

BOROUGH OF KETTERING

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Report Originator	Strategic Management Team	<i>Fwd Plan Ref No:</i> A12/056	
Wards Affected	All	13th March 2013	
Title	MAINTAINING A DURABLE BUDGET		

Portfolio Holder: Cllr I Jelley

1. PURPOSE OF REPORT

The purpose of the report is to:

- a. Provide Members with a case study on the staff suggestions process;
- b. Outline the lobbying work that has and is taking place within the Council to help influence national changes;
- c. Provide Members with a reminder of the Council's medium term financial strategy and associated guiding principles;
- d. Agree the high level budget process for 2014/15;
- e. Provide an update of the delivery of efficiency savings for 2012/13 and 2013/14.

2. CASE STUDY

2.1 Our monthly monitoring reports tend to follow a tried and trusted format. However as we approach the end of a successful year in bringing home the 2012/13 budget as well as setting a balanced 'triple zero' budget for 2013/14 it is worth considering some of the key success factors at the commencement of this report.

2.2 Members will recall that in previous budget reports we have identified case studies as examples of good practice. The previous examples related to the new arrangements for the following:

- ◆ Generic warden service
- ◆ Recycling pilots
- ◆ Kettering Borough Trainers
- ◆ Partnership work with the Citizens Advice Bureau.
- ◆ VAT recovery
- ◆ Prevent Strategy funding
- ◆ Flexible Working
- ◆ Printing Function

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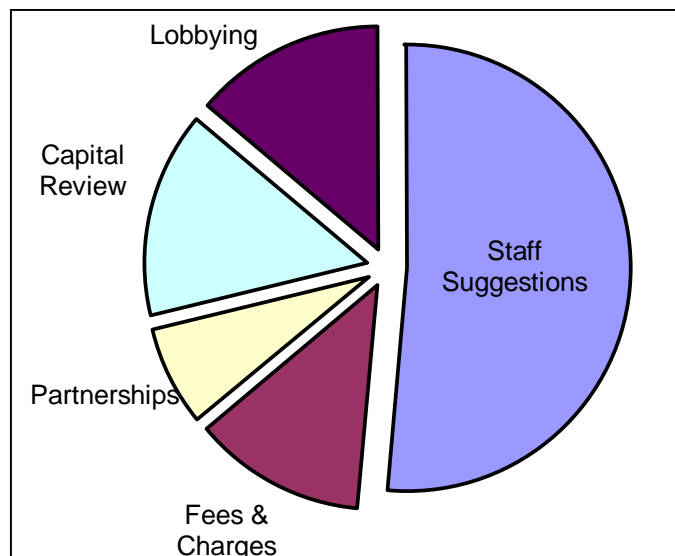
- ◆ Market
- ◆ Managing homelessness

2.3 The case study in this report highlights the success the Council has achieved through engaging with it's staff.

Case Study – Staff Sessions (The System Works)

The Council has its own unique budget delivery framework model, this was developed to deal with the tightening national economic and funding conditions.

The Council has enjoyed significant success from the framework model particularly from the staff suggestions / innovation framework which has **generated savings of around £2m over the last three years. In 2013/14 such savings account for over half of the total savings required!** The Council has achieved this by engaging with all staff and implementing suggestions following those generated at the staff sessions. It should be remembered this is an approach the Council took long before the introduction of the frameworks, but the frameworks have helped focus the level of savings being generated by staff. The chart below details the total framework savings for 2013/14;



The Council's approach differs to many authorities in that we see our staff as the 'solution' not the 'problem'. The savings we have generated and continue to generate demonstrate that this system is working. Our approach firstly creates the capacity for ideas to be generated and secondly enables the ideas to actually be delivered. A number of savings generated at staff sessions have been reported as case studies in previous durable budget reports.

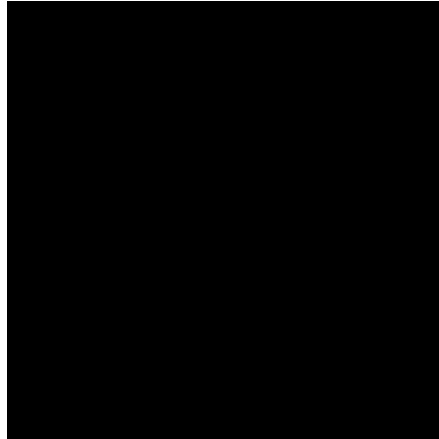
The Council has a well motivated workforce and the levels of savings generated by staff have helped ensure the Council maintains a strong credible financial position.

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3 LOBBYING

3.1 The lobbying workstream is reproduced below;



3.2 The Council has a good track record of lobbying on critical issues over the past few years. Examples of these include;

New Homes Bonus



Grant Shapps MP in Kettering for the launch of the New Homes Bonus Scheme

3.2.1 Council officers acted as a sounding board for civil servants on the technical design and mechanics of this scheme. The scheme creates a powerful, simple, transparent and permanent incentive which rewards local authorities that deliver sustainable housing growth. The importance of this should not be underestimated particularly when we are experiencing significant reductions in core grant – and had this scheme not been designed in the way it is was authorities could be facing even greater financial pressures.

3.2.2 The Council has received over **£1m** since the scheme was implemented back in 2011/12. 2013/14 will be the third year of the scheme and for this year the Council will be receiving in excess of £1m. The scheme will become fully

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operational in year 6 (as housing growth is rewarded for six years) at which point the Council will be receiving an annual payment of around **£2m**.

3.2.3 This has resulted in the Council receiving considerably more than would otherwise have been the case.

Business Rates Reform



Town Centre Improvements

3.2.4 As previously reported one of the key changes to the Business Rates system is that a two year average is being used to calculate the baseline funding allocation (rather than a 5 year period). Whilst this does not benefit all districts across the country, two out of three are significantly better off and ALL Northamptonshire authorities benefit from this change.

3.2.5 The levy rate will also be limited to 50%. this effectively means that Councils will be able to retain growth of 20% opposed to growth of around 8% which is a significant increase from the original proposals.

3.2.6 To put this into context the Council's Business Rates Baseline will be around £2m lower compared to a 5 year average. This means the Council is rewarded for growth earlier than it would otherwise have been. **This change alone could be worth £400,000 per annum to the Council.**

3.2.7 The change in the levy rate means billing authority's such as Kettering retain a higher level of growth. To put this into context if the Council's business base increased by £1m the Council would now retain £200,000 opposed to around £80,000 **an increase of £120,000.**

3.2.8 Therefore the Council has a lower base for which growth will be measured and a lower levy rate being applied to growth resulting in the Council retaining more of the benefits achieved from growth.

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- 3.3 Previous lobbying activity has resulted in significant financial gains for the Council. Quite often, due to the size of the funding 'quantum', only minor methodology changes are sometimes required to have a significant financial impact on a local authority.

Future Lobbying

- 3.4 Potential areas for future lobbying activity include the 2015/16 spending review. This review is likely to cover the period 2015/16 – 2018/19 and will set the local government funding envelope for this four year period.
- 3.5 The Chief Executive is one of 3 Chief Executives across the country invited by the Local Government Association (LGA) to contribute to their work on the 2015/16 spending review. In addition the Chief Executive will also be leading the District Councils Network (DCN) Finance Group on the 2015/16 spending review.
- 3.6 In 2013/14 there are 13 Business Rate Pools across the country and only three of these pools are led by Shire Districts, one of which is Kettering. The knowledge officers have developed in understanding this often complex system has resulted in CLG inviting officers to work with them in reviewing the incentives and arrangements for Business Rate Pools.
- 3.7 The Council continues to lobby on infrastructure and makes the case for the need for investment in infrastructure to assist with the growth programme continues. **The Council through actively lobbying helped secure a £120m investment into the widening of the A14.**

4 BUDGET FRAMEWORK

- 4.1 The Council's budgets were approved at February's meeting of Full Council. The key messages in relation to the General Fund budget were;
- ◆ *Council Tax remains below the national average (around £3 per week);*
 - ◆ *The Council has maintained its balanced budget without cutting front line services or using one-off reserves;*
 - ◆ *The budget is of course only a paper exercise and the challenge of delivering the £949,000 of savings during 2013/14 must not be underestimated. The Council's focus will remain on maintaining the delivery of high quality front-line services however with the level of changes necessary some transition turbulence is inevitable;.*
 - ◆ *A further £1,250,000 of savings is estimated to be needed to balance the budget for 2014/15.*

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4.2 The financial strategies key '*guiding principles*' supplemented by the '*Modelling for Recovery Principles*' and the '*Budget Containment strategies*' have provided a strong cornerstone for the Council's medium term financial strategy. For ease of reference, these are reproduced here;

Financial Strategy Guiding principles:

- a. *Revenue balances should not fall below £1m and overall revenue reserves should not fall below 10% of net revenue expenditure;*
- b. *In setting the Council Tax, members should consider the medium term to ensure that a sustainable budgetary position is preserved (with due regard being given to any penalties that might apply);*
- c. *The level of household Council Tax to increase each year in line with inflation at least, where the budget is in deficit, to ensure resources remain consistent with budgeted costs;*
- d. *When setting the Capital Programme, consideration is given to allocating capital resources to schemes that are beneficial to the Council's overall revenue budget position;*
- e. *To maximise the resources available to the Authority, the Council will actively lobby the Government on relevant issues (e.g., grant distribution/ planning fees).*

Modelling for Recovery principles:

1. *Wherever possible, continue with all planned investments and programmes, to protect the local economy and lever in other investments;*
2. *Given the strength of our Treasury position we should consider debt funding as a means of programme delivery or stimulus – if this can be shown to be sustainable and have a wider economic benefit;*
3. *Organise our fiscal structures and business models to attract and retain the maximum amount of revenue within the local economy;*
4. *To ensure all possible avenues are used within procurement rules to source locally;*
5. *Protect the performance of Council services which come under particular strain;*
6. *Work closely with partners in the voluntary, public and private sectors, to ensure optimum efficiency*

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Budget Containment Strategy:

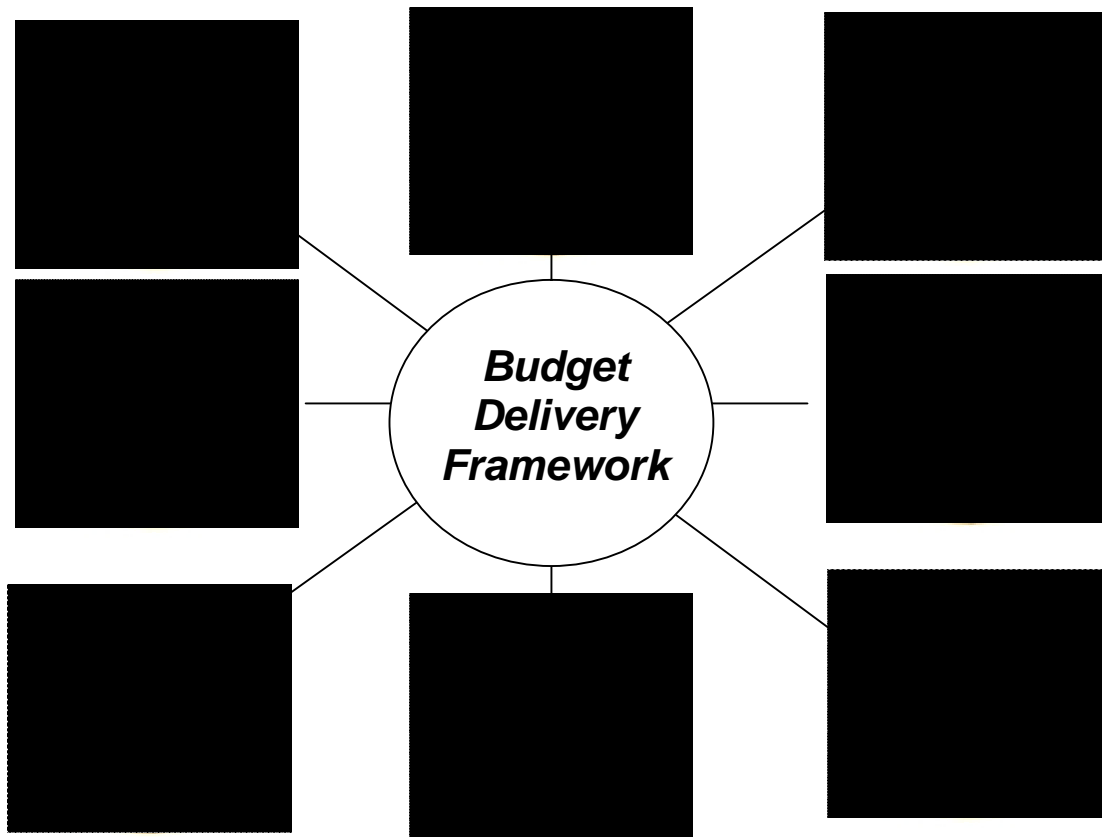
- 1 *Where a specific grant which funds a specific service is withdrawn, the service stops;*
 - 2 *Where grant funding reduces, which Kettering Borough Council passports through to another organisation, the reduced sum continues to be passported, providing the end recipient organisation feels it can still provide a value-added service at that funding point.*
 - 3 *Where a function is transferred to another provider, the Council leaves all service-provision discussions, including any top-up funding, with the new provider;*
 - 4 *The Council would ordinarily neither seek to buffer nor profit from tax changes.*
 - 5 *The Council should not substitute itself as a provider / funder of services when another public provider cuts such a service.*
- 4.3 The Council's Budget Framework and adherence to the *guiding principles, Modelling for Recovery Principles* and the *Budget Containment Strategy* have enabled the Council to continue to deliver a balanced budget. The 2013/14 budget has been delivered with reference to the Executives 'triple zero' approach:
- ◆ Zero increase in Council Tax
 - ◆ Zero cuts to front line services
 - ◆ Zero cuts to the voluntary sector funding envelope
- 4.4 In terms of setting a balanced budget, the Council's strategy 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 2013/14 will be closely monitored through out the year and any variances will be reported to the Executive as part of the Durable Budget report.

5 POLICY POSITION

- 5.1 Members are reminded that for the last three budget rounds, the Council has used the following budget delivery framework to help deliver its ambitious financial strategy. The framework consists of eight workstreams – as illustrated below:

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- 5.2 As previously reported to this committee, the strategy has to date proved extremely successful and helped provide additional flexibilities from which to address the national funding challenges that face all local authorities.
- 5.3 This overall strategy provides the cornerstone on which the Council's long-standing success in both setting a 'balanced budget' and delivering within budget are founded.
- 5.4 Given the success of the strategy to date, members are recommended to continue using the existing budget delivery framework for the preparation of the 2014/15 budgets. Specifically, members are recommended to adopt; *“that the same methodology be applied to the formulation of the 2014/15 budget as it applied to the 2013/14 budget, with particular reliance on*
- *the existing guiding principles*
 - *the existing modelling for recovery principles*
 - *the existing budget containment strategy*
 - *the existing eight workstreams”*
- 5.5 The Council's current Medium Term Financial Forecast is reproduced below for information.

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TABLE 1 - MEDIUM TERM FINANCIAL FORECAST

		Zone of Predicability	Zone of Unpredictability 1		Zone of Unpredictability 2		
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
		£000	£000	£000	£000	£000	£000
1	Net Council Budget	12,749	12,174	11,781	11,111	10,666	10,325
2	Forecast Resources:						
	Central Government Grant	(4,784)	(4,480)	(3,836)	(3,567)	(3,317)	(3,085)
	Council Tax Support Grant	0	(759)	(706)	(657)	(613)	(569)
	Council Tax / Coll'n Fund	(25)	(50)	(25)	(25)	(25)	(25)
	Income From Council Tax	(6,411)	(5,778)	(5,806)	(5,835)	(5,864)	(5,893)
	Total Resources	(11,220)	(11,067)	(10,373)	(10,084)	(9,819)	(9,572)
3	Budget (Surplus) / Deficit	1,529	1,107	1,408	1,027	847	753
4a	Council Tax Grant	(158)	(158)	(158)	0	0	0
5	Budget Frameworks	(1,371)	(949)	0	0	0	0
6	Savings - To be secured	0	0	(1,250)	(1,027)	(847)	(753)
7	Budget (Surplus) / Deficit	0	0	0	0	0	0
GENERAL FUND WORKING BALANCE							
		2012/13	2013/14	2014/15	2015/16	2016/17	2016/17
		£000	£000	£000	£000	£000	£000
8	Estimated Opening Balance	(1,429)	(1,587)	(1,652)	(1,717)	(1,717)	(1,717)
	Budget (Surplus) / Deficit	0	0	0	0	0	0
4b/c	Council Tax Grant 12/13 & 13/14	(158)	(65)	(65)	0	0	0
9	Estimated Closing Balance	(1,587)	(1,652)	(1,717)	(1,717)	(1,717)	(1,717)

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 Grant and introduces a new line from 2013/14 for the Council Tax Support grant. Following future government announcements the presentation of this will be reviewed but it is thought likely that overall the figures we are modelling on, may be in the right area but the split between years may be different. To enable the total resources required to balance the budget to be identified, no assumptions have been made regarding

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future council tax increases. The small increase in revenue each year reflects anticipated housing growth in the borough.

- 3 Budget (Surplus) / Deficit** – This illustrates the gap between the budget and the total resources available before identifying budget framework savings.
- 4a Council Tax Grant** – This is a grant the Council receives from central government for four years in return for freezing Council Tax in 2011/12. This is equivalent to the cash that would have been received if a 2.5% increase had been levied.
- 4b Council Tax Grant 2012/13** – This is a grant the Council receives from central government for one year in return for freezing Council Tax in 2012/13. This is equivalent to the cash that would have been received if a 2.5% increase had been levied.
- 4c Council Tax Grant 2013/14** – This is a grant the Council receives from central government for two years in return for freezing Council Tax in 2013/14. This is equivalent to the cash that would have been received if a 1% increase had been levied. A Council Tax Freeze has ongoing implications as an increase in Council Tax generates income year on year.
- 5 Budget Frameworks** – This identifies the total savings required and differs to the table shown in 4.5 as a result of the Council decision earlier in the year in relation to members allowances.
- 6 Savings to be secured** – This identifies the total resources required to balance the budget in future years after 2013/14.

5.6 By reference to Table 1, it can be seen from line 5 that the Council has identified ongoing budget savings of £949,000 in order to set a balanced budget for 2013/14. As previously reported to the Executive Committee, the budget delivery framework has continued to be used in order to identify where the £949,000 will be delivered from. Table 2 summarises how a balanced budget will be delivered;

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Table 2 - Identified Framework Savings 2013/14	Staff Suggestion / Service Plan / Innovation	Fees & Charges	Partnerships	Capital Review (GF Impact)	Lobbying	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staffing & Staff Related			(5)	0		(5)
Premises	(83)		(20)	0		(103)
Operating Costs	(244)		(33)	0	(47)	(324)
Total Expenditure Savings	(327)	0	(58)	0	(47)	(432)
Income	(160)	(119)	(10)	(144)	(84)	(517)
Total Savings	(487)	(119)	(68)	(144)	(131)	(949)

5.7 The Council will need to continue its excellent track record of delivering savings if it is to continue to deliver within budget. The Council starts from an 'advanced' position due to the early delivery during 2012/13 of some of the ongoing revenue savings that will be required for 2013/14. When considering the Council's track record of delivering savings, Table 3 (reproduced from previous budget reports) succinctly highlights the point;

Table 3 – Efficiency Savings	£000
2010/11	1,260
2011/12	1,910
2012/13	1,330
Total	4,500
2013/14	950
Total	5,450
% Cash Savings (Net Budget)	50%

6 BUDGET UPDATE 2012/13

GENERAL FUND

6.1 Members are reminded that in the current financial year (2012/13) the General Fund required budget savings of £1.3m in order to set a balanced budget.

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- 6.2 As recently reported to members - the Council is on track for delivering the savings this year.
- 6.3 In addition to the above, the Council was projecting a further 'underspend' in the region of £750,000. This is due to the early delivery of some of the savings that are required for 2013/14 (£150,000) together with a number of one-off items (£600,000). This will be kept under review.
- 6.4 As previously agreed, any 'underspend' in excess of the original £1.3m target will be used to increase earmarked reserves to help provide additional flexibility and protection against business risks / threats.
- 6.5 The General Fund revised budget for 2012/13 now takes account of these figures.
- 6.6 It's now become clear that revised budget will be delivered with further savings in the region of £750,000.

HOUSING REVENUE ACCOUNT

- 6.7 The projected outturn for the Housing Revenue Account is shown in Table 4. The Housing Revenue Account is currently projected to come in on budget.

Table 4 - Housing Revenue Account	Current Budget 2012/13	Projected Outturn 2012/13	Variance (favourable) / Adverse
	£	£	£
Gross Expenditure	14,321,790	14,383,790	62,000
Gross Income	(14,321,790)	(14,383,790)	(62,000)
Net Expenditure	0	0	0

CAPITAL PROGRAMME

- 6.8 The Capital Programme is currently estimated to be as per the programme approved by Council on the 27 February 2013.

7 CONSULTATION AND CUSTOMER IMPACT

- 7.1 None.

8 POLICY IMPLICATIONS

- 8.1 None

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9 USE OF RESOURCES

9.1 None as a direct result of this report.

10. RECOMMENDATIONS

That the Executive;

- a. Note the levels of savings generated by staff as outlined at 2.3;
- b. Note the success that the Council has and continues to achieve from lobbying;
- c. Note the Council's Medium Term Financial Strategy and associated guiding principles;
- d. Approve the budget process for 2014/15 as outlined in section 5;
- e. Note the delivery of efficiency savings for 2012/13 and 2013/14.

Background Papers:

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

Previous Reports/Minutes:

Monthly Durable Budget Reports