

Welcome to the Budget Consultation Meeting


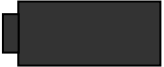


23rd January 2014

What	Why	Who
Welcome and Introductions	To welcome everybody and introduce Members and Officers	Cllr Ian Jelley
Budget Presentation – to include; <ul style="list-style-type: none"> a. Budget Context b. 2013/14 Budget Update c. 2014/15 Draft Budget d. The Medium Term e. Summary & Conclusions There will be interactive questions throughout the presentation	To provide a comprehensive technical briefing on the Council's draft budget and the key issues.	Graham Soulsby Mark Dickenson Dean Mitchell
General Question and Answer Session about Council priorities, policies and ambitions for the area, including;	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
Thank you for attending	To conclude the meeting	Cllr Ian Jelley
Close of Meeting		

How to work the keypad



- ◆ Turn on the hand set with the button in the bottom left corner 
- ◆ Wait till you see the battery symbol appear in the window at the top 
- ◆ When asked use the A,B,C or D buttons to select your answer
- ◆ The answer will briefly appear on the handset screen
- ◆ You can change your mind!

A. Budget Context



Approximately, how many services do KBC provide to residents?

A. Under 10

B. 50

C. 80

D. More than 100

Approximately, how many partner agencies do we closely work with to deliver services?

A. None

B. 2

C. 8

D. Over 10

Approximately, what is Kettering Borough Council's Annual Gross budget?


A. £10m

B. £40m

C. £70m

D. £100m

How we spend our money



**General
Fund
Account
£47.8m**



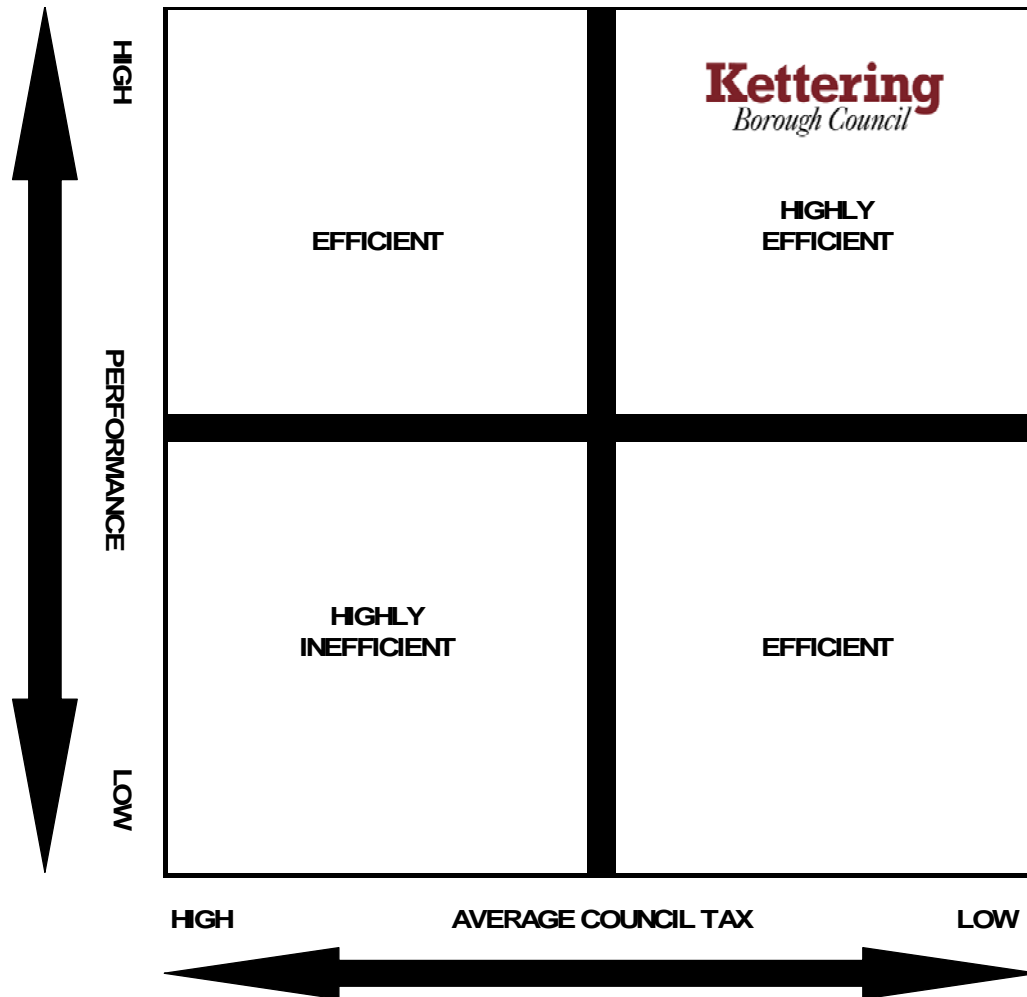
**Housing
Revenue
Account
£15.5m**

£68.8m



**Capital
Programme
£5.5m**

Budget Context



Members are reminded that **before the efficiency programme** commenced a number of years ago, the Council was charging a level of **Council tax below the national average yet delivering a level of performance that was above the national average.** Despite having to deliver significant efficiency savings in the past five years, the Council's level of council tax charged remains below the national average and performance remains above average.

Approximately, how much is the average weekly Council Tax for Kettering Borough Council?

A. £3

B. £15

C. £20

D. £30

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
£60,000 for the borough

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

Kettering
Borough Council

How long has KBC “frozen” its Council Tax?

A. 1 year

B. 2 years

C. 3 years

D. 4 years or more

Budget Context

Previous Key Messages;

- ◆ Council Tax remains below the national average (around £3 per week for the average household)
- ◆ The Council has maintained a balanced budget without cutting front line services or using one-off reserves.
- ◆ The Council has maintained it's overall support for the voluntary sector

Para
3.2

Guiding Principles;

- ◆ MTFS Guiding Principles
- ◆ Modelling for Recovery Principles
- ◆ Budget Containment Strategy

Para
3.6

Budget Context

- ◆ 'Being Prepared'
 - ◆ Strategic Financial Capacity
 - ◆ Anticipating and Influencing
 - ◆ Well motivated and flexible workforce

- ◆ 'Staying Focused'
 - ◆ Sticking to budget guiding principles
 - ◆ Budget approach that suited KBC
 - ◆ Finding innovative methods of service delivery

B. 2013/14 Budget Update



BOROUGH OF KETTERING

Committee	EXECUTIVE	Item 10	Page 1
Report Originator	Strategic Management Team	Fwd Plan Ref No: A10/001	
Wards Affected	All	15 January 2014	
Title	BUDGET PROPOSALS FOR 2014/15 AND PREPARING FOR THE MEDIUM TERM		

Portfolio Holder: Cllr I Jelley

1 PURPOSE OF REPORT

The purpose of this report is to:

- a) outline the draft budget figures for the Council's three main accounts for 2014/15 (to start the formal budget consultation process);
- b) consider the main issues that are likely to impact on the Council's budgets in the medium term including changes to major funding regimes for local authorities;
- c) provide an illustration of the Council's medium term financial projections.

2 CONTENTS

2.1 To help Members navigate this report, it contains four sections:

Section A 'The current years Budget Position (2013/14)' (pages 3 to 15) –
Provides the detail to the current year's budget position with specific reference to the following:

Context / Background
Guiding Principles
Policy Position
2013/14 Budgets – latest estimates

Page 3
Page 4
Page 8
Page 9

Section B 'Next years draft Budget Position (2014/15)' (pages 16 to 26) –
Provides the detail to the 2014/15 draft budget

Section C 'Changing Financial Landscape' (pages 27 to 31) – Provides details to the following technical aspects of the budget process:

National Economic Indicators
Local Government Grant Settlement
Business Rates Retention
New Homes Bonus

Page 27
Page 28
Page 29
Page 30

Since 2010/11, what level of savings have the Council Achieved?

A. Less than £1m

B. £2m

C. £4m

D. More than £6m

The efficiency savings of £6.8m represent what % 'reduction' in the council's net revenue budget?

A. 10%

B. 28%

C. 53%

D. 66%

Efficiency Savings – Track Record

Efficiency Savings	£000
2010/11	1,260
2011/12	1,910
2012/13	1,330
2013/14	950
Total	5,450
2014/15	1,330
Total	6,780
(%) Cash Savings (Net Budget)	66%

*The scale and delivery of this level of **efficiency savings is particularly impressive given that there has been no detrimental impact on the delivery of front line services** and when considering the increased costs of utilities and inflation levels. Over the five year period the efficiency savings will be equivalent to approximately **66% (85% in real terms)** of the Council's draft net budget (which stands at £10.3m for 2014/15).*

Current Year (2013/14)

- ◆ **General Fund** (para 5.2 to 5.16)
 - ◆ Original Savings Target = £949,000 – being successfully delivered
 - ◆ Included £487,000 Staff Suggestions / Innovation savings
 - ◆ Additional £500,000 underspend (£150,000 ongoing £350,000 one offs - Smoothing Strategy being applied).
- ◆ **Capital Programme** (para 5.17 to 5.20)
 - ◆ Current Capital Programme £9.6m
 - ◆ Some changes (outlined in 5.18)
- ◆ **Housing Revenue Account** (para 5.21 to 5.25)
 - ◆ Generally on budget

C. 2014/15 Draft Budget



Draft Budget (2014/15)

- ◆ General Fund
(para 6.3 to 6.24)
- ◆ Capital Programme
(para 6.25 to 6.32)
- ◆ Housing Revenue Account
(para 6.33 to 6.43)

Approximately, what savings does the Council need to achieve for 2014/15?

A. £0.5m

B. £1.0m

C. £1.3m

D. £1.9m

Over the period 2011/12 to 2015/16, approximately how much has our 'core government grant' been reduced by?

A. 15%

B. 25%

C. 50%

D. 80%

How much does this reduction equate to in cash?

A. £1.0m

B. £1.5m

C. £2.5m

D. £3.5m

How much has our 'core government grant' been reduced by for 2014/15 ?

A. nothing

B. 10%

C. 14%

D. 20%

Local Government Grant Settlement

Year	Reduction in Central Government Core Grant		Status
	%	£	
2011/12	-15.2%	-£958,000	Actual
2012/13	-12.8%	-£700,000	Actual
2013/14	-6.3%	-£303,000	Actual
2014/15	-14.1%	-£735,000	Provisional
2015/16	-15.8%	-£739,000	Indicative

For how many years does KBC receive New Homes Bonus for each 'New' Home?

A. 1 year

B. 2 years

C. 4 years

D. 6 years

How much New Homes Bonus does KBC receive per 'New' Home?

A. £1,100

For Every New Home for 1 year

B. £1,380

For Every New Affordable Home for 1 year

C. £6,600

For Every New Home for 6 years

D. £8,280

For Every New Affordable Home for 6 years

TABLE 12 - MEDIUM TERM FINANCIAL FORECAST

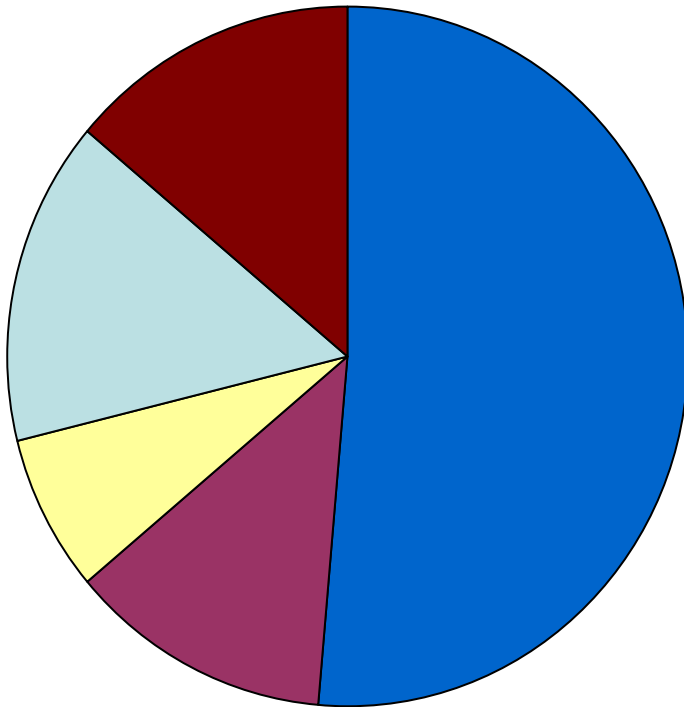
		Zone of "Predicability"		Zone of "Unpredictability" A	Zone of "Unpredictability" B		
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
		Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
1	Net Council Budget	12,174	11,920	11,321	10,787	10,224	9,900
2	Forecast Resources:						
2a	RSG	(3,034)	(2,367)	(1,660)	(1,200)	(777)	(387)
2b	Business Rates	(2,205)	(2,137)	(2,263)	(2,331)	(2,401)	(2,473)
	Total Government Grant	(5,239)	(4,504)	(3,923)	(3,531)	(3,178)	(2,860)
	Council Tax / Coll'n Fund	(50)	(50)	(25)	(25)	(25)	(25)
	Income From Council Tax	(5,778)	(5,879)	(5,909)	(5,938)	(5,967)	(5,997)
	Total Resources	(11,067)	(10,433)	(9,857)	(9,494)	(9,170)	(8,882)
3	Budget (Surplus) / Deficit	1,107	1,487	1,464	1,293	1,054	1,018
4a	Council Tax Grant	(158)	(158)	0	0	0	0
5	Budget Frameworks	(949)	(1,329)	0	0	0	0
6	Savings - To be secured	0	0	(1,464)	(1,293)	(1,054)	(1,018)
7	Budget (Surplus) / Deficit	0	0	0	0	0	0

GENERAL FUND WORKING BALANCE

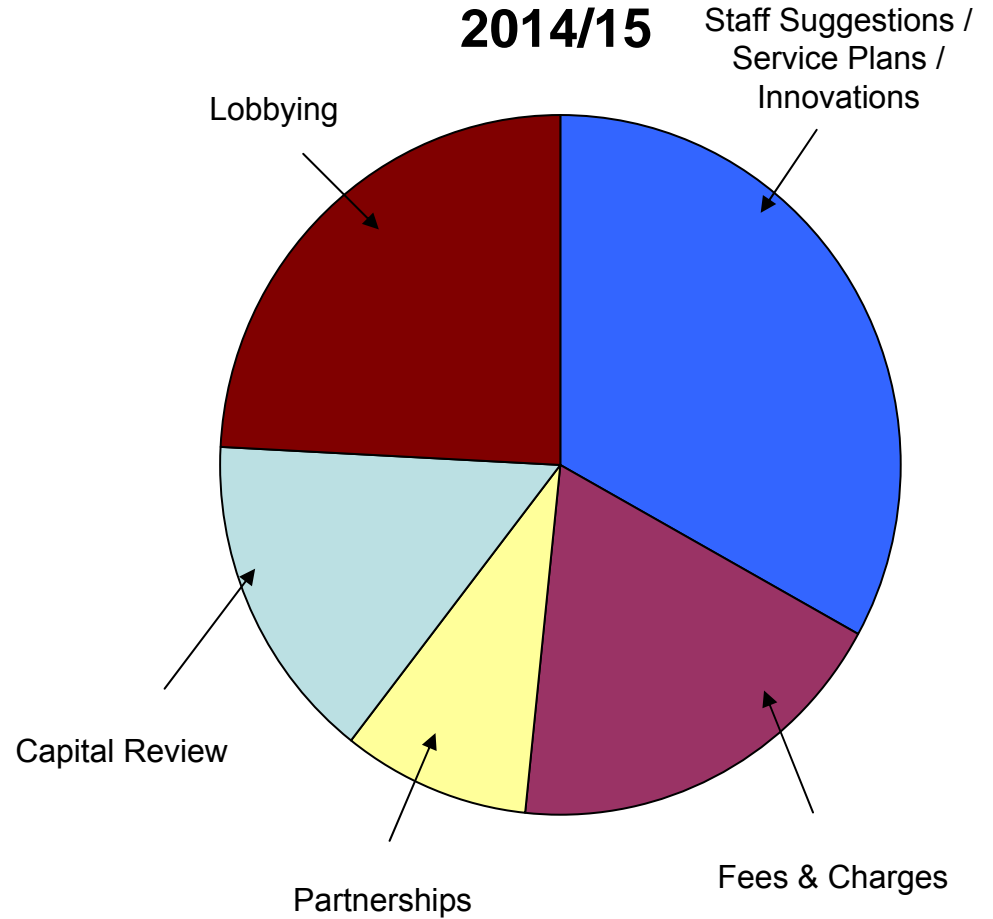
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
		£000	£000	£000	£000	£000	£000
8	Estimated Opening Balance	(1,415)	(1,480)	(1,545)	(1,545)	(1,545)	(1,545)
4b	Council Tax Grant 2013/14	(65)	(65)	0	0	0	0
9	Estimated Closing Balance	(1,480)	(1,545)	(1,545)	(1,545)	(1,545)	(1,545)

Framework Savings

2013/14



2014/15



Identified Framework Savings

Table 7	2013/14 £000	2014/15 £000
Staff Suggestions / Service Plan / Innovation	(487)	(439)
Lobbying	(131)	(320)
Capital Review	(144)	(206)
Fees and Charges	(119)	(247)
Partnerships	(68)	(117)
Total Identified Framework Savings	(949)	(1,329)

Case Studies (para 5.16)

- ◆ External funding for children's play facilities in Desborough (£49,000)
- ◆ External funding to create a play area and external fitness zone (£48,000)
- ◆ External funding of £206,000 for a number of new homes. These will also attract New Homes Bonus
- ◆ External Funding of a multi wheeled sports facility (£148,000)
- ◆ Full Occupation of Market Place Buildings
- ◆ New fleet contract (£350,000)
- ◆ Extension to Burton Wold Wind Farm (£300,000)

Service Pressures / Risks

- ◆ Council Tax Support (para 6.10 – 6.11)
- ◆ Business Rates Appeals (para 6.12)
- ◆ Homelessness (para 6.13)
- ◆ Utilities Costs (para 6.14)
- ◆ Town Centre (para 6.17 – 6.24)
- ◆ Swing-o-meter (Appendix A – Page 30)

Capital Programme (6.25 – 6.32)

- ◆ 2014/15 £5.5m Programme
- ◆ Programme 2015/16 – 2018/19 around £3.8m per annum

Business Rates – Who sets business rates?

A. KBC

B. The County Council

C. Central Government

D. Confederation of British
Industry

For every £1 in business rate growth, how much does KBC keep?

A. All of it

B. Most of it

C. About half of it

D. Less than a quarter of it

D. The Medium Term



TABLE 12 - MEDIUM TERM FINANCIAL FORECAST

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GENERAL FUND WORKING BALANCE

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E. Summary & Conclusions



Summary & Conclusions

2013/14

- ◆ The Council has continued to use its own specific 'budget delivery framework' for the consideration and subsequent delivery of the £949,000 of savings required for the General Fund for 2013/14.
- ◆ Once the budget was approved in February 2013, the challenge was to turn the 'paper based savings exercise' into reality so that the £949,000 of savings were actually delivered.
- ◆ From the information contained in the budget report (and previously reported to the Executive Committee through a series of Durable Budget Reports) it can be seen that the original savings target of £949,000 is being delivered successfully.
- ◆ In addition to the original target, the Council is currently projecting a further £500,000 under-spend during 2013/14, these are a combination of some early delivery of the on-going savings required to balance the budget in 2014/15 (c£150,000) and a number of one-off items (c£350,000). As previously approved by the Executive, this underspend will be put into earmarked reserves to help the Council protect itself from the many service and budget pressures that exist.

Summary & Conclusions

2014/15

- ◆ **The changes to the national landscape continues to bring greater uncertainty and volatility to future projections.**
- ◆ The Council needs to continue its **excellent track record of delivering budget savings** to balance the budget for 2014/15.
- ◆ Prior to the consideration of any council tax increase, it is estimated that **£1,329,000 of savings will be required**. We will start 2014/15 in a similar position to 2013/14 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 2014/15. The remaining savings have also been identified and the Council is confident that these will be delivered during 2014/15.
- ◆ 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. The challenges faced for 2014/15 mean that it is even more important that the guiding principles are followed if the council is to remain in a relatively good financial position.

Summary & Conclusions

2014/15 Continued

- ◆ **A capital programme of around £5.5m** is not inconsiderable for a District Council of Kettering's size and no doubt a welcome boost to the local economy.
- ◆ 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 “swingometer” shows some significant swings reflecting the economic climate. It must be stressed however that the Council has an excellent track record of spending at or around budget, even when faced with significant in year pressures, and a strong balance sheet with a level of reserves sufficient to cover the risks outlined in the “swingometer”.

Summary & Conclusions

2015/16 and Beyond

- ◆ Assumptions have been made for future levels of government grant (and other funding changes) and **a decrease of 15.8% has been applied for 2015/16** following the provisional settlement and **further annual decreases in overall funding of 10% for 2016/17 and beyond**. This will need to be reviewed when more information becomes available.
- ◆ The current economic times are unprecedented. Therefore the delivery of the budget is dependent upon successfully tracking the other budget assumptions that have been made (eg, inflation and interest rates) and it must be recognised that any major changes in such variables can have a significant impact on the Council's budget figures and resultant levels of required savings.

Summary & Conclusions

2015/16 and Beyond

- ◆ 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. The challenges faced in the medium term mean that it is even more important that the guiding principles are followed if the council is to remain in a relatively good financial position.
- ◆ Based upon the assumptions applied, the future years' budgets would require ongoing year on year savings of:

◆ 2014/15	£1,464,000
◆ 2015/16	£1,293,000
◆ 2016/17	£1,054,000
◆ 2017/18	£1,018,000

Summary & Conclusions

2015/16 and Beyond Continued

- ◆ **The system for government funding which was introduced in April 2013 effectively transfers significant risks from central to local government. Such risks include;**
- ◆ **Business Rate Volatility**
 - ◆ Future changes in business rates yield will have a direct impact on a significant proportion of the grant received by the council in the future. The Council has most of the risk of any downward movement whilst it can retain a small element of any increased yield. This element of risk continues to be monitored very closely.
 - ◆ Business rate appeals will also impact on the councils future funding. **The Government have announced that there will be a consultation on reforms to business rate appeals with a commitment to clear 95% of the September 2013 backlog of appeals before July 2015. This is an area that will need to be closely monitored.**

Summary & Conclusions

2015/16 and Beyond Continued

- ◆ **Council Tax Support Volatility**

- ◆ As widely expected and as reported to the Executive as part of the 2013/14 budget process **future levels of council tax support funding will be reduced in line with the reductions in central government core grant.** It is also likely that **the council will have to bear the cost of increased caseload** over the medium term – given the current economic outlook this continues to be a real and present risk.

Summary & Conclusions

Other Considerations

- ◆ The projections in all years rest on the Executive's adherence to the "*Guiding Principles*" the "*Modelling for Recovery Principles*" and the Budget Containment Strategies (para 3.6).
- ◆ Depending on the decisions taken in relation to Council Tax, 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**.

Summary & Conclusions

Other Considerations (continued)

- ◆ 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 continue to achieve our ambitious objectives.

Concluding Comments – Cllr Jelley

'Triple Zero'

- ◆ No increase in Council Tax
- ◆ No reduction in front line services
- ◆ No reduction in the overall funding envelope for voluntary sector grants

Real Terms Council Tax Reductions

	Actual / Estimated Inflation Rate	Council Tax Increase	Cumulative Real Terms Reduction
2011/12	4.80%	0.00%	4.80%
2012/13	2.70%	0.00%	7.50%
2013/14	3.00%	0.00%	10.50%
2014/15	3.00%	0.00%	13.50%

Concluding Comments – Cllr Jelley

Other Issues

- ◆ Town Centre
 - ◆ Car Parking
 - ◆ Other Initiatives

- ◆ Capital Programme
 - ◆ Town Centre Works
 - ◆ Community Fund

Questions

Provide Feedback

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Thank you for attending the Budget Consultation Meeting



