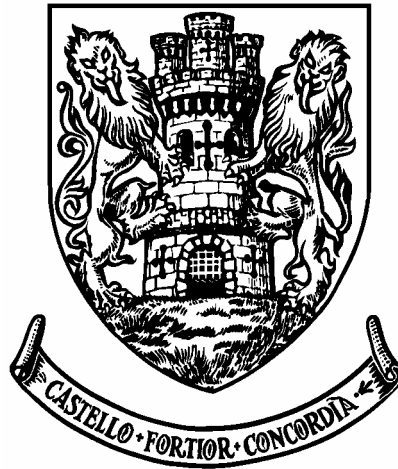


NORTHAMPTON BOROUGH COUNCIL



COUNCIL

Thursday, 3 February 2005

YOU ARE SUMMONED TO ATTEND A MEETING OF NORTHAMPTON BOROUGH COUNCIL, WHICH WILL BE HELD AT THE GUILDHALL NORTHAMPTON ON THURSDAY, THE THIRD OF FEBRUARY, 2005 AT SIX THIRTY O'CLOCK IN THE EVENING WHEN THE FOLLOWING BUSINESS IS PROPOSED TO BE TRANSACTED:-

1. MINUTES.

To approve the minutes of the proceedings of the Meetings of the Council held on 7th January 2005 and 24th January 2005 (to be circulated at the meeting)

2. APOLOGIES.

3. MAYOR'S ANNOUNCEMENTS.

4. DEPUTATIONS/PUBLIC ADDRESSES/QUESTIONS.

5. REVENUE BUDGET

- a) To receive the Budget Statement of the Portfolio Holder of Financial Strategy & Performance on behalf of the Executive.
- b) To consider the recommendations of the Executive in respect of the Council's Budget for 2005/06 to 2007/08 (Copy Herewith)
- c) To approve the revised estimates for the year 2004/05 and the estimates for 2005/06.

6. TREASURY MANAGEMENT POLICY AND STRATEGIC STATEMENTS

(Copy Herewith)

7. PRUDENTIAL INDICATORS FOR 2005/06

(Copy Herewith)

8. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE MAYOR IS OF THE OPINION SHOULD BE CONSIDERED.

The Guildhall
Northampton
28th January 2005

Chief Executive



NORTHAMPTON
BOROUGH COUNCIL

Council 3 February 2005	Item No
Portfolio: All Directorate: All Author/Contact Officer: Ray Bowmer, Head of Financial Strategy (Acting as Chief Finance Officer) Tel 01604 837530 Karen Plant, Accounting Manager Tel 01604 838945	Medium Term Financial Strategy: Service Delivery Budget 2005/06 - 2007/08
<u>Recommendation(s)</u> The Executive has recommended that Council: <ol style="list-style-type: none">1. Approve the General Fund and Housing Revenue Account Revised Estimates for 2004/05 presented in the Estimates Booklet referred to in this report.2. Approve the General Fund and Housing Revenue Account Estimates for 2005/06 presented in the Estimates Booklet referred to in this report.3. Approve the budget proposals detailed in appendices B and C of this report.4. Approve the financial plans for 2006/07 and 2007/08.5. Approve an average Housing Revenue Account rent increase of 2.82% per dwelling (on a 48 week basis) in line with the Government's rent restructuring regime with effect from 1 April 2005. The percentage increase will vary from property to property depending on the formula rent calculation.6. Approve increases in Warden and Call Care charges of 2.5%; Lifeline charges (excluding other organisations) of 6.0%; and heating and garages of 2.3%. The charges would then be as shown in Appendix P.	

Summary:

This Report:

1. Explains the Revenue Budget Process 2005/06 – 2007/08.
2. Presents the projected General Fund Budget and Housing Revenue Account out-turns for 2004/05.
3. Presents the General Fund Revenue Budget and Housing Revenue Account Budget 2005/06 including the Executive’s proposals for budget reductions and enhancements.
4. Includes financial projections for the General Fund and Housing Revenue Account in 2006/07 and 2007/08 including the Executive’s proposals for budget reductions and investment.
5. Provides details of the links to the Recovery Plan, Corporate objectives, Corporate Capital Strategy and other medium term strategies.
6. Details the consultation process followed.

1. **Introduction**

- 1.1 This report presents the 2005/06 – 2007/08 financial plans for both the General Fund and the Housing Revenue Account. The links with the Council’s Corporate Capital Strategy are summarised, with further detailed reports presented on this Agenda. Both elements comprise the Council’s Medium Term Financial Strategy, which in turn supports the Recovery Plan and corporate priorities agreed by the Executive and set out below.
- 1.2 The strategy has been prepared with the detailed involvement of the Executive Members, Members from the Overview and Scrutiny Committees, directors and service managers, throughout the whole process. This year the Council has also received external support from the Improvement and Development Agency (IDeA) and PricewaterhouseCoopers.
- 1.3 The process has further aligned the Medium Term Financial Strategy for the revenue accounts, the Corporate Capital Strategy and Corporate Priorities to ensure that the use of resources is maximized and targeted to the Council’s priorities enabling further service development. It has also assisted the Council in meeting the requirements of the “Prudential Code for Capital Expenditure” effective since 1st April 2004.

2. **Structure of Report**

Section	3	Revenue Budget Process
Section	4	General Fund Projected Outturn 2004/05

Section	5	General Fund Revenue Budget 2005/06
Section	6	General Fund Revenue Budget Forecasts 2006/07 and 2007/08
Section	7	Corporate Capital Programmes
Section	8	Housing Revenue Account
Section	9	Consultation Process

3. Revenue Budget Process

- 3.1. The Executive agreed the 2005/06 – 2007/08 Revenue Budget Process and Timetable at its meeting on 19th July 2004. The timetable is attached at Appendix A.
- 3.2 The Council underwent its Comprehensive Performance Assessment (CPA) in October 2003 and was formally given the ranking of ‘poor’ in January 2004, the worst possible score. The Council immediately began a process of recovery underpinned by an extensive programme of improvement projects detailed in the Annex to the Council’s Recovery Plan.
- 3.3. One of the major criticisms from the CPA Report was a lack of prioritization of our service delivery and the allocation of resources. The Recovery Plan published in July 2004 made determining medium term service and financial priorities a priority.
- 3.4 Extensive service prioritisation work was undertaken between July and September 2004 with support provided by the Improvement and Development Agency (IDeA) and PricewaterhouseCoopers. This process included three weekend workshops attended by Members of the Executive and the Overview and Scrutiny Committees. The outputs from the workshops which had broad support from all three political groups included:
- a 10 year vision for Northampton
 - the Council’s corporate priorities,
 - a ranking of service priorities
 - lists of options for budget savings and investment
- 3.5 At its meeting on 11th October 2004 the Executive endorsed the work at the prioritization workshops and agreed that in the next three years, the Council’s key priorities for the citizens of Northampton will be to:
- Ensure the availability of decent affordable homes for all
 - Work with partners to reduce crime and disorder across Northampton
 - Create and sustain an attractive economic environment for inward investment and regeneration

- Improve the cleanliness of the street scene in Northampton and reduce environmental crime
- Reduce deprivation in Northampton working with our partners
- Continue to improve housing benefits and revenue services
- Invest in Neighbourhood Wardens

and in order to achieve these outcomes the Council will

- Improve the quality of its political and managerial leadership
- Make it easier for citizens to access the services and information they need how and when they want
- Work with partners to get the most out of what can be done by each
- Use a performance management framework to drive decision making and continually improve services
- Do what it says it will do

3.6 The budgets for all the Council's Services have been considered in detail by the Executive through comprehensive Portfolio Holder budget meetings held in early November 2004 and at the Executives' budget prioritization meeting held on 10th November 2004 and 20th January 2005.

3.7 The Executive's proposed budget savings and investments detailed in Appendix B and C are based on the options from the service prioritization workshops, supplemented by development by Service Heads and further development during the public consultation process.

4. General Fund Projected Out-turn 2004/05

4.1. The 2003/04 General Fund Outturn report, presented to the Executive on June 2004, showed an improvement of £1.316m compared with the revised estimates. This variation has contributed to balancing the current year's budget in the face of significant external financial pressures but is not, of course, available to support budgets in future years. The major variances are listed in paragraph 5.1.2 of this report.

4.2. Financial projections for the General Fund were presented in a Budget Monitoring report to the Executive on 11th October 2004. This report highlighted a number of changes to income and expenditure projected for the current year with an overall increase in the use of the General Fund balance of £1.28m compared with the original estimates. Increased service pressures and year end bid requests utilized the bulk of the previous year's under-spending. The major variances are listed in paragraph 5.1.4 of this report.

4.3. Further changes in individual service budgets since the 11th October report were provided in the draft budget report presented to the Executive on 6th

December 2004. The major variances are listed in paragraph 5.1.5 of this report. The projection of the General Fund Reserve at 31st March 2005 was £1.987m.

- 4.4 Since the draft budget report was published further budget monitoring exercises have been undertaken. The variances identified are detailed in Appendix D and the most significant included in paragraph 5.1.6 of this report. The latest projection of the General Fund Reserve at 31st March 2005 is £2.242m and it is planned to use £242,000 of this to help support the 2005/06 Revenue Budget.

5. General Fund Revenue Budget 2005/06

5.1 Budget Overview

- 5.1.1 On 14th June 2004, the Executive received details of financial pressures already identified as part of the Revenue Outturn report for 2003/04.
- 5.1.2 The report showed a worsening of the projected budget shortfall from the £2.368m projected in February 2004 to £3.064m. The major variances were:

	2004/05	2005/06
	£000	£000
Revised assumptions on Council Tax increases	75	75
Reduced External Funding for Lings Forum	80	80
Car Allowance Savings not made	62	62
Increase in Audit Fee	50	50
Increased cost of Domestic Refuse Collection	50	50
Loss of Markets Income	45	45

There were numerous smaller variances reported.

- 5.1.3 The Budget Monitoring Report presented to the Executive on 11th October 2004 detailed budget variances in 2004/05 and emerging issues for 2005/06 onwards. To maintain a planned working balance of £2.3m at the end of 2005/06, the Council faced a funding gap of £3.069m. This was little changed from the projection of £3.064m presented on 14th June 2004, but there had been a number of significant variations.

5.1.4 The major variances identified were:

	2004/05	2005/06
	£000	£000
Improvement in projected pensions costs	0	-700
Increased Domestic Refuse costs	200	0
Emergency and Temporary accommodation	389	389
Loss of Housing Benefit Subsidy	160	0
Increased Car Park Income	-200	-350
Business Rates Refunds	-528	-89
Reduced Land Charges Income	60	110

5.1.5 The draft Standstill Budget presented on 6th December 2004 showed that prior to the addition of any growth and the effect of proposed savings, the extent of the funding gap had reduced from £3.068m to £1.730m. The reduction in the projected 2005/06 budget shortfall and the base budget results from numerous changes, including the following major variances:

	2004/05	2005/06
	£000	£000
Reduction in projected pension contribution costs	0	-1087
Additional Planning Fee Income	-70	-70
Open Market – Reduced Income	78	78

5.1.6 Since the draft budget was published and in light of the recent budget monitoring exercise changes have been made to the 2004/05 Revised Estimates and the 2005/06 Base Budget and these are detailed in Appendix D. These changes have caused a reduction in the projected base budget shortfall to £1.224m. The major changes are as follows:

	2004/05	2005/06
	£000	£000
Formula Grant above Estimated Level	0	-170
Additional Share of Collection Fund Surplus	0	-191
Additional Interest Income	-144	-127
Further Reduction in Land Charges Income	64	24
Additional recycling Grant	0	-126
Increased Planning Fee Income	-35	-100
Additional Car Parks PCN Income	-80	0
Additional Regeneration Grant	-74	0

5.2 Base Budget 2005/06

- 5.2.1 The latest General Fund summary for 2005/06 is shown at Appendix E and detailed in the estimates booklet circulated to the Executive and made available in the Members Rooms. This is the Council's standstill budget.
- 5.2.2 Support Service charges have not been reviewed or re-calculated for 2004/05 or 2005/06 onwards. This is a time consuming process and as the Root and Branch Review of the Council could fundamentally affect the calculations this will not now be undertaken until later in 2005/06. Support Service Charges figures do need therefore to be treated with a degree of caution.
- 5.2.3 The base budgets have not been given a general uplift for inflation. For a number of years increases have only been provided where there is a contractual commitment. In 2005/06 Employee budgets, for instance, have been increased by 2.95% to cover the pay award. Savings continue to be made year on year though better procurement policies and other efficiencies, which negate the need to add inflation to most supplies budgets.
- 5.2.4 As part of the budget process Service Mangers have been asked to review their fees and charges in line with the approved Fees and Charging Policy. A number of changes are included in the Executive's budget proposals. Price increases which are broadly in line with inflation and which comply with the policy are included in the base budget figures.
- 5.2.5 The Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of estimates made for the purposes of calculating the Council's budget requirement and Council Tax and also the adequacy of financial reserves proposed. The extent of the savings proposals detailed later in Section 5.4 of this report make the budget a challenging one to deliver and will require unusually high monitoring of progress by the Council's Senior Managers. Provided there is adequate engagement of senior management in financial and service monitoring the estimates presented are robust.
- 5.2.6 There is no specified formula for the determination of minimum reserves and the Chief Finance Officer must use his own judgment and refer to the advice of professional bodies. A bulletin issued by CIPFA's Local Authority Accounting Panel (LAAP) in February 2003 provides guidance on the adequacy of reserves:

In order to assess the adequacy of unallocated general reserves when setting the budget, finance directors should take account of the strategic, operational and financial risks facing the authority. There is currently no

formal requirement for an assurance statement on risk and control¹. However, local authorities are increasingly conscious of the need for effective risk management and are adopting formal risk management processes. The Audit Commission and Audit Scotland Codes of Audit Practice make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks should be assessed in the context of the authority's overall approach to risk management. The Statement of Recommended Practice (SORP) requires local authorities to include a statement on the system of internal financial control with the statement of accounts. The SORP also allows authorities to publish a wider ranging statement on the system of internal control and/or a statement on the adoption of a local code of corporate governance and how they have complied with such a code and monitored its effectiveness. The finance director needs to ensure that the authority has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards.

5.2.7 This authority has recognised the importance of risk management and has put in place appropriate processes for the assessment and management of operational and financial risk. The opinion of both Internal and External Audit is that systems of internal control are adequate.

5.2.8 Previous budget reports have recognised the extent of service changes planned in the short and medium-term and the risks attached. The Council has planned for increases in the General Fund Reserve to reflect this and it is recommended that the planned increases of £300,000 in 2005/06 and 2006/07 remain and that a further £300,000 be added in 2007/08. The projected underspending of £242,000 in 2004/05 will also lead to a temporary increase in the General Fund balance, but these funds are committed to supporting the 2005/06 budget. Section 6.6 of this report outlines a number of major potential unbudgeted pressures which the authority is likely to face in the medium term.

5.2.9 Earmarked Reserves

The Council maintains reserves, which have been earmarked for specific purposes, details are included in Appendix J. As part of the budget process the Council needs to determine the level of contributions to be made to reserves and plans to meet expenditure from those reserves. When the 2004/05 – 2006/07 financial plans were approved by Council in February 2004, it was planned to make contributions of £100,000 to both

¹ This became a requirement for the 2003/04 published Statement of Accounts.

the Building Maintenance Reserve and the New Technology Reserve in 2005/06. The balances of these reserves and likely expenditure to be met from them have been reviewed and it is recommended that the 2005/06 contributions need not be made but that contributions continue to be made in 2006/07 and 2007/08. This decision is re-inforced by the extent of expenditure included in the capital programmes in the areas of Information Technology and improvements to buildings.

5.3 Additional Expenditure Requirements

5.3.1 Despite a difficult financial position, the Executive is seeking to reprioritise its resources in line with service priorities. The Executive intends to make an additional £737,000 available in 2005/06 to further the Corporate Priorities. Details are shown in Appendix C. This has been increased by £50,000 since the draft budget was published to bring forward the establishment of two further Neighbourhood Wardens in 2005/06.

5.3.2 Within the Housing Revenue Account, detailed more fully in Section 8 of this report, there has been an improvement in the financial outlook mainly because of a £1m increase in Housing Subsidy and a better than projected 2003/04 outturn position. There is scope to introduce substantial service enhancements. Details are given in the Housing Revenue Account section of this report and can be summarised as follows:

	£000
Tenants' Preference/Capital contributions	1,200
Environmental Works/Community Safety	850
Lights – Major Refurbishments	400
Homelessness/Access to Homes	200
Housing Option Appraisal	175
Service Improvements	75
	2,900

5.4 Proposals for Reducing Net Expenditure

5.4.1 The extent of expenditure reductions required is detailed in Paragraph 5.1.6. A saving of £1.719m on the latest base budget for 2005/06 (after the funding of service enhancements and planned use of £242,000 balances) represents a significant challenge to the Council. The Executive's proposals to reduce the Council's net expenditure are detailed in Appendix B.

5.4.2 The Executive has sought to protect the front line services as far as possible and many of the budget reductions are therefore directed at reducing support service costs and reducing overheads. A large part of the

Executive's proposals will result from the current senior management review, the planned root and branch review and savings from the One Stop Shop, e-Government efficiencies and better use of property assets.

- 5.4.3 The transition to a smaller, more focussed organisation will inevitably involve some reductions in employees and there will be severance costs, which are estimated to be significant. It is anticipated the initial costs and ongoing savings to be made will justify a case being made to the Office of the Deputy Prime Minister to capitalise the unavoidable severance costs involved. At this stage it is not possible to accurately estimate the total cost, but it is necessary to make provision in the Council's Capital Programmes. It is therefore being recommended that, as part of the 2005/06 – 2007/08 Capital Programmes Report, £750,000 be included in addition to the £750,000 already provided in 2004/05 and that another £500,000 be included in 2005/06. To date around £650,000 of costs incurred as a result of 2004/05 budget changes is likely to be met from capital resources.
- 5.4.4 The Council's Employee Severance Scheme which has been revised since the draft budget was prepared allows for payments of redundancy and pensions benefits above the statutory requirement. These costs may not be capitalised and will be met from revenue budgets. The saving proposals detailed in Appendix B are assumed to be net of these costs, although the overall effect is difficult to determine in advance of the 'root and branch' review of the Council's structures.
- 5.4.5 The Council received a report at its meeting on 13th December 2004 giving a broad estimate of savings to be made from the senior management review. An ongoing saving of £749,000 was projected with revenue costs of severance of £219,000 in year 1 and £24,000 in future years. Indicative capital costs of £1.073m were also given for the senior management part of the Root and Branch Review. The recruitment process for the new Corporate Managers is scheduled to be completed by 31st January and firmer details of severance costs may be available at that time.
- 5.4.6 The Council's improved financial position highlighted in paragraphs 4.4 and 5.1.6 has allowed the Executive to review its budget proposals following feedback from the budget consultation exercise. As well as recommending a further £50,000 for Neighbourhood Wardens in 2005/06 a number of savings proposals are not now recommended to Council. These are detailed at the end of Appendix B and affect primarily :
- Concessionary Fares
 - Grounds Maintenance – parks & Open Spaces
 - CCTV Income
 - Arts & Other Activities

- Employee Car Allowances
- Employee Parking

5.5 Objectives of the Executive's Draft Budget.

- 5.5.1 Service prioritisation is in line with corporate priorities. Additional resources are being allocated to Homelessness prevention, Housing Strategy and maintaining the environment which are all priorities, for example and resources are being reduced in the area of Leisure and Culture which does not feature specifically in the Corporate Priorities.
- 5.5.2 The draft budget reflects and facilitates changes in the way the Council does its business. Additional resources have been made available to improve the quality of political and managerial leadership. The One Stop Shop, e-government and Electronic Document Management are all being progressed to make budget savings, but will also improve services to citizens by making it easier for citizens to access the services and information they need.
- 5.5.3 Many of the budget proposals are also very clearly aimed at achieving efficiency gains. The Council itself accepts that this needs to be done and the proposals will allow it to meet the targets set out following the "Gershon Review". A 'Root and Branch' review of the Council's staffing, political structures and back office operations is planned to save £500,000 next year rising to £1m a year by 2007/08. The One-Stop Shop and e-government is to save £150,000 next year and £520,000 in future years. There are many other efficiency gains amongst the proposals. Further information on efficiency gains targets for local government is given in Paragraph 5.12.
- 5.5.4 Different vehicles for service delivery are also being brought on line. Leisure Facilities may be contracted out or become a Trust. The Museum Service is being prepared for Trust status in 2006/07. Options for the Trade Refuse service are also at an advanced stage.

5.6 Contingency Provision

- 5.6.1 Details of the Contingency Provision are given in Appendix H. An original provision of £160,000 was included in the 2003/04 Revenue Budget. There remains £43,000 unallocated. For 2005/06 and future years a £185,000 revenue budget contingency will continue to include £30,000 earmarked as match funding for future externally funded revenue projects and revenue monies needed to "pump prime" capital projects. Members may also wish to add to this sum if resources become available when the accounts are finalised in July 2005.

5.7 Pensions Issues

- 5.7.1 The Local Government Pension Scheme Regulations require that each Pension Fund is valued by a Qualified Actuary every 3 years to ensure that it is able to meet its long term liabilities and also to determine the Employers contribution rates for the ensuing three years.
- 5.7.2 A valuation of the fund was undertaken as at 31 March 2004 with the new employers contribution rates coming into effect from 1 April 2005.

A summary of the position on the Northampton Borough Council 'element' of the fund compared with the position in 2001 is set out below:

	2001	2004
	£m	£m
Liabilities	128.7	158.8
Assets	112.4	109.0
	<u>16.3</u>	<u>49.8</u>
Funding Level NBC	88.1%	68.6%
Overall Funding Level	90.4%	71.0%

The position shows the 2004 valuation is in line with the figures anticipated following the receipt of information produced earlier in the year for accounting purposes. The performance of the Northampton element is broadly in line with the performance of the fund overall.

- 5.7.3 The continuing deficit results from a number of factors:
- The effect of the contributions holiday taken in the early 1990's and the stepped contribution rates introduced after that period to ease the effect of the sudden increase in contributions on budgets.
 - The effect of Early Retirements/Redundancies prior to 1997 when provisions to pay the cost of these retirements at the time of leaving were introduced
 - Amendments made to the actuary's demographic assumptions to take account of increased life expectancies. This affects both benefits payable to existing employees and to pensioners and deferred beneficiaries
 - Significantly worse than anticipated investment performance for the period 2001-2004.

- 5.7.4 The Actuary recommended an employer's contribution rate of 382% of employee's contributions (22.92% of pay) for each of the three years for which the valuation applied. This includes a contribution towards a deficit on the Northampton element of the fund of £49.8m to be recovered over a 20 year period.
- 5.7.5 This is a change of policy from the previous valuations where deficits were amortised over a 12 or 13 year period based on the estimated overall remaining working life of the current employees. The objective of the valuation of the fund is to ensure the fund has sufficient assets to meet its liabilities in the long term, i.e. has enough money to pay the pensions of the last surviving member until they or any surviving dependents die. In the case of someone joining the Pension Scheme now this could be in 60 or 70 years time. It was therefore felt with the significant increases in contributions required to meet the deficits based on previous practice prudence could allow the required increases to be reduced by extending the period of amortisation of the deficit. A period of 20 years was one that was considered to be reasonable and would give the required result.
- 5.7.6 The Borough Council was paying a contribution of 299% in 2004/05 and the pensions authority has recommended the increase to 382% be phased as follows:
- 2005/06 327% of the employees contribution (19.62% of pay)
2006/07 354% of the employees contribution (21.24% of pay)
2007/08 382% of the employees contribution (22.92% of pay)
- 5.7.7 Phased increases in contributions have been introduced to ease the movement from the old rate to the new. In previous years the amount to be paid in the second and/or third year was usually higher than the 'headline' rate but this time the steps are designed to take all employers in the fund to the headline level in 3 steps and then theoretically remain at that level for 17 years. In practice a further valuation of the fund will take place in 2007 and revised rates will be set at that time based on the fund's financial performance and demographic factors.

5.8 Treasury Management

- 5.8.1 A summary of the Treasury Management budgetary information is attached at Appendix G. The Bank of England base rate has increased to 4.75% in August 2004 from 4.0% at the start of the financial year.
- 5.8.2 The estimated average interest rate on the Council's investments has been increased from 4.4% to 4.75% for 2004/05 and a rate of 4.5% assumed in the years 2005/06 – 2007/08.

- 5.8.3 From 1st April 2005, the Council has been required to “pool” the element of Housing Capital receipts which is currently “set aside” and earns investment income from. This loss of interest is however offset by an increase in Housing Subsidy and a net increase in the HRA’s contribution to the General Fund.
- 5.8.4 The Council is currently reviewing its accounting treatment of premia incurred on debt repaid prematurely. This follows comments made in the District Auditor’s Management Letter (also on this agenda). The Council’s Financial plans may need to be revised following this review.

5.9 Employee Budgets

- 5.9.1 Members will be aware that the Council operates a system of “Employee Cash Limited Budgets”. Essentially these are directorate level budgets incorporating all employee related costs, except certain categories where employees work solely on service specific areas.
- 5.9.2 Full provision has been made for the additional superannuation costs and pay award (estimated at 2.95%) impacting on 2005/06 and future years. Despite this, there is a serious growing shortfall between the cost of funding the desired establishments in all directorates and the amount of budget provided by the cash limit.
- 5.9.3 Members are aware that there is a gap between the desired establishment and funding and the sum available in the cash limit. The gap is known as a vacancy factor. For 2004/05 the average vacancy factor has been 8.2%, this would rise to 9.2% for 2005/06.
- 5.9.4 It should be noted that the Council is undergoing a senior management review, followed by a ‘root and branch’ review. The proposals within this budget anticipate savings will be made to the overall employee costs of the Council in 2005/06 and onwards and that the cost of the establishment following these reviews will be more in line with the funding available. During this review period, and as jointly agreed with the Unions, an Establishment Management Panel has been set up to manage the recruitment of employees to ensure continuity of service to citizens whilst ensuring opportunities are available to employees.

5.10 2005/06 Council Tax Increase & Precept Proposal

- 5.10.1 When the 2005/06 and 2006/07 General Fund Projections were prepared in February 2003, increases in Council Tax of 6.1% and 6.0% respectively were built in. This was based on Central Government’s assumptions for locally raised funding in the 2002 Spending Review. These assumptions were revised to 5.0% for each year in the report to the Executive dated

14th June 2004. This was in recognition of Central Government expectations of increases in 'low single figures' previously expressed. This has now been reduced slightly to 4.9% to be below 5%.

- 5.10.2 It should be noted that in 2004/05 the average Council Tax payable (NBC and parishes element only) was £134.24, and that next year this would increase to £140.82, up by £6.58 or 13p per week assuming a 4.9% increase. This increase assumes no change in the tax base profile.
- 5.10.3 Central Government retains discretionary powers to cap the Council Tax of individual Local Authorities. Appendix F analyses indicators which might be employed by the Government in its evaluation as to whether to cap this Council's tax, assuming a 4.9% increase.
- 5.10.4 For 2005/06 the Council's net expenditure is increasing by 1.67% partly because of the planned £300,000 contribution to the General Fund balance. At a 4.9% increase in Council Tax the budget requirement increases by 3.2%. The two-year position is also shown, demonstrating a combined 1.18% reduction in net expenditure of the Council, a 2.33% increase in budget requirement and a 10.04% increase in Council tax, based on the indicative Council Tax increases currently built into the financial projections. The impact on Council Tax is disproportionate as the Total Formula Grant (TFG) element of the Council's income (the greatest element) is increasing at a much lower rate than its expenditure.
- 5.10.5 Whilst no further guidance has yet been received for 2005/06, the Local Government Minister issued this statement regarding Council Tax levels for 2003/04 and expectations regarding 2004/05 levels:

"Despite above inflation increases in grant for all English local authorities in 2003/04, we were disappointed that the average council tax increase was 12.9%. Having looked at the budget returns from all English authorities, we have considered very carefully whether to use our powers under Part IVA of the Local Government Act 1992 to cap any local authority budgets. We have decided against doing so this year.

Every local authority has a responsibility to its own taxpayers and electors. However, the Government is clear that the current trend in council tax rises is not sustainable. We will look at council tax rises very closely next year and we will also want to take account of the trend in increases over more than one year. Local authorities should be aware that we are prepared to use our targeted capping powers in 2004/05. We now give notice that we will consider capping any authority (including authorities categorised "excellent" and "good" in the current and future Comprehensive Performance Assessments) which has an excessive council tax rise".

5.10.6 In setting the level of Council Tax on 25 February 2005, Members will need to take a view as to whether the proposed council tax increase will be acceptable to the Government.

5.10.7 Following the setting of budgets for 2004/05 the Minister issued capping notices to seven authorities in relation to 2004/05 budgets. The authorities were given 21 days to challenge the notices, before the Minister made his final determination. In the event, six of the seven authorities were capped, and their budgets limited by the Minister's determination. The capped authorities were required to vary their Council Tax determinations and rebill. The six capped authorities are :-

- Herefordshire
- Nottingham
- Torbay
- Fenland
- Shepway
- Hereford & Worcester Fire

5.10.8 In addition to the six capped authorities, eight authorities were nominated, regarding their 2005/06 budgets. These authorities were also given the opportunity to challenge the nomination, which would limit the amount of Council Tax that could be levied in 2005/06. The ODPM website gives no indication of the outcome of this nomination. The eight authorities nominated are :

- Bedfordshire and Luton Combined Fire
- County Durham and Darlington Fire
- Essex Fire
- Nottinghamshire & City of Nottingham Fire
- Cumbria Police
- Northamptonshire Police
- West Mercia Police
- Telford & Wrekin

5.11. Central Government Funding

5.11.1 Members may be aware that as well as Council Tax, the Council's net expenditure (after local fees and charges and specific grants) is mainly funded from Central government through Revenue Support Grant (RSG) and National Non- Domestic Rates (NNDR), together comprising Total Formula Grant (TFG)

5.11.2 The amount the Council receives from these two elements, RSG and NNDR, is determined by the "Formula Spending Share" for each year, as calculated by central government. The level of Formula Grant (the total of RSG and NNDR) received by the Council represents the difference

between its Formula Spending Share and the Government's standard assumption for Council Tax income.

- 5.11.3 The provisional 2005/06 financial settlement was announced by the Office of the Deputy Prime Minister on 2 December 2004. The results of this settlement for Northampton BC are summarised below, compared to the final settlement for 2004/05.

	<u>2004/05</u> <u>Settlement</u> <u>£</u>	<u>2005/06</u> <u>Provisional</u> <u>£</u>	<u>Increase</u> <u>%</u>
Formula Spending Share	<u>26,978,888</u>	<u>27,601,002</u>	<u>2.3</u>
Revenue Support Grant	10,448,832	10,583,604	1.3
Non-Domestic Rates	<u>5,287,640</u>	<u>5,637,420</u>	<u>6.6</u>
Total Formula Grant	<u>15,736,472</u>	<u>16,221,024</u>	<u>3.1</u>

These figures represent a 3.1% increase in grant in cash terms. The Government adjusts the grant formula to reflect changes in services, so that a like for like comparison may be made. Comparing the provisional settlement with the adjusted figures for 2004/05 demonstrates a grant increase of 2.7%.

No authority in Northamptonshire, and only one authority in the East Midlands Region has a lower percentage increase in government support.

The most recent Retail Price Index (December 2004) shows the current inflation rate to be 3.5%

- 5.11.4 Projections into future years are tentative at this stage, with a 2% increase assumed. For future settlements, the Government plans to provide information on financial support for a three year period, which may increase levels of certainty for funding.
- 5.11.5 Currently it is thought that the final Local Government Finance Settlement Report for 2005/06 will be available in the first week in February 2005. This is not expected to differ significantly from the Provisional Settlement and the Borough Council will be informed of any significant change before it sets the Council Tax on 25 February 2005.

5.12 Efficiency Gains for Local Government

- 5.12.1 The Spending Review 2004 set out a target of £6.45bn for annual efficiency gains from Local Government by 2007/08, using 2004/05 budget figures as the baseline. There is a further requirement that at

least half of the gains must represent cash savings, which would be available for reinvestment locally.

- 5.12.2 An 'Efficiency Technical Note' (ETN) for Local Government was issued by the ODPM on 8th November 2004 setting out how the required savings could be measured. Two options are now to be consulted on: a system of self-assessment or a 'framework assessment' which would include prescribed efficiency indicators.
- 5.12.3 Each Council will be required to submit an 'Annual Efficiency Statement' (AES) signed by the Leader of the Council and Chief Executive. It will comprise two parts: a 'forward-looking' part and a 'backward-looking' part. The first 'forward looking' part will be required in April 2005 and set out the Council's efficiency strategies. The first 'backward-looking' part is due in June 2006 and will show how the required savings have been made.
- 5.12.4 There had previously been concerns that efficiencies in local government might have been enforced through a withdrawal of government grant which would have prevented the local reinvestment of savings achieved. The ETN implies this is not the case and the Provisional Finance Settlement once received should confirm this.

6. General Fund Revenue Forecasts 2006/07 and 2007/08

- 6.1. Every aspect of the budget setting exercise has been on a three-year rolling-plan basis. Forecasts for income and expenditure are given for next year and the two years after that. The proposals for budget savings and investments are set out in Appendices B and C also show the revenue implications for all three years.
- 6.2. For the future years most increases in fees and charges have been assumed to be in line with projections of inflation. Similarly, allowance has been made for pay awards on employee budgets. General inflation has not been included on non-employee budgets except where there are significant price increases anticipated. This last approach has now been in place for a considerable number of years and necessitates year on year economies/efficiencies to be made.
- 6.3 In producing these forecasts, the following increases have also been assumed:

	2006/07	2007/08
Formula Grant (RSG & NNDR)	2.0%	2.0%
Council Tax	4.9%	4.9%
Growth in Council Tax Base	1.0%	1.0%

The Formula Grant assumptions are only indicative and it must be borne in mind that they will be affected by both formula changes and changes in the Borough's demographics.

- 6.4 The projections are based on an assumed General Fund balance of £2.6m at 31st March 2007 and £2.9m at 31st March 2008. The required working balances reflect the uncertainties and potential additional demands of these future years.
- 6.5 Appendix B shows how the Executive's Budget proposals increase over the two later years of the Three Year Financial Plan. At this stage only modest increases in service investment have been proposed. All things being equal and before new service pressures are identified there could be scope for further investment in 2006/07 and 2007/08. Members do, however, need to be mindful of the unbudgeted service pressures detailed below.
- 6.6 Factors which may have a significant effect on the future years, include:
 - 6.6.1 Treasury Management
 - 6.6.1.1 Market interest rates may increase a little further but are likely then to fall again. It is unlikely the Council's investment income could increase significantly. The Council constantly reviews its investment and loan portfolios and further restructuring and/or repayment of debt may improve the overall effect on the General Fund Revenue Account, but as there are now only three market loans remaining this is less likely. The Council's strategy of repaying debt with the proceeds of investments when the premium payable is not prohibitive has reduced the Council's exposure to interest rate volatility over the last two years.
 - 6.6.1.2 The review of the Council's accounting treatment of debt premia mentioned in Section 5.8 could have a significant impact on the Council's Financial Plans. The Council is working closely with its external auditors and the ODPM to minimize any impact on the revenue accounts should changes in accounting treatment become necessary.
 - 6.6.1.3 The General Fund premia remaining on the balance sheet as at 31 March 2004 was £3.2m and in an extreme worst case scenario, an external auditor could require it all be charged to revenue in one year. Whilst the Council is not intending charging any additional costs to revenue, in line with its current accounting policies, it is possible that discussions with the external auditor could lead to different accounting treatments involving shorter write-down periods. For example a ten year write-down schedule (rather than the 39 years remaining) would involve a net increased revenue cost of less than £300,000 each year. One way this could be

accommodated would be by not increasing the General Fund balance by the planned £300,000 each year already in the financial plans.

6.6.2 Grosvenor Centre and Bus Station

The future years of the three-year financial plans do not reflect the planned disposal of Greyfriars House as part of the development of the Grosvenor Centre. Given the immense scale of the project and the wide ramifications it has for both the Council's revenue and capital plans it is difficult to forecast accurately the impact on the budgets in the years beyond the current financial plans. Progress will continue to be monitored and reported to the Executive. It is expected, however, that a significant loss of income would be suffered in later years due effect on our car park income. The development will include a new Bus Station, provided by our partners. It is likely that there will be a period of time between the closure of the existing Bus Station and the opening of the new one.

6.6.3 Delapre Abbey

The Executive decided in July 2003 not to proceed with a sale of Delapre Abbey to interested parties. Instead, it agreed it was more appropriate to explore the setting-up by the Council of a community trust structure to manage Delapre Abbey on a long leasehold basis. These investigations are ongoing and in the meantime works have been done to make the premises secure and watertight. The ultimate vehicle for managing the Abbey is likely to require both Capital Investment, perhaps as match-funding for an externally funded project, and on-going revenue support, possibly a grant or subsidy. The Capital Programmes 2005/06 – 2007/08 report recognizes this through the inclusion of Delapre Abbey on the list of reserve schemes. The revenue projections in this report do not at this time include any additional budgetary provision for revenue support to a project for running the Abbey and this will need to be reviewed when future options have been fully appraised. In a report to the Executive on 22nd November 2004 the Executive agreed in principle to working with the architectural Heritage Fund to explore the suitability of a Building Preservation Trust as a means of securing the future of the Abbey.

6.6.4 Housing Options

The Council is currently undertaking consultation on future options for its housing stock. As well as retention, Arms Length Management Organisation (A.L.M.O) and Large Stock Voluntary Transfer (L.S.V.T.) are under consideration. A Council without housing stock would be a much smaller entity, less able to absorb corporate and support costs. It is expected there will be a significant adverse impact on the General

Fund depending on the level of investment income to be earned from a receipt following disposal.

6.6.5 Job Evaluation

The Council will be undertaking a job evaluation exercise in the medium term future. It is expected based on the experience of other organizations there will be significant additional cost and this potential pressure is not at present factored into the Council's financial plans.

7.1 Corporate Capital Programmes and External Funding

- 7.1.1 As previously reported, the authority is continuing to develop its corporate capital strategy and asset management processes. The aim is to better align the capital programme to corporate priorities and better develop links with the asset management process and incorporate best practice.
- 7.1.2 The three-year capital programme presented elsewhere on this agenda for approval by the Executive begins this process by aligning future capital schemes to the authority's objectives. The background of constrained resources against which this programme has been prepared increases the need to ensure that expenditure is aligned with the Council's objectives and that the prioritization process remains robust.
- 7.1.3 The proposed future capital programme assumes that the Council will not be borrowing in excess of supported borrowing approvals issued by Central Government. For example, £1m of unsupported borrowing would have a revenue impact of £229k p.a. if repaid over a five year period. The cost is based on borrowing through the PWLB at current rates. The final financing of any use of the prudential regime to support capital expenditure would be carried out as part of the overall long term financing decision. If other resources are used the cost will still arise as the interest cost would be replaced by a loss in investment income. Given the current and forecast position on the revenue budget it has been assumed, in preparation of the proposed capital programme, that medium or longer term unsupported borrowing would not be feasible.
- 7.1.4 Projected resources on this basis for next year are £15.7m of which £7.2m comes from the Housing Repairs Allowance and £4.0m from capital receipts. The proposed programme includes schemes of £16.6m, resulting in over-programming of £0.9m. Previous experience shows the level of slippage that would be expected within the programme would be at least at this level. The programme will be actively managed and monitored through the year to ensure expenditure comes within available resources and efforts will be made to identify alternative funding resources.

7.1.5 The revenue implications of the proposed capital programme, including any running costs and the borrowing costs associated with supported borrowing, have been built into the appropriate revenue budgets.

7.2 ICT Funding Strategy

7.2.1 The ICT investment plan is divided into five categories of expenditure funded from the Corporate Capital Strategy and to a lesser extent from the New Technology Reserve (NTR). The details are summarised below:

Category of Expenditure	NTR Funding Contribution 2004/05	Phased Capital Programme 2004/05	Phased Capital Programme 2005/06	Phased Capital Programme 2006/07	Phased Capital Programme 2007/08
	£	£	£	£	£
1 IEG implementation	0	509,000	1,601,000	730,000	70,000
2 Mainframe Migration - Infrastructure	0	942,000	208,000	300,000	375,000
3 Mainframe Migration - System Replacement	0	957,000	1,249,000	386,000	0
4 Technology Refresh Programme	0	306,000	0	0	0
5 Operational Developments	90,000	129,000	0	0	100,000
Total Expenditure per year	90,000	2,843,000	3,058,000	1,416,000	445,000

7.2.2 Revenue Contributions of £100,000 per annum will be made to the New Technology Reserve in 2006/07 and 2007/08. It is felt that as the budgeted level of the reserve at the end of 2004/05 is £221,000 then a revenue contribution will not be required for 2004/05 and 2005/06.

7.2.3 This report shows that there will also be revenue contributions from the H.R.A. of £327,000 spread over the next three years. A further £1.776m worth of ICT projects remain unfunded on the "reserve list".

8. Housing Revenue Account

8.1 Background

8.1.1 The draft HRA budget was approved for consultation by the 6 December 2004 Executive. The consultation process finished on the 20 January 2005. The average rent increase, outlined as part of the process, is the

increase required under rent restructuring. The results of consultation process are outlined below.

8.1.2 The budget report to Executive, on 6 December 2004, explained the effect of rent restructuring and the average rent increase required under this regime was an average increase of 2.81% per week.

8.1.3 The average rent increase is determined by the Government guideline rent in HRA subsidy determination. The guideline rent increase changed slightly from the draft determination (used in the initial calculation for the draft budget) and the final determination thereby affecting the average rent increase. The average rent increase for 2005/06 is now 2.82% rather than the 2.81% reported to Executive on 6 December 2004 and used in the consultation process. This percentage will vary from property to property depending on the formula rent calculation further analysis has been undertaken to show the range of rent increases, see table below: -

Rent Increase	No of Properties	%age of Total
7% to 8%	6	0.05%
6% to 7%	37	0.29%
5% to 6%	316	2.51%
4% to 5%	1,466	11.62%
3% to 4%	3,681	29.19%
2% to 3%	4,672	37.04%
1% to 2%	1,987	15.75%
0% to 1%	383	3.04%
-1% to 0%	63	0.50%

8.2 H.R.A. Consultation

8.2.1 All the Scrutiny committees were directly consulted as part of the HRA budget process.

8.2.2 As part of the ongoing consultation on the Housing Revenue Account tenants were informed of the draft rent levels for 2005-06 and were given the opportunity to provide their comments. Tenants were also asking to comment on how they would like to see an additional £2.9m spent in 2005/06.

8.2.3 The tenants were consulted through the tenants' customer panel. Members of the panel were invited to a presentation on Housing Budgets 2005/06 and received a report on issues around the HRA budget including an update on performance and the housing options as well as an

information sheet on the calculation of rents and the HRA summary budgets for the next three years, see appendix U.

The consultation focused on how the rent would be spent and particularly the allocation of the additional £2.9m. It was explained that the Executive had prioritised areas for allocation of the £2.9m into the following headings:

- Housing Options Appraisal
- Homelessness/access to homes
- Environmental works and Community Safety
- Contribution to capital towards decent homes expenditure
- Tenants preference
- Lifts major refurbishment

8.2.5 The feedback from the customer panel was positive that tenants views were being sought on how the rent would be spent. The panel concentrated on the areas for priority for environmental works/community safety and contribution to the capital programme. They confirmed that the areas they had identified last year were still relevant. They particularly identified trees as a priority area and they would welcome further input into how these monies are spent at future meetings. The table below summaries.

Environmental Works & Community Safety	Contribution to Capital towards decent homes etc.
Trees	CCTV
Parking	Door Entry Systems
Lighting	Double Glazing
Fencing	Area Based Schemes
Pavements	

8.3 Allocation to Priority Areas

The proposals for allocating the £2.9m, after consultation, is for the following amounts to be allocated to the priority areas:-

Priorities	£'000
Housing Options Appraisal	175
Homelessness/access to homes	200
Environmental works & Community Safety	850
Contribution to Capital towards decent homes expenditure plus tenants preference	1200
Lifts major refurbishment - contribution to capital	400
Service Improvements	75
Total	2,900

8.4 Changes to HRA Budget

The projected outturn figures and changes to future years estimates have recently been reviewed. These changes are shown in the table below. The most significant change is due to an increase in housing subsidy management and maintenance allowance from assumptions made to the draft HRA subsidy determination of over £100k per annum.

8.5 Effect of the Recommendations on the HRA

The effect of the recommendation including the above changes if approved would amend the HRA budget as follows:

Summary of HRA Position	Revised Estimate £'000	Estimate 2005/06 £'000	Forecast 2006/07 £'000	Forecast 2007/08 £'000
HRA Draft Budget Working Balance (As approved by 6 Dec 04 Executive)	2,023	2,100	2,150	2,200
Amendments* to HRA budget:-				
Reserve – between years	29	-29	0	0
HRA Subsidy	0	-103	-138	-141
Dwellings Rents – less sales	-73	-8	-8	-8
General Management	45	67	60	50
Wardens repairs & maintenance	6	0	0	0
(* See appendix D for more details)	7	-73	-86	-99
Revised Closing working balance	2,017	2,165	2,302	2,451
Rent increase (average required under rent restructuring)		2.82%	2.81%	2.80%

The forecast years are based on current projections of expenditure and income; however the further into the future this is taken the less certain any forecast can be.

9. Consultation

- 9.1 The Consultation Plan is attached at Appendix K. The Executive has considered the responses received to its consultations in finalising its budget proposals. Details of comments received from the Overview and Scrutiny Committees are given in Appendix L and comments from the public are detailed in Appendix M. The minutes of the Public Consultation meeting are attached at Appendix N.

9.2 The Council received 18 completed reply slips from its leaflet, 5 written responses, 23 e-mails and 5 comments on its 'budget line'. The various comments were presented to the Executive before they finalised their budget proposals.

10. Social Impact

The Executive's Budget Proposals have been formulated to further the Council's priorities and the overall social impact is expected to be positive.

11. Acknowledgements

11.1 The production of the Council's revenue budget is the biggest and most involved annual corporate exercise undertaken. I would like to take this opportunity of thanking colleagues in all directorates and those particularly involved in finance, be they in Accounting Services, Financial Strategy or elsewhere, for all the hard work that has gone into this process to date.

11.2 I would also like to thank Members of the Executive, Councillor Hadland in particular, for all the time and effort that he has put into this budget round, as Portfolio holder for Financial Strategy and Performance.

11.3 In addition it is important to acknowledge the input of members over the summer into the visioning and prioritization exercises that has led to further progress in the reallocation of resources to the Council's priority areas

Background Papers

Reports to Executive:

1 & 16 February 2004	Service Delivery Budget	2004/05 – 2006/07
14 June 2004	Revenue Outturn	2003/04
19 July 2004	Medium Term Financial Strategy	
11 October 2004	Medium Term Financial Strategy	2004/05 - 2007/08
6 December 2004	Capital Programmes	2005/06 – 2007/08
6 December 2004	Medium Term Financial Strategy: Service Delivery Budget	2005/06 – 2007/08

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2005/06 – 2007/08 Revenue Budget Process

16.06.04	Executive	2003/04 Revenue Outturn Report
		2003/04 Capital Outturn Report
01.07.04	Overview & Scrutiny IV	2003/04 Revenue Outturn Report
		2003/04 Capital Outturn Report
19.07.04	Executive	2005/08 Medium Term Financial Strategy
13.09.04	Executive	2005/08 Budget Options
22.10.04		Draft General Fund Budget Prepared
w/c 1.11.04	Portfolio Holders	General Fund Portfolio Budget Meetings
10.11.04	Informal Executive	All day General Fund Budget Meeting
12.11.04		Draft HRA Budget prepared
22.11.04		HRA Portfolio Budget Meeting
06.12.04	Executive	Budget Proposals agreed for Consultation and Scrutiny 2005/08 Capital Programme
16.12.04	O&S II	Community Leadership
20.12.04	O&S I	Leader of the Council
04.01.05	O&S III	Community Safety & E-Government
06.01.05	O&S IV	Financial Strategy & Performance
12.01.05	O&S V	Health & Environment
13.01.05	O&S VI	Housing
20.01.05	O&S VII	Planning, Regeneration & Transport
20.01.05		End of Consultation
21.01.05	Informal Executive	Meeting to discuss Consultation responses
31.01.05	Executive	Budget Recommendation
03.02.05	Full Council	Budget Debate
		Leader's Appeal if applicable
25.02.05	Full Council	Sets Council Tax and Notifies Precepts

EXECUTIVE'S PROPOSALS FOR BUDGET SAVINGS		2005/06 £'000	2006/07 £'000	2007/08 £'000
Savings				
Leisure Facilities		145	290	290
<p>Consultants have been employed by the Council to undertake a marketing exercise, to seek expressions of interest from the private sector, for the management of and investment in, the three Leisure Centres currently operated by the Council.</p> <p>This exercise has produced one proposal meeting the Council's criteria put forward in the marketing brief. Other operators have put forward expressions of interest but no firm proposals.</p> <p>To consider this proposal further, officers of the Council and the consultants are meeting with the short-listed company to explore in more detail their proposals. The future provision of the Forum Cinema is also included in these discussions.</p> <p>It is proposed to bring a report to 21st February Executive, outlining this private sector options, compared to a detailed review of a trust option for future operation/investment in the Council's Leisure Centres.</p>				
**Northampton Theatres Trust		0	125	250
**Roadmender		0	13	26
<p>** Northampton Theatres and Roadmender are currently in the 2nd of a three year funding agreement with the Council. It is clear that any reduction in core funding to these organisations will have a significant impact on their future sustainability and their ability to be a major cultural provider in the town.</p> <p>Currently officers of the Council are working with colleagues at the County Council and arts Council East Midlands with regard to future funding of these organisations.</p>				
Property Portfolio		124	174	224
<p>Notwithstanding service reviews and also currently on-going property reviews a saving should be possible from the reduced staffing levels and consequential knock-on effects on the Council's operational property after rationalisation and consolidation of the allocated floor space for relevant services. It is envisaged that the Council's Social Club will be included in this review.</p>				

EXECUTIVE'S PROPOSALS FOR BUDGET SAVINGS		2005/06 £'000	2006/07 £'000	2007/08 £'000
<p>Charge for Bulky Collections</p>	<p>An item is on the Executive agenda for 31 January with a recommendation of introducing charges from 1 April 2005. There are obvious service implications of introducing this significant change, and there is a need for an approximate 2-3 month lead-in to make the necessary arrangements regards change of rounds, appropriate ICT systems, promotion, etc. The potential savings are dependant on the level of the charges made and what the future demand for the service will be. It is therefore difficult to predict accurately what the potential savings will be, although a £50,000 saving for 2005/06 is considered by Officers to be achievable. However there is a need for caution when projecting a £150,000 betterment for 2006/07 onwards and it is suggested that we need to assess the impact and trends of charging throughout 2005/06 to see what future projections should be.</p>	50	150	150
<p>Museums Operation</p>	<p>The proposal to form a trust to take over the running of the Museums operation from the Council is now being formulated. A project brief has been prepared and circulated to proposed project board members. Key strategic drivers for the service and the aims of the proposed Northampton Museums Trust have been drafted. A report on the initiation process for the trust will be reported to Scrutiny 5 and the Executive in early 2005. Support Services currently provided by the Council, to the Museums, would need to be reduced and these costs have been added to the "Root and Branch" savings targets for 2006/07 onwards.</p>	0	25	25
<p>Car Parking</p>	<p>Work is almost complete to come forward with price increases to achieve the requested additional income. A report will be submitted to Cabinet shortly with implementation on 1st July 2005. The draft savings proposal has been reduced by £100,000 (£75,000 part year) to ensure increases are kept in single percentage figures.</p>	225	300	300

EXECUTIVE'S PROPOSALS FOR BUDGET SAVINGS	2005/06 £'000	2006/07 £'000	2007/08 £'000
<p>Root and Branch Review – inc Political Structure and Re-engineering the Back Office See Group Leader Statement The Support Service elements of a number of savings have also been included here to facilitate effective monitoring of the achievement of the savings</p>	<p>500</p>	<p>750</p>	<p>1,000</p>
<p>General Museums (Support Services) Events (Support Services) Performance Management</p>	<p>500</p>	<p>993</p>	<p>1,246</p>
<p>Trade Refuse Service The Environmental Services Options Appraisal Project identified two options for the Trade Waste service (a) to sell the business (b) to retain the business in-house It was recognised that more detailed work was necessary to provide the Executive with information to enable a decision to be reached. This work is being undertaken by the Trade Waste Options Project. Consultants, Robert Long have undertaken the initial work on the detailed audit/information gathering exercise. The purpose of this being to: (a) reconcile the data between rounds collection and the office database (b) audit the condition and number of bins and skips. Separately officers have been reviewing the overhead apportionment and assessing the residual effects to the Council should the option to dispose of the service be chosen by the Executive.</p>	<p>50</p>	<p>100</p>	<p>100</p>
<p>It is intended to submit a report providing the options to the executive in early 2005. Events Members' views are being sought on a revised programme of events for 2005/06 and future mechanisms for the delivery of events, to meet the projected savings.</p>	<p>43</p>	<p>43</p>	<p>43</p>

EXECUTIVE'S PROPOSALS FOR BUDGET SAVINGS		2005/06 £'000	2006/07 £'000	2007/08 £'000
Sell Advertising Space The Budget Manager has undertaken to contribute to savings by making renewed efforts to sell advertisement space in NBC publications, notably Northampton Now! The original assumption was that the proposed Sponsorship Officer would do this but no appointment has been made. PRMU is approaching the task by listing and contacting the twelve largest businesses in the town, to give them first choice of advertising space, whilst at the same time exploring ways (partly based on readers' responses) of refining the distribution arrangements for our flagship publication.		3	3	3
Amenity Grass Cutting The provision of this service is one of a number of services which the Borough Council is currently finalising with the County Council		40	40	40
Advice Service Options Preliminary analysis of the current services available have been carried out. Current spending on Housing Money & Advice Centre includes a number of costs which should not be directly attributed to advice services – these include externally funded posts and work undertaken which is of a more strategic nature. The centre offers a full range of housing money and advice services which also cover the Council's statutory duty to provide advice and assistance to the homeless or those at risk of homelessness. The Council through its Community Enabling Fund, funds a number of agencies providing advice but this shows no duplication of service delivery at present. Services achieving CLS Quality Mark have done so at the general level and are not funded to provide specific debt counselling or housing advice. A specification for the provision of a housing advice service is currently being prepared. This will allow the Council to explore the options available for future service delivery. This work however needs to be brought together with the Access to Housing Pilot and the review of the grant funding process to ensure strategic relevance, co-ordination and cohesion with partner agencies to meet service delivery targets and delivery of the Councils corporate priorities.		100	200	300

EXECUTIVE'S PROPOSALS FOR BUDGET SAVINGS		2005/06 £'000	2006/07 £'000	2007/08 £'000
Lifeline Service The Lifeline Service provides 24x7 support to older, frail and vulnerable people. The current customer profile shows the majority are over 85 years. Any change to these service users requires careful consideration with regard to affordability, social impact, business viability, business development and the Call Care business plan. For these reasons, it is recommended that the original £140,000 saving be achieved over a staged three year process to minimise the negative impacts on the customers and the business and to ensure all the options for both Lifeline and Central Control service can be fully evaluated. In addition the timescale and scope of the 24 hour services review also needs to be considered.	67	114	161	
Community Strategy Contributions To achieve the £5,000 saving the key partners on the LSP have been written to request contributions up to this figure. At the present time responses are awaited. The contingency if no contributions, or too few, are forthcoming is for the budget for 2005/06 to be cut by the shortfall in contributions.	5	5	5	
General Income – Cemeteries An increase of 10% on current charges has been projected. This proposal has been benchmarked against CIPFA comparators and the Council will remain at the same level within the top quartile for these service charges.	16	16	16	
Absence Management Action There is currently no system for identifying direct costs of sickness absence to a level of accuracy that would be required to predict savings. In order to develop such systems this will require investment in terms of people resources to produce accurate up to date expenditure and savings information. A contract has been agreed with an HR/Payroll software supplier (Agresso) to develop an integrated payroll/personnel system. It may be possible to generate information to quantify the costs of Sickness Absence and identify savings once the system is operational. It is anticipated that the new system will be live during the 3 rd Quarter of 2005. It is anticipated that increased productivity will help achieve the "Root and Branch" savings targets.	To be determined	To be determined	To be determined	

EXECUTIVE'S PROPOSALS FOR BUDGET SAVINGS	2005/06 £'000	2006/07 £'000	2007/08 £'000
<p>One Stop Shop/EDRM/E-Government As part of the Council's improvement to services as a result of the e-government agenda a number of business processes will be re-engineered. This will result in cost and efficiency savings. These savings will start to materialise during 2005/06 (£150,000) and grow during 2006/07 to £520,000.</p>	150	520	520
<p>Mobile Phone/Telephony Savings A team from ICT & BD Services and Accounting Services has been set up to review the costs in the following areas:</p> <ul style="list-style-type: none"> • Mobile phones – the number of units and recovery of private call costs • Radio – The running costs of the system and its ongoing ownership • PABX – The number of handsets and the future distribution of documentation to assist Section Heads in the monitoring of private calls. The possible reduction of costs for all voice calls, discussion will be taking place with the NCC and Kingston Communications. • Data/Voice Network – A reduction of cost involved with the communication connections to the Council's various buildings • General – a complete audit of all voice and data circuits paid for by the Council 	46	55	55
<p>Community Centres The initial proposal made by the Head of Service to achieve savings in 2005/6 of £20k was to close a Community Centre requiring significant structural repair as a result of subsidence. Subsequently the Head of Service has been asked to consider an alternative approach to closure, and to explore having the centre managed by a community organisation in such a way as to achieve savings. The feasibility of this alternative will not have been established in time to allow full year savings to be realised. As a consequence, additional savings linked to transport costs and a review of charges are being developed and the Head of Service remains confident that the overall target savings from a budget of £931,000 will be achieved in 2005/6 .</p> <p>For future years savings, the approach being adopted is to examine a similar approach to self management for other centres.</p>	14	34	54

Appendix B

<u>EXECUTIVE'S PROPOSALS FOR BUDGET SAVINGS</u>	2005/06 £'000	2006/07 £'000	2007/08 £'000
Route Subsidies Decisions on this particular issue will follow from the wider discussions with the County Council about a range of transport, parking and highways matters. It is hoped a comprehensive agreement can be reached in the near future. Current contracts for these route subsidies expire on 2 nd April 2005. Clearly bus companies in planning their routes and timetables will need sufficient advance notice of any withdrawal/changes in funding. Bus companies need to give 8 weeks statutory notice to the traffic commissioner of any proposed changes to their services.	141	174	179
Total	1,719	3,374	3,987

EXECUTIVE'S PROPOSALS FOR BUDGET SAVINGS			
	2005/06 £'000	2006/07 £'000	2007/08 £'000
<u>Proposals which will not go ahead following the review of the Council's financial position and responses received during the budget consultations</u>			
Concessionary Fares The Executive has taken on board responses from the budget consultations and in light of an improved financial position has been able to postpone this proposal pending the implementation of a consistent countywide scheme.	80	80	80
Grounds Maintenance - Parks & Open Spaces It is still anticipated that savings will be made as part of the "Root and Branch" review. These savings will be re-invested in services.	90	190	190
CCTV Income The Council has sought the approval of trading powers from the ODPM which are not normally available to councils with "poor" CPA ratings. The ODPM has not been able to agree to this request and consequently it is unlikely this additional income can be generated	35	70	70
Arts and Other Activities In view of the Council's priorities it had been proposed for a post to be deleted in this area. The Executive has considered the impact on the Council's "Cultural Mile" project and the economy of the borough of deleting this post and is now recommended it be retained	35	35	35
Employee Car Allowances Employee Car Parking Charges The Executive has considered both the practicalities of implementing these proposals and the impact it would have on staff morale, and has decided to postpone them until the working group examining all options has completed its work	90 90	90 90	90 90

EXECUTIVE'S PROPOSALS FOR INVESTMENTS	<u>2005/06</u> <u>£'000</u>	<u>2006/07</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
<p>Homelessness Service Additional capacity required to enable the council to deliver its homelessness strategy. Posts are required to co-ordinate strategy development and implementation and to provide additional homelessness prevention initiatives</p>	100	100	100
<p>Increase Housing Strategy Capacity As a result of the major prioritisation exercise (July 2004) the provision of a “decent home for all” has been highlighted as one of the priorities for this Council and “Improving Housing Services” is a major part of the Council’s recovery Plan. As part of this exercise additional posts and resources have been identified in the area of Housing Strategy and Enabling, an area that is recognised as having been severely under-resourced over a number of years. In addition, the recent Audit Commission Best Value Review of Housing Services highlighted that the function of Strategy and Enabling was “at the risk of failure” due to the lack of capacity in this area, i.e. numbers of people employed.</p> <p>The Council has a major housing strategic role, particularly with reference to the emerging regional and sub-regional agendas. Investment in this area of the Council’s activity is critical to meeting these emerging diverse needs. The Council must develop strong partnership links internally and with external stakeholders (Other local authorities, County Council, Health Trust, Registered Social Landlords, other housing providers) representing the interests of the Council and the diverse housing needs of the current and prospective towns residents.</p> <p>The £100k investment will partly be used to fund two posts, i.e. that of Strategy Officer (Policy and Performance) and Strategy Officer (Enabling) to expand the capacity of the area and to enable the Council to contribute effectively towards the housing growth agenda highlighted in the ODPM Sustainable Communities Plan, i.e. Northamptonshire has been identified as part of one of the major four growth areas in the Country.</p> <p>It is possible that part of this expenditure could be funded from the Planning Delivery Grant</p>	100	100	100

EXECUTIVE'S PROPOSALS FOR INVESTMENTS	<u>2005/06</u> <u>£'000</u>	<u>2006/07</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
<p>Increased Member Support The lack of support provision for Members was clearly identified as a weakness within the Council's CPA report. The Member Reference Group (MRG) have, through consultation within their political groups, considered a variety of options for enhanced support to Members. The MRG were provided with costs and example job descriptions to aid their choice. The consensus of Member opinion favoured the provision of greater support to each group. N.B. Legislation dictates that political groups have the right to the provision of a Political Assistant, which if requested, the Council must provide. If only one political group takes up the option to employ a Political Assistant, the Council is still obliged to make provision of identical funding to the other Group(s). The costings detailed reflect the salaried employment and on going costs of 3 political advisors and other support for members.</p>	137	141	145
<p>Graffiti Removal To increase the capacity within the current "green teams" to improve response to green/clean issues and responding to anti-social behaviour such as removal of graffiti, fly-posters and chewing gum; removal/enforcement of fly-tipping; minor 'green' landscaping issues and 'colouring of the town'.</p>	150	118	85
<p>Additional Tree Maintenance Tree maintenance is recognised by the Administration as a political priority. The current project plan has a major focus on housing areas. To help meet the backlog of work an additional £60k has already been allocated for 2004/05 from the housing revenue account. The additional level of funding from the General Fund is considered indicative of the requirement for 2005/06 to deliver the desired outcomes. Additional resources will continue to be funded from the Housing Revenue Budget.</p>	50	50	50

Appendix C

EXECUTIVE'S PROPOSALS FOR INVESTMENTS	2005/06 £'000	2006/07 £'000	2007/08 £'000
Neighbourhood Wardens To expand the service to the entire Borough, with one warden per ward would need 19 additional personnel. This could be phased over a number of years, say 3, with an expansion of 6 to 7 per year. The estimated full additional cost of £425,000 for additional employee costs only could be spread over this period. The Council is actively seeking further contributions from partners.	200	300	425
Total	737	809	905

Appendix D

<u>Unapproved Budget Changes since 06.12.04</u>	<u>Current</u> <u>2004/05</u> £	<u>Estimate</u> <u>2005/06</u> £	<u>Forecast</u> <u>2006/07</u> £	<u>Forecast</u> <u>2007/08</u> £
<u>Central Services to the Public</u>				
<u>Budget Monitoring Nov 04 to Jan 05</u>				
Reduced Activity and Income Land Charges	64,190	23,390	24,410	25,440
Mediation Grant for ICT	100			
<u>Corporate & Democratic Core</u>				
<u>Budget Monitoring Nov 04 to Jan 05</u>				
Income from Mayoral car	-3,510	-5,530	-5,530	-5,530
Members telephones and Blackberry rentals costs	19,000	44,000	44,000	44,000
Nett Civic Ball costs	1,000			
IDeA competency work	3,000			
Audit Fee	-8,000			
Civic Ball budget not required	-2,200			
<u>Non Distributed Costs</u>				
<u>Budget Monitoring Nov 04 to Jan 05</u>				
Revised FRS17 costs		-1,005,580	-647,280	-246,020
<u>Culture & Related Services</u>				
<u>Budget Monitoring Nov 04 to Jan 05</u>				
Community Centres rubbish clearance and alarm expenditure	6,000	6,000	6,000	6,000
Reduction in Mounts Bath income due to closure for maintenance in March '05	7,750			
Conditon survey for Leisure options	17,000			
Additional Income from Museum Shop	-1,000	-4,000	-4,000	-4,000
<u>Environment Services</u>				
<u>Budget Monitoring Nov 04 to Jan 05</u>				
Security Mojnitoring Services - BT Fibre Optic and NCC Maintenance	9,408	-2,270	-1,510	-1,540
Additional DEFRA Grant		-126,000		
County Travellers Unit - NCC to pay		-1,630	-1,530	-1,710
Adjustment for double counted additional DEFRA grant		63,400		
Unanticipated spend - Graffiti		-15,000		
Additional Legal expenditure funded from Reserve	900			
<u>Planning & Development Services</u>				
<u>Budget Monitoring Nov 04 to Jan 05</u>				
Reduction to Service and Supplies Budget for Forward Planning		-20,000		
Building Regs - Asset Management Charges	16,280			
Aditiional Planning Control income	-30,000			
LOCAL Plan reservice expenditure not required	-25,000			
Increase in Planning Fees	-35,000	-100,000	-100,000	-100,000
Unspent Ppromotional and Economic Development Budget	-5,000			

Appendix D

Unapproved Budget Changes since 06.12.04

	<u>Current</u> <u>2004/05</u> £	<u>Estimate</u> <u>2005/06</u> £	<u>Forecast</u> <u>2006/07</u> £	<u>Forecast</u> <u>2007/08</u> £
<u>Highways Roads & Transport</u>				
<u>Budget Monitoring Nov 04 to Jan 05</u>				
Payment to NCC of Topps surplus	341,000	227,000	196,000	163,000
Increased Revenue spend arising from Capital Project which was not previously budgeted for		25,550	25,550	73,550
Additional income Pay and Display Parking	-20,000			
Additional income Pay and Display Penalty Charge Notices	-80,000			
Car Parks emergency lift repairs	12,200			
Car Parks -machine security for P & D machines	11,800			
Unspent budget in Highways administration	-1,000			
Additional Payment to NCC re TOPPS	42,000	420	40	240
<u>Housing General Fund</u>				
<u>Budget Monitoring Nov 04 to Jan 05</u>				
Rent Assistant cost	20,000			
Rent Assistance Scheme spread over a number of years	-18,000	2,000	2,000	2,000
<u>Housing Revenue Account</u>				
<u>Budget Monitoring Nov 04 to Jan 05</u>				
Repairs and maintenance Eleanor House roof repairs	6,000			
Housing Hotline telephone costs	12,000	12,000	12,000	12,000
Revised FRS17 costs		22,380	14,440	4,610
Reduced Audit fee	8,580	9,000	9,000	9,000
Movement of Tenant Participation back to HRA	16,380	16,380	16,380	16,380
Maintenance contract not renewed, transfer expenditure into day to day repairs	29,030			
Maintenance contract not renewed, transfer expenditure into day to day repairs	-29,030			
Arrears telephone number being advertised on Buses	7,500	7,500	7,500	7,500
Increased income due to lower Right To Buy sales	-72,640	-7,500	-7,500	-7,500
Final housing subsidy determination effect		-102,760	-138,150	-141,110
<u>Trading Services</u>				
<u>Budget Monitoring Nov 04 to Jan 05</u>				
Reduced Income from Other Buildings and Land	30,000			
Contract for Casual staff not renewed	-75,000			
Transferred cost into Temporary staff costs	75,000			
Transfer of Security Budgets from Investment Properties to Kingsthorpe Hall		-20,000	-20,000	-20,000
Transfer of Security Budgets from Investment Properties to Kingsthorpe Hall		20,000		

Appendix D

Unapproved Budget Changes since 06.12.04

	<u>Current</u> <u>2004/05</u> £	<u>Estimate</u> <u>2005/06</u> £	<u>Forecast</u> <u>2006/07</u> £	<u>Forecast</u> <u>2007/08</u> £
ReApportionable Services				
<u>Budget Monitoring Nov 04 to Jan 05</u>				
Debt Councelling contract South Northants DC	-18,500			
One Stop Shop Uniforms costs	5,000			
Fairtrade budget	500			
Zurich Municipal additional commission	-1,000			
Increase income from District Audit	-4,000	-4,000	-4,000	-4,000
Additional Cleaning costs for Guildhall	13,000	13,000	13,000	13,000
Highways accommodation budget not required	-15,000			
Movement of Tenant Participation back to HRA	-16,380	-16,380	-16,380	-16,380
Business Housing Services increase in Vacany Factor	-3,370			
Training budget not required in Strategic Resources	-3,000			
Additional income from County Group Training	-11,000	-8,000	-8,000	-8,000
Fire Alarm rental and maintenance - Cliftonville	3,500	400	400	400
Reduction in County Travellers Unit - Office Accommodation		-13,620	-14,020	-14,400
Reimbursement of salary costs for regeneration work 2003/04	-73,660			
Planning Delivery Grant 03/04 received, used against Planning Employee Costs	-31,050			
Increased refreshment income from Cliftonville	-2,000			
Mediation Grant for ICT	-100			
<u>Total Unapproved Budget Changes</u>	193,678	-959,850	-597,180	-193,070

Consolidated Revenue Account

	Actual	Original	Revised	Estimate	Forecast	Forecast
	03/04	04/05	04/05	05/06	06/07	07/08
	£	£	£	£	£	£
Service Net Expenditure						
Central Services to the Public	2,671,619	2,507,030	2,645,350	2,789,300	2,931,590	3,039,260
Corporate & Democratic Core	3,849,834	3,801,160	3,979,400	4,012,320	4,120,180	4,209,510
Non Distributed Costs	179,124	2,785,380	1,817,255	2,223,590	2,662,140	2,963,070
Cultural & Related Services	9,712,455	8,880,160	9,295,460	9,656,800	9,795,930	10,006,428
Environmental Services	7,788,932	8,234,620	8,779,108	9,002,002	9,337,845	9,384,915
Planning & Development Services	1,805,586	1,938,230	2,121,910	2,166,380	2,266,330	2,355,090
Highways, Roads & Transport Services	548,689	714,670	874,730	886,140	1,017,430	1,130,620
Housing General Fund Services	6,018,013	4,330,450	4,957,876	4,861,000	5,188,580	5,299,980
Re-apportioned Services	626,480	-618,738	786,990	774,938	522,394	229,705
	33,200,731	32,572,962	35,258,079	36,372,470	37,842,419	38,618,578

Other Expenditure & Income

Provision for Bad Debts Adjustment	-90,683	0	0	0	0	0
Contingency Provision	0	183,000	92,456	160,000	160,000	160,000
Service Enhancements	0	100,000	0	0	0	0
Improvement Fund	0	100,000	100,000	100,000	100,000	0
Insurance Provision Adjustment	-482,166	0	0	0	0	0
Recovery Plan	0	0	142,000	0	0	0
Executive Savings Proposals	0	0	0	-1,719,000	-3,374,000	-3,987,000
Executive Investment Proposals	0	0	0	737,000	809,000	905,000
Unidentified Variations	0	0	0	0	597,805	1,139,847
Parish Precepts	516,226	521,241	521,241	562,985	574,240	585,720
Parish Grants	-83,451	-95,884	-95,884	-92,818	-94,670	-96,560
	-140,075	808,357	759,813	-251,833	-1,227,625	-1,292,993

Net Cost of General Fund Service

	33,060,656	33,381,319	36,017,892	36,120,637	36,614,794	37,325,585
Housing Revenue Account Net Expenditure	14,982,916	15,950,600	19,408,582	23,323,148	26,496,153	29,997,640

Net Cost of Services

	48,043,572	49,331,919	55,426,474	59,443,785	63,110,947	67,323,225
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Consolidated Revenue Account

Asset Management Account

	Actual 03/04	Original 04/05	Revised 04/05	Estimate 05/06	Forecast 06/07	Forecast 07/08
	£	£	£	£	£	£
External Interest	1,834,995	1,629,430	1,111,670	1,104,320	1,115,250	1,123,180
New Towns Commission	130,500	130,500	130,500	130,500	130,500	130,500
Depreciation	9,200,167	9,443,750	11,390,700	12,558,130	13,714,710	14,730,320
	11,165,662	11,203,680	12,632,870	13,792,950	14,960,460	15,984,000

Asset Rents	-19,354,734	-19,530,870	-22,532,160	-25,181,340	-27,146,400	-29,297,030
Depreciation	-9,200,167	-9,443,750	-11,390,700	-12,558,130	-13,714,710	-14,730,320
Grants Deferred	-708,983	0	0	0	0	0
Housing Item 8	0	0	0	0	0	0

Net Asset Management

	-29,263,885	-28,974,620	-33,922,860	-37,739,470	-40,861,110	-44,027,350
	-18,098,222	-17,770,940	-21,289,990	-23,946,520	-25,900,650	-28,043,350

Trading Services

Premia on debt buy back	-214,816	333,750	180,994	201,900	160,660	224,930
Interest and Investment Income	0	0	0	0	0	0
Interest on Pensions Liabilities	-1,447,722	-1,926,000	-1,515,600	-1,602,330	-1,660,950	-1,793,600
Expected Return on Pensions Assets	9,509,000	0	0	0	0	0
	-6,900,000	0	0	0	0	0

Net Operational Expenditure

	946,462	-1,592,250	-1,334,606	-1,400,430	-1,500,290	-1,568,670
	30,891,812	29,968,729	32,801,878	34,096,835	35,710,007	37,711,205

Appropriations

Increase in HRA balance	497,155	129,140	-958,680	148,052	136,327	149,120
Financing premia	0	0	0	0	0	0
Financing Deferred Charges (net of Grant)	-1,945,270	-1,800,000	-1,800,000	-1,709,610	-1,707,410	-1,677,740
Grants Deferred Write Off	708,983	0	0	0	0	0
Appropriations relevant to Dep'n and MRA	186,048	205,640	-989,870	-1,906,840	-3,014,110	-4,264,220
Appropriations - FRS17 Reversal	-6,793,000	0	0	0	0	0
Appropriations - Pensions Contributions	5,174,000	0	0	0	0	0
Capital Expenditure charged to Revenue Account	0	0	1,984,070	37,470	18,820	18,820
	-2,172,083	-1,465,220	-1,764,480	-3,430,928	-4,566,373	-5,774,020

Consolidated Revenue Account

	<u>Actual</u> <u>03/04</u> £	<u>Original</u> <u>04/05</u> £	<u>Revised</u> <u>04/05</u> £	<u>Estimate</u> <u>05/06</u> £	<u>Forecast</u> <u>06/07</u> £	<u>Forecast</u> <u>07/08</u> £
Transfers to/from Reserves						
Insurance Reserve	466,946	-21,800	-21,800	0	0	0
Capital Reserve	-544,630	0	-25,080	0	0	0
HRA Reserve	-19,657	0	-98,482	-28,500	0	0
New Technology Reserve	100,315	0	-144,730	0	100,000	100,000
Building Maintenance Reserve	-17,630	0	0	0	100,000	100,000
General Reserve	-77,738	-11,740	-163,240	-90,000	0	0
New Parks Reserve	-3,892	0	0	0	0	0
TOPPs Reserve	-66,197	79,000	-172,000	0	0	0
Arts Reserve	2,830	0	0	0	0	0
Total Reserve Movement	-159,653	45,460	-625,332	-118,500	200,000	200,000
Provision for the Repayment of External Loans	-2,120,429	-1,790,050	-2,551,510	-2,733,160	-2,744,470	-2,471,970
Net Expenditure of Council	<u>26,439,647</u>	<u>26,758,919</u>	<u>27,860,556</u>	<u>27,814,247</u>	<u>28,599,164</u>	<u>29,665,215</u>

Consolidated Revenue Account

	Actual	Original	Revised	Estimate	Forecast	Forecast
	03/04	04/05	04/05	05/06	06/07	07/08
	£	£	£	£	£	£
Income						
Collection Fund Adjustments						
Council Tax Collection Fund	5,275	114,891	114,891	9,081	0	0
	5,275	114,891	114,891	9,081	0	0
Government Grants						
Revenue Support Grant	-9,669,000	-10,446,640	-10,448,832	-10,583,604	-10,795,000	-11,011,000
Non Domestic Rate	-6,781,958	-5,287,953	-5,287,640	-5,637,420	-5,750,000	-5,865,000
	-16,450,958	-15,734,593	-15,736,472	-16,221,024	-16,545,000	-16,876,000
NBC Precepts						
NBC precept re parishes	-516,226	-521,241	-521,241	-562,985	-574,240	-585,720
NBC precept re CTCF	-5,275	-114,891	-114,891	-9,081	0	0
NBC precept re NBC requirements	-9,925,095	-10,408,298	-10,408,298	-11,088,354	-11,779,924	-12,503,495
	-10,446,596	-11,044,430	-11,044,430	-11,660,420	-12,354,164	-13,089,215
Total Income	-26,892,279	-26,664,132	-26,666,011	-27,872,363	-28,899,164	-29,965,215
Change in General Fund Balance	-452,632	94,787	1,194,545	-58,116	-300,000	-300,000
General Fund Balance B/f	-2,983,797	-2,163,519	-3,436,428	-2,241,884	-2,300,000	-2,600,000
General Fund Balance C/f	-3,436,428	-2,068,732	-2,241,884	-2,300,000	-2,600,000	-2,900,000

Appendix F

		Original 03/04 £	Original 04/05 £	Estimate 05/06 £	Forecast 06/07 £	Forecast 07/08 £
Net Expenditure of Council	1	27,531,416	26,758,919	27,814,247	28,599,164	29,665,215
Less Parishes		-516,226	-521,241	-562,985	-574,240	-585,720
Less from General Fund Balance		-638,878	-94,787	58,116	300,000	300,000
Adjusted Budet Requirement	2	26,376,312	26,142,891	27,309,378	28,324,924	29,379,495
Add Parishes		516,226	521,241	562,985	574,240	585,720
Budget Requirement	3	26,892,538	26,664,132	27,872,363	28,899,164	29,965,215
Less Government Grants		-16,451,217	-15,734,593	-16,221,024	-16,545,000	-16,876,000
Precept before Adjustments	4	10,441,321	10,929,539	11,651,339	12,354,164	13,089,215
Collection Fund Adjustment		5,275	114,891	9,081	0	0
Precept After Adjustments	5	10,446,596	11,044,430	11,660,420	12,354,164	13,089,215
Taxbase		62,532	63,021	63,427	64,061	64,702
Basic Council Tax	6	167.06	175.25	183.84	192.85	202.30
<u>In-Year Percentage Increases</u>						
Net Expenditure of Council	1		-2.81	3.94	2.82	3.73
Adjusted Budet Requirement	2		-0.88	4.46	3.72	3.72
Budget Requirement	3		-0.85	4.53	3.68	3.69
Precept before Adjustments	4		4.68	6.60	6.03	5.95
Precept After Adjustments	5		5.72	5.58	5.95	5.95
Basic Council Tax	6		4.90	4.90	4.90	4.90
<u>2-Year Percentage Increases</u>						
Net Expenditure of Council	1			1.03	6.88	6.65
Adjusted Budet Requirement	2			3.54	8.35	7.58
Budget Requirement	3			3.64	8.38	7.51
Precept before Adjustments	4			11.59	13.03	12.34
Precept After Adjustments	5			11.62	11.86	12.25
Basic Council Tax	6			10.04	10.04	10.04

Appendix G

<u>Treasury Management</u>	Actual 03/04 £	Original 04/05 £	Revised 04/05 £	Estimate 05/06 £	Forecast 06/07 £	Forecast 07/08 £
External Interest	1,965,495	1,759,930	1,242,170	1,234,820	1,245,750	1,253,680
Interest and Investment Income	-1,447,722	-1,926,000	-1,515,600	-1,602,330	-1,660,950	-1,793,600
	517,774	-166,070	-273,430	-367,510	-415,200	-539,920
Charge to HRA (Item 8)	93,384	-235,390	-357,220	-322,740	-322,740	-313,900
Net Effect of Treasury Management on General Fund	611,158	-401,460	-630,650	-690,250	-737,940	-853,820

Contingency Budgets

	<u>Original</u> <u>04/05</u> £	<u>Revised</u> <u>04/05</u> £	<u>Estimate</u> <u>05/06</u> £	<u>Forecast</u> <u>06/07</u> £	<u>Forecast</u> <u>07/08</u> £
<u>Contingency Provision</u>					
Approved Provision	183,000	183,000	160,000	160,000	160,000
Increase in Provision (03/04 Outturn)		127,000			
Increase in Provision (Current Budget Process)		25,156			
Sponsorship Officer		-20,000			
Boy Brigade RFC		-10,000			
St Crispins Street Fair		-25,000			
Childcare Subsidy		-800			
Diwali Lights		-8,500			
Additional Cost of Twinning Visit		-16,900			
Boundary Signs		-7,000			
Additional Cost of Mayors Car		-4,500			
Bus Route subsidies		-150,000			
Total Contingency Provision	183,000	92,456	160,000	160,000	160,000
Earmarked Contingency Items					
Match Funding		-6,500	-30,000	-30,000	-30,000
Street Football Project (Match Funding)		-6,000			
Delapre Abbey (Match Funding)		-7,500			
Corporate Plan Production		-5,000			
Northampton Theatres Trust Insurance Contribution		-24,500			
Available Contingency Provision	183,000	42,956	130,000	130,000	130,000

Contingency Budgets

	<u>Original</u> <u>04/05</u> £	<u>Revised</u> <u>04/05</u> £	<u>Estimate</u> <u>05/06</u> £	<u>Forecast</u> <u>06/07</u> £	<u>Forecast</u> <u>07/08</u> £
<u>Service Enhancements</u>					
Approved Provision	100,000	100,000	100,000	100,000	
Allocation to Services					
Graffiti Team		-55,000	-55,000	-55,000	
Environmental Works		-70,000	-70,000	-70,000	
Other Savings		25,000	25,000	25,000	
Unallocated Balance	100,000	0	0	0	0
<u>Improvement Fund</u>					
Approved Provision	100,000	100,000	100,000	100,000	
Unallocated Balance	100,000	100,000	100,000	100,000	0
<u>Recovery Plan</u>					
Approved Provision		500,000			
Allocation to Services					
Hotel Accommodation		-5,000			
Job Advertising		-124,000			
Professional Fees		-215,000			
Conference Facilities		-14,000			
	0	142,000	0	0	0

<u>Housing Revenue Account</u>		Actual	Original	Revised	Estimate	Forecast	Forecast
Item	No	2003/04	2004/05	2004/05	2005/06	2006/07	2007/08
		£	£	£	£	£	£
Income							
Dwelling Rents	1	-36,049,890	-35,631,650	-35,987,080	-36,125,350	-36,424,030	-36,695,740
Non-Dwelling Rents	2	-1,155,797	-1,191,510	-1,154,080	-1,180,620	-1,216,040	-1,252,530
Charges For Services	3	-1,409,435	-1,448,020	-1,578,280	-1,694,710	-1,794,640	-1,901,460
Contribution To Expenditure	4	-899,901	-734,290	-734,570	-685,050	-664,670	-642,620
HRA Subsidy	5	-8,000,224	8,097,030	8,037,090	7,047,380	7,695,190	8,451,460
Total Income	6	-47,515,247	-30,908,440	-31,416,920	-32,638,350	-32,404,190	-32,040,890
Expenditure							
Rents, Rates, Taxes	7	164,707	69,710	162,610	129,780	136,130	144,130
General Management	8	4,336,630	4,719,420	5,077,930	4,939,320	5,087,720	5,396,860
Communal Heating	9	166,759	199,740	202,940	240,120	263,650	274,180
Communal Lighting	10	160,820	153,560	149,560	170,070	189,220	203,910
Caretaking & Cleaning	11	465,315	484,760	485,200	499,770	514,780	530,260
Lifts	12	56,631	56,590	55,600	57,930	60,130	61,860
Maintnce Greens & Shrubs	13	1,055,641	1,030,940	1,070,970	1,091,730	1,079,690	1,107,720
Environmental Enhancement	14	203,002	862,590	837,220	213,900	216,740	219,660
Television & Wireless	15	2,537	179,030	29,030	83,150	88,640	94,300
Improvement Schemes	16	57,650	7,620	9,120	36,170	7,720	7,770
Single Persons Accommodation	17	156,932	178,000	230,460	226,290	232,830	236,060
Community Rooms	18	62,792	69,450	70,260	74,720	77,630	79,880
Supporting People	19	1,546,045	1,649,390	1,989,300	1,797,410	1,698,430	1,742,090
Wardens	20	26,847	31,580	38,320	32,850	33,340	34,010
Provision For The Homeless	21	46,329	44,810	123,982	150,490	152,670	155,340
HRA Repairs	22	7,324,933	7,995,650	7,205,650	7,954,080	8,012,960	8,189,380
Repairs Administration	23	1,682,919	1,580,930	1,582,140	1,566,060	1,573,050	1,604,800

<u>Housing Revenue Account</u>		Actual	Original	Revised	Estimate	Forecast	Forecast
Item	No	2003/04	2004/05	2004/05	2005/06	2006/07	2007/08
		£	£	£	£	£	£
Capital Charges	24	22,274,936	22,875,670	26,955,990	30,276,730	33,448,600	36,971,720
Provision For Bad Debts	25	777,601	576,120	388,800	431,208	446,370	459,650
Misc Communal Services	26	166,813	149,500	219,500	150,520	151,480	152,240
Rent Rebates	27	21,743,775	0	0	0	0	0
Rent Rebate Subsidy Deductions	28	0	3,443,780	3,440,720	2,914,350	2,456,543	2,217,520
HRA Improvement Fund	29	0	478,000	478,000	0	0	0
HRA Unidentified Variations	30	0	0	0	2,901,980	2,948,470	2,130,940
Democratic Support	31	18,550	22,200	22,200	22,870	23,550	24,250
Total Expenditure	32	62,498,163	46,859,040	50,825,502	55,961,498	58,900,343	62,038,530
Net Expenditure	33	14,982,916	15,950,600	19,408,582	23,323,148	26,496,153	29,997,640
HRA Interest & Premia	34	-15,710,195	-16,285,380	-19,255,620	-21,573,330	-23,637,190	-25,901,360
Net Operating Expenditure	35	-727,279	-334,780	152,962	1,749,818	2,858,963	4,096,280
Contribution to Capital	36	0	0	1,894,070	37,470	18,820	18,820
HRA Appns Depn & MRA	37	186,048	205,640	-989,870	-1,906,840	-3,014,110	-4,264,220
Item 8 - set Aside	38	63,732	0	0	0	0	0
Surplus Deficit for Year	39	-477,499	-129,140	1,057,162	-119,552	-136,327	-149,120
HRA Reserve	40	-19,657	0	-98,482	-28,500	0	0
Grand Total	41	-497,156	-129,140	958,680	-148,052	-136,327	-149,120
Working Balance B/fwd	42	2,478,658	2,018,448	2,975,814	2,017,134	2,165,186	2,301,513
Working Balance C/F	43	2,975,814	2,147,588	2,017,134	2,165,186	2,301,513	2,450,633

<u>Reserve Balances</u>	<u>Actual</u> <u>03/04</u> £	<u>Original</u> <u>04/05</u> £	<u>Revised</u> <u>04/05</u> £	<u>Estimate</u> <u>05/06</u> £	<u>Forecast</u> <u>06/07</u> £	<u>Forecast</u> <u>07/08</u> £
Balances Brought Forward						
General Fund	2,983,797	2,163,519	3,436,429	2,241,884	2,300,000	2,600,000
Housing Revenue Account	2,478,659	2,018,448	2,975,814	2,017,134	2,165,186	2,301,513
Insurance Reserve	1,318,704	1,298,702	1,785,650	1,763,850	1,763,850	1,763,850
Capital Reserve	656,748	87,907	112,118	87,038	87,038	87,038
HRA Reserve	151,524	23,894	131,867	33,385	4,885	4,885
New Technology Reserve	265,010	274,876	365,325	220,595	220,595	320,595
Building Maintenance Reserve	405,738	386,267	388,108	388,108	388,108	488,108
General Reserve	436,310	174,180	358,572	195,332	105,332	105,332
New Parks Reserve	3,892	0	0	0	0	0
TOPPs Reserve	238,400	351,400	172,203	203	203	203
Arts Reserve	36,981	36,980	39,811	39,811	39,811	39,811
	8,975,763	6,816,173	9,765,898	6,987,341	7,075,009	7,711,336
Movements in Year						
General Fund	452,632	-94,787	-1,194,545	58,116	300,000	300,000
Housing Revenue Account	497,155	129,140	-958,680	148,052	136,327	149,120
Insurance Reserve	466,946	-21,800	-21,800	0	0	0
Capital Reserve	-544,630	0	-25,080	0	0	0
HRA Reserve	-19,657	0	-98,482	-28,500	0	0
New Technology Reserve	100,315	0	-144,730	0	100,000	100,000
Building Maintenance Reserve	-17,630	0	0	0	100,000	100,000
General Reserve	-77,738	-11,740	-163,240	-90,000	0	0
New Parks Reserve	-3,892	0	0	0	0	0
TOPPs Reserve	-66,197	79,000	-172,000	0	0	0
Arts Reserve	2,830	0	0	0	0	0
	790,135	79,813	-2,778,557	87,668	636,327	649,120

<u>Reserve Balances</u>	<u>Actual</u> <u>03/04</u> £	<u>Original</u> <u>04/05</u> £	<u>Revised</u> <u>04/05</u> £	<u>Estimate</u> <u>05/06</u> £	<u>Forecast</u> <u>06/07</u> £	<u>Forecast</u> <u>07/08</u> £
Balances Carried Forward						
General Fund	3,436,429	2,068,732	2,241,884	2,300,000	2,600,000	2,900,000
Housing Revenue Account	2,975,814	2,147,588	2,017,134	2,165,186	2,301,513	2,450,633
Insurance Reserve	1,785,650	1,276,902	1,763,850	1,763,850	1,763,850	1,763,850
Capital Reserve	112,118	87,907	87,038	87,038	87,038	87,038
HRA Reserve	131,867	23,894	33,385	4,885	4,885	4,885
New Technology Reserve	365,325	274,876	220,595	220,595	320,595	420,595
Building Maintenance Reserve	388,108	386,267	388,108	388,108	488,108	588,108
General Reserve	358,572	162,440	195,332	105,332	105,332	105,332
New Parks Reserve	0	0	0	0	0	0
TOPPs Reserve	172,203	430,400	203	203	203	203
Arts Reserve	39,811	36,980	39,811	39,811	39,811	39,811
	<u>9,765,898</u>	<u>6,895,986</u>	<u>6,987,341</u>	<u>7,075,009</u>	<u>7,711,336</u>	<u>8,360,456</u>

Consultation Plan for the Medium Term Services and Financial Strategy 2005/06 – 2007/08

Stakeholders	Methodology
General Public	<ul style="list-style-type: none"> · Public meeting arranged for 11th January, 2005 · Housing Customer Panel, 10th January 2005 · Area Committees, via correspondence to Chairs · Article in the Chronicle & Echo containing information about the consultation process, the date of the public meeting, the proposals and signpost to more information – w/c 13th December 2004. · Proposals and opportunity to comment via website, w/c 6th December 2004. · Proposals available at Council receptions. · Northampton Borough Council's Peoples Panel by correspondence.
Minority Groups	<ul style="list-style-type: none"> · Disabled Peoples' Forum - at meeting 5th January 2005. · Women's' Forum – at meeting 11th January 2005. · Youth Forum - at meeting 12th January 2005. · Lesbian, Gay & Bisexual Peoples' Forum – at meeting 15th December 2004. · Race Equality Forum – at meeting 6th January 2005. · Pensioners' Forum – at meeting 13th January 2005.
Scrutiny & Overview committees	<p>Community Leadership 16 December 2004 Leader of the Council 20 December 2004 Community Safety & E-Government 4 January 2005 Financial Strategy & Performance 6 January 2005 Health & Environment 12 January 2005 Housing 13 January 2005 Planning, Regeneration & Transportation 20 January 2005</p>
Northampton Borough Council Employees	<ul style="list-style-type: none"> · Team Briefing w/c 6th December, 2004 · Trade Unions – via letter to each Trade Union representative and meeting of HR Policy & Development.
Members of Parliament – Northampton North & South	<ul style="list-style-type: none"> · Proposals via letter – w/c 6th December 2004

Consultation Plan for the Medium Term Services and Financial Strategy 2005/06 – 2007/08

Stakeholders	Methodology
Other Agencies (Members of the LSP)	<ul style="list-style-type: none"> · University College Northampton · Northampton College · Moulton College · Benefits Agency · Northampton Community Legal Services · The Environment Agency · The Probation Service · Northamptonshire Chamber · Northampton Commissioning PCG · Council for Voluntary Services · Volunteer Bureau · Learning & Skills Council · Northamptonshire Police · Northamptonshire Police Authority · Employment Service · Northamptonshire County Council · Government Office East Midlands · EMDA · Northamptonshire Early Years Development & Childcare Partnership.
Northamptonshire District/Borough Councils	South Northamptonshire District Council East Northamptonshire District Council Kettering Borough Council Borough Council of Wellingborough Corby Borough Council Daventry District Council

Consultation will be via a document outlining the Council's proposals and giving the opportunity to comment.

The six-week consultation period starts the week commencing 6th December and closes on the 20th January 2005.

NORTHAMPTON BOROUGH COUNCIL

LEADER OF THE COUNCIL OVERVIEW AND SCRUTINY COMMITTEE

BUDGET PREPARATION DEC 04

1 This committee is concerned to see the vacancy factor still being included in budget preparations. We need to see a real figure for staff loss and replacement that will allow informed reflection on the effects on services and on employees.

2 It is recommended that the vacancy factor is not included at all in budget preparation now and in the future.

3 Last year, at this committee, a key factor in the budget was the projected saving of £54,000 in democratic support. We understand this saving was subsequently reduced to around £20,000 but in any event, was not achieved. We are advised of £10,000 savings but that this was then taken up with IT costs.

4 It is recommended that projected savings are monitored for progress and achievement, and that the Executive obtain explanations of failure to achieve. Without this the budget is even more precarious than is apparent.

5 The consultation leaflet was criticised as being woefully uninformative. It asks for comment but provides no information about significant intended savings such as concessionary fares, or charges such as parking increases. It is recommended that next year's leaflet production is done in conjunction with Community Leadership Scrutiny and the co-optees who offered help after criticising last year's leaflet.

6 We have concerns about the charge for bulky waste and the lack of any concessions which we believe will have a significant effect on fly-tipping. It is recommended that concessions (even with a charge of £12 are considered for those who cannot pay) and comparisons in incidence of fly-tipping are made.

7 We are concerned at the rate of the increase in car park charges and recommend further consideration as to the possible effects of this on the driver, and on the aim to reduce car driving at the same time as ending concessionary fares and bus route subsidy.

Councillor M Allen Chair
Leader of the Council Overview and Scrutiny Committee
NORTHAMPTON BOROUGH COUNCIL

NORTHAMPTON BOROUGH COUNCIL
COMMUNITY SAFETY AND E-GOVERNMENT
OVERVIEW AND SCRUTINY COMMITTEE
BUDGET PREPARATION - 4 JANUARY 2005

The committee reviewed aspects of the Medium Term Financial Strategy within the parameters of its remit:-

CCTV Income

The committee noted that savings were predicted, dependent on the CCTV operation being able to take on external contracts. However, the CPA result precludes this, and the ODPM has ruled out an exemption. We are concerned that a successful operation is being prevented from improving.

The committee welcomes the plan to find ways around this difficulty, with partner agencies.

However, we will follow up the ODPM decision and will hear from Pat Coleman at our next meeting.

One Stop Shop/EDRM/E-Government

Further details of the anticipated cost and efficiency savings via the Root and Branch Review, are requested.

Neighbourhood Wardens

The committee is concerned that the expansion of the scheme will take three years and would have expected an earlier rollout for the Borough.

Grounds Maintenance

The proposal to decrease grounds maintenance funding is regretted, since this is also an area of concern for citizens.

Councillor L Barron (Chair)
Community Safety and E-Government Overview and Scrutiny Committee

FINANCIAL STRATEGY AND PERFORMANCE SCRUTINY COMMITTEE

BUDGET PREPARATION 18 JANUARY 2005

We considered various elements of the budget proposals:

The council's balances and determination of minimum reserves. We were concerned that reserves were being raised from approximately £2 million to approximately £3 million. We accept the explanation of prudent risk management but suggest careful attention is paid to ensuring there is not overprovision.

1 Route Subsidy

We are concerned as to how these services will be provided and the possible effects if they end. It is clear that NCC have no provision in their budget to pick up the effect of NBC savings and remain unclear as to how this will affect the estimated savings in our own budget. We recommend clarity before delivery to Full Council.

2 Concessionary Fares

We are advised that there are 1.8 million journeys per annum in Northampton. It is estimated that 13 -14% of concessions are for journeys before 9,30am. When concessions cease it is anticipated that 12.5% will no longer travel. This represents thousands of journeys. The assumption is that those travelling before 9.30 do so because they must (since they don't delay their journey. It is not known whether this figure represents those who simply cannot afford to travel. We are concerned that we may be causing social exclusion. We recommend the Executive obtain details as to how this saving has been calculated, how it will be measured and how the effect on the citizen is gauged.

3 TOPPS

It is assumed (I am advised) that once responsibility for car parks transfers to NCC that the same income will be achieved for Northampton as is provided now. The negotiation with NCC is not widely known or understood and the calculation of no cost to NBC, same income and neutral cost to NCC is based on assumptions. This means the budget is precariously balanced.

As amenity grass cutting and route subsidy savings also depend, to large extent, on the NCC response, it could mean that several partnership arrangements, calculated to make savings, have been over optimistic and may not come to fruition.

The packages are not transparent and we recommend the Executive obtain clear detail from officers to provide assurance that the budget proposals are sustainable.

4 TREE MAINTENANCE

We queried whether the seasonal aspect of tree maintenance has been fully considered.

Trees are marked for maintenance and perhaps half get done as half the money was available. From 1 April the rest cannot be done as birds are nesting. Nine months is wasted and then there's a need to spend in three months. The tender will have been for the year and may need to go to tender again.

Consider bringing forward the expenditure – spending out of this year's balances – getting the same work for less cost.

This recommendation has been taken up by R Bowmer

5 CAR PARKING CHARGES

We are concerned at how the £300K income will be achieved and are advised that the report with details will come to your Executive meeting in February – after the budget is approved. Executive and Full Council will have approved this part of the budget before knowing how or whether it can be achieved.

We suggest this be addressed with officers, as another threat to a finely balance budget.

The level of increase in charges at 8% is of concern, and we are advised that this figure is subject to change. Last year my committee described the Car Park Strategy as a short term Pricing Strategy, and recommended a Car Park Strategy be devised. This year's increase appears to be a value increase on an annual basis with no strategic approach.

We recommend consideration for increasing our influence with NCC to address transport measures at the same time as encouraging decreased car use.

6 FORUM CINEMA

Many concerns were raised at eh stated £74K saving (running costs) which is naturally interpreted as closure. Assurances were given that the function will not close but that it must be considered alongside other areas – with the caveat that the agreed priorities do not include leisure and culture.

We recommend Executive consideration for the many areas, including this one, where calculated savings are unsubstantiated and recognised as likely to change.

We suggest you ensure specific details are provided, missing at present, for your assurance at budget setting and available at Full Council.

7 COMMUNITY CENTRES

There are concerns about the propose savings, and ongoing savings. Ward councillors were unaware of this proposal and without scrutiny questioning would still not know of closure as it is not identified in the document. We recommend action to ensure this is not repeated.

If the projected saving is for closure we suggest the Executive inquire as to the ongoing savings. We are aware this is another area where alternative solutions are being sought, but that the saving is assured. We recommend consideration of self-management as at St James, and that it is recommended in all cases, meaning capacity building for communities.

8 ADVICE SERVICES

We not the saving in 05/06 of a modest £100K and more radical savings in subsequent years. Concerns were raised at the catch-all that this is embodied in the Root and Branch review. Nor report carrying specific details has been seen. It is difficult to aid with recommendations when details are so vague. For scrutiny to evaluate whether the budget is achieving its aims we need to know the detail and expected outputs.

We recommend that the Executive ensures that all issues identified as savings provide details as to how this has been calculated and how it will be achieved.

9 BULKY WASTE COLLECTIONS

We are concerned that the charge of £12 could still be beyond the means of some citizens (e.g. those on rent and council tax benefit). We recommend researching other local authorities who do offer concessions and exploring the possibility of looking at suppliers taking away old articles under an arrangement.

**Councillor L Marriott, Chair
Financial Strategy and Performance
18 Jan 05**

HEALTH AND ENVIRONMENT OVERVIEW AND SCRUTINY COMMITTEE

BUDGET CONSIDERATIONS

30 DECEMBER 04

REFERRED TO FINANCIAL STRATEGY & PERFORMANCE

FOR CONSIDERATION BY EXECUTIVE ON 31 JANUARY 05

The committee questioned the portfolio holder for Financial Strategy and Performance and the Portfolio holder for Health and Environment on the savings and investments in appendices B and C of the Medium Term Financial Strategy.

Leisure Facilities

The committee was concerned that the Forum Cinema does not appear to be part of this Trust project, and were assured of its inclusion.

Recommended:

- 1 That the start point for such Trust should be one of NO INCREASED CHARGES and that this should be part of any service agreement.**
- 2 That a working group like that for the Museums Trust should include Scrutiny members with a watching brief to report back to committee (rapporteur). Councillor Jamie Lane has offered to take this role and awaits details from Councillor J Lill.**

Charge for Bulky Collection

The committee was concerned that although the charge is considered low, there is no provision for any sort of concession for those who simply cannot pay and for pensioners.

Recommended:

- 3 That care is taken that the saving of £150,000 per annum is not at the cost of a service currently acknowledged as good.**
- 4 That the computerised system is used for its original purpose – performance improvement – as well as for monitoring service deliver. The committee asks for reassurance that performance improvement is still the main aim and that the £150K per annum saving is an estimate, rather than a target. The portfolio holder has advised that the figure will be reassessed and this committee would like sight of the reassessment.**

- 5 That a baseline should be established now, for comparison after a given period of operating the charge. We would like assurance of the ability to measure performance and effects, with comparisons, to include the incidence of fly tipping.
- 6 That a definitive list of what constitutes 3 items is produced to avoid confusion, ensure a consistent approach and to minimise the facility for officer pedantics.

Trade Refuse Service

The budget report is unclear in respect of the consultants' recommendation to dispose of this service. It is expected the improvements to the service advised by the portfolio holder will have addressed the consultant's criticisms. This committee will monitor this aspect.

Recommended:

- 7 That greater clarity is provided about intentions for disposal. This committee requests specific details.
- 8 As a council that promotes recycling we would like to see consideration for a reduction in charges to trades for sorted waste. The council is missing the huge potential for saving landfill charges for bottles etc. Trades should be encouraged to recycle.
- 9 The council should persuade Northampton General Hospital to recycle (as is done in Leicester)

Events

We were very concerned at the saving of £43,000 in the first year and then £118,000 in the next, and how these savings can be made whilst continuing events. The portfolio holder's references to 'destination management' and 'looking at the programme to make savings' were unconvincing.

Recommended:

- 10 That specific details are provided for the council's aims for continuing our events programme and for the council's future involvement in events.
- 11 That the 'intention to seek members' views' is strengthened. The Member Events Meeting has not met since prior to the 04 Street Fair, so no members' views have so far been sought.
- 12 Although reassurances have been given that 'only if the proposals come to fruition will savings be made' we remain concerned that the decision has already been taken, without consultation. We require further explanation and reassurance.
- 13 We are advised that the £43,000 saving will be achieved this year by the officers' belief that a long-term plan will achieve it. The committee is not convinced and would like to see evidence of how these savings have been calculated and the intentions for achievement. This will allow us to monitor implementation and effect.

- 14 **Councillors are adamant that they wish events to continue and in a way that is responsive to citizens. They are currently low cost and accessible to all, and have been in every party's manifesto. We require a definitive explanation of the figures and intentions.**
- 15 **Scrutiny will expect to be involved in all aspects of the process for consideration of an alternative provision for this service.**

Grounds Maintenance Parks & Open Spaces

The committee has serious doubts that the savings identified in this section can be achieved at the same time as providing a better service. The portfolio holder has explained the savings in the first and subsequent years as due to the Root and Branch review. We need to know:

Whether this means savings achieved with no reduction of service

Why the Executive cannot estimate efficiency savings

Whether the figures quoted are not now feasible

Whether the Root and Branch review will mean different figures

Whether planned integration, to resolve efficiency and achieve savings, is still the case.

Whether general savings are now being sought in relation to 'some quality trims and some not'.

How the savings and greater efficiency will be measured and demonstrated, when added to the Root and Branch review.

Councillors and the public are dissatisfied now – radical pruning every two or three years is not an acceptable means of financial saving. How will this be addressed?

Recommended:

- 16 **As we are not satisfied that the original proposal to redesign grounds maintenance to achieve savings, whilst also addressing standards, will be achieved. Nor is it transparent that savings identified in this report can be achieved by subsuming into the Root and Branch review. We are of the view that savings and greater efficiency, and service standards are not achievable. We request the Executive to demonstrate how the aims and figures in this section will be achieved.**

Forum Cinema

On request we received confirmation that a projected saving of £74,000 did NOT mean the closure of the Forum Cinema.

Amenity Grass Cutting

We are concerned that this saving, if not replaced by Northamptonshire County Council, will result in fewer grass cuts and a poorer service.

General Income – Cemeteries

We were very concerned to learn that our charges are among those in the highest quartile, but the service barely breaks even. The proposed increase in charges will mean this council's charges become even higher than average. Since we are assured that all local authorities find this service costly, there appears no justification for charges higher than other local authorities.

Recommended:

- 17** Whilst already at the higher end of charges, and planning to charge still more, we are still unable to break even. We recommend research with other local authorities to see what we are doing differently and could do better. The committee will expect to hear of findings.

Arts and Other Activities

We are advised that saving will be achieved by not recruiting an Arts Development Manager, and that culture is not a council priority.

Recommended:

- 18** That the committee receives comment from the Executive as to what will now happen to the Arts Strategy.

Community Centres

The saving identified here is due to the closure (because of subsidence) of a community centre. We are concerned that this is not identified in the report.

Recommended:

- 19** That the relevant ward councillors are kept informed of progress during the process of making a formal decision for closure.

INVESTMENTS

Additional Tree Maintenance

Whilst not arguing the proposed increase, or even arguing for more, the committee is concerned that the investment will come from savings in Parks and Open Spaces.

Neighbourhood Wardens

This investment is welcomed.

We recommend the Executive take these concerns into account and that the requested details and actions are provided to the committee formally to enable monitoring of effect.

Councillor Brian Markham, Chair, Health & Environment Scrutiny

NORTHAMPTON BOROUGH COUNCIL
HOUSING OVERVIEW AND SCRUTINY COMMITTEE
BUDGET PREPARATION 2005

1 We were able to challenge and receive explanations of various components of the Housing issues within the budget and were concerned mainly about the savings calculated for the Advice Services element. Housing and Money Advice.

It is unclear as to what this will actually mean and we would welcome further detail. We recommend careful consideration for a service that is first class and highly valued.

2 The investment into homelessness is very welcome

Councillor S Beardsworth Chair

Housing Overview and Scrutiny Committee

NORTHAMPTON BOROUGH COUNCIL

PLANNING, REGENERATION AND TRANSPORTATION SCRUTINY

20 JANUARY 04

BUDGET PREPARATION

This committee set aside time in our meeting of 20 Jan 05 to consider the budget proposals and formulate recommendations.

Circumstances conspired to prevent portfolio holders attending, and to prevent any officer from attending. This made it difficult to question or challenge any aspect of the budget and make meaningful comment. Accordingly, our comments are brief.

1 We refer to paragraph 5.9/3 on page 11 and voice our concern that the **vacancy factor** is still being used to aid in balancing the budget. What reassurance can be provided that this practice will

- a) reduce from 9.2%
- b) cease

2 We refer to Appendix B page 30 **CAR PARKING**

After recommending during last year's call-in of the Car Park Strategy, that what was presented was a Charging Policy and that a Car Park Strategy was needed, we are very concerned to see another proposed increase, well above inflation at 8% that does not adhere to a coherent pricing strategy.

We recommend the Executive obtain an explanation as to the true cost of this proposal and how it fits with the Car Park Strategy.

Councillor M Boss, Chair

Planning, Regeneration and Transportation Scrutiny

Comments received at Forums

Comments received at the Youth Forum held 11th January 2005

G. McFarlane commented that there did not appear to be any proposals to provide facilities for young people aged between 13-18 years old. The Forum was advised that this was primarily a County Council responsibility. However, the Community Safety Partnership, in partnership with the County Council, was looking to resource some facilities.

Forum members questioned the future of The Roadmender. Councillor Hill advised that while this was an independent organisation, it was heavily subsidised by the Borough and County Councils, as well as the arts Council, and was facing financial difficulty. Concerns were also raised about the future of the leisure centres.

R. Jones queried what increased efficiency for Councillors meant. Councillor Hill commented that many Councillors worked full-time, so, in order to help Councillors work more effectively, it was hoped to assign a research assistant to each of the parties. This had also been a recommendation of the recent Government review of the Council.

Lesbian, Gay and Bisexual Peoples' Forum held 15th December 2005

The Forum welcomed consultation on the budget proposals and the use of the consultation leaflet. The Chair said that members of the Forum would distribute further leaflets and encourage use to be made of the Council's internet web-site.

The Forum asked that the Executives ensure that in any change of management of the Forum Cinema there continues to be a requirement to provide films for minority audiences and that the Lesbian and Gay Film Festival continues to be accommodated.

The Forum requested that consultation for 2006 – 2007 is at the December meeting to enhance the consultation process.

Comments received at Women's Forum held 11th January 2005

The Forum welcomed consultation on the Budget Proposals. The Consultation leaflets were distributed together with schedules of the proposals presented to Executive on the 6th December 2004 for information. This was well received by the Forum.

The Forum agreed to reschedule their meetings in order that they can have a meeting in December to allow them to discuss more fully the Council's Budget proposals for 2006 – 2007.

There were no specific comments on the proposals at the meeting, but Forum members agreed to use the Consultation leaflet and the Council's Budget Line to forward any comments and/or proposals by the 17th January 2005.

Comments received at Pensioners' Forum held 13th January 2005

The Forum welcomed consultation on the Budget Proposals although they did comment that they would have preferred the consultation in December. The Consultation leaflets were distributed together with schedules of the proposals presented to Executive on the 6th December 2004 for information.

Forum members were encouraged to use the Consultation leaflet and the Council's Budget Line to forward any comments and/or proposals by the 17th January 2005.

Comments received from the Forum were:

1. Concerns regarding Council house disabled access.
2. What % was the net Savings and Investment proposals of the overall budget.
3. Concerns that letting the Leisure Centres go to the private section, that prices would increase and standards drop.
4. Concerns about charging for Bulky Waste Collections would encourage more "Rubbish Bumping".
5. Community Centres, why are we charged for using these Centres?

Disabled Peoples' Forum

Members of the Forum were sent information of the Executive's proposals and invited to respond through the channels in the Consultation leaflet. Responses received could not be separately identified as being from the members of this Forum.

BUDGET CONSULTATION MEETING

11 January 2005

PRESENT: Councillor Hadland Northampton Borough Council (Chair)
Councillor Larratt Northampton Borough Council (Leader)
Councillor Hill Northampton Borough Council
Councillor C Lill Northampton Borough Council
Councillor J Lill Northampton Borough Council
Councillor Palethorpe Northampton Borough Council
Councillor Tavener Northampton Borough Council
R Bowmer Head of Financial Strategy (NBC)
N Wood Head of Accounting Services (NBC)
Z Peatfield Interim Director
T Du Sautoy Interim Director
C Small Interim Director
J Higginson NSG
H Sanders NSG
L Avery NBC
C Isgar Leisure Centre Customer
J Isgar NBC
C Kent NBC
J Lore NBC
J Lineker Resident Standens Barn
R Hagus Resident Spinney Hill
R Light Resident
D Ede Northampton Museums NBC
C Stewart Resident
A Blake NBC
M Blake Resident
M Littlewood UNISON
R Symons Leisure Centre Customer
A Farrell Leisure Centre User
J Jones Resident
M Jones Resident
M Sawyer Leisure Centre User
R Hewitt Leisure Centre User
L Andrews Resident
K Barton Resident
C Wood Resident
I Wood Resident
F Richardson Town Centre Resident
A Bass Resident
J Courouble Resident
D Butcher Leisure Centre Duty Officer
J Willis Leisure Centre Duty Officer

K Connell	Far Cotton Residents Association
T Smith	Mount Baths Leisure Centre
P Abbott	Mounds Baths Leisure Centre
S Farwell	Leisure Centre User
R Morrison	Leisure Centre User
C McNab	NBC
J Howard	NBC
S Tack	Mounds Leisure Centre User
J Seymour	NBC
T Jones	NBC
M Sanders	Resident
S Sanders	Resident
G Maifey	Leisure Centre User
R Percival	Leisure Centre User
J McDonald	Leisure Centre User
Councillor Woods	NBC

In addition to the above a number of other members of the public, press etc were present at the meeting.

1. APOLOGIES.

There were none.

2. WELCOME AND INTRODUCTIONS.

Councillor Hadland welcomed everyone to the meeting and the Panel of Executive Members and officers introduced themselves.

PRESENTATION.

R Bowmer gave a presentation in relation to the Council's budget proposals 2005/6-2007/8 with the aid of slides. By way of introduction he explained that his presentation would explain the Borough Council's services, the sources of funding, the Council's key priorities, budgetary pressures for 2005/6, the Executives' proposals, Government support and Council Tax levels, Business Rates, Major Capital Projects, the Housing Revenue Account and the result that all these factors would have on the future. He then went through each of the headings in turn elaborating further as appropriate. He drew particular attention to the key priorities, of which there were seven, and the means by which the Executive hoped to achieve these priorities. He explained that in terms of the Council Tax it was expected to keep this down in accordance with Central Government requirements. He briefly outlined the timetable for the consultation exercise advising that the public consultation formally ended on 20 January 2005 and that a report would then be submitted to Executive on 31 January 2005 for onward submission to full Council at its budget meeting on 3 February 2005. The Council Tax would be set at the Council Meeting on 25 February 2005. He then drew attention to the consultation leaflet, copies of which had been distributed to those present and which outlined the Council's proposals for the budget and invited comments/observations accordingly.

QUESTIONS AND ANSWERS.

Following the presentation Councillor Hadland invited comments and questions. A number of questions were asked both by residents and leisure centre employees

regarding the future of the leisure centres and the question asked whether it was the Administration's intention to privatise the leisure centres.

Councillor Hadland advised that the Administration were looking at different ways of running the leisure centres in order to provide the most efficient service and that the exercise was designed to provide a service at a lesser cost to residents. This included looking at keeping the service in-house, creating a Trust or the centres being run by a private contractor.

A resident then posed the question that according to the local media the Council were selling off its Council housing stock and asked if this was the case.

Councillor Hadland advised that this statement was premature and that consultations regarding the housing stock options appraisal was still ongoing. Councillor Palethorpe then elaborated further upon this point explaining why the figures on homelessness had increased. He stated that this was because instead of paying out on bed and breakfast the Council had now taken over a number of privately rented properties for a period of three years and in preference homeless persons were being placed into this temporary accommodation rather than bed and breakfast accommodation.

In response to a further question about Claremont and Beaumont Courts Councillor Palethorpe advised that just over £8m needed to be spent on these blocks of flats and that the tenants of those flats had been decanted out to enable major refurbishment to take place. Upon completion those decanted tenants had the choice to either stay in their new Council accommodation or move back into Beaumont and Claremont Courts. In response to a further question it was noted that Beaumont and Claremont Court had been stock transferred to a housing association but that this had been the most logical option for these blocks of flats. It was noted that Works on these blocks had been commenced prior to commencement of the housing option appraisal. Councillor Palethorpe added that once the housing stock option appraisal report had been published he would be more than happy to meet with the public and residents to discuss this.

A representative from the Public Sector Alliance then asked a question again about the future of the leisure centres. He asked whether they would remain under the control of the Borough Council, whether an assurance could be given that there would be no drop in the level of services, jobs, conditions, salaries etc.

M Littlewood, Branch Secretary of UNISON commented that there had been a £219,000 saving against leisure centres and the Forum cinema and gave some background information regarding this issue. He stated that private consultants had been appointed to carry out a marketing exercise and that Managers were working on a Business Plan. However the Borough's leisure centres were not failing and had also been held up as an example of good practice. He therefore sought assurance that the administration would consider the issue of private Trust status and asked Elected Members to give their assurance that this would be given their full consideration. Councillor Hadland confirmed that this would be the case.

At this point Councillor Hadland advised that there had been a number of written questions received and read out those written questions and the responses accordingly.

It was noted that there had been seven written questions (copies of these questions and answers are appended to these notes).

J Lineker, resident of Standens Barn then made a comment voicing her objections to any possible privatisation of the leisure centres and asked why IT had such a large input of resources in the budget when communities were getting so much less. She referred to the information in the leaflet that had been circulated.

Councillor Hadland responded that the items being referred to were actually capital costs rather than revenue costs.

A resident then asked a further question seeking assurance that the amount set aside for new technology would not be exceeded and asked where he could get further information on the various contracts. He was advised to leave his name and address and that he would then be kept updated accordingly.

A further series of questions, comments and concerns were then expressed regarding the leisure centres primarily that any form of privatisation would affect the standard and type of service provided which would be to the detriment of many of the users. Also the point was made that the Forum Cinema at present was unique in terms of the type of films that it showed. The question was raised as to whether a new provider would be willing or able to provide such a service. It was noted that over the last 25 years 116,000 children had learned to swim at the Borough's leisure centres. Private gyms and leisure centres were far more expensive than those run by the Borough Council and the fear was that this would again be to the detriment of the public should they become privatised and that prices would increase and therefore restrict the use of the centres to a minority rather than to all.

In response to a question regarding the amount of resources being earmarked for E-Government Councillor Tavener advised that it was a Central Government Directive to improve E-Government services and gave her assurance that this would come within budget and that she would deliver a better service.

A question was then asked regarding costs of temporary staff and the suspension of staff on full pay. Councillor Hadland advised that there was little control in this area as the issue was dealt with under Employment law. He then advised that any detailed questions could be submitted to members of the Executive and a detailed response would be ensured.

A couple of issues were then raised which, whilst on the original main budget report had not been included in the leaflet, and the question asked why these were now not included. The issues were with regard to concessionary fares and grounds maintenance. A suggestion was then made on ways of reducing costs for example by delaying the implementation of the Political Assistant posts which amounted to some £127,000 and it was suggested that £30,000 could be saved by not putting in a full years resources but eight or nine months. Councillor Tavener suggested that with regard to the Political Assistant issue it was in the best interest to budget for the highest amount and as such the maximum figure had been put in. Also the figure included some admin support.

With regard to the grounds maintenance issue Councillor Hadland advised that as far as grass cutting was concerned the original budget document had been amended commenting that it was about service efficiency rather than service cuts.

Another comment was then made regarding the leisure centres with the view being expressed that a commercial company would run the centres for a profit and private companies could not be trusted to maintain the level of service that was currently offered. Furthermore it was suggested that may be some of the resources set aside for the Political Assistants should go towards the leisure centres.

A question was then asked about museums, theatres and events and more detail regarding that issue requested. Councillor Hadland advised that in the case of museums the possibility of Trust status was being looked into. More concerns were expressed about any changes in the leisure centres and also concern that the closure of the Derrnagat and Royal Theatre during the extensive refurbishment works would mean the loss of jobs.

In concluding the formal part of the meeting Councillor Hadland thanked everyone for attending and for their contribution to the consultation process and invited anyone who may have further issues to raise to discuss these issues on an informal basis with members of the Executive accordingly.

The meeting concluded at 9.00pm

Special Expenses

	Billing		Collingtree		Duston	Great			Unparished		Total
						Houghton	Hardingstone	Upton	Wootton	Area	
<u>Council Taxbase</u>	2,591	511	5,211	287	757	276	5,992	47,802	63,427		
<u>Expenditure Details</u>	£	£	£	£	£	£	£	£	£	£	£
a) <u>Parish Council Expenditure</u>	55,030	8,000	76,213	16,674	22,250	2,000	290,000	-	470,167		
b) <u>Borough Council Expenditure</u>											
Bellinge Community House	1,409										1,409
Basic	16,500										16,500
\$ Parish Council	26,078		12,556							327,738	366,372
Community Centres	26,531	170	17,061	585	2,003	-	46,375	499,660	592,385		
Parks and Open Spaces	70,518	170	29,617	585	2,003	-	46,375	827,398	976,666		
Total Borough Council Expenditure											
Funded By											
Parishes	16,500	170	29,617	585	2,003	-	43,943	-	92,818		
Borough Council	54,018						2,432	827,398	883,848		
	70,518	170	29,617	585	2,003	0	46,375	827,398	976,666		
c) <u>Total Special Expenses</u>	125,548	8,170	105,830	17,259	24,253	2,000	336,375	827,398	1,446,833		
d) <u>Total Parish Precepts</u>	71,530	8,170	105,830	17,259	24,253	2,000	333,943	-	562,985		
<u>Council Tax Equivalent Band D</u>											
e) <u>Parish Council Expenditure</u>	21.24	15.66	14.63	58.10	29.39	7.25	48.40				
f) <u>NBC Expenditure Funded by Parish</u>	6.37	0.33	5.68	2.04	2.65		7.33				
g) <u>NBC Expenditure Funded by NBC</u>	20.85						0.41		17.31		
<u>Total Special Expenses</u>	48.46	15.99	20.31	60.14	32.04	7.25	56.14		17.31		

The Borough Council Expenditure details above have been identified by extraction from the Council's budget for 2004/05 and are in respect of the areas shown. All figures have been discounted by approximately 59.73%, representing the share of Council expenditure directly borne by Government in its contribution towards Council expenditure.

(\$ The exception being the grant to Bellinge Community House, which is funded in total by the Residents of Belling, at the instigation of the Parish Council.)

Adjusted budget requirement	£	27,156,218
External Support		16,221,024
Net from Council Tax		<u>10,935,194</u>
		40.27%

Appendix P

SUMMARY OF PROPOSED RENT AND CHARGES INCREASES

	<i>Present</i>	<i>Proposed</i>
Garages		
(+VAT in some cases)	£5.76	£5.89
Commuter surcharge on garages		
(+VAT in some cases)	£9.28	£9.49
Wardens (for tenants resident prior to 31/3/03)*		
- Sheltered	£5.73	£5.87
- Very Sheltered	£6.72	£6.89
Wardens & Call Care (for tenants resident after 31/03/03)*		
- Sheltered	£12.91	£13.23
- Very Sheltered – Eleonore House	£62.00	£63.55
- Very Sheltered – Nicholls House	£18.11	£18.56
Call Care (for tenants resident prior to 31/3/03)*		
- Sheltered	£1.62	£1.66
- Very Sheltered	£1.62	£1.66
- Semi Sheltered	£3.11	£3.19
Call Care (for tenants resident after 31/03/03)*	£4.69	£4.81
- Semi Sheltered		
Lifelines		
- In Borough	£3.13	£3.32#
- Outside Borough	£3.40	£3.60#
Lifeline Installation Charge		
- In Borough	£20.00	£30.00
- Outside Borough	£40.00	£49.00
Communal Heating	£6.72	£6.88

N.B: The final charges may differ slightly due to roundings.

The charges for tenants from 1.4.2005 will depend on the supporting people contract prices which has not been finalised at this stage.

Subject to agreeing the savings on lifelines in the proposed savings in appendix D.

TREASURY MANAGEMENT STRATEGY STATEMENT AND PRUDENTIAL INDICATORS 2005/2006 – 2007/2008

1. Introduction

- 1.1 The Council has customarily considered an annual Treasury Management Strategy Statement under the requirement of the CIPFA code of practice on Treasury Management, which has been adopted by this Council.
- 1.2 The 2003 Prudential Code for Capital Finance in local authorities has introduced new requirements from 1 April 2004 for the manner in which capital spending plans are to be considered and approved, and in conjunction with this, the development of an integrated treasury management strategy.
- 1.3 The Prudential Code requires the Council to set a number of Prudential Indicators, certain of which replace the borrowing/variable limits previously determined as part of the strategy statement, whilst also extending the period covered from one to three years.
- 1.4 This report therefore incorporates the indicators to which regard should be given when determining the Council's treasury management strategy for the next three years. The strategy for 2005/06 in respect of the following aspects of the treasury management function is based upon the Treasury officers' views on interest rates, supplemented by market forecasts from the Council's treasury advisors.
- 1.5 The strategy covers:
 - The current treasury position.
 - Prospects for interest rates.
 - Treasury limits in force, which will limit the treasury risk and activities of the Council.
 - The borrowing strategy.
 - The investment strategy.
 - The extent of debt rescheduling opportunities.
 - Any extraordinary treasury issues.

2. Treasury limits for 2005/06 to 2007/08

- 2.1 It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit".

- 2.2 The Council must have regard to the Prudential Code when setting its Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax/rent levels in “acceptable”.
- 2.3 Whilst termed “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate those planned to be financed by both borrowing and other forms of liability, such as credit arrangements. The affordable borrowing limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years. It is not envisaged that the Council will borrow beyond the level of Government Supported Borrowing for capital purposes in 2005/6.

3. Current Portfolio Position

- 3.1 The Council's treasury portfolio position as at 14/01/05 comprised:

Long-term borrowing - Market Loans £24,600,000

All the above loans are at fixed rates with maturity dates of up to 15 years. Interest rates vary from 5.68% to 7.03%.

Temporary borrowing of £1,423,000 at variable interest rates, currently averaging 4.25%.

Loan from English Partnerships £1,302,345 for 29 years at 9.25%.

Other long-term liabilities of £1,000,000

Total debt therefore equal £28,325,345.

The Council also has investments at variable rates of £50,326,043 of which two external fund managers manage £11,488,183. The level of investments is impacted on by the cashflow and will fall considerably before the end of the financial year.

4. Treasury Limits and Prudential Indicators 2005/6

Indicator 8a

Upper Limit for Fixed Rate Exposure

	2004/2005 %	2005/2006 %	2006/2007 %
Upper Limit for Fixed Rate Exposure	100	100	100

Nearly all of the Council's debt at present is fixed rate and therefore 100% is the required percentage.

Indicator 8b
Upper Limit for Variable Rate Exposure

	2004/2005 %	2005/2006 %	2006/2007 %
Upper Limit for Variable Rate Exposure	50	50	50

As a hedge against our variable investment rate it could be useful to change to variable rate borrowing.

Indicator 9
Principal Sums Invested for Periods of Longer than 364 days

	2004/2005 %	2005/2006 %	2006/2007 %
Principal Sums Invested for Periods of Longer Than 364 Days	33	33	33

33% of investments may be over 364 days. This will be used to limit interest rate risk.

Indicator 10
Upper and Lower Limits on the maturity Structure of Borrowing

Limits on the Maturity Structure of Borrowing	Upper Limit %	Lower Limit %
Maturity period	100	0
Under 12 months	100	0
12 Months and within 24 months	100	0
2 Years and within 5 years	100	0
5 Years and within 10 years	100	0
10 Years and above	100	0

This will allow us the maximum flexibility for rescheduling and repayment of debt under the new financial regulations.

Indicator 11
Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services

The Council has customarily considered an annual Treasury Management Strategy Statement under the requirement of the CIPFA code of practice on Treasury Management, which has been adopted by this Council.

5. Prospects for interest rates

5.1 Short-term interest rates

- 5.11 The base rate increased from 4.00% at the start of the financial year to 4.75% in August 2004, the highest reached since September 2001. The increase was needed to keep inflation on track to meet its target in the medium term.
- 5.12 With hindsight, the economic data released during last year prompted markets to moderate their expectations of the extent of likely future money tightening. CPI (consumer prices index) inflation remains low, averaging 1.3% below the Governments' 2% target. CPI has been running at 1.1 – 1.6% throughout 2004 and is forecast to average 1.4% in 2004, 1.75% in 2005 and 2% in 2006 i.e. reaching the MPC (Monetary Policy Committee) target.
- 5.13 In addition, in the economy manufacturing and service forward indicators are weaker which indicates that the base rate may rise to 5% at the end of Quarter 1 of 2005 but with a definite downside risk.
- 5.14 The level of the housing market price movements can influence the direction of interest rates. In December 2004 new mortgage approvals fell from 77,000 from 85,000 in November 2004 indicating a decrease in house prices which also has an impact on the interest rate level.
- 5.15 The forecast for the US is an increase in rates due to the jump in inflation from 2.5% in September 2004 to 3.5% in November 2004, partly caused by the damage from hurricanes which continues to affect energy and food prices as well as insurance costs. The impact of the US data is likely to be negative to UK rates as their rates are on an upward trend. However in the Eurozone the growth in 2005 is expected to be around 1.5%, therefore giving no reason for the rates to rise. The chances of export growth are slim and with an expected fall in inflation from 2.3% in December, a rate cut although not ruled out is unlikely to occur throughout 2005.

5.2 Long-term rates

- 5.21 During the financial year PWLB rates were at a steady level for the 1-5 year period, therefore creating a flat yield curve for most periods out to 5 years. The longer term PWLB rates have decreased over the financial year from 5.1% in April 2004 to the current level of 4.6%.
- 5.22 The market remains convinced that the base rate has peaked at 4.75%, with a chance of reduction towards the end of 2005, although on the whole the outlook is stable for 2005/2006.

6. Capital borrowing and borrowing portfolio strategy

- 6.1 It is expected that the Council will not borrow externally for capital purposes in the next financial year but will instead use capital receipts and/or supported capital grant.

7. Investment strategy

- 7.1 This authority views the markets' expectation for base rates as being too high and so investments will be made long when cash-flow allows, with a view to locking in higher rates of return than may be available at a later stage when market expectations are corrected. In addition it is envisaged that an investment for 3-5 years may be made to reduce volatility in the investment returns.

8. Retention of the provision for credit liabilities

- 8.1 Money market conditions in recent years have made premature debt repayment using reserved capital receipts an attractive option as the equivalent yield on the repayment has exceeded what could be obtained by investments. The option to prematurely repay was exercised by the Council in 2001/2, 2002/3 and 2003/4. Any decision to repay further will be delayed until issues regarding the accounting treatment of premia have been resolved with the District Auditor. (see 10.3)

9. Debt Rescheduling

- 9.1 We will continue to consider rescheduling debt in 2005/6, although only three market loans remain. By rescheduling debt we can spread premiums over a number of years and this could enable us to afford the repayments, which otherwise would have too great an impact on general fund in the year of the transaction.
- 9.2 Prudence would dictate that we constantly monitor the market environment and we would only act to reschedule should advantageous circumstances arise. A further benefit of rescheduling our debt could be to obtain a more balanced maturity profile.

10. Other issues

- 10.1 The Council has in previous years dealt forward on investments. This has mainly been advantageous and has allowed a greater rate of return on investments than would otherwise have been possible.
- 10.2 During 2000/2001 District Audit issued a guidance notice stating that they believed the practice to be possibly unlawful. Since that release Northampton had ceased dealing forward, however, with the change in regulations during 2003 this has again become possible and it is hoped that this may again prove advantageous during 2005/6.

10.3 The Council is currently in dialogue with the District Auditor on the past accounting treatment of premia on long term debt. The outcomes of these discussions will have a significant impact on future debt repayment/rescheduling decisions.

TREASURY MANAGEMENT STRATEGY STATEMENT
AND PRUDENTIAL INDICATORS 2005/2006 – 2007/2008

1. Introduction

1.1 The Council has customarily considered an annual Treasury Management Strategy Statement under the requirement of the CIPFA code of practice on Treasury Management, which has been adopted by this Council.

1.2 The 2003 Prudential Code for Capital Finance in local authorities has introduced new requirements from 1 April 2004 for the manner in which capital spending plans are to be considered and approved, and in conjunction with this, the development of an integrated treasury management strategy.

1.3 The Prudential Code requires the Council to set a number of Prudential Indicators, certain of which replace the borrowing/variable limits previously determined as part of the strategy statement, whilst also extending the period covered from one to three years.

1.4 This report therefore incorporates the indicators to which regard should be given when determining the Council's treasury management strategy for the next three years. The strategy for 2005/06 in respect of the following aspects of the treasury management function is based upon the Treasury officers' views on interest rates, supplemented by market forecasts from the Council's treasury advisors.

1.5 The strategy covers:

The current treasury position.

Prospects for interest rates.

Treasury limits in force, which will limit the treasury risk and activities of the Council.

The borrowing strategy.

The investment strategy.

The extent of debt rescheduling opportunities.

Any extraordinary treasury issues.

2. Treasury limits for 2005/06 to 2007/08

2.1 It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit".

- 2.2 The Council must have regard to the Prudential Code when setting its Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax/rent levels in “acceptable”.
- 2.3 Whilst termed “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate those planned to be financed by both borrowing and other forms of liability, such as credit arrangements. The affordable borrowing limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years. It is not envisaged that the Council will borrow beyond the level of Government Supported Borrowing for capital purposes in 2005/6.

3. Current Portfolio Position

- 3.1 The Council's treasury portfolio position as at 14/01/05 comprised:

Long-term borrowing - Market Loans £24,600,000

All the above loans are at fixed rates with maturity dates of up to 15 years. Interest rates vary from 5.68% to 7.03%.

Temporary borrowing of £1,423,000 at variable interest rates, currently averaging 4.25%.

Loan from English Partnerships £1,302,345 for 29 years at 9.25%.

Other long-term liabilities of £1,000,000

Total debt therefore equal £28,325,345.

The Council also has investments at variable rates of £50,326,043 of which two external fund managers manage £11,488,183. The level of investments is impacted on by the cashflow and will fall considerably before the end of the financial year.

4. Treasury Limits and Prudential Indicators 2005/6

Indicator 8a

Upper Limit for Fixed Rate Exposure

	2004/2005 %	2005/2006 %	2006/2007 %
Upper Limit for Fixed Rate Exposure	100	100	100

Nearly all of the Council's debt at present is fixed rate and therefore 100% is the required percentage.

Indicator 8b
Upper Limit for Variable Rate Exposure

	2004/2005 %	2005/2006 %	2006/2007 %
Upper Limit for Variable Rate Exposure	50	50	50

As a hedge against our variable investment rate it could be useful to change to variable rate borrowing.

Indicator 9
Principal Sums Invested for Periods of Longer than 364 days

	2004/2005 %	2005/2006 %	2006/2007 %
Principal Sums Invested for Periods of Longer Than 364 Days	33	33	33

33% of investments may be over 364 days. This will be used to limit interest rate risk.

Indicator 10
Upper and Lower Limits on the maturity Structure of Borrowing

Limits on the Maturity Structure of Borrowing	Upper Limit %	Lower Limit %
Maturity period	100	0
Under 12 months	100	0
12 Months and within 24 months	100	0
2 Years and within 5 years	100	0
5 Years and within 10 years	100	0
10 Years and above	100	0

This will allow us the maximum flexibility for rescheduling and repayment of debt under the new financial regulations.

Indicator 11
Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services

The Council has customarily considered an annual Treasury Management Strategy Statement under the requirement of the CIPFA code of practice on Treasury Management, which has been adopted by this Council.

5. Prospects for interest rates

5.1 Short-term interest rates

- 5.11 The base rate increased from 4.00% at the start of the financial year to 4.75% in August 2004, the highest reached since September 2001. The increase was needed to keep inflation on track to meet its target in the medium term.
- 5.12 With hindsight, the economic data released during last year prompted markets to moderate their expectations of the extent of likely future money tightening. CPI (consumer prices index) inflation remains low, averaging 1.3% below the Governments' 2% target. CPI has been running at 1.1 – 1.6% throughout 2004 and is forecast to average 1.4% in 2004, 1.75% in 2005 and 2% in 2006 i.e. reaching the MPC (Monetary Policy Committee) target.
- 5.13 In addition, in the economy manufacturing and service forward indicators are weaker which indicates that the base rate may rise to 5% at the end of Quarter 1 of 2005 but with a definite downside risk.
- 5.14 The level of the housing market price movements can influence the direction of interest rates. In December 2004 new mortgage approvals fell from 77,000 from 85,000 in November 2004 indicating a decrease in house prices which also has an impact on the interest rate level.
- 5.15 The forecast for the US is an increase in rates due to the jump in inflation from 2.5% in September 2004 to 3.5% in November 2004, partly caused by the damage from hurricanes which continues to affect energy and food prices as well as insurance costs. The impact of the US data is likely to be negative to UK rates as their rates are on an upward trend. However in the Eurozone the growth in 2005 is expected to be around 1.5%, therefore giving no reason for the rates to rise. The chances of export growth are slim and with an expected fall in inflation from 2.3% in December, a rate cut although not ruled out is unlikely to occur throughout 2005.

5.2 Long-term rates

- 5.21 During the financial year PWLB rates were at a steady level for the 1-5 year period, therefore creating a flat yield curve for most periods out to 5 years. The longer term PWLB rates have decreased over the financial year from 5.1% in April 2004 to the current level of 4.6%.
- 5.22 The market remains convinced that the base rate has peaked at 4.75%, with a chance of reduction towards the end of 2005, although on the whole the outlook is stable for 2005/2006.

6. Capital borrowing and borrowing portfolio strategy

- 6.1 It is expected that the Council will not borrow externally for capital purposes in the next financial year but will instead use capital receipts and/or supported capital grant.

7. Investment strategy

- 7.1 This authority views the markets' expectation for base rates as being too high and so investments will be made long when cash-flow allows, with a view to locking in higher rates of return than may be available at a later stage when market expectations are corrected. In addition it is envisaged that an investment for 3-5 years may be made to reduce volatility in the investment returns.

8. Retention of the provision for credit liabilities

- 8.1 Money market conditions in recent years have made premature debt repayment using reserved capital receipts an attractive option as the equivalent yield on the repayment has exceeded what could be obtained by investments. The option to prematurely repay was exercised by the Council in 2001/2, 2002/3 and 2003/4. Any decision to repay further will be delayed until issues regarding the accounting treatment of premia have been resolved with the District Auditor. (see 10.3)

9. Debt Rescheduling

- 9.1 We will continue to consider rescheduling debt in 2005/6, although only three market loans remain. By rescheduling debt we can spread premiums over a number of years and this could enable us to afford the repayments, which otherwise would have too great an impact on general fund in the year of the transaction.
- 9.2 Prudence would dictate that we constantly monitor the market environment and we would only act to reschedule should advantageous circumstances arise. A further benefit of rescheduling our debt could be to obtain a more balanced maturity profile.

10. Other issues

- 10.1 The Council has in previous years dealt forward on investments. This has mainly been advantageous and has allowed a greater rate of return on investments than would otherwise have been possible.
- 10.2 During 2000/2001 District Audit issued a guidance notice stating that they believed the practice to be possibly unlawful. Since that release Northampton had ceased dealing forward, however, with the change in regulations during 2003 this has again become possible and it is hoped that this may again prove advantageous during 2005/6.

10.3 The Council is currently in dialogue with the District Auditor on the past accounting treatment of premia on long term debt. The outcomes of these discussions will have a significant impact on future debt repayment/rescheduling decisions.

TREASURY MANAGEMENT POLICY STATEMENT

Part 1: Main Principles

January 2005

TREASURY MANAGEMENT PRACTICES

Treasury Management Practices (TMPs) set out the manner in which the Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities.

TMP 1 Treasury risk management

TMP 2 Best value and performance measurement

TMP 3 Decision-making and analysis

TMP 4 Approved instruments, methods and techniques

TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

TMP 6 Reporting requirements and management information arrangements

TMP 7 Budgeting, accounting and audit arrangements

TMP 8 Cash and cash flow management

TMP 9 Money laundering

TMP 10 Staff training and qualifications

TMP 11 Use of external service providers

TMP 12 Corporate governance

TMP1 TREASURY RISK MANAGEMENT

“The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council’s objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.”

[1] Liquidity risk management

“The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives.”

[2] Interest rate risk management

“The Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirement and management information arrangements*

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.”

[3] Exchange rate risk management

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

It will achieve this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of exchange rates. The above is subject at all times to the consideration and, if required, approval of any policy or budgetary implications.”

[4] Inflation risk management

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the organisation as an integral part of its strategy for managing its overall exposure to inflation.

It will achieve this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous

changes in the level or structure of inflation. The above is subject at all times to the consideration and, if required, approval of any policy or budgetary implications.”

[5] Credit and counterparty risk management

“The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in *TMP4 Approved Instruments, methods and techniques* and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.”

[6] Refinancing risk management

“The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favorable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.”

[7] Legal and regulatory risk management

“The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under *TMP1.5 Credit and counterparty risk management*, it will ensure that there is evidence of counterparties’ powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.”

[8] Fraud, error and corruption, and contingency management

“The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.”

[9] Market risk management

“The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.”

TMP2 BEST VALUE AND PERFORMANCE MEASUREMENT

“The Council is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation’s stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.”

TMP3 DECISION-MAKING AND ANALYSIS

“The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.”

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

“The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1, *Risk management*.”

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

“The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with *TMP6 Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. The present arrangements are detailed in the schedule to this document.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegation to the responsible officer in respect of treasury management is set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on treasury management."

TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

"The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Executive will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council's Treasury Management Policy Statement and TMPs.

The present arrangements and the form of these reports are detailed in the schedule to do this document."

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

"The responsible officer will prepare, and the Council will approve and, if necessary, from time to time amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matter to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Best value and performance measurement, and TMP4 Approved instruments, methods and techniques. The form which this organisation's budget will take is set out in the schedule to this document. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of this organisation's accounts is set out in the schedule to this document.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfillment of their roles, and that such information and papers demonstrate compliance with external

and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule to this document.”

TMP8 CASH AND CASH FLOW MANAGEMENT

“Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1[1] Liquidity risk management. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

TMP9 MONEY LAUNDERING

“The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.”

TMP10 STAFF TRAINING AND QUALIFICATIONS

“The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements. The present arrangements are detailed in the schedule to this document.”

TMP11 USE OF EXTERNAL SERVICE PROVIDERS

“The Council recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in the schedule to this document.” which demand specialist skills and resources.

TMP12 CORPORATE GOVERNANCE

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key recommendations of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.”

**TREASURY MANAGEMENT
POLICY STATEMENT**

Part 2: Schedules

January 2005

TREASURY MANAGEMENT PRACTICES – SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by this organisation.

TMP 1 Treasury risk management

TMP 2 Best value and performance measurement

TMP 3 Decision-making and analysis

TMP 4 Approved instruments, methods and techniques

TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

TMP 6 Reporting requirements and management information arrangements

TMP 7 Budgeting, accounting and audit arrangements

TMP 8 Cash and cash flow management

TMP 9 Money laundering

TMP 10 Staff training and qualifications

TMP 11 Use of external service providers

TMP1 RISK MANAGEMENT

1.1 LIQUIDITY

1.1.1 Amounts of approved minimum cash balances and short-term investments

The Council will keep at least £5,000,000 available at 24 hours notice.

1.1.2 There is an agreed overdraft facility of £1,000,000 with the Co-operative Bank.

1.2 INTEREST RATE

1.2.1. Minimum/maximum proportions of variable rate debt/interest

the maximum proportion of interest on borrowing which is subject to variable rate interest.	Minimum 0%	Maximum 50%
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1.2.2. Minimum/maximum proportions of fixed rate debt/interest

Minimum 50%	Maximum 100%
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1.2.3. Policies concerning the use of financial derivatives and other instruments for interest rate management.

- a. forward dealing – the Council will enter into forward deals.
- b. callable deposits (fixed investments for up to 5 years at borrower's option) £1,000,000
- c. LOBOs (borrowing under lender's option/borrower's option) are allowable

1.3 CREDIT AND COUNTERPARTY POLICIES

1.3.1. CRITERIA TO BE USED FOR CREATING/ MANAGING APPROVED COUNTERPARTY LISTS/LIMITS

1. The Borough Treasurer will formulate a suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising time, type, sector and specific counterparty limits.
2. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties. The complete list of approved counterparties will be included in the annual report.
3. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
4. Credit ratings will be used as supplied from Fitch IBCA.
5. In addition, the Council will use building societies which do not have credit ratings.
6. The minimum level of credit rating for an approved counterparty will be as follows (ratings per Fitch IBCA) :-

Short term	FI
Long term	AA -
Individual	C
Support	5
Max. Individual limit **	£7 m

7. The maximum period for specified investments will be 364 days.
8. The maximum period for non-specified investments will be 5 years.
9. The maximum value for any one investment transaction will be £7m.
10. The maximum level of investment with any one group of counterparties will be £7m.

1.3.2 APPROVED METHODOLOGY FOR CHANGING LIMITS AND ADDING / REMOVING COUNTERPARTIES

Credit ratings for individual counterparties can change at any time. The Borough Treasurer is responsible for applying the stated credit rating criteria in 1.3.1. for selecting approved counterparties, and will add or delete counterparties as appropriate to / from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers.

The Borough Treasurer will also adjust lending limits and periods when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers in accordance with the criteria in 1.3.1.

1.3.3 FULL INDIVIDUAL LISTINGS OF COUNTERPARTIES AND COUNTERPARTY LIMITS

See Appendix.

1.3.4 DETAILS OF CREDIT RATING AGENCIES' SERVICES OR OTHER SERVICES WHICH PROVIDE CURRENT CREDIT RATINGS AND UPDATES ON CHANGES

The Council uses credit ratings supplied through Sector from the following credit rating agencies :-

Fitch IBCA

1.4 MARKET VALUE OF INVESTMENTS

1.4.1 The Council limits its exposure to investments whose capital value may fluctuate (gilts, CDS etc.).

The Council itself does not use these instruments and the limit of its exposure is the amount managed by its fund managers who use the instruments.

TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENTS

2.1 METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS

The following are used by the Council in its evaluation: the impact on revenue, interest rate risk, possible changes in Government regulations, the impact on the Housing Revenue Account and the repayment profile.

2.2 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT, e.g.:

2.2.1 Frequency and processes for tendering

2.2.2 Banking services

Banking services will be retendered or renegotiated every 5 years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

2.2.3 Money-broking services

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them.

An approved list of brokers will be maintained.

2.2.4 Consultants'/advisers' services

The Council uses Sector as its consultants.

2.2.4 External Managers

The new Code of Practice places an obligation on the Council to monitor the performance of the fund managers. The Council has appointed Sector Treasury Services Limited to assist in this respect.

2.3 METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE ORGANISATION'S TREASURY MANAGEMENT ACTIVITIES

2.3.1 BENCHMARKS AND CALCULATION METHODOLOGY:

Debt management

Average rate on all external debt

2.3.2 Investment.

The performance of investment earnings will be measured against the following benchmarks: -

- a.* in house investments
3 month LIBID

- b.* cash fund manager(s)
3 month LIBID

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS/TECHNIQUES:

3.1.1 Records to be kept

Minutes of weekly and other Treasury Management meetings.

3.1.2 Processes to be pursued

Weekly Treasury Management meetings, reports from advisors, conversations with brokers, information from the internet, the Financial Times and external fund managers.

3.1.3 Issues to be addressed.

3.1.3.1. In respect of every decision made the Council will:

- a) above all be clear about the nature and extent of the risks to which the Council may become exposed
- b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the organisation will:

- a) Evaluate the economic and market factors that might influence the manner and timing of any decision to fund
- b) Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships
- c) Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.
- d) Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets.

In respect of investment decisions, the Council will:

- a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions
- b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- the use of external fund managers.

4.2 APPROVED INSTRUMENTS FOR INVESTMENTS

In accordance with The Local Organisations (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments, the instruments approved for investment and commonly used by local organisations are:

- Gilts;
- Treasury Bills;
- Deposits and bonds with banks building societies or local organisations (and certain other bodies) for up to 5 years
- Certificates of deposits with banks or building societies for up to 364 days
- Euro-Sterling issues by certain Supra-national bodies listed on the London and Dublin Stock Exchanges.

4.3 APPROVED TECHNIQUES

- Forward dealing up to 364 days
- Callable deposits

4.4 APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE

Finance will only be raised in accordance with the Local Government Act, 2003, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are :

PWLB

EIB

Market (long-term)

Market (temporary)

Market (LOBOs)

Stock issues

Local temporary

Overdraft

Negotiable Bonds

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Borough Treasurer has delegated powers through this Policy and the Strategy to take the most appropriate form of borrowing from the approved sources.

4.5 LIMITS

INVESTMENTS

Gilts or Treasury Bills

Deposits

Certificates of deposits

Euro-Sterling.

Forward dealing

Callable deposits

LIMIT

75% of Investec Portfolio

No limits

No limits (Fund Managers only)

No limits (Fund Managers only)

50% of Portfolio

£1m

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

INDEX OF SCHEDULES

- 5.1 Limits to responsibilities/discretion at committee/executive levels**
- 5.2 Principles and practices concerning segregation of duties**
- 5.3 Treasury management organisation chart**
- 5.4 Statement of duties/responsibilities of each treasury post**
- 5.5 Absence cover arrangements**
- 5.6 List of approved brokers**
- 5.7 Policy on taping of conversations**
- 5.8 Direct dealing practices**

5.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT COMMITTEE/EXECUTIVE LEVELS

Council/The Executive/Scrutiny

- a) Receiving and reviewing reports on treasury management policies, practices and activities.

The Executive

- a) Approval of/amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices
- b) Budget consideration and approval
- c) Approval of the decision of responsibilities
- d) Receiving and reviewing external audit reports and acting on recommendations
- e) Approving the selection of external service providers and agreeing terms of appointment.

5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES

Treasury management work is carried out by “The Front Office”. Checks on activity daily are carried out by “The Back Office”

5.3 TREASURY MANAGEMENT ORGANISATION CHART

The Front Office

The Borough Treasurer

Head of Financial Strategy

Accountant (Corporate)

Group Accountant – Technical

The Back Office

Two Technical Accountants

5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST

5.4.1. Chief Financial Officer

1. The Borough Treasurer will:

- a) Recommend clauses, treasury management policy / practices for approval, reviewing the same regular, and monitoring compliance
- b) Submit regular treasury management policy reports
- c) Submit budgets and budget variations
- d) Receive and review management information reports
- e) Review the performance of the treasury management function and promote best value reviews
- f) Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- g) Ensure the adequacy of internal audit, and liaising with external audit
- h) Recommend the appointment of external service providers.

2. The Borough Treasurer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to take the most appropriate form of investments in approved instruments.

3. The Borough Treasurer may delegate his power to borrow and invest to members of his staff. The Borough Treasurer, the Head of Financial Strategy, the Chief Accountant or the Treasury Manager or Deputy must conduct all dealing transactions, or staff authorised by the Chief Financial Officer to act as temporary cover for leave/sickness. All transactions must be authorised by at least two of the named officers above.

4. The Borough Treasurer and the Monitoring Officer will ensure that the Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

5. Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Borough Treasurer to be satisfied, by reference to the Monitoring Officer, the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations

6. It is also the responsibility of the Borough Treasurer to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.4.2. Treasury Manager

The responsibilities of this post will be: -

- a) Execution of transactions
- b) Adherence to agreed policies and practices on a day-to-day basis
- c) Maintaining relationships with third parties and external service providers
- d) Supervising treasury management staff
- e) Monitoring performance on a day-to-day basis
- f) Submitting management information reports to the responsible officer
- g) Identifying and recommending opportunities for improved practices.

5.4.3. Head of the paid service

The responsibilities of this post will be: -

- a) Ensuring that the system is specified and implemented
- b) Ensuring that the Borough Treasurer reports regularly to the responsible committee/the Council on treasury policy, activity and performance.

5.4.4. Monitoring Officer

The responsibilities of this post will be: -

- a) Ensuring compliance by the Borough Treasurer with the treasury management policy statement and treasury management practices and that they comply with the law
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice
- c) Giving advice to the Borough Treasurer when advice is sought.

5.4.5. Internal Audit

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and procedures
- b) Reviewing division of duties and operational practice
- c) Assessing value for money from treasury activities
- d) Undertaking probity audit of treasury function.

5.5 ABSENCE COVER ARRANGEMENTS

Treasury Manager is covered by Deputy and Group Accountant (Technical). Back Office has three members any one of which carries out checks.

5.6 LIST OF APPROVED BROKERS

Tradition, Garban and Prebon.

5.7 POLICY ON TAPING OF CONVERSATIONS

All Treasury Management calls are tape recorded.

5.8 DIRECT DEALING PRACTICES

The Council does not deal directly with counterparties.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGMENTS

6.1 ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT

1. The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial year. This Strategy will be submitted to the Executive for approval before the commencement of each financial year.
2. The formulation of the annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter - term variable interest rates. For instance, the Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.
3. The Treasury Management Strategy is concerned with the following elements:
 - the prospects for interest rates;
 - the limits placed by this organisation on treasury activities
 - the expected borrowing strategy;
 - the expected investment strategy (including the appointment of fund managers);
 - the current treasury position;
 - the expectations for debt rescheduling;
 - any extraordinary treasury issue (such as the implications of a LSVT or housing company set up).
4. The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.2 POLICY ON INTEREST RATE EXPOSURE

1. As required by the Local Government Act 2003, the Council must approve before the beginning of each financial year the following treasury limits:

- | | |
|---|------------------|
| • the operational borrowing limit | £50,000,000 |
| • the authorized limit | £70,000,000 |
| • the amount of the overall borrowing limit which may be outstanding by way of short term borrowing | 50% of the above |

2. The Borough Treasurer is responsible for incorporating these limits into the Annual Treasury Management Strategy, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Borough Treasurer shall submit the changes for approval to the Executive before submission to the full Council for approval.

6.3 ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITY

An annual report will be presented to the Executive at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following: -

- a. a comprehensive picture for the financial year of all treasury policies, plans, activities and results
- b. transactions executed and their revenue (current) effects
- c. report on risk implications of decisions taken and transactions executed
- d. monitoring of compliance with approved policy, practices and statutory / regulatory requirements
- e. monitoring of compliance with powers delegated to officers
- f. degree of compliance with the original strategy and explanation of deviations
- g. explanation of future impact of decisions taken on the organisation
- h. measurements of performance
- i. report on compliance with CIPFA Code recommendations

6.4 MANAGEMENT INFORMATION REPORTS

Management information reports will be prepared every Quarter by the Treasury Manager and will be presented to the Executive, the Borough Treasurer and the Head of Financial Strategy.

These reports will contain the following information: -

Treasury Management strategy, transactions carried out (borrowing and investment), outstanding debt and investments, changes to the approved investment list and rescheduling of debt.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 STATUTORY/REGULATORY REQUIREMENTS

Submission of annual policy statement and treasury management strategy statement. Outturn report.

7.2 ACCOUNTING PRACTICES AND STANDARDS

The Council reports investment valuations at book or market price whichever is the lesser.

TMP 8 CASH AND CASH FLOW MANAGEMENT

8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS

Projected cashflows are presented weekly at Treasury Management meetings.

8.2 CONTENT AND FREQUENCY OF CASH FLOW BUDGETS

Annual projection at start of the year, daily updates of model.

8.3 LISTING OF SOURCES OF INFORMATION

All departments of the Council and the Co-operative Bank.

TMP 9 MONEY LAUNDERING

9.1 PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS

The Council does not accept loans from individuals. All loans are obtained from the PWLB or from authorised institutions under the Banking Act 1987: (the names of these institutions appeared on the Bank of England quarterly list of authorised institutions until 1.12.2001 when the Financial Services Authority (FSA) took over the responsibility for maintaining a register of authorised institutions. This register can be accessed through their website on www.fsa.gov.uk).

The Council also takes deposits from counterparties forwarded from our brokers and from local organisations known and supported by the Council.

TMP 10 STAFF TRAINING AND QUALIFICATIONS

It is intended that all treasury management staff be adequately trained for their activities. This is an ongoing arrangement.

10.6 STATEMENT OF PROFESSIONAL PRACTICE (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.
2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS

11.1.1 Banking services

- a) Name of supplier of service – The Co-operative Bank.
- b) Contract will commence April 2004 and runs for 3 years until March 2007.

11.1.2 Money-broking services

Money broking services are provided by Garban, Prebon Yamane and Tradition UK Limited.

11.1.3 Cash/fund management services

- a) Name of supplier of service – Investec and Newton
- b) Contracts are on a rolling basis and can be terminated with no notice.
- c) Cost of service - £45,000 for both managers
- d) Payments due quarterly in arrears

11.1.4 Consultants'/advisers' services

- c) Name of supplier of service – Sector Treasury Services
- d) Contract commenced March 2000 and runs for 3 years until March 2003 extended for 2 years until March 2005.
- e) Cost of service - £12,000
- f) Payments due 6 monthly in arrears

Council 3/02/05

Item No.

Portfolio: Financial Strategy

Directorate: Strategic Resources,

Author/Contact Officer: Tel. 01604 838718

Alison Betts, Technical Finance Manager
ext 8718

Title of Report:

Prudential and Treasury Indicators

Recommendation(s)

1. Members are asked to approve the Treasury and Prudential Indicators set out in the attached report.

Summary

Executive on 31/01/05 agreed the Capital Programme for 2005/2006 to 2007/2008 and considered the Prudential and Treasury Indicators for this period. The Local Government Act 2003 requires these indicators to be set by full Council. This report therefore brings forward the recommendation from Executive.

1. Introduction

- 1.1 The 2003 Prudential Code for Capital Finance in local authorities introduced requirements for the manner in which capital spending plans are to be considered and approved.
- 1.2 It is a statutory duty under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”.
- 1.3 The Council must have regard to the Prudential Code when setting their Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax/rent levels in “acceptable”.
- 1.4 Whilst termed “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate those planned to be financed by both external borrowing and other forms of liability, such as credit arrangements. The affordable borrowing limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years. It is not envisaged that the Council will borrow beyond the level of Government Supported Borrowing for capital purposes in 2005/6.

2. Current Portfolio Position

- 2.1 The Council's treasury portfolio position as at 09/12/04 comprised:

Long-term borrowing - Market Loans £24,600,000

All the above loans are at fixed rates with maturity dates of up to 25 years. Interest rates vary from 5.68% to 7.03%.

Temporary borrowing of £1,576,000 at variable interest rates, currently averaging 4.11%.

Loan from English Partnerships £1,302,345 for 29 years at 9.25%.

Other long-term liabilities of £1,000,000

Total debt therefore equal £28,478,345

The Capital Financing Requirement for 2005/6 is estimated at £9,379,000

The Council also has investments at variable rates of £44,280,450 of which two external fund managers manage £11,125,145 and £2,155,308 is in two business reserve bank accounts with instant access with an average interest rate of 4.5%.

3. Prudential Indicators 2005/6

3.1 In accordance with the Local Government Act 2003 and Prudential Code for Capital Finance in Local Authorities 2003, the Treasury Limits and Prudential Indicators are recommended to the Council as part of its treasury policy:-

Indicator 1 **Estimate of Capital Expenditure**

	2004/2005 £,000	2005/2006 £,000	2006/2007 £,000	2007/2008 £,000
HRA	10,225	7,198	7,176	7,580
Non HRA	14,710	9,401	4,979	3,598
Total	24,935	16,599	12,155	11,178

This indicator simply shows the proposed capital expenditure over the current and the next three years and are detailed in the Corporate Financial Strategy Capital Programmes.

Indicator 2 **Estimate of Capital Financing Requirement**

	2005/2006 £,000	2006/2007 £,000	2007/2008 £,000
HRA	10,712	10,712	10,712
Non HRA	24,537	24,859	25,833
Total	13,825	14,147	15,121

This indicator reflects the authority's underlying need to borrow for a capital purpose.

Indicator 3 **Estimate of Ratio of Financing to Net Revenue Stream**

Table A	2004/2005 %	2005/2006 %	2006/2007 %	2007/2008 %
HRA	-1.4	-1.3	-1.3	-0.8
Non HRA	3.0	2.7	2.6	1.8

Table B	2004/2005 %	2005/2006 %	2006/2007 %	2007/2008 %
HRA & Non HRA	0.73	0.73	0.73	0.73

These indicators express the net costs of financing as a percentage of the funding receivable from the Government and Council Tax payers. The net cost of financing includes interest and debt repayments on borrowing, premia on debt redemption netted off by interest receivable on investments and interest. Table A conforms to the Prudential Code by splitting HRA and Non HRA elements, whereas table B shows the overall position. Table B shows the overall trend relevant for the local authority as a whole.

Indicator 4a**Estimate of the Incremental Impact of Capital Investment Decisions on the Council Tax**

£00.00

Indicator 4b**Estimates of the Incremental Impact of Capital Investment Decisions on Average Weekly Housing Rents**

£00.00

These indicators express the incremental impact of capital investment decisions proposed in the budget report. These indicators do not take account of the revenue effect, such as running costs of the capital programme. As the authority is proposing not to undertake any non-supported borrowing the effect on the Council Tax and Housing rents is nil.

Indicator 5**Net Borrowing to Capital Financing Requirement**

The Prudential Code states:-

“In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.”

The Chief Finance Officer reports that the authority has no difficulty in meeting this rule.

Indicator 6**Authorised Limit**

	2005/2006 £,000	2006/2007 £,000	2007/2008 £,000
Authorised Limit	£46,000	£46,000	£47,500

This is a “worst case” limit based on assumptions about potential increases in temporary borrowing, underachievement of capital receipts in year and overspend on the capital programme.

Indicator 7**Operational Boundary**

	2005/2006 £,000	2006/2007 £,000	2007/2008 £,000
Operational Boundary	£38,500	£40,000	£41,500

This is the likely maximum indebtedness of the council, including a small contingency sum.

Indicator 8a
Upper Limit for Fixed Rate Exposure

	2005/2006 %	2006/2007 %	2007/2008 %
Upper Limit for Fixed Rate Exposure	100	100	100

Nearly all or debt at present is fixed rate and therefore 100% is the required percentage.

Indicator 8b
Upper Limit for Fixed Rate Exposure

	2005/2006 %	2006/2007 %	2007/2008 %
Upper Limit for Variable Rate Exposure	50	50	50

As a hedge against our variable investment rate it could be useful to change to variable rate borrowing.

Indicator 9
Principal Sums Invested for Periods of Longer than 364 days

	2005/2006 %	2006/2007 %	2007/2008 %
Principal Sums Invested for Periods of Longer Than 364 Days	33	33	33

33% of investments may be over 364 days. This will be used to limit interest rate risk.

Indicator 10
Upper and Lower Limits on the maturity Structure of Borrowing

Limits on the Maturity Structure of Borrowing	Upper Limit %	Lower Limit %
Maturity period	100	0
Under 12 months	100	0
12 Months and within 24 months	100	0
2 Years and within 5 years	100	0
5 Years and within 10 years	100	0
10 Years and above	100	0

This will allow us the maximum flexibility for rescheduling and repayment of debt under the new financial regulations.

Indicator 11**Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services**

The Council has customarily considered an annual Treasury Management Strategy Statement under the requirement of the CIPFA code of practice on Treasury Management, which has been adopted by this Council.

4. Resource Implications

- 4.1 The resource implications of the capital programme and corresponding borrowing limits have been taken into account in the Service Delivery Budget and Capital Programme.

5. Social Impact

- 5.1 The social impact of capital programme schemes is identified as part of the CCS process and outcomes for schemes were outlined in the Capital Programme report to Executive.

6. Community Strategy

- 6.1 The alignment of capital programme schemes with the community strategy is identified as part of the CCS process. Schemes have been aligned with the proposed corporate objectives in the Capital Programme report to Executive.

7. Recommendations

- 7.1 Members are asked to approve the Treasury and Prudential Indicators set out in the attached report.