

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 1
<b>Report Originator</b>	Strategic Management Team	<i>Fwd Plan Ref No: A15/030</i>	
<b>Wards Affected</b>	All	15th January 2020	
<b>Title</b>	<b>DRAFT BUDGET PROPOSALS FOR 2020/21 AND MEDIUM TERM FINANCIAL STRATEGY</b>		

Portfolio Holder: Cllr L Bunday

### **1 PURPOSE OF REPORT**

The purpose of this report is to:

- a) Remind members of the context (and background) to the current budget setting process.
- b) Outline the draft budget figures for the Council's three main accounts for 2020/21 to start the formal budget consultation process (including making appropriate financial provision for the Local Government Reorganisation project and appropriate delegations).
- c) Consider the main issues that are likely to impact on the Council's budgets in the medium term.
- d) Provide an illustration of the Council's medium-term financial projections.

### **2. SECTION A - INTRODUCTION**

- 2.1 This report introduces the draft budget figures for the Council's three main accounts, so that a period of formal consultation can commence.
- 2.2 At the same time, the report highlights some key budgetary issues and challenges (both national and local) and provides appropriate commentary.
- 2.3 The Council's budget strategy is firmly established in policy and regularly reported to members through the monthly 'maintaining a durable budget' reports to the Executive Committee.
- 2.4 Each month, the Executive Committee receives a detailed report on the Council's budget position. This particular report brings together all the key messages and figures so that the Council can fulfil its statutory responsibilities to construct and formally consider (and ultimately approve) a number of budgets.
- 2.5 The Council operates three main accounts; each requires an annual budget to be considered and approved by members in accordance with statutory requirements. Table 1 outlines what each account is used for:

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 2
------------------	----------------------------	------------	--------

<b>Table 1 – The Council’s Three Accounts</b>	
<b>Account</b>	<b>Description</b>
<b>General Fund Revenue Account</b>	All revenue expenditure and income (i.e. day to day running costs), financed from Council Tax, Government Grants and Fees and Charges (excluding those related to the provision of Council Housing).
<b>Housing Revenue Account</b>	All revenue expenditure and income on activities related to being a housing landlord.
<b>Capital</b>	All capital expenditure and income (i.e. acquisition, replacement and enhancement of assets) financed from Government Grants, external contributions, revenue contributions, capital receipts and borrowing.

2.6 The Council has an established policy position from which it considers its budget – this includes a number of guiding rules and principles which help to ensure that the Council’s medium-term financial strategy remains robust. A reminder of the policy position is provided later in this report.

2.7 To help Members navigate this report, it contains seven sections:

**Section A – Introduction** (explains the context to the budget setting process).

**Section B – Local Government Reorganisation** (outlines the implications to the budget setting process and the Council’s immediate statutory responsibilities).

**Section C – Budget Strategy** (details the Council’s Policy Position and Financial Golden Rules / Principles).

**Section D – General Fund** (provides the detail to the General Fund Budget position for the current year and the detail to the 2020/21 draft budget and Medium-Term Financial Strategy, risks, and specific comments about future levels of council tax).

**Section E – Housing Revenue Account** (provides the detail to the Housing Revenue Account position for the current year and the detail to the 2020/21 draft budget).

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 3
------------------	----------------------------	------------	--------

**Section F – Capital Programme** (provides the detail to the Capital Programme for both the General Fund and the Housing Revenue Account for the current year and the detail to the 2020/21 draft budget and the indicative programme from 2021/22 to 2024/25).

**Section G – Summary, Conclusions and Recommendations**

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 4
-----------	----------------------------	------------	--------

### **3. SECTION B: LOCAL GOVERNMENT REORGANISATION**

- 3.1 Members will be mindful of the current situation about the local government reorganisation in the County.
- 3.2 Whilst it is not necessary to repeat the background to this issue in this report, it is important that members understand what their statutory duties are in relation to the current budget setting process.
- 3.3 At the time of considering the draft budget proposals contained within this report, members of this council must consider the financial projections for 2020/21 (and the subsequent medium-term projections) when making budget decisions.
- 3.4 The Northamptonshire Structural Changes Order 2019 (SCO) – which sets out how the two new unitary authorities will be formed to replace the existing eight councils on 1 April 2021 – was laid before Parliament on 28<sup>th</sup> October 2019. The draft Order was not ‘made’ into legislation before the dissolution of Parliament on Wednesday 6 November. However, before Parliament was dissolved, the Order was considered by the House of Lords Secondary Legislation Scrutiny Committee and it was noted as an ‘instrument of interest’. This meant it would lay dormant until after the General Election and it would then be considered by the new Government.
- 3.5 It is anticipated that the SCO will complete its legislative process early in the new year and that new arrangements will be in place by 1<sup>st</sup> April 2021. All the principle local authorities in the county still have to set their individual budgets for 2020/21 this is likely to be the final year of their existence. Clearly, members of all local authorities in the county need to be aware of this major impending decision when considering their council’s budget, however it doesn’t alter their statutory duties when setting the 2020/21 budgets.
- 3.6 Members will recall that at the extraordinary meeting of Full Council at the end of August 2018, it was agreed that all eight local authorities in the County would initially contribute £500,000 each towards the cost of moving the unitary programme forward.
- 3.7 It was previously reported that should the government formally approve the creation of two new unitary councils it was anticipated that this figure will need to be supplemented in due course and any additional funding would need to come from reserves.
- 3.8 An integrated plan for Local Government Reform and Transformation in Northamptonshire titled ‘Prospectus for Change’ was published last summer. This document set out the projected costs which amount to £44.4m and are subject to the Government approving the SCO – should the SCO be approved then each of the eight Council’s would be required to make a further contribution of up to £1.9m – meaning a total contribution of up to £2.4m. This Council’s

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 5
-----------	----------------------------	------------	--------

contribution will be funded from the Organisational reserve (due to the one-off nature), it does not form part of the base revenue budget.

- 3.9 The North Northamptonshire Joint Committee for Local Government Reform is scheduled to meet on 16<sup>th</sup> January 2020 – on its agenda is an item on the combined budgets to which the above refers to.

## BOROUGH OF KETTERING

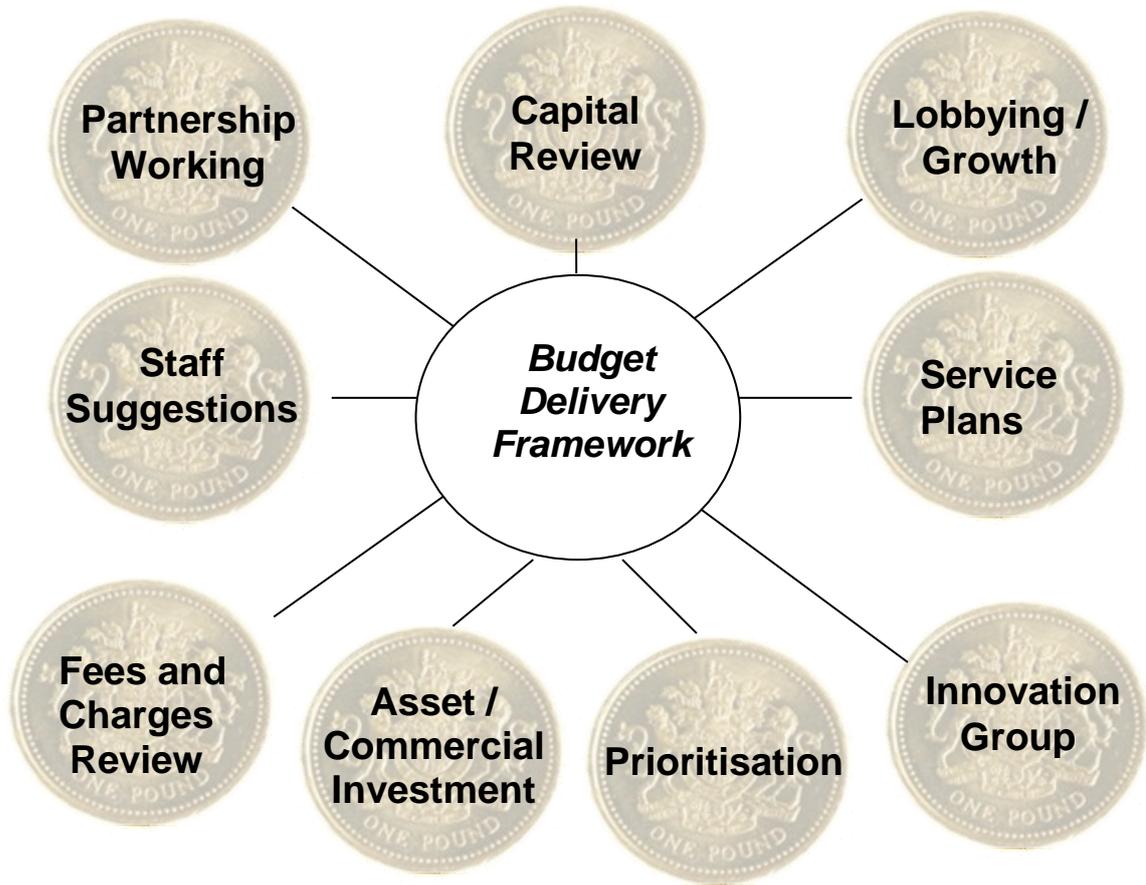
Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 6
-----------	----------------------------	------------	--------

### 4. SECTION C: BUDGET STRATEGY

#### POLICY POSITION

- 4.1 The Council's 2019/20 budget was approved by Council at its meeting on 27<sup>th</sup> February 2019. In terms of setting a balanced budget, the Council's strategy to date has been largely successful, although it remains a significant challenge in the medium term given the increasing external funding challenges that the Council faces and that the council tax has remained at the same level for the past 9 years - since 2011/12. The budgets for 2019/20 are being closely monitored throughout the year and significant variances are being reported to the Executive as part of these monthly reports. An update on the 2019/20 Budget position is provided in this report for each of the Council's accounts.
- 4.2 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.
- 4.3 However, like many other local authorities, the Council continues to experience significant demand (and cost) pressures in areas such as homelessness prevention.
- 4.4 The Council's success in delivering a balanced budget over the past number of years (without having to consider making any front-line service reductions) has come from having a clear and well-established policy position – in particular, the Council adhering to its budget guiding principles. From previous reports, Members will be aware that savings of this scale are becoming increasingly difficult to meet. 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 as outlined below:

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 7
------------------	----------------------------	------------	--------



- 4.5 Since 2010, the Council has successfully delivered around £14.3m through ‘efficiencies, savings, and income generation’ – 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. One of these sources alone will not provide the mechanism to set a balanced budget, it must be a balanced approach.
- 4.6 The Council’s financial ‘golden rules’ and the financial ‘guiding principles’ provide a strong basis for the Council’s medium-term financial strategy. Both of these are specifically for the Council’s General Fund budgets (revenue and capital) – for ease of reference these are reproduced below:

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 8
-----------	----------------------------	------------	--------

### 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

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 9
------------------	----------------------------	------------	--------

- 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.

### **Housing Revenue Account Guiding Principles**

4.7 The HRA Golden Rules and Guiding Principles were approved by the Executive at the meeting on 23<sup>rd</sup> May 2018 for ease of reference they are reproduced below:

#### ***HRA Financial Golden Rules:***

- a. The Housing Revenue Account Working Balance should not fall below £300,000;*
- b. When setting the level of rents, members should always consider the national policy position;*
- 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. The Council must ensure that it has an overall level of revenue reserves that are appropriate for the overall level of risks that the HRA faces – including potential national funding and policy changes.*

#### ***HRA 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 setting the HRA budgets and considering the HRA Capital Programme, due regard is given to ensure that expenditure protects the long-term viability of the Council’s housing stock by making sure the assets are properly maintained and have the ability to meet the Borough’s housing needs.*

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 10
-----------	----------------------------	------------	------------

*iii. Where decisions are required about the priority of funding for services, the following is followed;*

*Priority 1 - Statutory Requirements*

*Priority 2 – Investment in Existing Housing Stock*

*Priority 3 – Fit to Housing Strategy of:*

- *Increasing housing supply across all tenures;*
- *Ensuring safe and healthy homes, reducing the opportunity for crime and antisocial behavior;*
- *Helping people to live independently.*

*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.*

4.8 Whilst these principles provide a robust framework to work within, the Council's success comes from an ability to deliver. The Budget Delivery Framework has provided the operational mechanism for delivering the measures required to balance the budget for the past nine years.

4.9 Whilst members have a statutory duty to set the budgets for 2020/21 (taking into account the medium term), section b outlined the issue of local government re-organisation. Should the Structural Change Order be approved the financial (and operational) environment in which all local authorities in the county operate will change as the year advances – accordingly KBC's guiding principles may need to be revisited during the year.

# BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 11
------------------	----------------------------	------------	------------

## 5 Section D: General Fund

### Background (General Fund)

- 5.1 This Section firstly presents the Council's General Fund Medium Term Financial Forecast (Table 2). The notes to the Medium-Term Financial Forecast are included at Appendix A.
- 5.2 This section then goes on to provide an update on the 2019/20 budget position and the detail to the 2020/21 draft budget and considers a number of key income streams, namely the National Grant Settlement, New Homes Bonus, Business Rates and Council Tax. This section also covers the medium-term prospects for the General Fund. The Medium-Term Financial Strategy has been updated, following the detailed budget setting process.

TABLE 2 - MEDIUM TERM FINANCIAL FORECAST							
		Current Spending Round		Future Spending Review Period			
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
		£000	£000	£000	£000	£000	£000
<b>1</b>	<b>Net Council Budget</b>	11,118	11,148	10,883	10,942	11,062	10,692
<b>2</b>	<b>Forecast Resources:</b>						
	<b>Government Grant</b>						
<b>2a</b>	Revenue Support Grant	0	0	0	0	0	0
<b>2b</b>	Business Rates	(2,484)	(2,524)	(2,524)	(2,524)	(2,524)	(2,524)
	<b>Total Government Grant</b>	<b>(2,484)</b>	<b>(2,524)</b>	<b>(2,524)</b>	<b>(2,524)</b>	<b>(2,524)</b>	<b>(2,524)</b>
	Council Tax / Coll'n Fund	(350)	(100)	(100)	(100)	(100)	(100)
	Income From Council Tax	(6,722)	(6,790)	(6,893)	(6,996)	(7,100)	(7,207)
	<b>Total Resources</b>	<b>(9,556)</b>	<b>(9,414)</b>	<b>(9,517)</b>	<b>(9,620)</b>	<b>(9,724)</b>	<b>(9,831)</b>
<b>3</b>	<b>Budget (Surplus) / Deficit</b>	<b>1,562</b>	<b>1,734</b>	<b>1,366</b>	<b>1,322</b>	<b>1,338</b>	<b>861</b>
<b>4</b>	'efficiencies' Identified	(1,562)	(1,734)	0	0	0	0
<b>5</b>	'efficiencies' - To be Identified	0	0	(1,366)	(1,322)	(1,338)	(861)
<b>6</b>	<b>Budget (Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
GENERAL FUND WORKING BALANCE							
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		£000	£000	£000	£000	£000	£000
<b>7</b>	<b>Estimated Opening Balance</b>	<b>1,415</b>	<b>1,415</b>	<b>1,375</b>	<b>1,375</b>	<b>1,375</b>	<b>1,375</b>
<b>8</b>	Town Centre Initiatives	0	40	0	0	0	0
<b>9</b>	<b>Estimated Closing Balance</b>	<b>1,415</b>	<b>1,375</b>	<b>1,375</b>	<b>1,375</b>	<b>1,375</b>	<b>1,375</b>

Please note \* 'efficiencies' denotes efficiencies, savings, and income generation.

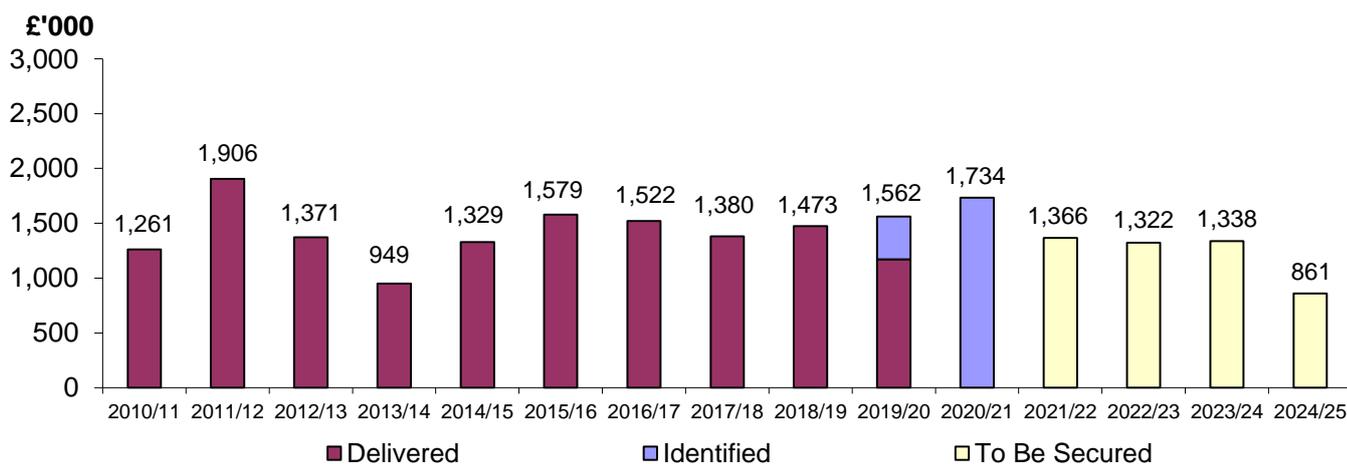
## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 12
------------------	----------------------------	------------	------------

5.3 As clearly outlined in previous budget reports considered by the Executive and Full Council, the best estimates of the ongoing efficiency savings targets going forward are at least of a similar scale to those already met, Chart 1 shows:

- Efficiencies of £14.3m have been identified and delivered between 2010/11 – 2019/20;
- Efficiencies of £1.734m have been identified and need to be delivered for 2020/21;
- Efficiencies of around £4.9m need to be identified and delivered over the next four years (2021/22 – 2024/25).

**Chart 1**  
**Efficiencies / Savings / Income Generation**



### 2019/20 Update (General Fund)

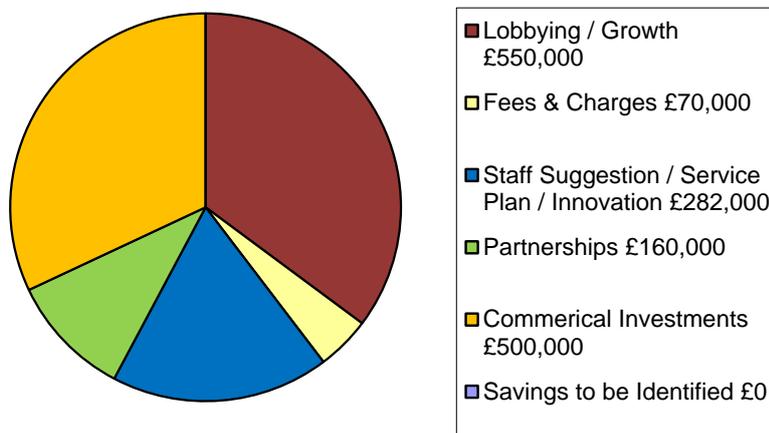
5.4 From when the 2019/20 budget was set, Members will recall that additional ongoing 'efficiencies' of £1,562,000 were required to set a balanced budget.

5.5 Those 'efficiencies' were identified before the budget was formally set and are summarised in Chart 2:

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 13
------------------	----------------------------	------------	------------

**Chart 2**  
**Framework Efficiencies for the next Year**  
**(2019/20)**



5.6 As explained in previous budget reports although we have traditionally referred to the term 'savings', in reality these are a combination of efficiencies, savings and income generation. Table 3 illustrates how the efficiencies in 2019/20 are being delivered:

<b>Table 3 – Framework Efficiencies 2019/20</b>			
<b>Framework</b>	<b>Additional Income £'000</b>	<b>Reduced Expenditure £'000</b>	<b>Total £'000</b>
Lobbying / Growth	550	0	550
Fees & Charges	70	0	70
Staff Suggestion / Service Plan / Innovation	280	2	282
Partnerships	110	50	160
Commercial Investments	500	0	500
<b>Total</b>	<b>1,510</b>	<b>52</b>	<b>1,562</b>

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 14
------------------	----------------------------	------------	------------

- 5.7 Members will recall that £500,000 of the identified framework efficiencies for 2019/20 came from additional income through commercial investments. The Executive at the April 2017 meeting approved a Commercial Property Investment Strategy providing a framework for Kettering Borough Council to compete in the property market on an equal footing enabling the acquisition of properties for investment income.
- 5.8 The Council has worked hard on this workstream and the acquisitions made during the past few years. The Council is estimated to deliver £100,000 more than the budget in 2019/20 – this provides a good start to delivering the 2020/21 Commercial Investments budget.
- 5.9 The Monitoring and Audit Committee receive updates on Commercial Investments and the Council’s External Auditors (EY) reviewed the Council’s arrangements for commercial ventures and decisions as part of their work on Value for Money (VFM), the same process was undertaken by the Council’s previous External Auditors (KMPG). The conclusion from both auditors was that the Council has sound arrangements in place to make significant commercial decisions.
- 5.10 All the commercial investments that have been done to date have been done in accordance with the requirements of (1) the Council Constitution and (2) the Council’s Investment Strategy. Work is ongoing on further commercial investments to ensure that the Council remains ahead of the curve in this regard.
- 5.11 The Council remains on target to deliver the majority of the 2019/20 framework efficiencies shown in Table 3. Table 4 provides further information – relating to the composition of the 2019/20 efficiency savings.

<b>Table 4 – Composition of 2019/20 Efficiencies</b>		
<b>Framework</b>	<b>Efficiency</b>	<b>£’000</b>
Commercial Investments	Income from Commercial Investments	500
Lobbying / Growth	Business Rates Income	400
Staff / Innovation	Treasury Management Income	280
Partnerships	Joint Working	110
Lobbying / Growth	Homelessness Grant	83
Lobbying / Growth	New Homes Bonus	67
Fees & Charges	Crematorium Income	28
Fees & Charges	Recycling Credits	22
Various	Minor Variations	72
<b>Total</b>		<b>1,562</b>

- 5.12 The General Fund budget is currently projected to come in around £350,000 below budget, however, there continues to be some areas of volatility. The main budgets showing volatility are summarised in Table 5 and have been reflected in the Council’s revised budget and will continue to be closely monitored. The

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 15
------------------	----------------------------	------------	------------

favourable variances are largely as a result of the early delivery of the 2020/21 efficiencies which provides the Council with a good start in delivering next year's budget.

<b>Table 5 – General Fund Projected Variances (2019/20)</b>		
	<b>Projected Variance</b>	<b>Reason</b>
Treasury Management	£500,000 (favourable)	This reflects additional income from investing surplus cash and lower borrowing costs which is in line with the Council's Treasury Management Strategy.
Recycling / Waste	£150,000 (favourable)	Costs for the disposal of co-mingled waste lower than originally budgeted.
Commercial Investments	£100,000 (favourable)	The additional income reflects the Council's continued progress with its Commercial Investment Strategy.
Homelessness	£100,000 (adverse)	There continues to be a significant increase in the number of homeless applications, which is reflective of the picture across the country. Locally, the Council's response has been to ensure we are best placed to take action to prevent homelessness and, secondly, to minimise expenditure on expensive nightly paid accommodation and bed & breakfast hotels. This has involved utilising HRA properties for temporary accommodation and acquiring a number of properties on the open market to use as temporary housing for homeless households.
Fee Income	£100,000 (adverse)	A number of the Council's main income streams (eg, Parking and Crematorium Income) are generating less income than budgeted at the present time. This is partly off-set by additional income for planning fees which reflects a number of large planning applications.
Other Items	£200,000 (adverse)	The General Fund budget consists of many budgets to which there is some degree of variation – overall current projections show this as an adverse variance.

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 16
-----------	----------------------------	------------	------------

- 5.13 During each budget process, members are 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. The monitoring of these items typically takes place through the monthly budget reports to the Executive.
- 5.14 The General Fund working balance is estimated to be £1.4m at 31<sup>st</sup> March 2020. This is in line with the original budget figures for the year.

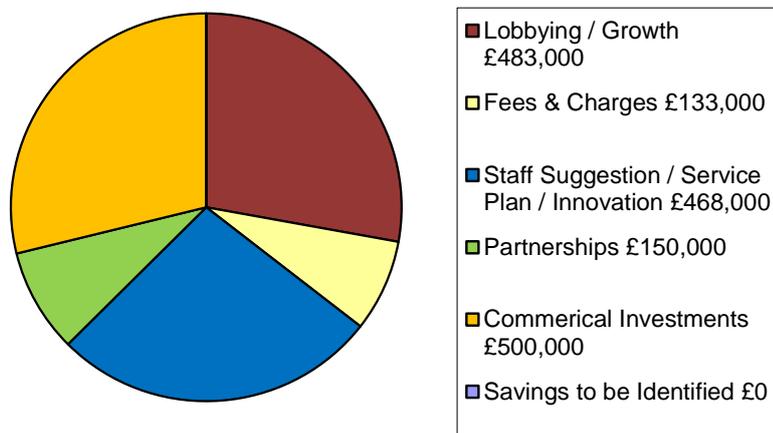
### **2020/21 Draft Budget (General Fund)**

- 5.15 The provisional Local Government Financial Settlement and the New Homes Bonus figures for 2020/21 were announced by the Government on 20<sup>th</sup> December – this is later than in previous years owing to the General Election and was the earliest date that an announcement could be made following the General Election. The Council's Medium-Term Financial Strategy (Table 2) has been updated to reflect the Provisional Settlement and the announcement on New Homes Bonus; these are both considered in more detail later in this section.
- 5.16 The detailed work on the budget has now been completed and the total efficiencies required to deliver a balanced budget has increased from £1,464,000 to £1,734,000. The increased target is reflected in the Medium-Term Financial Strategy (Table 2).
- 5.17 The previous budget report to this Committee in November outlined that efficiencies of £998,000 had already been identified – at the time leaving £466,000 still to be identified. Following the completion of the detailed draft budget process the target was increased by £270,000 to £1,734,000 – the remaining savings target of £736,000 has been identified in full and this means that the Council has a draft ‘balanced budget’ for 2020/21 – subject of course to successfully delivering the savings during the year **and** members not increasing the savings target during the budget process. The identified savings are summarised in Chart 3 and Table 6:

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 17
------------------	----------------------------	------------	------------

**Chart 3  
Framework Efficiencies for the next Year  
(2020/21)**



<b>Table 6 – Framework Efficiencies 2020/21</b>			
<b>Framework</b>	<b>Additional Income £'000</b>	<b>Reduced Expenditure £'000</b>	<b>Total £'000</b>
Lobbying / Growth	483	0	483
Fees & Charges	133	0	133
Staff Suggestion / Service Plan / Innovation	385	83	468
Partnerships	0	150	150
Commercial Investments	500	0	500
<b>Total</b>	<b>1,501</b>	<b>233</b>	<b>1,734</b>

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 18
------------------	----------------------------	------------	------------

5.18 Table 7 provides further information – relating to the composition of the 2020/21 Framework efficiencies:

<b>Table 7 – Composition of 2020/21 Efficiencies</b>		
<b>Framework</b>	<b>Saving</b>	<b>£'000</b>
Commercial Investments	Income from Commercial Investments	500
Staff / Innovation	Treasury Management Income	385
Lobbying / Growth	Business Rates Income	200
Lobbying / Growth	New Homes Bonus	233
Partnerships	Recycling	150
Lobbying / Growth	Homelessness Grant	50
Staff / Innovation	IT Communication Line into various KBC Sites	40
Fees & Charges	Planning Income	30
Fees & Charges	Recycling Credits	30
Various	Minor Variations	116
<b>Total</b>		<b>1,734</b>

5.19 For information, Table 8 summarises and compares the composition of the efficiencies for 2019/20 and 2020/21:

<b>Table 8 – Identified Efficiencies</b>	<b>2019/20</b>		<b>2020/21</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Lobbying / Growth	550	35	483	28
Fees and Charges	70	5	133	7
Staff Suggestions / Service Plan / Innovation	282	18	468	27
Partnerships	160	10	150	9
Commercial Investments	500	32	500	29
<b>Total Identified Framework Savings</b>	<b>1,562</b>	<b>100</b>	<b>1,734</b>	<b>100</b>

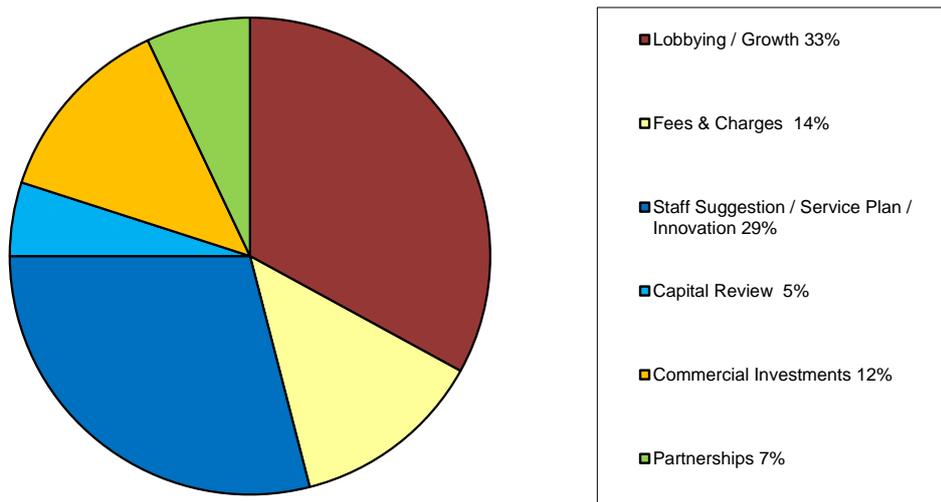
5.20 Around 85% of the efficiencies identified for 2020/21 have been generated through a combination of Lobbying / Growth, Commercial Investments and Staff Suggestions – it is important that all work streams contribute to the challenging targets.

5.21 Chart 4 details where the total framework efficiencies have been identified since the frameworks were implemented back in 2010:

# BOROUGH OF KETTERING

Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 19
-----------	----------------------------	------------	------------

**Chart 4 - Total Identified Framework Efficiencies**



## **Key Service Pressures (General Fund)**

5.22 The Council will need to continue to keep its key budget assumptions under review throughout 2020/21. 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.

5.23 Most of the above could be heavily influenced by the outcome of the recent General Election and the Government's negotiation stance on the exit from the European Union.

5.24 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 Financial Guiding Principles and in particular point i which is reproduced below:

- 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

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 20
------------------	----------------------------	------------	------------

5.25 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)
- Homelessness
- Commercial Investments

### **Local Government Funding**

5.26 The ability to plan with greater certainty can be better met when there are multi-year settlements – whilst the four year settlements agreed back in 2016/17 provided better foundations for medium term planning – the ability to plan for the medium term diminishes as we get closer to the end of the four year period, as such the Medium Term planning was made more difficult as the financial landscape was much more uncertain from 2020/21.

5.27 The Government announced the Provisional Finance Settlement on 20<sup>th</sup> December. Members will recall that this Council's RSG reduced to nil in 2019/20 and that the Government made a further adjustment in 2019/20 whereby the Council rather than receiving a grant was due to make a payment to the Government of £250,000 – the Council had again been modelling for no RSG in 2020/21 – the Provisional Finance Settlement assumes no RSG. This is something that this Council strongly supported and it was pleasing that the Government following a consultation have decided to remove negative RSG in 2020/21 and this approach is consistent with previous years.

5.28 Table 9 summarises the levels of core funding that were announced in the Provisional Settlement in 2020/21 and the actual funding levels in 2019/20.

<b>Table 9 – Local Government Core Funding</b>			
<b>Funding</b>	<b>2019/20 £'000</b>	<b>2020/21 Provisional Settlement £'000</b>	<b>Change £'000</b>
Business Rates	(2,484)	(2,524)	(40)
RSG	0	0	(0)
<b>Total</b>	<b>(2,484)</b>	<b>(2,524)</b>	<b>(40)</b>

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 21
------------------	----------------------------	------------	------------

- 5.29 The level of Government Funding in 2019/20 was £2.484m, the 2020/21 Provisional Settlement is £2.524m meaning an increase in core funding of £40,000. Although members can take some comfort from the small increase in Government funding, the size of the reductions in core funding should still be recognised, and over recent years these total around £5m.
- 5.30 The Government will be undertaking a review on the approach to measuring the relative needs and resources of local authorities, which will determine new baseline funding allocations for local authorities in England from 2021/22. This review is about how the quantum of local authority funding will be allocated between different tiers of local government. In effect, the review will allocate priority spending (based upon things like population, need etc.) alongside government spending priorities.
- 5.31 It is widely anticipated in local government that this review is likely to allocate more funding towards national priority areas such as adult social care, and children's services rather than be beneficial to the services that borough and district councils provide.
- 5.32 This review will also need to consider the principles that will be used to design potential transitional arrangements - this review poses a major funding risk to local authorities such as Kettering Borough Council in the medium term. At this stage the MTFs (Table 2) assumes that the same level of core government funding will be received each year from 2021/22 to that received in 2020/21 – these assumptions will be updated and reported to the Executive as the financial landscape becomes clearer.
- 5.33 The New Homes Bonus (NHB) funding allocations were announced alongside the Provisional Local Government Finance Settlement. The Executive Committee approved a revised strategy for the use of NHB funding in June 2019 and this remains the strategy that is being used in the base budgets which includes NHB income of £2.198m.
- 5.34 Members are reminded that a baseline was introduced from 2017/18 whereby housing growth below 0.4% would not receive any NHB funding - the Government retained the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth but have left this unchanged since 2017/18. Funding was also reduced from 6 years to 5 years' worth of payments in 2017/18 and then reduced to 4 years' worth of payments from 2018/19 onwards.
- 5.35 Whilst there is no change in the operation of the NHB scheme in 2020/21 and the threshold remains unchanged (0.4%) the government clearly intends to consider alternative options for incentivising housing growth going forward.
- 5.36 The major change in NHB is that the new amounts payable in 2020/21 will only be paid for one year. In 2021/22 NHB will only be paid for 2 years (2018/19 and

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 22
------------------	----------------------------	------------	------------

2019/20) and in 2022/23 NHB will only be paid for one year (2019/20). The Council's MTFS (Table 2) has been updated to reflect this change.

5.37 It is expected that the Government will consult in Spring 2020 on the future of housing incentives – this again will be a key consultation and one that this Council will be responding to.

### **Business Rates**

5.38 The current Business Rates Retention Scheme took effect from 1 April 2013 and allowed authorities that experience a growth in business rates income (above treasury targets) to retain some of the money. The growth would be subject to a levy payment to the Government.

5.39 Members will recall that Kettering administers the Pool on behalf of the Northamptonshire authorities. The Northamptonshire pool has been successful in that it has allowed the pool members to retain more funding because the 'levy' that has to be paid to the Government (on business rates growth) is lower in such an aggregate pool position.

5.40 Members will recall that the Northamptonshire Business Rates Pool was selected to be a Pilot for 75% Business Rate Retention along with 14 other Pools. Becoming a Pilot in 2019/20 for 75% Business Rates Retention enabled more of the growth to be retained locally - which was good news for Northamptonshire. The financial benefit for the Northamptonshire Business Rates Pool is estimated to be around £20m. The additional financial benefit from being a Pilot is being used to fund a number of transformation projects across Northamptonshire as set out in the application form.

5.41 The application and the governance arrangements also described how the money would be managed, that is there would be a joint board, comprising officers and members from each of the county, borough and district councils, which would make allocation decisions for how the additional funds would be used.

5.42 In order for the governance arrangements to function in line with this, it is necessary to formally delegate powers to the Council's representatives and, therefore, the Executive will recommend to Council that the Leader of the Council and the Managing Director represent the Council on the Business Rates Pilot Board, and be given authority, in consultation with the S151 Officer, to determine proposals for the allocation of business rates, in line with the specified projects approved by the Secretary of State for Housing, Communities and Local Government. The same delegations are also being formalised / approved by each of the other seven local authorities.

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 23
-----------	----------------------------	------------	------------

- 5.43 The Government has decided not to run further pilot arrangements for 2020/21 with the exception of the five initial 100% business rates retention pilots in areas with ratified devolution deals. London will also continue to operate under the 67% business rates retention scheme agreed in 2017/18.
- 5.44 The composition of the Northamptonshire Pool for 2020/21 will revert back to the Pooling arrangements prior to the Pilot and will include all the Northamptonshire authorities with the exception of Northampton Borough – this was announced alongside the Provisional Local Government Finance Settlement.
- 5.45 The LGA as in previous years have produced a briefing regarding the Provisional Local Government Finance Settlement the Budget Briefing is available at <https://www.local.gov.uk/parliament/briefings-and-responses/provisional-local-government-finance-settlement-202021-day>.

### Consultations

- 5.46 It is expected that the Government over the coming months will issue two major consultation papers that will have significant implications on how local authority funding operates from 2021 onwards.
- 5.47 The two main consultation papers are expected to be on the following:

- **Fair Funding Review**

This is about how the quantum of local authority funding will be allocated between different tiers of local government. In effect, the review will allocate priority spending (based upon things like population, need etc.) alongside government spending priorities.

It is widely anticipated in local government that this review is likely to allocate more funding towards national priority areas such as adult social care, and children's services rather than be beneficial to the services that borough and district councils provide.

Accordingly, this review poses a major funding risk to local authorities such as Kettering Borough Council in the medium term.

- **Business Rates Retention**

Following on from the above, the way that the business rate retention scheme operates in the future will have major financial implications for the Council.

As a local authority, we have benefitted well under the present system due to the above average increase in our business base in the borough. This has benefitted the Council (and our revenue budget) by £m's over the past few years.

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 24
------------------	----------------------------	------------	------------

The system will be re-set in 2021 (alongside a number of other reforms). This could run a significant risk for local authorities such as Kettering who have been managing to help facilitate significant business growth over a number of years. It could result in a significant proportion of our increased business rates funding being taken away and effectively re-allocated to other areas as part of this (and the Fair Funding Review). This is a very significant funding risk for the medium term, one that should not be under-estimated.

### Medium Term Prospects

5.48 As part of the 2020/21 budget process the key underlying assumptions have been updated and remodelled. The level of ‘efficiencies’ required over the four year period 2021/22 – 2024/25 has increased by £425,000 - this is illustrated in Table 10. The main change relates to the potential phasing out of the New Homes Bonus scheme –as the early indications are that funding in 2021/22 will cover two years (2018/19 and 2019/20) and funding in 2022/23 will cover one year (2019/20). From 2017/18 – 2020/21 New Homes Bonus covered four years.

<b>Table 10 – Medium Term Financial Savings</b>	<b>November Executive £000</b>	<b>Current MTFS £000</b>	<b>Difference £000</b>
2021/22	1,078	1,366	288
2022/23	1,201	1,322	121
2023/24	1,128	1,338	210
2024/25	1,055	861	(194)
<b>Total Efficiencies – to be secured</b>	<b>4,462</b>	<b>4,887</b>	<b>425</b>

5.49 Whilst Table 10 illustrates that the projected efficiencies required over the four-year period (2021/22 – 2024/25) are around £4.9m. Members are reminded that since 2010/11 the Council **has delivered efficiencies of £14.3m and have identified further efficiencies of £1.734m in 2020/21.**

5.50 For District Councils and the local government sector as a whole it is fair to say that the period from April 2021 is the most uncertain in recent local government history. It is increasingly likely that the majority of future government funding will be prioritised for essential care services such as adult social care, and children’s services – this could be at the continued expense of some of the funding that currently is provided to District and Borough Councils. Council’s (such as Kettering) who have helped facilitate above average business growth, are also likely to see a very significant reduction in the overall monies received from the new business rates retention system.

5.51 Although both of the above are difficult (if not currently impossible) to model properly in the MTFS, what is clear is that significant financial challenges lay ahead in the medium term.

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 25
------------------	----------------------------	------------	------------

5.52 When the external funding pressures are considered alongside the current demand pressures for services such as homelessness, and reduced income streams – the magnitude of the medium-term challenge is clear and needs to be prepared for.

### COUNCIL TAX

5.53 The council tax level for 2020/21 will be considered by the Executive in February but can only be set by full Council at its meeting on 26<sup>th</sup> February 2020, once the budget consultation has been completed and the officers' report has been fully and properly considered. When discharging their statutory duties, Members will need to give due regard to the issues facing the authority in the medium term, especially in relation to the changing financial landscape in relation to those issues outlined in this report.

5.54 Kettering Borough Council has kept the level of its council tax at the same amount for the past 9 years (since 2011/12). The current levels are shown in Table 11:

<b>Band</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
Annual Council Tax	£136.93	£159.75	£182.57	£205.39	£251.03	£296.67	£342.32	£410.78
Weekly Council Tax	£2.63	£3.07	£3.51	£3.95	£4.83	£5.70	£6.58	£7.90

5.55 Between 2011 and 2016 the Government heavily encouraged local authorities to freeze their council tax each year. This resulted in the introduction of an annual referendum threshold together with annual Council Tax Freeze grants as an incentive for those Councils that did not increase their council tax.

5.56 The 2016/17 grant settlement signalled a major policy change by the Government in relation to council tax levels – where there was no longer an emphasis (or indeed any incentives) to freeze council tax from 2016/17.

5.57 When announcing the provisional Local Government Finance Settlement for 2020/21. The referendum limit for Districts and Boroughs was announced as being the higher of a 2% increase or £5 for a Band D property. In 2019/20 the referendum limit for Districts and Boroughs was the higher of a 3% increase or £5 for a Band D property.

5.58 For Kettering Borough Council this means the referendum limit is an increase of £5 (2.4%) as 2% would represent an annual increase of £4.11 per Band D property. A £5 increase is equivalent to an increase of 10p per week for a Band D property. The average Band in Kettering Borough is a Band B and this would

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 26
-----------	----------------------------	------------	------------

represent an increase of 8p per week – and would generate additional council tax income of around £163,000 during 2020/21.

- 5.59 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 advice of Officers, the medium-term financial projections, the resultant savings that are required each year and the overall level of uncertainty regarding levels of Government funding and service risks when considering council tax levels for 2020/21 (and subsequent years). **The stronger the council tax yield – the greater the flexibility to deal with the future.**
- 5.60 Although the draft budget figures for 2020/21 currently show a balanced budget (at the same level of council tax), the increasing medium-term pressures / risks clearly indicate that a continuation of the council's previous council tax freeze 'policy' is no longer sustainable.
- 5.61 The clear advice from the professional officers of the Council is that members should consider increasing the level of council tax for 2020/21 by the threshold limit amount (i.e. £5). Taking into account the significant financial risks that the council (or successor Council) is likely to face in future years, this is the most prudent course of action to take.

### **Fees and Charges**

- 5.62 Fees and charges are reviewed as part of the budget setting process, Whilst the draft budget for 2020/21 includes additional income of £1.5m it is important that Members are aware that the only budgeted increase in fees and charges relates to the rental of garages. This increase is estimated to yield an additional £10,000 and the 2020/21 draft budget also includes an additional £10,000 for the maintenance of Garages.
- 5.63 The Fees and Charges are summarised in Table 12 and a full list is detailed at Appendix A – Section 1. A detailed schedule reflecting all of the 2019/20 fees and charges is available at [https://www.kettering.gov.uk/downloads/file/148/fees\\_and\\_charges\\_2019-20](https://www.kettering.gov.uk/downloads/file/148/fees_and_charges_2019-20)
- 5.64 It is important to recognise that with the exception of car parking charges, the setting of individual fees and charges are a delegated function to offices. The schedule outline above are effectively the basis of the budget figures that are contained within this report.

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 27
------------------	----------------------------	------------	------------

<b>Table 12 – Fees &amp; Charges</b>				
<b>Fee Area</b>	<b>Fee Change</b>	<b>Fee Narrative</b>	<b>Budget Impact</b>	<b>Budget Narrative</b>
<b>Household &amp; Clinical Waste Collection</b>	Various	Minor changes to account for increase in service delivery costs e.g. salaries, fuel and insurance. Also brings in line with Corby Borough Council due to the shared Street Scene Service.	£0	Small movement therefore no impact on budget
<b>Land Charges and Pre-Application Fees</b>	Various	A review is carried out of other Local Authorities in the East Midlands region and KBC prices are adjusted accordingly to reflect increasing cost in services	£0	Demand difficult to predict – fee increase not reflected into the base budget
<b>Garage Charges &amp; Traveller Ground Rent</b>	CPI + 1%	Raised by CPI + 1%	£10,000	£10,000 increase in budget, reinvested into garage maintenance
<b>Licenses</b>	Various	Fees are set by the Committee Licensing Administration Unit (CLAU) hosted by East Northants. Fees are reviewed in line with costs.	£0	Demand difficult to predict – fee increase not reflected into the base budget

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 28
-----------	----------------------------	------------	------------

### 6 Section E: HOUSING REVENUE ACCOUNT

#### Background

- 6.1 The Housing Revenue Account (HRA) includes all the income and expenditure items associated with maintaining a landlord account for the Council's housing stock. The Council has a statutory obligation to produce a balanced "ring-fenced" HRA.
- 6.2 Members are reminded that in 2012/13 the housing subsidy system was replaced with a new 'self-financing' system of housing finance that was introduced across the Country. The Executive Committee at its meeting of 15<sup>th</sup> February 2012 approved the following strategy for financing the housing debt:

The amount to borrow	£72.9m
Who to borrow from	Public Works Loan Board (preferential rates)
A fixed or variable rate loan	Fixed rates
What type of loan(s)	Maturity loans
What period of loan(s)	A number of fixed term loans at different maturity dates (to provide the Council with the flexibility required)

- 6.3 It was previously reported to Members that by using 'maturity loans', the Council has retained the maximum flexibility that it can. In essence, maturity loans are serviced annually (throughout the duration of the loan) by paying interest to the Public Works Loan Board (PWLB). No principal repayment of the loan takes place throughout the duration of the loan. The Council will however each year make a provision for principal repayment and can then decide at the maturity of each loan whether it wishes to fully repay the outstanding principle or re-finance the loan.
- 6.4 The Council has a well-balanced borrowing portfolio and was able to take advantage of both the preferential short- and long-term rates that were made available from the PWLB to finance the self-financing transaction. The housing debt relating to Self-financing at 31st March 2019 was £52.903m. The 2019/20 budget provides for a further debt repayment of £3.5m which would reduce the debt to £49.403m at 31st March 2020 whilst the draft 2020/21 budget provides for a further debt repayment of £3.5m reducing the debt to £45.903m at 31<sup>st</sup> March 2021.

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 29
------------------	----------------------------	------------	------------

### 2019/20 Update (HRA)

- 6.5 The updated Housing Revenue Account is shown in Table 13 – the Revised Budget reflects the projected outturn position. Overall the Housing Revenue Account is currently projected to come in on budget. The detailed composition of the Housing Revenue Account can be seen by reference to Appendix A – Section 2.

<b>Table 13</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Variance</b>
	£'000	£'000	£'000
Gross Expenditure	15,318	15,404	86
Gross Income	(15,318)	(15,404)	(86)
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 6.6 The main variances between the 2019/20 Original and Revised budget relates to income being around £86,000 higher than budget, this is due to the average number of voids reducing from around 90 to 45. The expenditure is £86,000 higher than budget due to increased cost on void properties of around £120,000 and the reinstatement of a contingency budget of £47,000 and minor adverse variances of £9,000. This has been offset by savings on vacant posts of around £90,000. The HRA balance is estimated to be maintained at £850,000 at 31<sup>st</sup> March 2020.

### 2020/21 Draft Budget (HRA)

- 6.7 A summary of the draft HRA budget for 2020/21 is included at Appendix A - Section 2 of the budget booklet. The high level summary is reproduced in Table 14:

<b>Table 14 - Housing Revenue Account</b>	<b>Draft Budget 2020/21</b>
	£'000
Gross Expenditure	15,438
Gross Income	(15,438)
<b>Net Expenditure</b>	<b>0</b>

- 6.8 The Government announced in summer 2013 that from 2015/16 social rents would rise by CPI plus 1% each year for ten years, previously social rents were rising by RPI plus 0.5% plus £2. Members will recall that in the Chancellor's Budget Statement on 8 July 2015 it was announced that social rents would reduce by 1% a year for the next four years which was clearly at odds with the ten-year rent setting formula.

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 30
------------------	----------------------------	------------	------------

- 6.9 The differential impact on the rental income in the Council's Medium-Term Financial Strategy on the previous formula (CPI + 1%) vs a reduction of 1% for four years is in the order of **£65m** (cash) over the life of the 30 Year Business Plan.
- 6.10 The impact in the first year (2016/17) was in the order of £500,000 (cash) in the second year (2017/18) the impact will be in the order of £1.5m (cash) in the third year (2018/19) the impact will be in the order of £3m (cash) and in 2019/20 the cash impact is in the order of £5m – the rental income in the Housing Revenue Account reflects the 1% rent reduction (this is the income assumed in the income figure in Appendix A Section 2). Whilst authorities can charge more or less than the guidelines issued by central government, they will nonetheless be constrained by the limit rent – which is the maximum that can be charged based on the formula prescribed by central government. As Universal Credit is introduced nationally there is likely to be a consultation around how rent increases above national guidelines could be constrained going forward, updates regarding this will form part of future reports to the Executive.
- 6.11 The Government will allow councils and housing associations to raise rents by CPI (based on September's CPI) plus 1% for five years from 2020 meaning a rent increase of 2.7% for 2020/21. It is however expected to take until around 2022/23 to get back to rent levels that were being charged in 2015/16 which is a direct result of the 1% rent reduction.
- 6.12 The overall increase in rental income in 2020/21 is around £103,000 – the composition of this reduction is summarised in Table 15.

<b>Table 15 – Changes in Rent Levels</b>	
Description	£'000
Rent Increase (2.7% - 1% plus 1.7% Sept CPI)	(402)
Additional 7 Properties (Montrose House)	(22)
Reduction in Void Levels from 2% to 1.9%	(15)
Loss of 1 Weeks Rent (53 Week Year in 2019/20)	286
RTB Sales	50
<b>Total Reduction in Rent from 2019/20 to 2020/21</b>	<b>(103)</b>

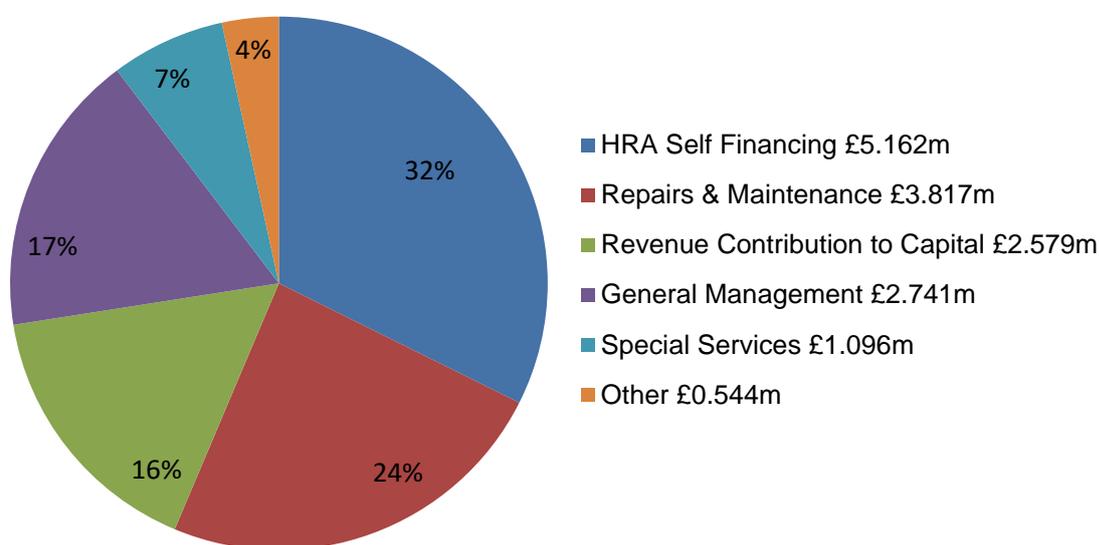
- 6.13 The main areas of expenditure within the HRA budget for 2020/21 are as follows:
- **HRA Self Financing and New Build** - This relates to the repayment of Interest on New Build Schemes (£0.110m) and the Principal (£3.500m) and Interest (£1.551m) for the Self-Financing loan which came into effect on 1st April 2012, the Council's share of the national housing debt was £72.9m.

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 31
------------------	----------------------------	------------	------------

- **Repairs & Maintenance** – The costs for response and planned maintenance. This represents the cost of maintaining the council's housing stock to the expected Housing Standard and includes general maintenance, gas servicing and repair costs.
- **Revenue Contribution to Capital** – This reflects the level of investment into the Capital Programme that is funded by rents. This calculation is determined by legislation and is based around the valuation of the Council's Housing Stock.
- **General Management** – This represents the cost of managing the Housing services provided by the Council and includes the cost of running the department efficiently and effectively.
- **Special Services** – This represents the cost of running the Council's Sheltered Housing Scheme for vulnerable residents and includes expenditure on maintaining the Scheme properties.

6.14 The following Chart helps to illustrate where the revenue money is budgeted to be spent in 2020/21:



6.15 The draft budget will be discussed by the Tenants' Forum at its meeting of 6<sup>th</sup> February 2020 along with the proposal for rent setting. This will be reported back to the Executive meeting on 19<sup>th</sup> February 2020 for approval.

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 32
------------------	----------------------------	------------	------------

### 7 Section F: CAPITAL PROGRAMME

#### 2019/20 Capital Programme Update

7.1 The Current Budget as reported to the November Executive and the Revised Budget which reflects the projected outturn for the Capital Programme is shown in Table 16. The detailed composition of the Capital Programme can be seen by reference to Appendix A – Section 3.

<b>Table 16 - Capital Programme</b>	<b>Current Budget 2019/20</b>	<b>Revised Budget 2019/20</b>	<b>Variance (underspend) / overspend</b>
	£'000	£'000	£'000
<b>Expenditure</b>			
HRA Schemes	7,531	3,944	(3,587)
General Fund Schemes	48,749	48,564	(185)
	56,280	52,508	(3,772)
<b>Financing</b>			
Capital Receipts	2,342	1,333	(1,009)
Prudential Borrowing	48,815	46,967	(1,848)
Revenue Contribution	2,728	2,738	10
Grants and Contributions	2,395	1,470	(925)
	56,280	52,508	(3,772)

7.2 The Revised budget is around £3.8m lower than the Current Budget, the main changes between the Current and Revised budget are as follows:

#### HRA

The main change relates to the timing of the new build schemes at Scott Road (£2.658m) and Albert Street (£0.779) and the timing of the major refurbishment scheme at Montrose House (£0.250m). There are a number of other movements which reflect in year programming of schemes but do no impact on the overall budget.

#### General Fund

The main variances relate to the timing of the schemes at Burton Latimer which have been carried forward into 2020/21 (£1.0m), additional budget for the Housing and Homelessness Prevention scheme (£0.6m) and further funding for pre contract works on the Lawrences site (£0.3m).

7.3 Table 16 illustrates that based upon the revised budget for 2019/20; prudential borrowing of £47.0m will be required to finance the programme

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 33
------------------	----------------------------	------------	------------

7.4 Borrowing is in accordance with the Prudential Code and the borrowing that the Council undertakes to finance its capital programme is required to deliver the commercial strategy which also increases the asset valuations that the Council holds on its balance sheet that is published annually in the Statement of Accounts.

### **Draft Capital Programme (2020/21 – 2024/25)**

7.5 As part of the budget process members are required to consider the Council's capital programme, and available funding, so that a programme can be agreed for 2020/21 together with indicative funding for the following four years.

7.6 The draft capital programme for 2020/21 – 2024/25 is detailed in Appendix A – Section 3. The high-level summary is reproduced in Table 17.

<b>Table 17 - Capital Programme</b>	<b>Draft Budget 2020/21</b>	<b>Indicative Estimate 2021/22</b>	<b>Indicative Estimate 2022/23</b>	<b>Indicative Estimate 2023/24</b>	<b>Indicative Estimate 2024/25</b>
	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>					
HRA Schemes	8,719	4,244	4,333	4,113	4,198
General Fund Schemes	30,471	26,442	27,832	24,942	23,182
	<b>39,190</b>	<b>30,686</b>	<b>32,165</b>	<b>29,055</b>	<b>27,380</b>
<b>Financing</b>					
Capital Receipts	2,857	1,689	1,698	1,396	1,396
Prudential Borrowing	27,891	25,742	26,942	24,292	21,792
Revenue Contribution	5,131	2,755	3,025	2,867	3,692
Grants and Contributions	3,311	500	500	500	500
	<b>39,190</b>	<b>30,686</b>	<b>32,165</b>	<b>29,055</b>	<b>27,380</b>

### **HRA Capital Programme**

7.7 The 2020/21 draft HRA capital budget includes £2.658m for 22 new homes to be built at Scott Road and £779,000 for a further 6 new homes at Albert Street. These two schemes will increase the Council's housing stock by 28 properties and provide the Council with homes that would be fit for purpose. This formed part of the 2019/20 budget however, although the Council has considered and undertaken a number of procurement routes there has been little interest from contractors to progress the sites in 2019/20. The Council has revisited how these sites are tendered and expects to progress these sites in 2020/21.

7.8 There is a further £1m in the 2020/21 draft budget for Homes for the Future in Desborough and Rothwell this scheme will improve existing older council housing

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 34
------------------	----------------------------	------------	------------

so that they continue to be fit-for-purpose, easy-to-let and require lower maintenance over the long term. For our customers, Homes for the Future offers warmer, safer and more energy-efficient homes. There is £250,000 included in the 2020/21 draft budget for the completion of Montrose House – this building consisted of 11 three-bedroom flat's which were originally constructed in the late 1920's. The completion of the second phase of this development will result in 18 high quality homes consisting of 14 one-bedroom flats and 4 two bedroom flats. On the completion of Montrose House, a total of 66 homes will have been refurbished under the Homes for the Future programme.

- 7.9 The 2020/21 draft budget also includes provision of around £4m for investment into the Council's existing housing stock, £2.3m of this relates to the Council's Planned Investment Programme.

### **General Fund Capital Programme**

- 7.10 The Council's draft capital budget for 2020/21 includes £3.5m for the High Street – Heritage Action Zone (HAZ) project there is a further £0.5m of private sector investment, making a total capital investment of around £4m. Whilst the scheme will be delivered over a four year period (2020/21 – 2023/24) the budget requires approval in full, this was a requirement from Historic England who are providing external funding for the capital element of £1.280m. To ensure there are no delays this will be reported to the meeting of Full Council for approval on 13<sup>th</sup> January 2020. Table 18 provides a summary of the Capital schemes and the funding.

<b>Table 18 - Heritage Action Zone – Capital Schemes and Funding</b>					
<b>Title</b>	<b>HE Funding</b>	<b>KBC Funding</b>	<b>Sub Total</b>	<b>Anticipated Private Sector Funding</b>	<b>Total Funding</b>
Shopfront Improvement Grants	£300,000	£300,000	<b>£600,000</b>	£180,000	<b>£780,000</b>
Residential / Conversion Improvement Grants	£250,000	£250,000	<b>£500,000</b>	£250,000	<b>£750,000</b>
Building Improvement Grants	£100,000	£100,000	<b>£200,000</b>	£40,000	<b>£240,000</b>
Public Realm and Street Scene	£630,000	£1,554,000	<b>£2,184,000</b>	£0	<b>£2,184,000</b>
<b>Total Capital Investment</b>	<b>£1,280,000</b>	<b>£2,204,000</b>	<b>£3,484,000</b>	<b>£470,000</b>	<b>£3,954,000</b>

## BOROUGH OF KETTERING

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 35
------------------	----------------------------	------------	------------

- 7.11 Members should also note that the Council's 2020/21 Draft General Fund budget includes revenue costs of £100,000 – the funding of this is split between KBC (£50,000) and Historic England (£50,000). The same costs and split will also apply in the following three years (2021/22 – 2023/24). The Council's total contribution for the HAZ scheme amounts to around £2.4m – this will be funded from the Council's Economic Development and Regeneration Reserve – this will result in a balance of around £1.4m which is earmarked for future Economic Development and Regeneration schemes (see Section 7.17).
- 7.12 The Council's current policy to yield more income from commercial investment projects to generate revenue to help support the revenue account is reflected in the 2020/21 capital programme and the indicative programme for the following four years – the capital programme includes £20m in each of these years.
- 7.13 The draft 2020/21 General Fund capital programme also includes a budget of £3m for proactive intervention measures into the housing market. This investment would continue to mitigate the revenue pressures arising from the demand of homeless applications which should reduce the reliance on the use of Bed and Breakfast and nightly paid accommodation – which is the most expensive form of temporary accommodation. The budget would also be used for appropriate and effective management of General Fund housing requirements. In effect, this should yield revenue savings for the general fund.
- 7.14 Members are required to approve the capital programme for 2020/21 and approve a five-year rolling capital programme with commitment given for schemes in years 2 to 5 to assist with scheduling and achieving the programme.
- 7.15 The indicative programme from 2021/22 to 2024/25 includes two major projects. The first is for a new depot site, this is required to incorporate the larger shared street scene service on one footprint to ensure the service is delivered efficiently and effectively. The second a recycling project / facility is to consider the best way to have a sustainable service into the medium term (including appropriate disposal arrangements).
- 7.16 Although too early to include anything in the capital programme – there are schemes being developed for the London Road site (this will be funded in part from the Council's Economic Development and Regeneration Reserve and borrowing) and a number of Housing sites including the Lawrence's site. Reports will be brought back to the Executive and Council in due course to:
- a) Agree the preferred option for the redevelopment of the London Road site;
  - b) Agree the proposals for the Lawrence's site, and;
  - c) Agree changes to the Capital Programme.

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 36
-----------	----------------------------	------------	------------

7.17 From reference to Table 16 it can be seen that:

- The draft programme for 2020/21 is £39.2m
- The indicative programme from 2021/22 – 2024/25 is between £27m and £33m per annum.
- In line with the Council's prioritisation guiding principles, a global capital budget sum of £20m has been included in the Capital Programme each year from 2020/21. This will provide a source of funding for the Council to use when pursuing commercial property deals or investments that yield a positive revenue return.

7.18 Borrowing – the estimate for borrowing for 2020/21 is £27.9m. 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.

7.19 Capital Investment Strategy – The Council will be required to approve a Capital Investment Strategy – this will be considered by the Executive at its February meeting before being reported to Full Council on the 26<sup>th</sup> February. The Capital Investment Strategy provides the policy framework for Capital Investment and provides links to the Corporate Plan and Treasury Management Strategy.

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 37
-----------	----------------------------	------------	------------

### 8. Section G: SUMMARY & CONCLUSIONS

#### 2019/20

- 8.1 The Council has continued to successfully use the 'budget delivery framework' for the delivery of efficiencies.
- 8.2 Since 2010, the Council will have delivered a total of £14.3m of efficiencies by the end of March 2020

#### 2020/21

- 8.3 Taken in isolation, at this stage most of the **main issues** are 'known' for 2020/21. The Council's Provisional Financial Settlement for 2020/21 is £2,524,000 which is £40,000 higher than in 2019/20.
- 8.4 Prior to the consideration of any council tax increase, it is estimated that **£1,734,000 of 'efficiencies' will be required**. We will start 2020/21 in a similar position to 2019/20 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 2020/21. 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.
- 8.5 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.
- 8.6 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.
- 8.7 Members will need to consider the medium-term projections and associated risks when deciding a level of council tax for 2020/21. In light of these, officer advice is to consider a council tax increase to the threshold level of £5 for 2020/21 – this would yield an additional £165,000 and would help contribute to the challenging medium terms savings target.
- 8.8 **A capital programme of around £39m** is a significant commitment and clearly demonstrates the Council's continued strategy regarding commercial investments.

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 38
-----------	----------------------------	------------	------------

- 8.9 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 Medium Term**

#### **2021/22 and Beyond**

- 8.10 The levels of uncertainty and reductions in government funding in the medium term are very significant and should not be understated.
- 8.12 It is fair to say that the local government as a Sector has not seen such volatility and uncertainty in funding levels from the Government in recent times. The scale of these changes could see cash reductions for this Council of up to £5m over the next few years.
- 8.11 Both the resetting of the Business Rates Baseline and the review of the funding formula could have a significant impact on the Council’s Medium-Term Financial Strategy.

### **Other Considerations**

- 8.12 The projections in all years rest on the Executive’s adherence to the “*Financial Golden Rules and Financial Guiding Principles* (para 4.6 and 4.7).
- 8.13 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.

## **9 CONSULTATION AND CUSTOMER IMPACT**

- 9.1 The formal budget consultation period is from 15<sup>th</sup> January 2020 to 26<sup>th</sup> February 2020 when the Council sets its council tax for 2020/21. The budget timetable is detailed at **Appendix B**. Comments from the consultation process will be reported to the Executive for consideration at its meeting on 19<sup>th</sup> February 2020.

## **10 POLICY IMPLICATIONS**

- 10.1 There are no direct policy implications as a result of this report.

## **11 USE OF RESOURCES**

- 11.1 The implications on the Council’s resources will be considered throughout the durable budget reports.

## BOROUGH OF KETTERING

Committee	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 39
-----------	----------------------------	------------	------------

### **12 CLIMATE CHANGE IMPLICATIONS**

12.1 In effect, this budget report costs all the Council's activities and services and combines the individual budgets so that the Council can meet its statutory responsibilities in relation to setting a budget and council tax level. The Council's commitment to climate change actions have been the detail of a report to a recent Executive meeting and the actions and policies that are relevant to the Council have been included within the budget workings (where applicable).

### **13 RECOMMENDATIONS**

That the Executive Committee:

13.1 Refers the draft budgets for 2020/21 (as contained in the separate budget booklet) to Scrutiny for comment in accordance with the Council's Constitution.

13.2 Note the current budget position for 2019/20.

13.3 Recognise that the task of balancing the budget in future years is becoming increasingly difficult especially in the light of increasing service pressures, a national review of the Business Rates Retention Scheme and the Government review of the Fair Funding Formula.

13.4 Note that the budget consultation period will run from 15<sup>th</sup> January 2020 to 26<sup>th</sup> February 2020. The budgets and level of Council Tax for 2020/21 will be set at a meeting of Full Council on 26<sup>th</sup> February 2020.

Recommend to Council;

13.5 That the Leader of the Council and the Managing Director represent the Council on the Business Rates Pilot Board, and be given authority, in consultation with the S151 Officer, to determine proposals for the allocation of business rates, in line with the specified projects approved by the Secretary of State for Housing, Communities and Local Government.

13.6 That responsibility is delegated to the Managing Director (in consultation with the leader and the S151 Officer) to contribute up to £2.4m in total to the Future Northants Programme in order for the Local Government Reorganisation project to proceed in line with legislative requirements.

**BOROUGH OF KETTERING**

<b>Committee</b>	<b>EXECUTIVE COMMITTEE</b>	Item 10	Page 40
------------------	----------------------------	------------	------------

Background Papers:

Previous Reports/Minutes:

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

Monthly Durable Budget Reports  
(April 2010 to date)