

BOROUGH OF KETTERING

Body	COUNCIL	Item 9	Page 1
Report Originator	Strategic Management Team	<i>Fwd Plan Ref no.</i> -	
Wards Affected	All	28 th February 2018	
Title	BUDGET PROPOSALS 2018/19 – GENERAL FUND, CAPITAL PROGRAMME, AND HOUSING REVENUE ACCOUNT		

Portfolio Holder – Cllr Lesley Thurland

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 2017/18;
- ◆ The General Fund budget 2018/19;
- ◆ The Capital Programme 2017 – 2023;
- ◆ The Council Tax level for 2018/19;
- ◆ The Housing Revenue Account budget 2018/19.

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, The Police and Crime Commissioner, Town and Parish Councils) and provides a legal basis upon which to issue Council Tax bills and collect the amounts due.

- 2.1. On the 17th January 2018, the Executive considered a report containing initial budget proposals for 2018/19. 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 25th January 2018.
- 2.2. At its meeting of 14th February 2018, 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 2018/19.
- 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
- 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

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 2
---------	----------------	-----------	--------

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 2018/19 ***(this will be distributed at the Council meeting itself – all other precepting bodies must have formally approved their respective precepts first).***

- 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 2017/18, 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 £11.3m since 2010 and estimates that further savings of around £5m are required over the next five years (savings of £1.473m have been identified for 2018/19) – delivering savings of this scale going forward continues to be a significant challenge. The Council will need to ensure that progress is made on all elements of its budget framework if a balanced budget is to be achievable into the medium term – even with this it is likely that the Council will have to take some potentially difficult decisions about service levels and associated priorities in the later years of the medium term financial forecast.
- 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.

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 3
---------	----------------	-----------	--------

3. KEY ISSUES SUMMARY / GUIDING PRINCIPLES

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

2017/18

3.1.1. The Council has continued to successfully use the 'budget delivery framework' for the delivery of efficiency savings.

3.1.2. Since 2010, the Council will have delivered a total of £11.3m of efficiency savings by the end of March 2018.

2018/19

3.1.3. Taken in isolation, most of the main issues are 'known' for 2018/19 at this stage.

3.1.4. The Council had budgeted for a grant reduction of £299,000 for 2018/19 the provisional figure from the Government was a reduction of £304,000 (10.5%). Although the reduction was in line with expectations, this still represents a significant reduction in grant and a continued challenge for 2018/19.

3.1.5. Prior to the consideration of any council tax increase, it is estimated that £1,473,000 of 'efficiency savings' will be required. We will start 2018/19 in a similar position to 2017/18 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 2018/19. 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.

3.1.6. 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.

3.1.7. 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.

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 4
---------	----------------	-----------	--------

- 3.1.8. Members will need to consider the medium term projections and associated risks when deciding a level of council tax for 2018/19. Given that the level of KBC's Council Tax has been frozen for seven years, members will need to seriously consider what a sustainable strategy is for its level of Council Tax for 2018/19 (and the medium term) as part of this budget process.
- 3.1.9. A capital programme of around £15m is a significant commitment and clearly demonstrates the Council's strategy regarding commercial investments.
- 3.1.10. 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".

The Medium Term

2019/20 and Beyond

- 3.1.11. Assumptions have been made for future levels of government grant (and other funding changes) these are based on indicative figures provided as part of the 2018/19 financial settlement following the Council's previous decision to accept a four year grant settlement from the Government.
- 3.1.12. The levels of uncertainty and reductions in government funding in the medium term are very significant. The Government has published a consultation on a new funding methodology, for funding changes from 2020-21. In effect, the 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.
- 3.1.13. Further changes are anticipated to Business Rates whereby the local share for Business rate retention increases from 50% to 75% by 2020/21 this will include a transfer of public health and other grants and will include either a full or partial reset to the Business Rates baseline in 2020/21.
- 3.1.14. Authorities should not underestimate the potential ramifications of changes to baselines for measuring growth whilst moving to a 75% scheme appears that more growth will be retained locally this will be dependent on where the baseline is set as growth will only be paid

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 5
---------	----------------	-----------	--------

above the baseline level and any increase to the baseline will reduce the amount of retained growth.

3.1.15.Both the resetting of the baseline and the review of the funding formula could have a significant impact on the Council's Medium Term Financial Strategy.

3.1.16.The Government have retained the option of making adjustments to New Homes Bonus funding from 2019/20 by adjusting the baseline to reflect significant and unexpected housing growth. The baseline in 2018/19 is 0.40% of the total housing stock an increase in the baseline would result in less New Homes Bonus funding. At this stage it is unclear where the baseline will be set for 2019/20 and the years thereafter.

3.1.17.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.

3.1.18.Based upon the assumptions applied, the future years' budgets would require ongoing year on year efficiency savings of the following (on top of the £12.7m of ongoing savings achieved since 2010);

2019/20	£1,021,000
2020/21	£ 965,000
2021/22	£ 975,000
2022/23	£ 660,000

3.1.19.The Council continues to develop a more commercial approach to ensure that its income base remains buoyant a key component of this is asset acquisition.

3.1.20.Maintaining Council Tax at its current level into the medium term is unlikely to be sustainable, particularly with the impending reviews of 'needs' based funding.

Other Considerations

3.1.21.The projections in all years rest on the Executive's adherence to the "Financial Golden Rules and Financial Guiding Principles (para 3.5).

3.1.22.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 – whilst the Government have announced how New Homes Bonus will

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 6
---------	----------------	-----------	--------

operate from 2018/19 there is still significant levels of uncertainty over the base line in future years and there is significant volatility owing to the uncertainties around Business Rates.

- 3.3 The Executive at the September 2017 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:

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.

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 7
---------	----------------	-----------	--------

- 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’;
- 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.

Meeting	COUNCIL	Item 9	Page 8
----------------	----------------	-----------	--------

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 2017/18
- ◆ Draft Budget 2018/19
- ◆ Medium Term Forecast (and associated key issues)

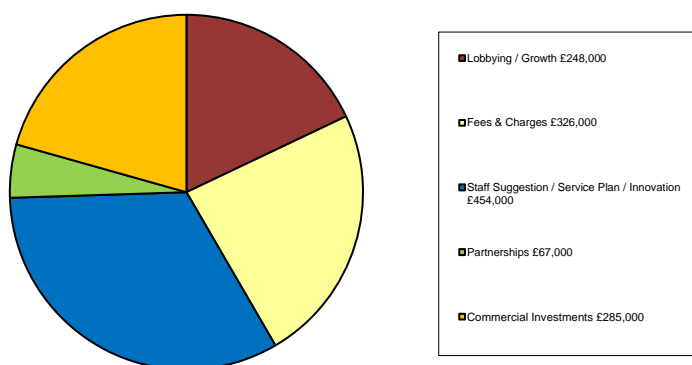
Revised Budget 2017/18

4.2. The detail of the revised estimate figures for 2017/18 can be seen by reference to the draft budget booklet Appendix A (Section 1).

4.3. Members are reminded that in the current financial year (2017/18) the General Fund required budget savings of £1,380,000 to be achieved in order to deliver a balanced budget position for the year. The Council identified these ongoing budget savings in full.

4.4. Using the Councils 'budget delivery framework' and 'guiding principles' the Council is currently on track to successfully deliver the identified savings of £1,380,000. The savings that have been delivered through the budget delivery framework are summarised in Chart 1:

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



4.5. Table 1 illustrates that around 2/3 of the total savings targets in 2017/18 are being delivered through additional income and around 1/3 are being delivered through reduced expenditure.

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 9
----------------	----------------	-----------	--------

Table 1 – 2017/18 Efficiencies			
Framework	Additional Income	Reduced Expenditure	Total
	£'000	£'000	£'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

Draft Budget 2018/19

- 4.6. The draft budget figures for 2018/19 can be seen by reference to the Draft Budget Booklet at Appendix A (Section 1).
- 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 14 February 2018. 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 2018/19. 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)
 - ◆ Local, national and wider economic issues
 - ◆ Impact from other public service providers (especially from the County Council budget considerations and wider Health service pressures).
- 4.9. Whilst some of the above may well be heavily influenced by the outcome of the Government's negotiation stance on the exit from the European Union, the budget

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 10
----------------	----------------	-----------	------------

and service pressures that could result from the action of other public sector partners are of more immediate concern.

4.10. The budgetary and service challenges that Northamptonshire County Council face are well documented, as are the capacity issues affecting our health sector colleagues. As a result it is likely that the Council may continue to come under pressure to take on additional responsibilities or provide substitute funding as partners change their service levels.

4.11. 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 Budget Containment Strategy principles and in particular point 5 which is reproduced below:

5. The Council should not substitute itself as a provider / funder of services when another public provider cuts such a service.

4.12. 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;

- ◆ Business Rates (appeals and volatility)
- ◆ Recycling
- ◆ Homelessness
- ◆ Commercial Investments

4.13. 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. Notes to the MTFs are provided at Appendix A.

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 11
----------------	----------------	-----------	------------

TABLE 2 - MEDIUM TERM FINANCIAL FORECAST							
		Zone of "Predictability"			Zone of "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	10,893	9,975	9,783	9,894	9,682
2 Forecast Resources:							
Government Grant							
2a	Revenue Support Grant	(546)	(171)	250	0	0	0
2b	Business Rates	(2,357)	(2,428)	(2,484)	(2,000)	(2,000)	(2,000)
Total Government Grant		(2,903)	(2,599)	(2,234)	(2,000)	(2,000)	(2,000)
Council Tax / Coll'n Fund		(250)	(300)	(100)	(100)	(100)	(100)
Income From Council Tax		(6,415)	(6,521)	(6,620)	(6,718)	(6,819)	(6,922)
Total Resources		(9,568)	(9,420)	(8,954)	(8,818)	(8,919)	(9,022)
3	Budget (Surplus) / Deficit	1,380	1,473	1,021	965	975	660
4	Efficiencies Identified	(1,380)	(1,473)	0	0	0	0
5	Efficiencies - To be Identified	0	0	(1,021)	(965)	(975)	(660)
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)	(1,385)	(1,345)	(1,305)	(1,305)
8a	Town Centre Initiatives	40	40	40	40	0	0
8b	Transitional Grant	(50)	0	0	0	0	0
9	Estimated Closing Balance	(1,425)	(1,385)	(1,345)	(1,305)	(1,305)	(1,305)

The forecast comprises the following 'Zones'

- ◆ **Zone of Predictability** – covers the 2017/18 and 2018/19 financial year - for which the level of government funding is known. The government funding for 2019/20 is based on indicative figures provided as part of the 2018/19 financial settlement which form part of the 'four year settlement' figures.
- ◆ **Zone of Unpredictability** – This covers the period from 2020/21 which is when it is anticipated that the fairer funding formula review and Business Rates will be reset. Based upon the figures in the MTFs, the Council would need to identify and deliver further efficiencies of around;
 - ◆ £965,000 in 2020/21,
 - ◆ £975,000 in 2021/22 and
 - ◆ £660,000 in 2022/23.

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 12
----------------	----------------	-----------	------------

4.14. By reference to Table 2, it can be seen from line 4 that the Council will need to deliver ongoing budget savings of £1,473,000 in order to deliver a balanced budget for the year. The budget delivery framework has continued to be used and savings of £1,473,000 have been identified and formed part of the 2018/19 draft budget proposals.

4.15. The identified savings of £1,473,000 are summarised in Chart 2 and Table 3:

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

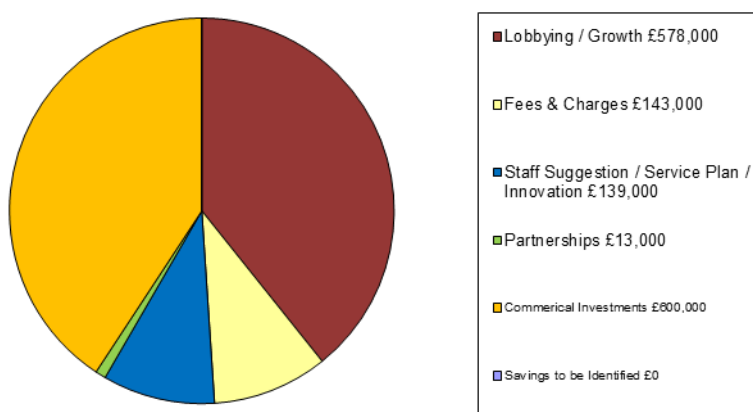


Table 3 – 2018/19 Efficiencies

Framework	Additional Income £'000	Reduced Expenditure £'000	Total £'000
Lobbying / Growth	578	0	578
Fees & Charges	143	0	143
Staff Suggestion / Service Plan / Innovation	107	32	139
Partnerships	13	0	13
Commercial Investments	600	0	600
Total	1,441	32	1,473

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 13
----------------	----------------	-----------	------------

- 4.16. The Council's record in identifying and delivering efficiency savings over the past nine years, including the year under consideration (2018/19), are around **£12.7m** - as illustrated in Table 4. 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.

Table 4 – 'Efficiency' Savings	£000
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
Total	11,260
2018/19	1,473
Total	12,733

- 4.17. As previously reported, turning a paper based exercise into reality is becoming increasingly difficult each year. This will be no different for 2018/19.
- 4.18. Members have a statutory duty to consider the medium term when setting a budget and level of Council Tax for 2018/19. The projections for all years rest on the Executives adherence to the "Council's financial 'golden rules' and the financial 'guiding principles'

Medium term Forecast

- 4.19. Members should be aware that the indicative savings levels for the period 2019/20 onwards are subject to a number of high level assumptions. Whilst as part of the 'four year settlement' indicative levels of grant funding have been provided for 2019/20. The future levels of grant from 2020/21 are much more uncertain. The significant pressures and risks over the medium term include;
- ♦ **Business Rates Review**
Further changes to Business Rates whereby the local share for Business rate retention increases from 50% to 75% by 2020/21 this will include a transfer of public health and other grants and will include either a full or partial reset to the Business Rates baseline in 2020/21.

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 14
---------	----------------	-----------	------------

- ◆ **Government Funding**

The Government's consultation on the Fair Funding Formula 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.

- ◆ **Commercial Investments** – Developing a balanced portfolio of revenue generating assets that produce the levels of income required to deliver a balanced budget. Any changes in national policies in this area (about what investments are to be permitted in the future) will need to be reflected in the Council's investment policies.

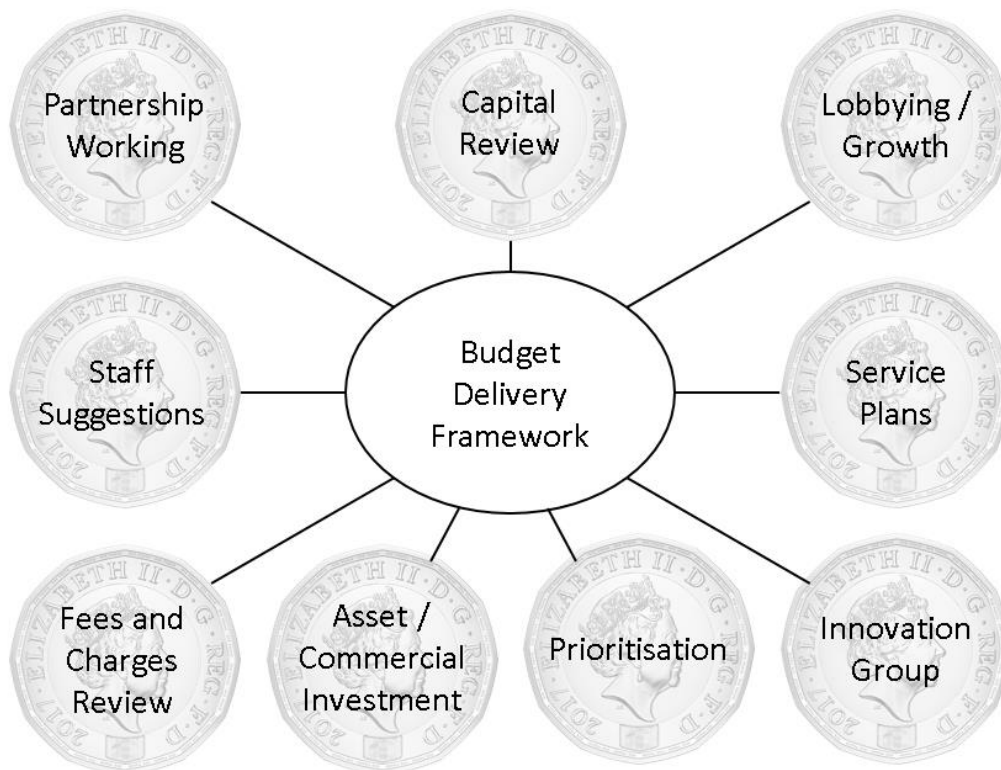
- ◆ **New Homes Bonus Funding** – the reduction in the number of years NHB is paid and the potential to change the baseline creates uncertainty.

4.20. There remains significant uncertainty from the period 2020/21 onwards. It is fair to say that the potential changes to local government funding are unprecedented and whilst the ramifications of them cannot be quantified, what is clear is that they are likely to be significant. The potential ramifications of changes to the Business Rates scheme and the fair funding review 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 being better off financially in the medium term – housing finance being one very good example. It would be prudent to assume the same in relation to Business Rates and the fair funding review.

4.21. As outlined at the Council's recent budget consultation meeting, for the Council to remain in the best possible shape in the medium term it will need to ensure that it 'delivers' on all aspects of its budget framework. The Council's budget framework is reproduced below:

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 15
----------------	----------------	-----------	------------



- 4.22. The Council has already done an impressive job of delivering around £11.3m 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.
- 4.23. KBC’s Council Tax has been frozen since 2010/11. It currently costs the average household £3.07 per week. Given the assumptions that the Government has made about levels of Council Tax moving forward, and the budget and associated risks: Without some increase in Council Tax (over the medium term) – the challenge of continuing to set a balanced budget will no doubt become even greater, with more reliance having to be placed on the other budget frameworks (with the risks associated with that).
- 4.24. 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 new few years (prior to the consideration of any increase in council tax);

2019/20	£1,021,000
2020/21	£ 965,000
2021/22	£ 975,000
2022/23	£ 660,000

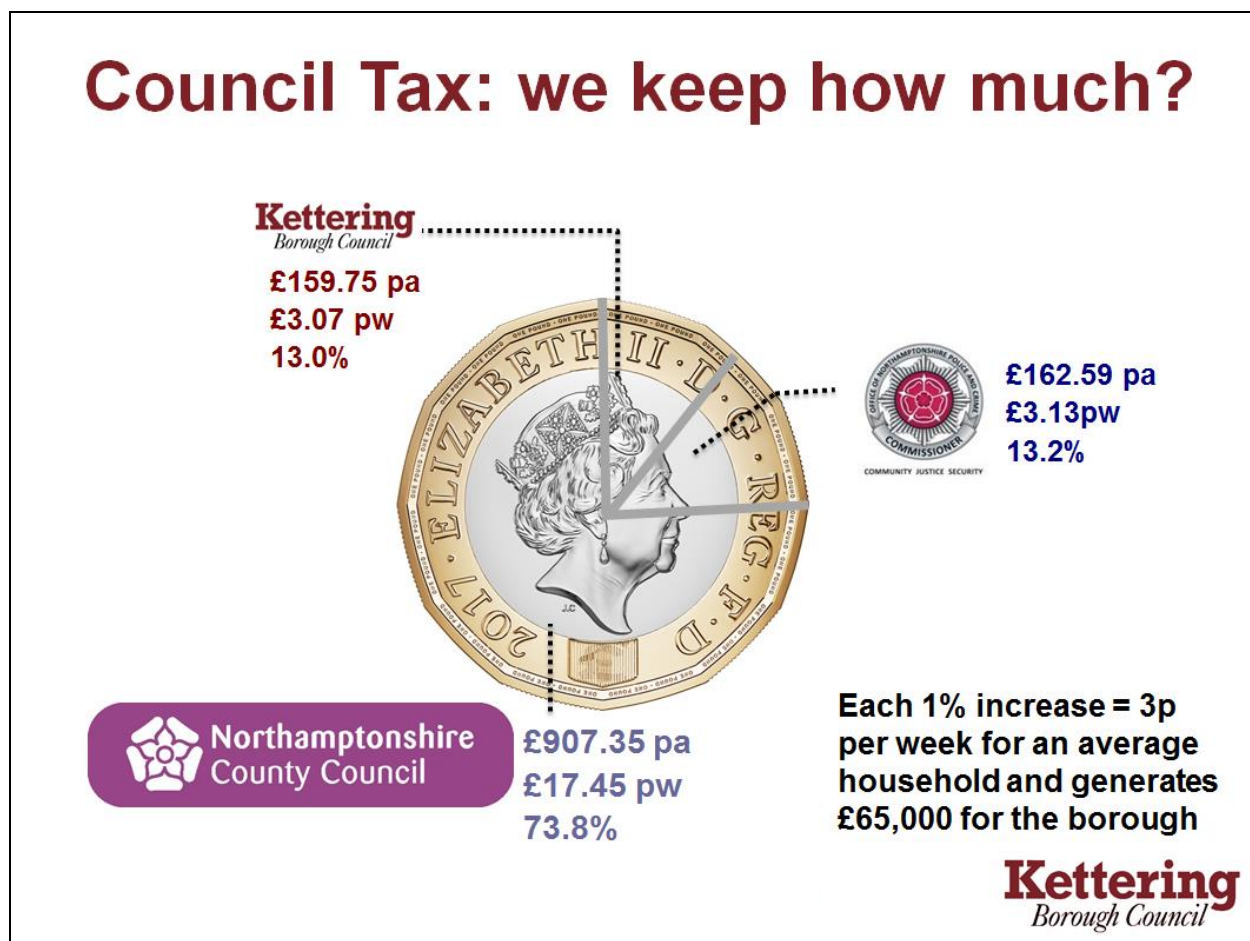
BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 16
---------	----------------	-----------	------------

4.25. When setting a balanced budget (and council tax) for 2018/19, 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 (2018/19)

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).



NB – The above figures are based on Band B Council Tax Charged in 2017/18.

- 5.2 When deciding upon a preferred level of Council Tax for 2018/19, the Executive Committee were advised to have regard to the following;
- The medium term financial projections for the council's General Fund budget (statutory requirement)
 - The advice of its professional officers.
 - The financial (and business) risks that face the authority in the medium term.

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 17
----------------	----------------	-----------	------------

- 5.3 Having taken these into account the Executive Committee have recommended that a 0% increase in Council Tax for 2018/19 be considered by Council at this meeting.
- 5.4 Members are reminded that each 1% increase in Council tax equates to about £65,000 of ongoing income to the Council's Council tax yield. The referendum limit for Districts and Boroughs for 2018/19 is the higher of a 3% increase or £5 for a Band D property. For Kettering Borough Council this means the referendum limit is a 3% increase which represents an annual increase of £6.16 per Band D property equivalent to an increase of 11p per week. The average Band in Kettering Borough is a Band B and this would represent an increase of 8p per week – such an increase would generate additional council tax income of around £195,000 during 2018/19.
- 5.5 When calculating the core grant settlement, the Government assumes that all Shire Districts will increase their Council Tax by the threshold amount for 2018/19. The indicative grant levels for the period 2019/20 also assumes that all local authorities will increase their Council Tax levels up to the threshold each year
- 5.6 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. Members will need to consider the medium term financial projections, the resultant savings that are required each year and the overall level of uncertainty and risks when considering Council Tax levels for 2018/19 (and subsequent years). The stronger the Council Tax yield – the greater the flexibility to deal with the future.
- 5.7 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 14% for the 7 year period.

Table 5	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	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%	14.00%

- 5.8 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

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 18
---------	----------------	-----------	------------

and charges, are harvested in line with their previously agreed guiding principles – this will remain important moving forward, especially in relation to income generation and this is clearly evidenced by reference to Table 3 which shows that around 98% of the efficiency savings for 2018/19 are being delivered through additional income.

- 5.9 The reality of the Council being able to deliver a balanced budget in the medium term will continue to be more of a significant challenge – the Council will need to carefully consider its main sources of income (Council Tax, Fees and Charges) at the same time as continuing to deliver its commercial investment strategy whilst also starting to consider its priorities for services (and levels of services) if a balanced budget is to be achieved in the medium term.
- 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 2018/19 should be fully considered and should also consider the context of what has been delivered (£11.3m) what is being delivered (£1.473m) and what still needs to be delivered (£3.6m)
- 5.11 Although through this budget process members will only be setting a level of council tax for 2018/19, this should be done by reference to the medium term and the risks faced.
- 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 14th February 2018, the Executive recommended a 0% increase in Council Tax for 2018/19. 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;

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 19
----------------	----------------	-----------	------------

Table 6								
Band	A	B*	C	D	E	F	G	H
Increase per week (rounded to nearest pence)	0.00p	0.00p	0.00p	0.00p	0.00p	0.00p	0.00p	0.00p
Proposed Weekly Council Tax for 2018/19	£2.63	£3.07	£3.51	£3.95	£4.83	£5.70	£6.58	£7.90
Proposed Annual Council Tax for 2018/19	£136.93	£159.75	£182.57	£205.39	£251.03	£296.67	£342.32	£410.78
Increase	0%	0%	0%	0%	0%	0%	0%	0%
* Represents the average level of the household bill within the District relating purely to Kettering Borough Council's budget.								

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 22nd February. The recommendation being considered by the County Council is for an increase of 5.98% in Council Tax – this is made up of a base increase of 2.98% supplemented by a 3% increase for adult social care.
- 5.16 The Police and Crime Commissioner have already approved an increase in their Council Tax of 5.74% or 2018/19.
- 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 if the County Council and Borough Council approves its recommendations.

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 20
----------------	----------------	-----------	------------

Table 7	Increase	New Weekly		New Yearly	
		Amount	Increase	Amount	Increase
		Northants County Council	5.98%	£18.49	£1.04
Kettering Borough Council	0.00%	£3.07	£0.00	£159.75	£0.00
Police and Crime Commissioner	5.74%	£3.31	£0.18	£171.92	£9.33

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 5.2% for 2018/19. Residents who are in Town or Parish areas will also see the impact of any changes in the respective Town and Parish Council precepts. Table 8 summarises the Town / Parish Council's precepts for 2018/19, these amounts will be included in the formal Council Tax Resolution;

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 21
----------------	----------------	-----------	------------

Table 8			
Parish	Precept 2017/18	Precept 2018/19	Percentage Change
	£	£	%
Ashley	4,050	4,650	14.8
Barton Seagrave	70,000	70,000	0.0
Brampton Ash	1,000	1,000	0.0
Braybrooke	4,500	4,500	0.0
Broughton	13,000	14,000	7.7
Burton Latimer	31,750	31,750	0.0
Cranford	8,600	9,000	4.7
Cransley	5,300	5,100	(3.8)
Desborough	349,700	280,000	(19.9)
Dingley	3,800	4,824	26.9
Geddington, Newton, Little Oakley	20,000	20,000	0.0
Grafton Underwood	1,500	2,000	33.3
Harrington	3,000	3,000	0.0
Loddington	5,420	6,000	10.7
Mawsley	60,000	60,000	0.0
Pytchley	8,000	9,582	19.8
Rothwell	30,000	48,000	60.0
Rushton	5,600	5,800	3.6
Stoke Albany	3,150	3,150	0.0
Sutton Bassett	1,200	1,200	0.0
Thorpe Malsor	2,000	2,000	0.0
Warkton	1,000	1,000	0.0
Weekly	1,500	1,500	0.0
Weston by Welland	2,000	2,000	0.0
Wilbarston	8,440	10,940	29.6
Total	644,510	600,996	(6.8)

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 22
----------------	----------------	-----------	------------

6. HOUSING REVENUE ACCOUNT (2018/19)

- 6.1. The Housing Revenue Account (HRA) budget for 2018/19 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 2018/19 to full Council for approval, the Executive meeting on 14th February 2018 formally approved a **decrease** of 1.00% in the average level of Council housing rents for 2018/19 (in line with Central Government Guidance). The decrease is effective from 2nd April 2018 and will result in the average weekly rent decreasing to £79.43. The draft HRA budget included an average rent decrease of 1.00%.

7. CAPITAL PROGRAMME (2017/18)

- 7.1. The detailed capital budgets for the period 2017 – 2023 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.
- 7.3. The Executive at the January 2018 meeting – said they were 'minded to bring forward the Capital Budgets for Commercial Investments that were shown in the draft budgets for 2019/20 - 2022/23 by a year'. Accordingly, following further consultation with the Finance Portfolio Holder, the draft Capital Programme (Shown in table 5) which was reported to the February Executive was amended to reflect this and the Executive recommended this to Council.
- 7.4. The programme is summarised in Table 9.

Table 9 - Capital Programme	Draft Budget 2018/19	Indicative Estimate 2019/20	Indicative Estimate 2020/21	Indicative Estimate 2021/22	Indicative Estimate 2022/23
	£'000	£'000	£'000	£'000	£'000
Expenditure					
HRA Schemes	6,156	3,229	3,451	3,445	3,518
General Fund Schemes	28,694	23,562	21,312	21,312	1,312
	34,850	26,791	24,763	24,757	4,830
Financing					
Capital Receipts	969	857	808	517	303
Prudential Borrowing	30,059	22,922	20,672	20,672	672
Revenue Contribution	2,674	2,512	2,783	3,068	3,355
Grants and Contributions	1,148	500	500	500	500
	34,850	26,791	24,763	24,757	4,830

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 23
----------------	----------------	-----------	------------

- 7.5. The financing estimate for borrowing for 2018/19 is £30m. The main contributor to the borrowing costs is the increased commercial investment budget. The additional 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).
- 7.6. A capital programme of around £25m is considerable for a District Council of Kettering's size.

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 28th February 2018.
- 8.2 Members are reminded that the Council has identified and delivered efficiency measures of £11.3m over the eight year period 2010/11 – 2017/18, and further efficiency measures of £1.473m have been identified for 2018/19. The total over the past nine years amounts to £12.7m.
- 8.3 Based on the assumptions applied to the Council's Medium Term Financial Strategy, in the years after 2018/19 the Council will on average need to deliver additional annual on-going savings in the region of £900,000 – this adds up to around £3.6m over the medium term which is on top of the £12.7m ongoing savings achieved since 2010. This is a very significant challenge. The Council will need to ensure that progress is made on all elements of its budget framework if a balanced budget is to be achievable into the medium term.
- 8.4 If the Council is to deliver a balanced budget in the medium term, in addition to continuing to make progress on 'commercial investments' it will 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).
- 8.5 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 made in full appreciation of the medium term financial projections and associated risks. The Council Tax has been frozen for the past seven years – it is difficult to see how this can continue throughout the medium term without other elements of the budget having to give.
- 8.6 The indicative grant levels for 2019/20 assume that local authorities will increase their Council Tax levels by the threshold each year.

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 24
---------	----------------	-----------	------------

- 8.7 The Governments consultation on the Fair Funding Formula 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 2020/21.
- 8.8 A 75% Business Rates Retention Scheme is due to be implemented from April 2020 – at this point new responsibilities are likely to be transferred to local government – it is important that any transfer of services are fully funded to ensure these are not an additional pressure. When implementing the changes over the coming years, it would not be surprising if the recent trend of transferring risk from central to local government continues – this will need to be carefully mapped.
- 8.9 The potential ramifications of changes to the Business Rates scheme and the Fair Funding Review 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.
- 8.10 Members should be aware that the indicative savings levels for the period 2019/20 onwards are subject to a number of high level assumptions – these include assumptions about the future level of Government Grant, Retention of Business Rates, income from the New Homes Bonus Scheme and Commercial Investments.
- 8.11 It is important to note that, although members have a statutory duty to consider the medium term when setting the 2018/19 budget and council tax, they will only be setting the budget and council tax for 2018/19 at this point. Levels of council tax for future years cannot be set in advance by the council. Each future year’s decision can only be taken at the appropriate time, once all of the financial and business risks have been analysed, understood and discussed.
- 8.12 The period from 2020/21 is very uncertain and is likely this period will provide the greatest challenge, particularly when we consider that some £12.7m of efficiency savings have already been identified and further efficiencies in the region of £3.6m are required over the next four years to deliver a balanced budget.

BOROUGH OF KETTERING

Meeting	COUNCIL	Item 9	Page 25
----------------	----------------	-----------	------------

9. **RECOMMENDATIONS**

That Council approve:

1. The General Fund Revised Budget (2017/18) and the General Fund Budget (2018/19) (as detailed at Appendix A Section 1);
2. The HRA budget for 2018/19 (as detailed at Appendix A Section 2);
3. The Capital Programme for 2017 – 2023 (as detailed at Appendix A Section 3);
4. The Council Tax Resolution for 2018/19 (as detailed at Appendix D);

That Council receive:

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

Background Papers:

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

Previous Reports/Minutes:

Ref: Exec Report 17/01/18,14/02/18