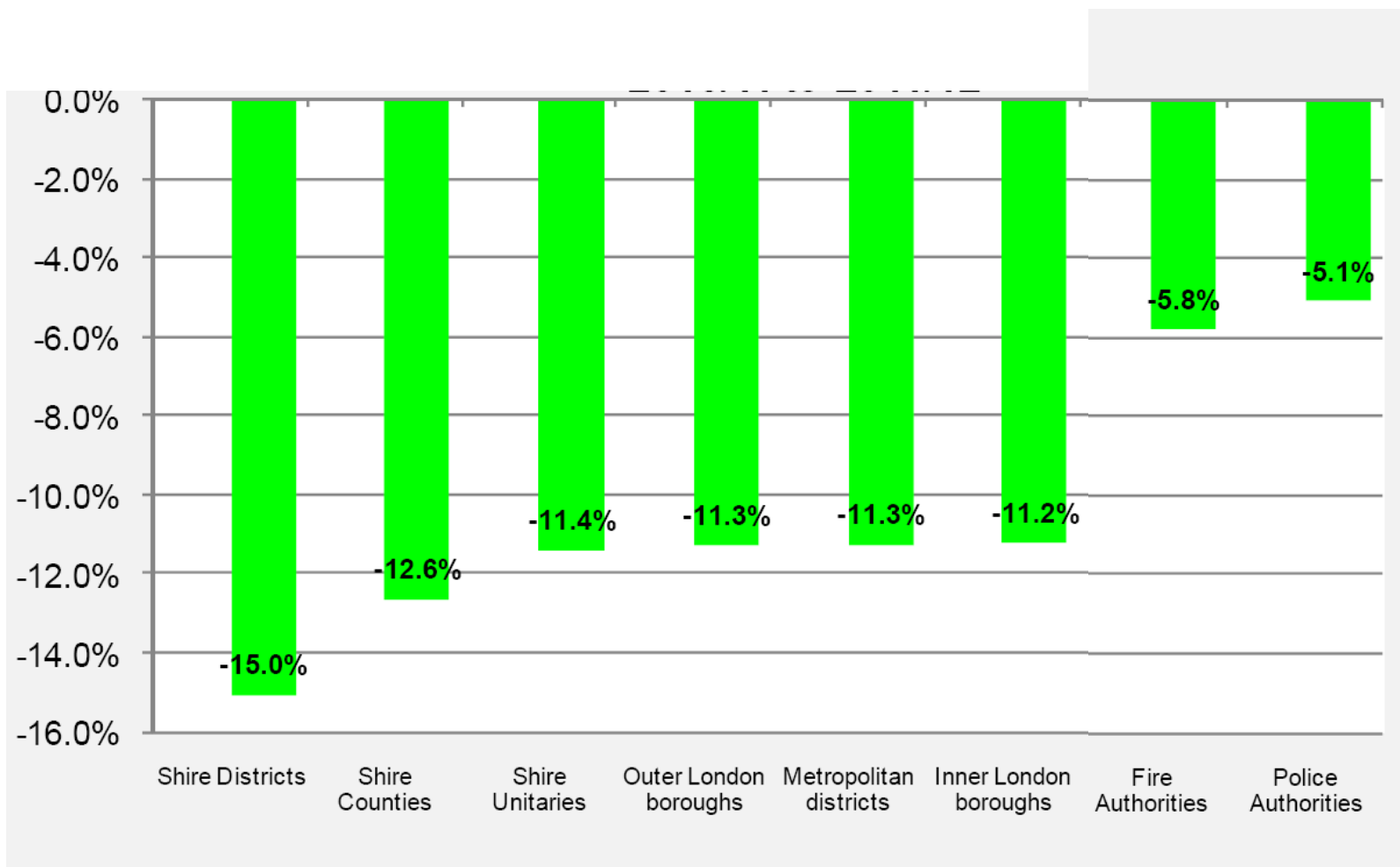
◆ A. 14.4%

◆ B. 8.8%

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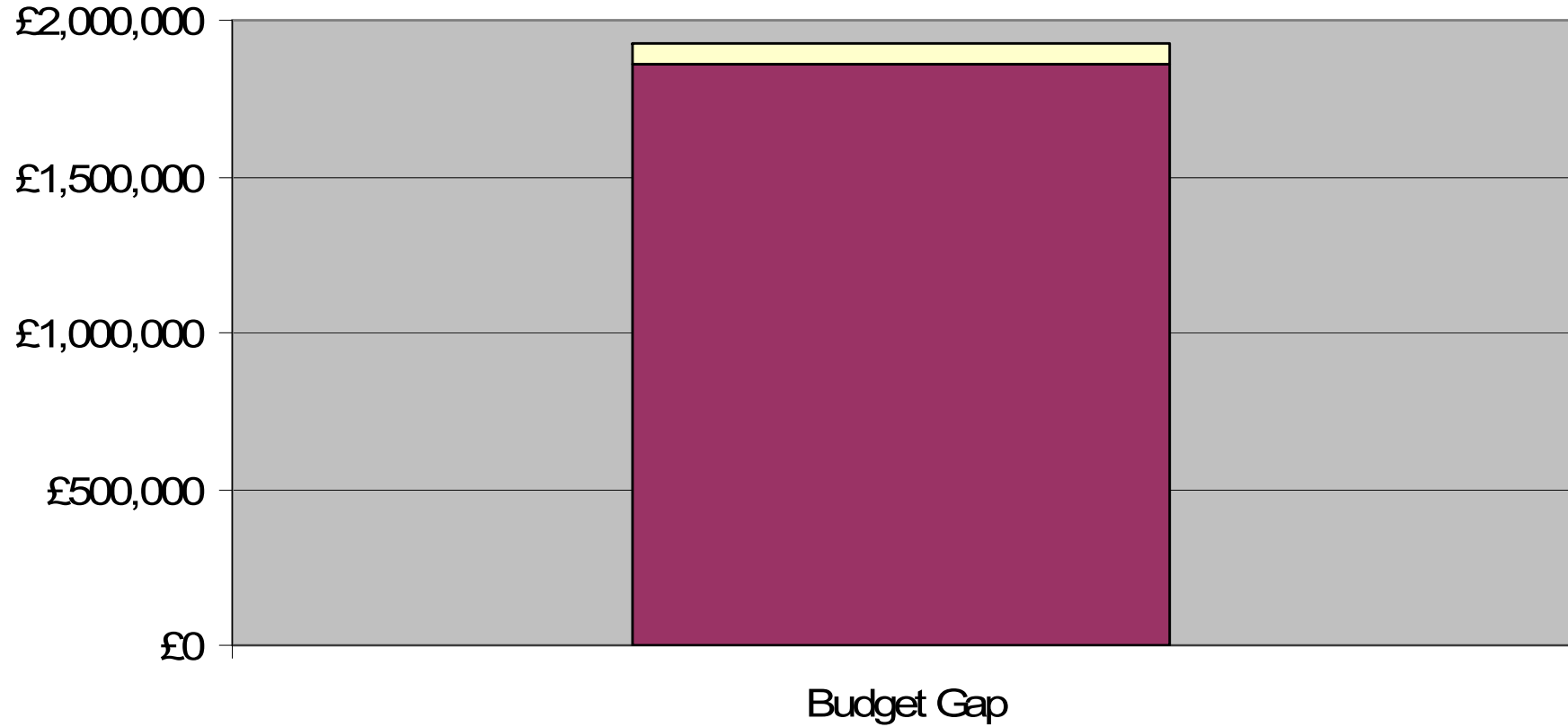
◆ D. 11.2%

Change In Grant By Authority Type



Budget Gap

(Paragraph 7.1, page 18)



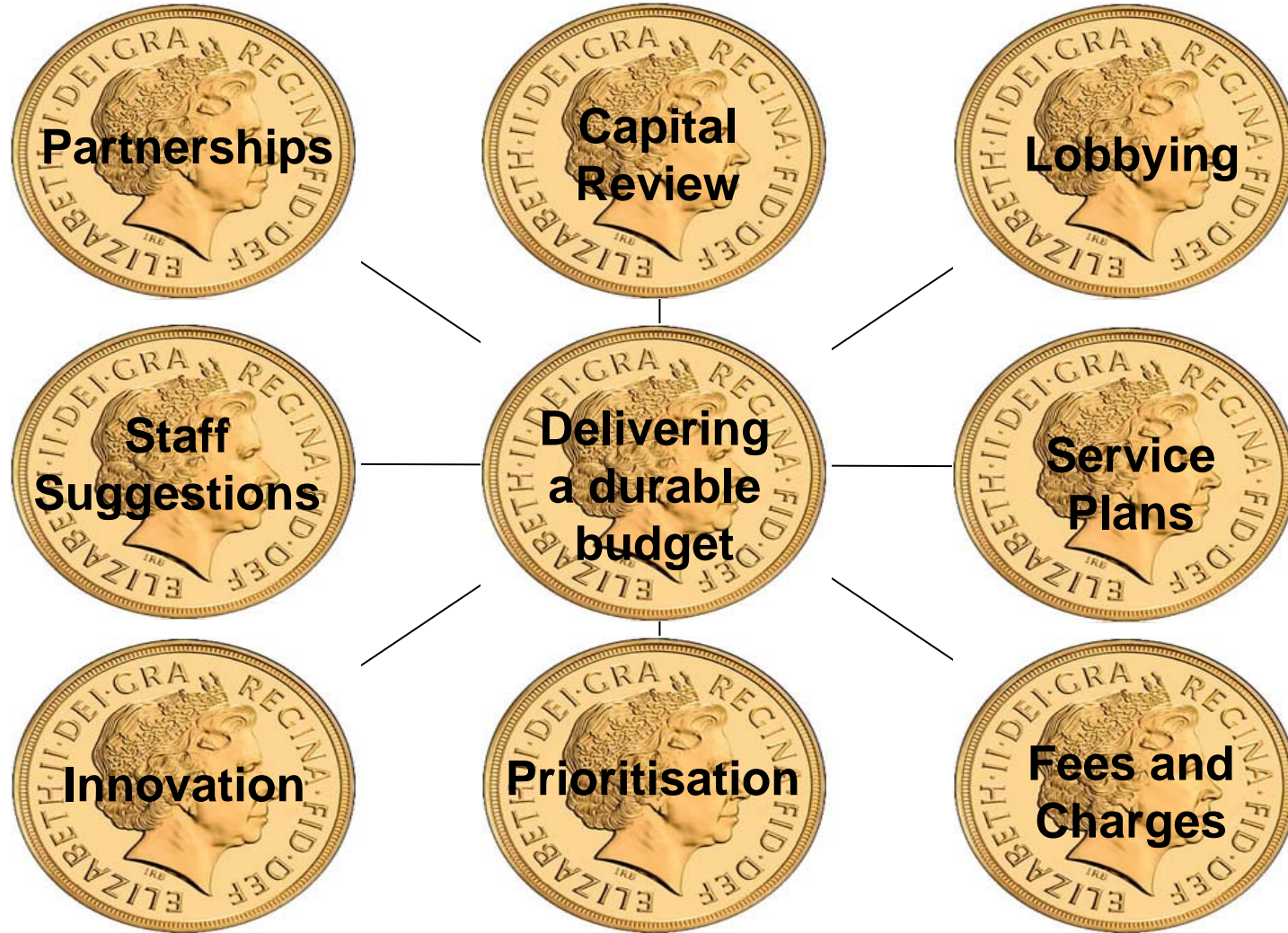
■ Grant Settlement Impact ■ C Tax Scheme

Service Pressures

(Paragraphs 7.7 – 7.15)

- ◆ Concessionary Travel
- ◆ Housing & Council Tax Benefits
- ◆ Homelessness
- ◆ Utilities / Fuel
- ◆ Income
- ◆ Economy & Districts

Budget Delivery Framework



How much has the Council identified through the delivery frameworks ?

- ◆ A. £0.2m
- ◆ B. £0.5m
- ◆ C. £1.0m
- ◆ D. £1.4m

How much has the Council identified through the delivery frameworks ?

◆ A. £0.2m

◆ B. £0.5m

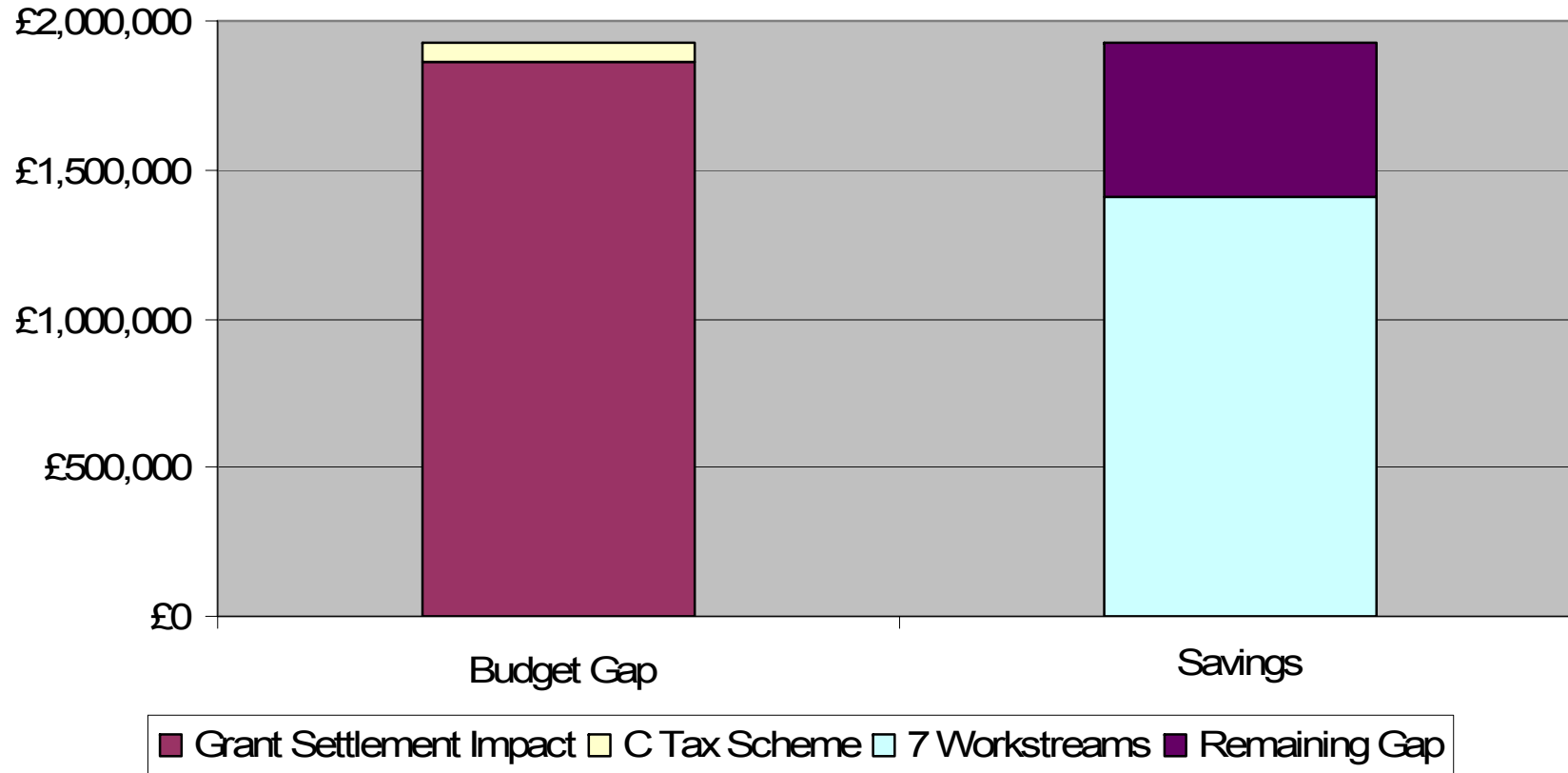
◆ C. £1.0m

◆ D. £1.4m

Budget Delivery Framework

	Staff Suggestion / Service Plan / Innovation	Fees & Charges	Partner ships	Capital Review	Lobb ying	Prioriti sation	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Staffing & Staff Related	(599)		(51)	(8)			(658)
Premises	(22)		(18)	(9)			(49)
Operating Costs	(166)		(70)	(12)	(72)		(320)
Total Expenditure Savings	(787)	0	(139)	(29)	(72)	0	(1,027)
Income	(74)	(207)		(100)			(381)
Total Savings	(861)	(207)	(139)	(129)	(72)	0	(1,408)

Closing the Budget Gap (Paragraph 7.45)



Closing the Budget Gap

(Paragraphs 7.46 – 7.54)

	Amount £	Ongoing / One-Off	Resilience	Longevity
Concessionary Travel Discretionary Element	120,000	Ongoing	High if lobbying successful	High if lobbying successful
New Homes Bonus	230,000	Ongoing (Hopefully)	High if lobbying successful	Very uncertain (Ref : HPDG & LABGI)
Planning Fees	75,000	Ongoing	High if lobbying successful	High if lobbying successful
Use of Balances	100,000	One-Off	High	Poor - Not Sustainable
Additional Efficiencies	??	??	??	??
Prioritisation	??	??	??	??

Capital Programme

- ◆ Town Centre Regeneration
- ◆ Market Place Restaurants
- ◆ Public Realm
- ◆ External Funding
- ◆ Crematorium



Medium Term Assumptions

- ◆ The gap (£519,000) assumes ongoing savings
- ◆ 6% cut in core grant a year from 2013/14
- ◆ A 2.5% increase in Council Tax in line with the new capping estimates
- ◆ The forecasts include assumptions for inflation
- ◆ No assumption for future service pressures (i.e. Benefits, New Grant System, Financial Markets)

Draft Medium Term Financial Forecast – January 2011

		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
		Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
1	Net Council Budget	13,700	13,928	12,476	12,063	11,827	11,772
2	Forecast Resources:						
	Central Government Grant	(7,279)	(5,429)	(4,789)	(4,502)	(4,232)	(3,978)
	Council Tax / Coll'n Fund	(5)	(25)	(25)	(25)	(25)	(25)
	Income From Council Tax	(6,318)	(6,389)	(6,581)	(6,780)	(6,985)	(7,196)
	Total Resources	(13,602)	(11,843)	(11,395)	(11,307)	(11,242)	(11,199)
3	Budget (Surplus) / Deficit	98	2,085	1,081	756	585	573
4	Savings - Frameworks	0	(1,408)	0	0	0	0
6	Council Tax Grant	0	(158)	0	0	0	158
7	**Efficiencies / Prioritisation	0	(519)	(1,081)	(756)	(585)	(731)
8	Budget (Surplus) / Deficit	98	0	0	0	0	0
Council Tax Increase Applied		3.50%	0.00%	2.50%	2.50%	2.50%	2.50%
GENERAL FUND WORKING BALANCE							
		2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
9	Estimated Opening Balance	(1,384)	(1,286)	(1,287)	(1,286)	(1,286)	(1,286)
	Budget (Surplus) / Deficit	98	0	0	0	0	0
10	Estimated Closing Balance	(1,286)	(1,287)	(1,286)	(1,286)	(1,286)	(1,285)
	10% of Net Council Budget	(1,370)	(1,393)	(1,248)	(1,206)	(1,183)	(1,177)

** See paragraphs 7.45 - 7.54 for possible options for the required Efficiencies / Prioritisation (£519,000) for 2011/12. Members should note that further options will need to be identified to balance budgets for 2012/13 and beyond.

Key Issues Summary

2010/11

- ◆ The HRA, Capital and General Fund accounts are on target to come in at an acceptable level.
- ◆ Over £1.25m of general fund savings will have been achieved in 2010/11 if that account is brought in on budget.
- ◆ Such savings are in addition around £1.9m in the preceding few years.

Key Issues Summary

2011/12

- ◆ The Housing Revenue Account continues to show the adverse impact of negative subsidy. In short around one pound in three of all rents received will have to be paid to the government and not spent on local services. This accounts to an estimated £4.5m in 2011/12. HRA reform will not signal the end of this leakage.
- ◆ The Capital programme is smaller and has more emphasis towards schemes with better revenue yields.
- ◆ The pressure on the General Fund (i.e. Council Tax) is unprecedented
 - ◆ The economy adds cost pressures via inflation, workload increases and income decreases
 - ◆ Grant cuts of 15.7% will be made in 2011/12

Key Issues Summary

2011/12

- ◆ The need for around £2m of savings against the backcloth of what has already been achieved is a very tall order.
- ◆ The budget delivery framework has identified around £1.4m of savings leaving around £500,000 to find.
- ◆ Possible strategies have been identified which although not ideal do hold out the prospect of closing that gap.

Key Issues Summary

The Medium Term

2012/13 General Fund (Council Tax)

The position for 2012/13 requires further savings of over £1m. If any of the strategies for closing the remaining £500,000 2011/12 gap are not ongoing they add to that savings target.

Beyond 2012/13

Government has signalled its intention to significantly change the funding system. This brings considerable uncertainty and risk to future projections.

Key Issues Summary

The Medium Term

Other Considerations

- ◆ Other projections in all years rest on the Executives adherence to the Guiding Principles (para 4.5); the Modelling for Recovery Principles (para 4.7) and the Budget Containment Strategies (para 4.9) as well as maintenance of our best practice approach to generating fees and charges.
- ◆ The comfort margin in these forecasts has been removed. Year on year savings of these magnitudes have and will continue to take capacity out of the organisation. The priority has been front line delivery and accordingly members may notice a reduction in some areas of internal delivery, as well as our capacity to influence longer term strategic issues.

Key Issues Summary

- ◆ Many of the changes to be implemented are untested and it is inevitable some transition turbulence may be experienced even with the focus on protecting front line service delivery.
- ◆ All the council's partners, elected councillors and staff should feel proud of reaching this point. However we must maintain this extraordinary effort if we are to achieve our ambitious objectives.

Recommendations

- ◆ That the Executive recognises the savings that the budget delivery framework has / will generate to close the budget gap for 2010/11 and 2011/12.
- ◆ That the Executive refers the draft budgets for 2011/12 (as contained in the separate budget booklet) to Scrutiny for comment in accordance with the Council Constitution.
- ◆ That the Executive note the remaining options to close the outstanding budget gap prior to the setting of council tax in February (see paragraphs 7.45 – 7.54 above)

Recommendations

- ◆ That the Executive notes the necessity to maintain adherence to the “*guiding principles*”, “*modelling for recovery*” principles and “*budget containment*” strategies” as well as its best practice approach to generating fees and charges – subject to paragraph 6.11.
- ◆ That the Executive notes the capacity reduction in the organisation and the implications thereof.

Questions
relating to the
Report and Presentation

Provide Feedback

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Thank you