

BOROUGH OF KETTERING

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Report Originator	Strategic Management Team	Fwd Plan Ref A17/007	
Wards Affected	All	15 th November 2017	
Title	DURABLE BUDGET REPORT		

Portfolio Holder – Cllr L Thurland

1. PURPOSE OF REPORT

The purpose of the report is to:

- a) Remind Members of the context / background to the council's budget and medium term financial strategy;
- b) Illustrate the latest budget model, the delivery of efficiency savings for 2017/18 and the estimated level of budget savings that may be required over the next few years;
- c) Consider the car park charging strategy going forward.
- d) Provide an outline Budget Timetable for 2018/19.

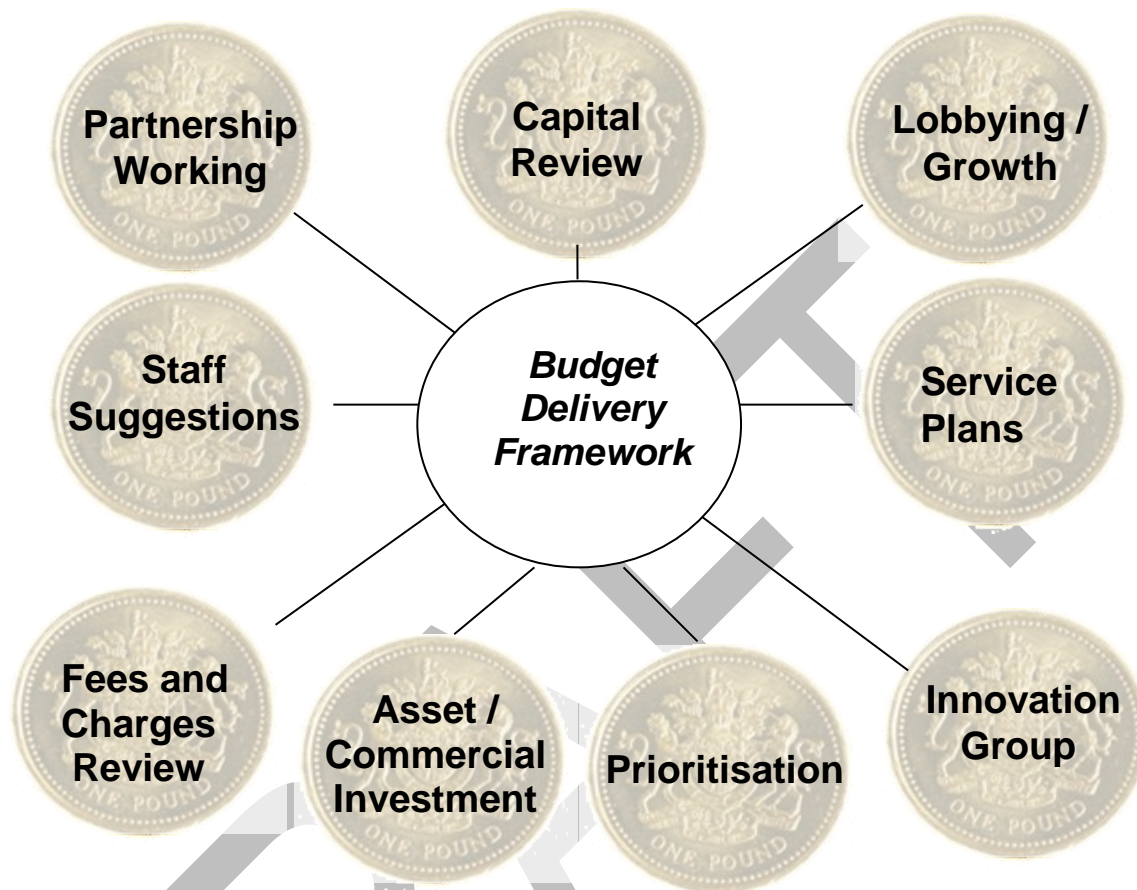
2. BACKGROUND

- 2.1. The Council's 2017/18 budget was approved by Council at its meeting on 1st March 2017. In terms of setting a balanced budget, the Council's strategy to date has been successful, although it remains a significant challenge in the medium term. The budgets for 2017/18 are being closely monitored throughout the year and significant variances are being reported to the Executive as part of these monthly reports.
- 2.2. Members will appreciate that the strategies the Council has adopted over the past few years have generally kept the authority in a good position from which to move forward. In Kettering, the council's approach has ensured that we are able to pro-actively deal with the challenges faced through: -
 - ♦ Anticipating and trying to influence major 'Big Ticket' items;
 - ♦ Having a well-motivated and flexible workforce that is pro-active in helping to deliver services.
- 2.3. The Council's success in delivering a balanced budget over the past number of years has come from the Budget Delivery Framework however savings of this magnitude are becoming increasingly difficult to maintain. For the Council to remain in the best

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possible shape in the medium term it will need to ensure that it 'delivers' on all aspects of its budget framework as outlined below:



- 2.4. Since 2010, the Council has delivered around £10m of 'efficiency savings' – 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 – specifically Income and Commercial Investment Schemes. One of these sources alone will not provide the mechanism to set a balanced budget in the medium term, all of them must contribute.
- 2.5. The Executive at the September meeting considered and approved the rationalisation of the guiding principles from four sets into two distinct groupings – one that is referred to as the council's financial 'golden rules' and one that is known as the council's financial 'guiding principles'. Both of these are specifically for the Council's General Fund budgets (revenue and capital) – for ease of reference these are reproduced below:

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Financial Golden Rules;

- a. The General Fund Working Balance should not fall below £1m or 10% of net revenue expenditure (whichever is the greater);
- 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

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

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3. UPDATE OF KEY ISSUES AND BUDGET PROJECTIONS

3.1 This section provides an update on the budget position / financial projections for the following;

- General Fund
- Housing Revenue Account
- Capital Programme

General Fund Updates

3.2 The Council's General Fund Medium Term Financial Strategy is reproduced in Table 1 – notes to the Medium Term Financial Forecast are included at Appendix A.

3.3 The forecast comprises the following 'Zones'

- ♦ **Zone of Predictability** – covers the 2017/18 financial year - for which the level of government funding is known.
- ♦ **Zone of Unpredictability** – The future levels of government grant for the period 2018/19 – 2019/20 are based on indicative figures provided as part of the 2017/18 financial settlement which form part of the 'four year settlement' figures (that were previously reported to this Committee).
- ♦ **Zone of Severe Unpredictability** – Based upon the figures in the MTFs, the Council would need to identify and deliver further savings of around
 - ♦ £1m in 2020/21,
 - ♦ £800,000 in 2021/22 and
 - ♦ £600,000 in 2022/23.

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TABLE 1 - MEDIUM TERM FINANCIAL FORECAST							
		Zone of "Predict ability"	Zone of "Unpredictability"		Zone of "Severe Unpredictability"		
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
1	Net Council Budget	10,948	10,429	10,178	9,933	9,816	9,747
2	Forecast Resources:						
	Government Grant						
2a	Revenue Support Grant	(546)	(171)	250	0	0	0
2b	Business Rates	(2,357)	(2,433)	(2,520)	(2,000)	(2,000)	(2,000)
	Total Government Grant	(2,903)	(2,604)	(2,270)	(2,000)	(2,000)	(2,000)
	Council Tax / Coll'n Fund	(250)	(250)	(200)	(200)	(200)	(200)
	Income From Council Tax	(6,415)	(6,511)	(6,609)	(6,708)	(6,809)	(6,911)
	Total Resources	(9,568)	(9,365)	(9,079)	(8,908)	(9,009)	(9,111)
3	Budget (Surplus) / Deficit	1,380	1,064	1,099	1,025	807	636
4	Savings Identified	(1,380)	(460)	0	0	0	0
5	Savings - To be Identified	0	(604)	(1,099)	(1,025)	(807)	(636)
6	Budget (Surplus) / Deficit	0	0	0	0	0	0
GENERAL FUND WORKING BALANCE							
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		£000	£000	£000	£000	£000	£000
7	Estimated Opening Balance	(1,415)	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)
8a	Town Centre Initiatives	40	0	0	0	0	0
8b	Transitional Grant	(50)	0	0	0	0	0
9	Estimated Closing Balance	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)

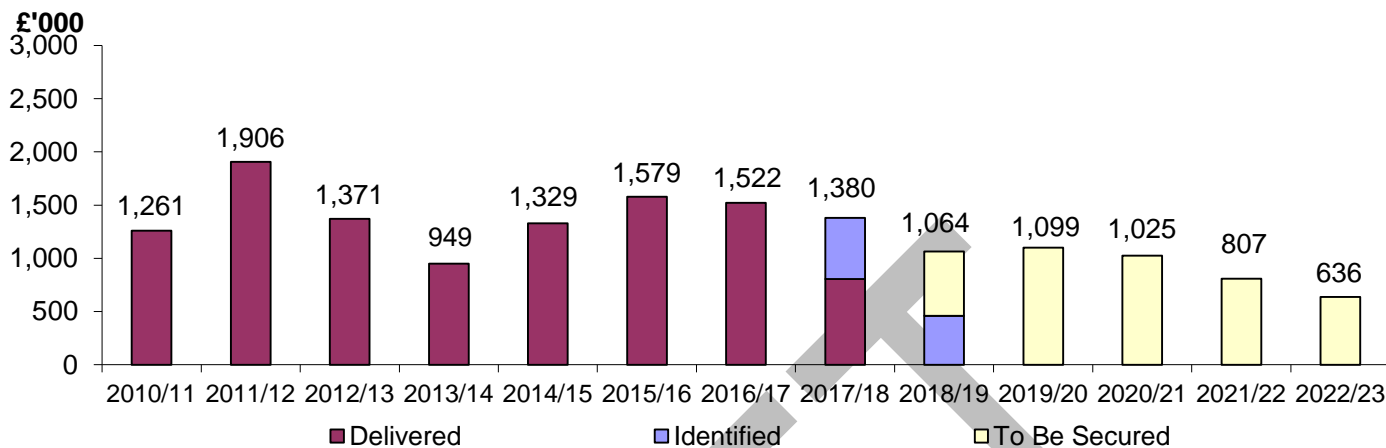
3.4 As clearly outlined in previous budget reports considered by the Executive and Full Council, the best estimates of the ongoing savings targets going forward are at least of a similar scale to those already met, the following chart shows:

- Savings of £9.8m have been identified and delivered between 2010/11 – 2016/17;
- Savings of £1.380m have been identified and are being delivered in 2017/18;
- Savings of around £4.6m need to be identified and delivered over the next five years (2018/19 – 2022/23).

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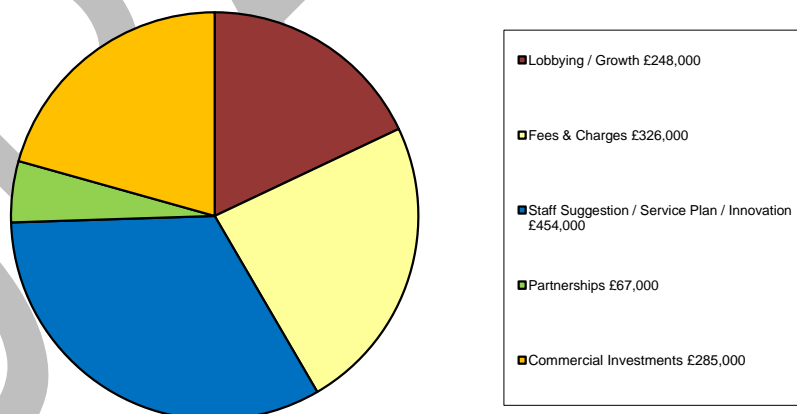
Efficiency Savings



GENERAL FUND 2017/18

3.5 From Table 1 it can be seen that the Council's budget delivery framework need's to deliver £1,380,000 of savings in 2017/18 to maintain a balanced budget. The assumptions will need to be kept under close review during 2017/18. The identified savings are summarised in Chart 1:

**Chart 1
Framework Savings for the Current Year (2017/18)**



3.6 Table 2 illustrates how the 2017/18 savings are being delivered - around 1/3 of the total savings target is to be delivered through reduced expenditure and around 2/3 is through increased income.

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Table 2 – Framework Savings 2017/18			
Framework	Additional Income £'000	Reduced Expenditure £'000	Total £'000
Lobbying / Growth	248	0	248
Fees & Charges	326	0	326
Staff Suggestion / Service Plan / Innovation	0	454	454
Partnerships	6	61	67
Commercial Investments	285	0	285
Total	865	515	1,380

- 3.7 During the budget process, members were informed of a number of ‘big ticket’ items. These are typically items of large value that could have a disproportionate impact on the Council's budget if they moved in an adverse fashion. Consequently these are monitored very closely and members and officers may occasionally try to influence (through lobbying) any changes that may take place especially when such changes are triggered through changes in national policy. These items are included in the Council's Swing – o – meter as detailed at Appendix B.
- 3.8 The General Fund remains broadly on target to be delivered within budget for 2017/18 however there continues to be some key areas of volatility – the most significant of these are summarised in Table 3.

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Table 3 – Budget Variances 2017/18		
	Projected Variance	Reason
Borrowing Costs	£300,000 (favourable)	The Council continues to use internal reserves as a means of borrowing and has recently borrowed externally to finance commercial investments. The variance reflects lower borrowing costs than budgeted for.
Business Rates	£225,000 (favourable)	Estimated growth from the Business Rates Retention Scheme.
Fee Income	£400,000 (adverse)	A number of the Council's main income streams (eg, Planning Fees and Crematorium Income) are generating less income than budgeted at the present time. The medium term implications of this will be reviewed through the forthcoming budget process.
Recycling	£200,000 (adverse)	Increased cost for the disposal of co-mingled waste arising from a temporary change in gate fees owing to operational changes with the current provider.
Homelessness	£100,000 (adverse)	There has been an increase in the number of homeless applications this is reflective of the picture across the country in relation to this issue.
Other Items	£175,000 (favourable)	The General Fund budget consists of many budgets to which there is some degree of variation – overall current projections show this as a favourable variance.

3.9 These areas will be closely monitored and reviewed as part of the forthcoming budget process – some of these (such as homelessness) are essentially demand led and reflective of national economic issues.

GENERAL FUND – 2018/19 and 2019/20

3.10 Members should be aware that the indicative savings levels for the period 2018/19 onwards are subject to a number of high level assumptions as part of the 'four year settlement' indicative levels of grant funding were provided for 2018/19 and 2019/20 and these are reflected in Table 1.

3.11 As well as monitoring framework savings identified for 2017/18 work continues on identifying savings for the following year – 2018/19. Members are reminded that

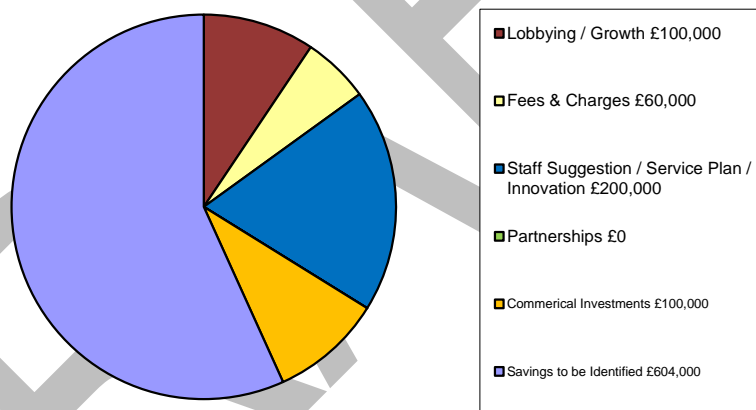
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the current Medium Term Financial Forecast requires an additional £1.064m of savings to balance the budget in 2018/19.

- 3.12 Members are reminded that significant efficiency savings have been delivered in recent years as shown in Chart 1. It has been previously reported that savings of this magnitude are going to be difficult to maintain and this is emphasised by the 2018/19 budget process which will be more challenging than previous years.
- 3.13 Savings of £100,000 had been previously identified (as reported to the Oct Executive) and a further £360,000 has been identified, therefore the identified savings total £460,000. A further £604,000 is required in order to deliver a balanced budget for 2018/19. Chart 2 illustrates how the identified savings are to be delivered and the levels of savings that are required to deliver a balanced budget – to date around 40% of the savings have been identified.

Chart 2
Framework Savings for the next Year (2018/19)



- 3.14 Table 4 illustrates how the savings identified to date are to be delivered – to date all the identified savings are to be delivered through generating additional income.

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Table 4 – Framework Savings 2018/19			
Framework	Additional Income £'000	Reduced Expenditure £'000	Total £'000
Lobbying / Growth	100	0	100
Fees & Charges	60	0	60
Staff Suggestion / Service Plan / Innovation	200	0	200
Commercial Investments	100	0	100
Total	460	0	460

- 3.15 It is important that the Council considers all frameworks and all income streams the Council continues to explore how further efficiency savings of around £600,000 can be delivered to meet the estimated savings target for 2018/19. As further savings are identified and resilience tested these will be reported to future Executive meetings.
- 3.16 The upcoming budget on 22nd November will no doubt mean we need to revisit some of the figure already presented here. Particularly as we understand the impact of the Local Government Finance Settlement in December.
- 3.17 A high level summary of the County Council's budget and Medium Term Financial Plan together with a summary of the possible implications for KBC is also being presented to this meeting of the Executive.

GENERAL FUND – 2020/21 to 2022/23

- 3.18 Given the work that the Government are undertaking about the future of Local Government funding – it is more difficult to look this far ahead with any degree of certainty. The future levels of grant from 2020/21 are much more uncertain and are a best estimate. The scale of the financial challenges from this point onwards will be highly dependent on how the Business Rates Retention Scheme operates over the next five years, together with the national 'fairer funding review'.

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3.19 Considerable work is needed before 2020/21 if the Council is to continue to deliver a balanced budget and have a sustainable Medium Term Financial Forecast.

HOUSING REVENUE ACCOUNT 2017/18 – CURRENT FINANCIAL YEAR

3.20 A summary of HRA monitoring at 31st October 2017 is shown in Table 5. The Housing Revenue Account is currently projected to come in around £100,000 over budget. The main variance relates to income being around £150,000 less than budget this results from void times being higher than budgeted, resulting in lower income levels. This is an area of work that will continue to be closely monitored.

Table 5 - HRA	Current Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Gross Expenditure	15,586	15,536	(50)
Gross Income	(15,586)	(15,436)	150
Net Expenditure	0	100	100

3.21 Work is progressing on developing a set of golden rules and guiding principles for the HRA and these will be reported to a future meeting of the Executive.

CAPITAL 2017/18 – CURRENT FINANCIAL YEAR

3.22 A summary of the Capital Programme monitoring statement as at 31st October 2017. is shown in Table 6

Table 6 - Capital	Current Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Expenditure			
HRA Schemes	4,443	3,973	(470)
General Fund Schemes	24,493	24,491	(2)
	28,936	28,464	(472)
Financing			
Capital Receipts	1,334	1,334	0
Prudential Borrowing	23,745	23,723	(22)
Revenue Contribution	3,233	2,763	(470)
Grants and Contribution	624	644	20
	28,936	28,464	(472)
Net Expenditure	0	0	0

3.23 The main variance on the Capital programme relates to the refurbishment of Hampden Crescent. The projected underspend of £454,000 is a timing variance with the scheme estimating to complete early in 2018/19.

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3.24 It is likely that in the December report we will be asking for the capital budget for commercial investments to be significantly increased – this will need to go to full Council in December.

4 BUDGET TIMETABLE

4.1 A summary budget timetable is provided at Appendix C.

4.2 Members are reminded that the formal budget consultation period is from 17th January 2018 to 28th February 2018 when the Council sets its Council Tax for 2018/19. Comments from the consultation process will be reported to the Executive for consideration at its meeting on 14th February 2018. The formal budget process remains unchanged from the previous year.

4.3 Members will however be aware that the budget process at Kettering Borough Council is an ongoing process throughout the year that has been evidenced by the ongoing consideration of the durable budget report at each meeting of the Executive.

5 BUDGET STATEMENT

5.1 The Chancellor of the Exchequer will be announcing the Budget Statement on 22nd November. As in previous years we will provide a note to all Members following this announcement and we will provide a fuller briefing at the next Executive Committee and throughout the budget process and when we receive the LGA briefing we will make this available.

6 CAR PARK CHARGING STRATEGY

6.1 At the conclusion of the previous budget process, the Finance Portfolio Holder gave a commitment that the current charging strategy would be looked at. It has been reported in previous Durable Budget reports that it was intended to report back to the November Executive meeting so that it is properly linked into the budget process.

6.2 For members information Table 7 illustrates the current car parking charges. Members are reminded that the current level of charges are the same as those charged back in 2011, although they are around 14% lower in real terms when inflation is taken into account. The charging periods are as follows:

Charging Periods:

Monday - Friday: 9am – 6pm

Saturday: 8am – 6pm

Sundays: Free of charge

Bank Holidays: Free of charge

NB: It should also be noted that the Council currently operates 8 additional days of free parking and operates the popular 'pop and shop' scheme.

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Table 7- Car Parking Charges 2017/18

Banding	London Road	Municipal Offices Monday to Friday	Municipal Offices Saturday	Commercial Rd Wadcroft School Lane and Queen St
1 Hour	N/A	£1.00	N/A	£1.00
2 Hours	£1.50	£2.00	£1.50	£2.00
3 Hours	£3.00	£3.00	£3.00	£3.00
All Day	£6.00	£6.00	£6.00	£6.00

Pop & Shop bays only – School Lane car park: Maximum stay 1 hour

- 6.3 It is important to note that the issue of car park charges cannot be viewed in isolation they need to be considered as part of the Council's overall budget and Medium Term Financial Strategy. The projected budget gaps that the Council is facing over the coming years are clearly illustrated in Table 1. The history of raising income through local charges means that the Council is reliant upon the current level of income it receives from car park charges to ensure that the savings targets do not increase and it also provides funding for offering a good quality parking offer (as evidenced by the recent parkmark award). To that end, any change in strategy that members may wish to consider needs to ensure that the overall income yield remains at least the same.
- 6.4 The conclusion is that the current level of charges remains relevant and that there should be a freeze to existing charges for a further three year period (1st April 2018 to 31st March 2021). In addition to this, it is also proposed that the Council introduces two additional parking bands in all car parks to provide the user with greater choice over the length of stay by introducing a 4 hour charge for £4 and a 5 hour charge of £5.
- 6.5 The charging periods for Saturday parking currently starts at 8am whereas the weekday charging period starts at 9am it would seem sensible to align the charging periods for Saturday parking to the weekday charges i.e. charge from 9am on Saturday rather than 8am. This also follows feedback from Town Centre businesses and users from the recent event at the corn Market Hall.

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6.6 The following table illustrates the proposed charges from 1st April 2018.

Table 8- Proposed Car Parking Charges from 1st April 2018				
Banding	London Road	Municipal Offices Monday to Friday	Municipal Offices Saturday	Commercial Rd Wadcroft School Lane and Queen St
1 Hour	N/A	£1.00	N/A	£1.00
2 Hours	£1.50	£2.00	£1.50	£2.00
3 Hours	£3.00	£3.00	£3.00	£3.00
4 Hours	£4.00	£4.00	£4.00	£4.00
5 Hours	£5.00	£5.00	£5.00	£5.00
All Day	£6.00	£6.00	£6.00	£6.00

*The proposed charging period is from 9am daily including Saturdays

- 6.7 At this stage it is difficult to say what the impact of these changes will have on the overall budget position as some users who previously stayed for three hours may wish to extend their stay and conversely those users that had an all-day ticket may opt to use one of the two parking bands. The impact of these new charges will be closely monitored and future budgets will be adjusted to reflect any changes in income levels. It is envisaged however that the overall income budget will be maintained.
- 6.8 If members were minded to approve the charges this would effectively mean that the charges in 2020/21 would be at the same level as in 2011 which could represent a real terms reduction of around 22%.
- 6.9 The Council currently has a budget that can be used for one-off parking incentives (such as periods of free parking and/or other town centre event related items). Currently this is a time limited budget with the current budget provision ending in March 2018

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6.10 Members need to consider whether they wish the previous practice of having a short term town centre initiatives budget to continue and if so for how long.

6.11 If this scheme is to continue an early indication of where this will be spent would be appreciated so that the forward planning for things like statutory car parking notices can be done in the most efficient and cost effective way.

7 CONSULTATION AND CUSTOMER IMPACT

7.1 None as a direct consequence of this report. However members are reminded that the formal budget consultation period is from 17th January 2018 to 28th February 2018 when the Council sets its Council Tax for 2018/19. Comments from the consultation process will be reported to the Executive for consideration at its meeting on 14th February 2018.

8 POLICY IMPLICATIONS

8.1 As outlined in the report.

9 USE OF RESOURCES

9.1 As outlined in the report.

10. RECOMMENDATIONS

That the Executive:

10.1 Note the following

- a. The Council's Medium Term Financial Strategy and associated guiding principles;
- b. The Council's current Medium Term Financial Forecast and the progress being made for the delivery of efficiency savings for 2018/19 and future years;

10.2 Considers the comments made in section 6 of this report and determines;

- a. Whether it wishes to amend the medium term strategy for car parking charges (as outlined in section 6 of this report)
- b. Whether it wishes to continue with annual revenue budget for the sum of £40,000 for town centre initiatives and if so for what period
- c. Notes the summary budget timetable for 2018/19 (as outlined in Appendix C).

Background Papers:

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

Previous Reports/Minutes:

Monthly Durable Budget Reports