



NORTHAMPTON
BOROUGH COUNCIL

CABINET AGENDA

Tuesday, 4 January 2011

The Jeffery Room, The Guildhall, St Giles Square,
Northampton NN1 1DE

6:00 pm

Members of the Cabinet:

Councillor: Brian Hoare (Leader of the Council)
Councillor: Paul Varnsvery (Deputy Leader)
Councillors: Sally Beardsworth, Richard Church,
Trini Crake, Brian Markham, David Perkins

Chief Executive David Kennedy

If you have any enquiries about this agenda please contact Frazer McGown
fmcgown@northampton.gov.uk or 01604 837089

PORTFOLIOS OF CABINET MEMBERS

CABINET MEMBER	PORTFOLIO TITLE
Councillor B. Hoare	Leader Partnership and Improvement
Councillor P.D. Varnsvery	Deputy Leader Community Engagement
Councillor S. Beardsworth	Housing
Councillor R. Church	Planning and Regeneration
Councillor T. Crake	Environment
Councillor B Markham	Performance and Support
Councillor D. Perkins	Finance

SPEAKING AT CABINET MEETINGS

Persons (other than Members) wishing to address Cabinet must register their intention to do so by 12 noon on the day of the meeting and may speak on any item on that meeting's agenda.

Registration can be by:

Telephone: (01604) 837101, 837089, 837355, 837356
(Fax 01604 838729)

In writing: The Borough Solicitor,
The Guildhall, St Giles Square, Northampton NN1 1DE
For the attention of the Democratic Services Officer

By e-mail to democraticservices@northampton.gov.uk

Only thirty minutes in total will be allowed for addresses, so that if speakers each take three minutes no more than ten speakers will be heard. Each speaker will be allowed to speak for a maximum of three minutes at each meeting. Speakers will normally be heard in the order in which they registered to speak. However, the Chair of Cabinet may decide to depart from that order in the interest of hearing a greater diversity of views on an item, or hearing views on a greater number of items. The Chair of Cabinet may also decide to allow a greater number of addresses and a greater time slot subject still to the maximum three minutes per address for such addresses for items of special public interest.

Members who wish to address Cabinet shall notify the Chair prior to the commencement of the meeting and may speak on any item on that meeting's agenda. Such addresses will be for a maximum of three minutes unless the Chair exercises discretion to allow longer. The time these addresses take will not count towards the thirty minute period referred to above so as to prejudice any other persons who have registered their wish to speak.

KEY DECISIONS

 denotes the issue is a 'Key' decision:

- Any decision in relation to the Executive function* which results in the Council incurring expenditure which is, or the making of saving which are significant having regard to the Council's budget for the service or function to which the decision relates. For these purpose the minimum financial threshold will be £50,000;
- Where decisions are not likely to involve significant expenditure or savings but nevertheless are likely to be significant in terms of their effects on communities in two or more wards or electoral divisions; and
- For the purpose of interpretation a decision, which is ancillary or incidental to a Key decision, which had been previously taken by or on behalf of the Council shall not of itself be further deemed to be significant for the purpose of the definition.

NORTHAMPTON BOROUGH COUNCIL

CABINET

Your attendance is requested at a meeting to be held in The Jeffery Room,
The Guildhall, St Giles Square, Northampton NN1 1DE on Tuesday, 4
January 2011 at 6:00 pm.

D Kennedy
Chief Executive

AGENDA

1. APOLOGIES
2. MINUTES
3. DEPUTATIONS/PUBLIC ADDRESSES
4. DECLARATIONS OF INTEREST
5. MEDIUM TERM FINANCIAL STRATEGY 2011-14
🔑 Report of Director of Finance and Support
6. COUNCIL WIDE DRAFT BUDGET 2011/12 - 2013/14
🔑 Report of Director of Finance and Support
7. COUNCIL TAX BASE SETTING 2011/12
🔑 Report of Director of Finance and Support
8. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

“THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE
REMAINDER OF THE MEETING ON THE GROUNDS THAT
THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH
CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY
SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS
LISTED AGAINST SUCH ITEMS OF BUSINESS BY
REFERENCE TO THE APPROPRIATE PARAGRAPH OF
SCHEDULE 12A TO SUCH ACT.”

Agenda Item 5

Appendices
2



Item No.
5

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	MEDIUM TERM FINANCIAL STRATEGY 2011-14
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	4 January 2011
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	YES
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr D Perkins
Ward(s)	N/A

1. Purpose

- 1.1 This report presents the Northampton Borough Council Medium Term Financial Strategy 2011-14 for approval. It sets out the key internal and external environmental factors, such as Government policy and new initiatives, economic climate, statutory changes, etc, that are likely to put pressure on the Council's finances and that need to be considered by the Council in its short and medium term financial and service planning.

2. Recommendations

- 2.1 Cabinet to approve the Medium Term Financial Strategy 2011-14 as set out in appendix A.
- 2.2 Cabinet agree that the Medium Term Financial Strategy is used as a guide to financial planning for the 2011/12 and medium term budgets.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council faces significant challenges in reaching its ambition. The tight financial settlements over the medium term following the Government Spending Review 2010 is exacerbated by the impact of wider economic influences that are affecting key income streams and cost inflation. In aiming to be one of the best local authorities, the demands on the Council to invest in improved service delivery are ever greater.
- 3.1.2 The Council has already made significant progress on its improvement journey. The Council is increasingly being assessed as in a better position than historically has been the case and it is expected that the Council will continue on its improvement journey.
- 3.1.3 The Council has made clear that its ambition is to provide the people of Northampton with the best. It is therefore the Council's stated ambition to be amongst the best Councils in terms of public service by 2013.
- 3.1.4 Whilst the Government abolished the CAA regime in the summer of 2010 certain aspects of the regime remain in terms of finance, for example Value for Money (VfM) remains a key part of the audit judgement.
- 3.1.5 The Council is working to deliver high levels of community engagement, ambitious shared vision, productive relations with key partners, self-awareness and effective performance management, innovation and well-managed risk-taking, and aims for sustainable improvements in outcomes for the public and in citizen satisfaction.
- 3.1.6 Continuing such a major leap forward over the next few years requires strong leadership and management backed by committed people. Strengthened management arrangements have been in place since early 2009. It was also recognised in the Direction of Travel assessment 2008 that members are providing strong leadership and guidance to officers.
- 3.1.7 The Council's performance is interdependent with the performance and commitment of many others. Strong motivation and supportive development of the people who deliver Council services and improve Northampton is essential. This applies not only to those people employed by the Council but also members, contractors, partners, local business, the police, community groups, developers and others.
- 3.1.1 Key activities will need to continue to develop including performance management, project and programme management, partnership activity, and community engagement and reputation management.

3.2 Issues

- 3.1.8 The 3-year financial forecast statement (page 16 of the MTFS) shows that the budget can be balanced for each year of the medium term. The pressures of the difficult economic environment and challenging financial settlement have been addressed using the following strategy:

- a. An effective Medium Term Financial Strategy in place to drive forward the financial planning process and resource allocation. This is determined by policies and priorities contained within the Corporate Plan and other key internal Strategies, feeding through to and up from Service plans.
- b. The Council recognises the pressures on its budget, and while seeking to protect and enhance front-line services as far as possible, will aim to contain these pressures within existing resources. Cabinet Members will examine all budget pressures and seek reductions where possible.
- c. We will seek new funding and new ways of working. Cabinet Members will continue to look at new methods of service delivery over the three-year budget period to improve services to the public and the value for money that they provide.
- d. That Council recognises the need to improve efficiency and deliver value for money. Cabinet Members will seek to identify efficiencies that will not impact on service delivery, and to identify options that will improve the value for money services through improving performance, and/or reducing service costs.
- e. The Council is launching a budget change and performance programme which will contribute significantly to setting a balanced budget each year during these challenging times
- f. The Council will carry out an annual risk assessment of reserves and will use reserves to manage the budget and limit service reductions and Council tax increases where there are excess balances above the risk assessed level.
- g. That the Council has determined, that given the financial pressures faced by the Authority, growth can only be supported in priority areas, or where the Council is required to fund new items e.g. by new legislation.
- h. That the Council will continue to undertake strategic business reviews to deliver ever better service outcomes for the public and efficiency and effectiveness in the organisation.
- i. That the Council will include strategic property acquisitions in its investment strategy in order to create a balanced investment portfolio of treasury and property assets.

3.1.9 The 2011-14 Medium Term Financial Strategy (MTFS), as attached at Appendix A, sets out initial guidance for officers and members for the setting of the 2011/12 to 2013/14 budgets.

3.1.10 The budget process for 2011/12 to 2013/14 is now at a stage to proceed to consultation on the draft budget. The budget proposals have all been reviewed and challenged by Management Board and Cabinet.

3.1.11 Whilst financial management has greatly improved, significant financial risks still remain. These are a mix of clear cost pressures, which are quantified in year as part of the normal budget monitoring process and other factors, which are much more challenging to quantify. The latter includes economic factors such as demand and interest rates that are outside the authority's control or influence.

3.1.12 A balance must be struck between areas where budget pressures need to be recognised within the medium term plan where they are quantifiable, and areas of risk where it is deemed that the level of balances held, derived through a robust risk assessment process will cover any potential realisation of the financial impact of that risk.

General Fund

3.1.13 The MTFS highlights the significant budget pressures facing the forthcoming budget round, taking the 2010/11 budget from last years budget cycle and taking into account known key changes. In February 2010 when the 2010/11 General Fund budget was set, it was identified that savings of £5.232m were needed for the 2011/12 budget cycle.

3.1.14 Significant pressures have been identified that need to be managed within this budget process. The pressures fall broadly into three areas:

- Government Funding: At a time where inflation is above the Government target, the formula grant from Government to local authorities is set to decrease by approximately 28% nationally (Spending Review 2010), 'front loaded' to 2011/12. The effect of this for NBC is a reduction in Government grant of 14.5% on comparable figures for 2011/12.
- Pressures directly relating to the current economic environment and credit crunch.
- Pressures relating to service areas and changes to legislation and regulations, which the Council must recognise.

3.1.15 These pressures, along with the known budget gap identified in the budget report to Council in February 2010 of £5.232m have to be offset by efficiencies and other savings to enable the Council to balance the 2011/12 budget.

3.1.16 This means that the Council, in line with the public and business, must make economies. Over this difficult period of time we must make services more efficient, deliver better value for money, reign in expenditure and reduce service levels, where necessary, to ensure that the authority remains financially viable and is able to improve its service offering when the economic climate improves. Examples of these pressures can be found on pages 13-15 of the MTFS.

3.1.17 These will also need to be managed carefully in this financial year to ensure that there is minimal impact on reserves.

Housing Revenue Account

3.1.18 Pages 19-20 of the Medium Term Financial Strategy address the HRA. The financial pressure on the HRA is increasing over time. This arises from a number of factors, the main ones being: -

- Rents pressure through the government's rent restructuring process;
- The sale of Council houses through Right to Buy whereby, broadly speaking, the better quality housing stock will be sold; and
- Repairs costs through the pressure to meet and maintain the decent homes standard.

- 3.1.19 An overview of the findings of the HRA financial model was used to forecast the impact of major initiatives on the long-term viability of the HRA. The indications provided by this model are considered alongside the Housing Asset Management Strategy, which went to Cabinet 28 July 2010.
- 3.1.20 The main pressure on the Council Housing service is in the capital area where there is a shortfall in the capital resources required to reach and then to maintain the decent homes standard. Without additional action being taken, the provision of additional capital resources through revenue financing or borrowing will have an impact on the revenue position.
- 3.1.21 In order to maintain the HRA position, the revenue impacts of the additional capital financing must be matched by efficiencies or savings from within the HRA.
- 3.1.22 The proposed PFI has been withdrawn by the Government following the Spending Review, and the impacts of this are currently being assessed.
- 3.1.23 Alternative options, around the delivery of the decent homes programme to the whole of the stock, will be reflected in the new 30-year financial model as and when appropriate.

Capital

- 3.1.24 Capital expenditure represents major investment in new and improved assets such as land, buildings, infrastructure, equipment and information technology. It therefore plays a key part in the management of health and safety and the development of the Council's services.
- 3.1.25 The Capital Strategy 2010-13 was approved by Council on 25 February 2010 as part of the budget setting process. The three-year capital strategy is updated on an annual rolling basis and forms an integral part of the Medium Term Financial Strategy and is addressed at page 21.
- 3.1.26 The Council Decisions on capital investment are made against the background of constrained resources, and the Council is heavily dependent upon capital receipts and grants from central government to support its capital programme. Other available funding sources include prudential borrowing, capital receipts, third party contributions, and revenue contributions. These are all actively pursued to support capital investment with the exception of prudential borrowing. The use of prudential borrowing is minimised and focussed on long life assets due to the revenue cost of this funding stream.
- 3.1.27 The Council may undertake prudential borrowing provided that it is affordable, as there is little government support to fund the interest and principal payments on the borrowing. Due to pressures on the revenue budget it is advisable to assume that prudential borrowing will only be undertaken where savings on a 'spend to save' scheme will cover the borrowing costs. However, in practice there may be priority schemes that members consider have to go ahead or items that have to be funded this way for affordability reasons (e.g. some capitalisation directives).

Strategic Business Reviews and Budget Change and Performance Plan

- 3.1.28 In recent years the Council has developed a greater ability to respond in a more innovative and flexible manner.

- 3.1.29 The Council's corporate plan and service plan process is now enabling better decision-making about priorities and is developing further this year. This is underpinned by the corporate priorities and management aims set out in the Corporate Plan (see page 4 of the MTFs).
- 3.1.30 The Council now takes a planned step-by-step approach to development of the Council and its services rather than the previous practice of trying to make major leaps forward without the foundations to build upon.
- 3.1.31 The Council is launching a Budget Change and Performance Programme to complement its existing Strategic Business Review process and help to manage the budget going forward while keeping performance in focus.
- 3.1.32 It should be absolutely clear that neither the Strategic Business Reviews nor the Budget Change and Performance Programme preclude the need for all services to continually look for ways in which each service can become more efficient through both operational value for money and by beginning to change the way the service is delivered. There are several other major change processes that can alter approaches to service delivery, for example IT changes.

3.3 Choices (Options)

- 3.3.1 Cabinet is invited to agree the Medium Term Financial Strategy 2011-14.
- 3.3.2 Cabinet may amend the Medium Term Financial Strategy 2011-14.
- 3.3.3 Cabinet is asked to agree that the Medium Term Financial Strategy is used as a guide to financial planning for the 2011/12 and medium term budgets.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The annex to this report sets out the Council's Medium Term Financial Strategy 2011-14 for approval.

4.2 Resources and Risk

- 4.2.1 Pressures are highlighted above are currently being quantified. Savings and efficiencies need to be identified, not just for 2011/12 but also for the medium term to enable robust, balanced medium term budget to be set.

4.3 Legal

- 4.3.1 The Council must set a balanced budget each financial year. The medium term financial strategy gives direction and guidance which helps underpin the budget process.
- 4.3.2 There are no specific legal implications arising from this report

4.4 Equality

- 4.4.1 Equality Impact Assessments will be undertaken as part of the budgeting process. The capital appraisal forms and revenue budget options detail equalities as one of the criteria to review.
- 4.4.2 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

- 4.5.1 Colleagues in Performance and Improvement, Democratic and Chief Executive Services, Planning, Regeneration, Finance, LSP, and Procurement have been consulted.
- 4.5.2 The Head of Finance and Director of Finance and Support have been consulted.
- 4.5.3 Management Board will be consulted as part of the call over process.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 Having a good Medium Term Financial Strategy is a key ingredient in effective financial governance, which contributes to the priority of being a well-managed organisation that puts the customer at the heart of what we do.

4.7 Other Implications

- 4.7.1 Not applicable

5. Background Papers

- 5.1 2010/11 Capital and Revenue Budget and Strategy Reports covering General Fund and HRA – Council 25 February 2010
- 5.2 Medium Term Financial Strategy 2010-13 – Cabinet 25 November 2009
- 5.3 Asset Management Strategy – Cabinet 28 July 2010
- 5.4 Service transformation: A better service for citizens and businesses, a better deal for the taxpayer – Sir David Varney, December 2006 (Source HM Treasury – Pre Budget Report 2006)
- 5.5 External Documents
- HM Treasury - 2010 Budget Report – June 2010.
 - HM Treasury - 2010 Spending Review
 - CLG – Provisional Local Government Finance settlement 2011/12-2012/13
 - Local Growth White Paper

Isabell Procter, Corporate Director of Finance and Support, ext 8757



NORTHAMPTON BOROUGH COUNCIL

Medium Term Financial Strategy

2011/12 to 2013/14

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OVERVIEW

Purpose of the document

The purpose of the Council's Medium Term Financial Strategy (MTFS) is to support the Council's corporate planning process and to provide strategic financial direction, which will shape the Council's annual budget development and medium term financial plans.

It will help to identify external factors that are likely to put pressure on the council's finances in order that these can be properly taken into account in financial and service planning. Areas that can cause pressures of this sort include Government policy and new initiatives, economic climate, statutory changes, etc. Further information on such pressures can be found on page 13.

The MTFS provides a stable and sustainable financial framework against which the Council will plan and manage its priorities and resources to enable the effective delivery of its key plans and strategies aimed at delivering excellent and value for money services to its customers.

This document sets out the current and projected financial forecasts over a three-year planning period to March 2014 and is aimed at supporting the Council's 2011/12 to 2013/14 budget.

The Council approved its annual budget for 2010/11 in the February 2010. Council will approve the 2011/12 budget at its meeting in February 2011.

The strategy will be updated and rolled forward each year in preparation for the budget process.

Links to Key Corporate Plans and Strategies

"We believe Northampton will be a successful and confident town where people feel they belong, feel they have a future, feel they have financial stability and, where appropriate, business opportunities. It will also be a place that has vibrant cultures and lifestyle opportunities and where everyone who chooses to live here, work here or visit the town feels at home."

The Council's Corporate Plan details the Council's integrated planning process and links the Sustainable Community Strategy, the Council's ambition, aims and corporate priority areas through to service planning and individual staff performance. It ensures that we provide efficient and effective services that deliver value for money as well as securing continuous improvement in service delivery.

Developing the Council's ambition and priorities involved consultation with many key stakeholders and analysis of current information available about residents' views. The priorities are revisited annually with Councillors to ensure that they continue to be the right focus. They are then consulted upon as part of the annual corporate planning and budget consultation process.

The Council aims for the Corporate Plan and service and financial strategies to be strategically linked to ensure that the entire planning process is integrated with a view to delivering value for money for all services delivered in accordance with the corporate ambition, aims and priorities.

REGIONAL SPATIAL STRATEGY

The Sustainable Communities Strategy for Northamptonshire

The Sustainable Communities Strategy for Northampton

Northampton Borough Council Corporate Plan

Our ambition is "To be recognised as one of the best Councils, in terms of public service, within 5 years"

NBC strategic plans:

- Customer Excellence Strategy
- Community Engagement Strategy
- People Strategy
- ICT Strategy
- Risk Strategy
- VFM Strategy
- Joint Core Strategy
- Central Area Action Plan
- Procurement Strategy
- All other overarching strategic plans

Medium Term Financial Strategy and Value For Money framework – The budget

Service Plan Priorities

Team and individual work plans

Local Context

A number of local factors have an impact of service delivery and associated costs, as well as levels of demand. Some examples of these and their effects are outlined below.

1. Growth Agenda

Northampton has a diverse and increasing population that includes a substantial, and rising, migrant population. Northampton lies within the Milton Keynes South Midlands growth area as determined by the previous government's Sustainable Communities Plan. The Council has worked with others within this area to form a new South East Midlands Local Enterprise Partnership to assist with investment priorities and supporting economic growth. The new Government has indicated that it will be for local authorities to determine housing numbers appropriate to their local circumstances. These targets will replace those set out in Regional Spatial Strategies, which Localism Bill proposes to abolish. The West Northamptonshire Joint Core Strategy which will be issued for publication in February 2011. It will set out housing and employment targets which are likely to focus on meeting locally generated needs, rather than seeking to plan for substantially increased levels of in-migration.

Office of National Statistics mid year population estimates for 2009 indicate that Northampton's population has reached 210,500. Northampton's youngest population between 0-14 make up 19.2% of the population (increasing) with people of working age 15 to 64 male/59 female 64.4% (decreasing) and older people 65 male/60 female 16.4% (increasing). In 2009 the number of people aged 65 or over was 13.6%.

Impacts on Council services from the increasing development and population growth include:

- new work in areas such as local tax collection, legal and planning work around development work generally including easements, wayleaves and planning enforcement.
- increased pressure on various services including:
 - Additional workload for example increased Electoral Registrations, or the benefits service in terms of caseload, which has already significantly increased,
 - Waste collection - financial constraints mean this mandatory service has to be delivered without further expansion of resources
 - enforcement activity of client departments such as Environmental Health, and Streetscene, leading to increases in legal work
- Increased number of contacts for individuals accessing the Council who do not speak English as their first language.
- major challenges and opportunities for regeneration and a strategic overview of the towns regeneration and associated growth in its economy. Securing funding remains critical and challenging in the current climate.
- Increasing demand for leisure facilities and services along with the urban development.
- Employment prospects within Northampton are high but average wages remain low and work is often of a temporary unskilled nature. This availability of work is resulting in a large migrant population as well as high local demand for affordable housing.

2. Deprivation

24 Super Output Areas in Northampton fall within the 20% most deprived areas nationally. 1 falls within the 5% most deprived. Deprivation in Northampton is particularly a function of income, education, health and crime. Northampton is ranked in the most income deprived and employment deprived quartile of local authorities.

In the 2007 IMD, Northampton is ranked slightly below average in relation to other local authority areas in England. In the ranking from 1 (most deprived) to 354 (least deprived) Northampton has an overall rank of 140, and so it is among the 40% most deprived authorities.

3. Urban/Size

Northampton is the county town and works alongside 5 rural district authorities that are small in comparison and do not offer comparable services. Specialist services (for ex-offenders, drug and alcohol-related homelessness, hostel accommodation etc) are centred within Northampton, and clients from the other 5 districts tend to gravitate towards these services.

The density of the housing planning area and the nature of the built environment places greater demands on the housing service than more rural areas. Affordable/social rented housing is in short supply and there is high demand from all competing sectors of the housing market.

NBC has a large amount of high density housing areas which require an increased sweeping frequency; and the use of alternate weekly refuse collections has impacted on cleansing workloads particularly regarding issues with side waste.

NATIONAL AND EXTERNAL INFLUENCES

1. General

Both national and local factors will affect the final outcomes of the MTFs, for instance:

- The general economy and inflation rates
- Increases in demand due to changing demographics
- Government changes in legislation
- Local elections 2011
- Changes in interest rates
- Financial implications arising from new technology
- Community expectations for better services
- Impact of market forces on costs and resource availability particularly with regard to major contracts and local market rates

2. Comprehensive Spending Review and Emergency Budget June 2010

The conclusions of SR 2010 are challenging for local authorities. The key features for Local Government included:

- Significant front loaded cuts in local government funding from CLG
- Housing Finance Reform confirmed
- Increase in PWLB rates and decrease in central funding for capital
- Launch of Local Government Resource Review including fundamental revision of local government funding
- Significant welfare reform including localisation of council tax benefit
- No recycling of revenues under the carbon reduction scheme

A number of Government grants have been discontinued such as HPDG and LABGI and others have had their ring fencing removed or rolled into formula grant with the distributional distortions that this entails. A key concern has been the removal of the ring fence on the Supporting People Grant which channels through NCC to the Borough. New grants are proposed in the Spending Review 2010 such as the New Homes Bonus, but it is unclear exactly how those will work as yet.

3 Council Tax

The Coalition Government has offered a specific grant to local authorities that implement a council tax freeze for 2011/12. The grant will be approximately equivalent to a 2.5% increase on council tax. This has been incorporated in the 2011/12 budget build.

Council tax increases for future years will be considered each year with various options being modelled for planning purposes, including a 0% increase. In order to achieve a balanced budget efficiency savings will always be the preferred option, but for any remaining funding gap a balance must be found between increases in council tax, higher fees and charges and reductions in services.

4 Formula Grant Distribution

Historically the formula grant has accounted for approximately 60% of the Council's main funding streams. The draft formula grant settlement for 2011/12 and 2012/13 was announced on 13 December 2010, with the final figure for 2011/12 being due to be confirmed at the end of January/early February 2011. The draft settlement is extremely tough as it reflects the Government's austerity measures and the spending review cut backs.

Due to the local government funding review the draft settlement only contained figures for 2011/12 and 2012/13. Figures for 2013/14 and 2014/15 have therefore been estimated assuming the CSR national overall cut of 28% by 2014/15 applies.

Formula Grant Projections for the Medium Term.

	2010/11 Actual £m	2011/12 Provisional £m	2012/13 Provisional £m	2013/14 Estimate £m	2013/14 Estimate £m
Formula Grant	18.936	14.149	12.978	12.606	12.244
Concessionary Fares Adjustment		-2.302	0	0	0
Cash Change on Previous		-2.485*	-1.171	-0.372	-0.362

**Note that the cash change on the previous year from 2010/11 includes an adjustment of £2.3m relating to the move of concessionary fares to upper tier authorities.*

The authority continues to work closely with Northamptonshire County Council and other districts in the local area to lobby Government for improvements to the funding for authorities in the local area.

5. Economic Environment and Credit Crunch

The general economic environment, and the credit crunch in particular, is already having a significant impact on a number of areas within the NBC budgets. These mainly relate to property and development related budgets, utilities and income. These areas are now a major influence on the medium term financial strategy and include:

- Car Parking
- Investment Income (impacted on by low interest rates in the investment market)
- Levels of income achievable for sale of council assets
- Effects on council tax base and collection
- Utilities and Fuel
- Building Control income (also impacted by greater private sector competition).
- Debt Financing Costs
- Timing and negotiation of s.106
- Effects on sundry debt collection
- Planning income

There are also more generalised pressures arising from the effects of higher levels of inflation on the type of goods and services that the authority must pay for.

In addition there may be a medium term impact if the credit crunch leads to people losing their homes, thereby leading to a risk of increasing pressure on the homelessness service and on housing waiting lists.

Budget Priorities - Prioritising our activity to meet local people's needs

The Council has embedded a rigorous budget prioritisation process based on comprehensive engagement with our communities and residents to ensure that the Council responds to the needs of local people. The authority has good intelligence on the needs of the borough as a whole and of different communities within it and this information supported development of the Corporate Plan.

The Council works with key stake holders and partners to deliver value for money and efficiency gains. We undertake comprehensive consultation with our customers with feedback obtained through regular consultation with our Citizens Panel and other service specific consultations. The budget and corporate planning consultation process includes consultation with a large group of stakeholders, customers and partners, using a variety of methods to encourage participation and feedback. The Council carries out targeted focus groups to enable local people to influence choices and have direct input into improving services.

The Council is committed to continually improving the way we engage with our communities and has a Community Engagement Strategy that sets out how it will work with its citizens to ensure that the Council is listening, involving and communicating with them effectively. This forms part our wider agenda of expanding methods of customer contact and encouraging communities to have a voice in how services are shaped and delivered. We are committed to ensuring that services meet the needs of our customer by continuing to innovate and improve by giving individuals and communities a stronger voice in the transformation of services through various means including community forums, consultations, and surveys.

The Council is exploring the options for participatory budgeting as outlined in the Communities in Control, Real People, Real Power white paper (and the Community Empowerment, Housing and Economic Regeneration Bill). This sets out the CLG aim of having a form of participatory budgeting in every local authority by 2012 under the duty to involve (Local Government Act 2007). The way forward for this under the new coalition Government has yet to be clarified.

From the research undertaken local people's views were distilled into five main priorities, set out in the Corporate Plan alongside the Management Aims which were adopted to enable these priorities.

Service Planning

Our Service Planning process is driving performance improvements across the Council. The plans clearly set out what is to be achieved within the Corporate Plan, how this will be done and how it will be measured. Service Plans are a key component of our performance management framework. Individual performance plans and personal development plans are linked to Service Plans to help employees see how their own efforts contribute to delivering the corporate priorities.

Service Planning content is reviewed annually and improved where necessary. Service Plans incorporate consideration of Value for Money (VFM) and VFM profiles are used to help identify where performance needs to be improved and efficiency savings could be made. The financial implications of the service plans are reflected in the annual revenue budget and capital programme. These budgets will identify where specific elements link in with the Corporate Plan priorities. In order to deliver services within the overall financial envelope the Council will exercise strong control over performance, efficiency and value for money.

Monitoring performance and Service Delivery

The Council's Performance Management Framework (PMF) ensures that comprehensive processes provide timely performance information, which informs both our strategic and operational decision making processes and business objectives. The PMF system incorporates monthly reporting across all service areas using a consistent format. This approach ensures improvement actions and reporting extend through to team and individual staff performance management.

The PMF sets out the flow of management information across the Council. Monthly performance reports detail progress against targets. Indicators collected monthly, quarterly or annually are reported on their own timelines. Updates against improvement plans, service plan actions, financial performance, risks and service specific issues are highlighted and communicated to senior managers on an exception basis using a traffic light system to ensure progress is on track.

Performance, including financial monitoring, is monitored closely at both Cabinet and senior management level on a regular basis. The Leader works with the Portfolio Holder for Performance and Cabinet and the relevant Overview and Scrutiny Committee regularly reviewing performance.

Performance information is communicated widely and reports are also placed on the Council's website to enable public access. All Councillors are provided with the monthly performance reports, which are also presented to each meeting of Cabinet by the Portfolio Holder for Performance, with officer support. These reports focus on performance against priority indicators and set out an analysis of quartile performance so that it can be compared to the best performing Councils.

We will continue to monitor the quality of our services by seeking the views and experiences of residents, service users and council staff in the following ways:

- Residents surveys which seek opinions on Council services
- User forums
- Analysis of complaints and comments received
- Consultation and focus groups on particular issues
- Staff surveys

Data Quality

We are committed to maintaining and improving the quality of the financial and non-financial data underpinning our medium term financial planning. We have integrated our financial and non-financial planning, so that we are using the same data for service and financial planning.

Standardising our budget processes and challenging the budgets at various stages allows us to scrutinise particular areas verify the accuracy of the underpinning data. For the 2011/12 budget process Heads of Service will have their respective service area budgets challenged by the Director of Finance and Support, Management Board, Portfolio Holders and other Members including the Overview and Scrutiny Committee.

Equality

Equality and diversity themes are embedded into policy development and service planning, as well as the annual MTP options and capital appraisals. We actively promote equality of opportunity and are committed to eliminating unlawful discrimination for all our stake holders. The Council values diversity and service plans include equality actions to ensure services address the needs of all of the borough's communities. Mainstreaming equalities into all of our service activity is further enhancing service quality, improving access and delivering better value for money.

The Council is an Achieving authority under the Equality Framework for Local Government and is committed to ensure that everyone is fairly and equally treated. Reflective tools like Equality Impact Assessments are used in the budget and service planning processes to help us to think about how what we do things might affect particular groups of people in the community, and to plan to reduce or remove any negative impacts.

Medium Term Planning option appraisals and Capital appraisals have equalities assessments for completion. These are reviewed and challenged by Finance and are also independently reviewed by the Community Engagement and Equalities Officer. Where this information highlights equalities issues, positive or negative, it is made available to members as part of the budget setting reports so that informed decisions can be made.

RESOURCES

Council Tax and the tax base

The Council has a strong commitment to keep levels of Council tax as low as financially prudent. The Council will take advantage of any appropriate measures made available by Government to keep the council tax down. The longer-term plan is currently not to increase council tax above 5%, however needs are assessed on an annual basis.

The tax base for the 2011/12 budget and council tax will be 66,899 Band D equivalents (66,896 in 2010/11). The tax base is set using planning assumptions up to March 2010 and a non-collection percentage of 2.5%. A three-year council tax figure has not been set. The tax base is reviewed on an annual basis.

Budget Setting (General Fund and HRA Revenue and Capital)

The Management Board, comprising of the Chief Executive and Directors, approved the timetable and process for the Medium Term Plan and budgets.

June 2010	Pre Budget Preparation		
July 2010	GF and HRA Options and Capital Appraisals developed		Direction and Priority Setting
Aug 2010			Consultation on Priorities and Budget Proposals
Sept 2010		Challenge Process	
Oct 2010			
Nov 2010			
Dec 2010			
Jan 2011			
Feb 2011	Budget Decision Making		
March 2011			Service Plan Completion
April 2011 To March 2012		Monitoring and Review	

The key milestones are as follows:

- June – Budget and medium term planning process launch. Officers work up budget including inflation, fees and charges, Medium Term Planning Options, etc.
- August – Launch of consultation process.
- September – First stage revenue budget challenged by Head of Finance and/or Director of Finance and Support. Capital programme challenge begins.
- October/November – Further challenge by Management Board. Ongoing monitoring of Government announcements, including Spending Review 2010 is undertaken.
- November – Draft Housing Subsidy Determination

- December – Provisional Formula Grant and supported borrowing announcements. Cabinet consider and agree proposals for consultation budgets.
- December/January – main public consultation on capital and GF revenue budgets and proposed level of council tax.
- End January/February – Final Formula Grant settlement announcement is announced by Government.
- February – Cabinet recommends budgets and fees and charges to Council. Council agrees budgets and council tax.

Resource Allocation to Services - Methodology

The Medium Term Planning (MTP) cycle effectively links resources to Council objectives and priority areas. Our MTP budget option and capital appraisal forms incorporate best practice and require information on the contribution to Council objectives and equality impacts of each option.

Medium Term Planning Option and Capital Appraisal forms also include a section for managers to explain how their proposal delivers value for money. These are used as part of the challenge process with members and Management Board during the autumn challenge phase of the budget process. At this point the challenge may also identify additional VFM options to be investigated and, where applicable, brought forward. The budget process, incorporating the Medium Term Financial Strategy (MTFS), ensures that the principles of improving VFM are an integral part and impact on equality is also now assessed for all options.

Resource allocation to individual service areas will be calculated by:

- Allowing for the impact of unavoidable demographic, inflationary and legislative impacts on the Council's cost base.
- Making sufficient service review savings to set a balanced budget.
- Providing funds for 'investment' in priorities identified in the Corporate Plan released by cross-cutting review savings.

Cost pressures

Whilst financial management has greatly improved significant financial risks still remain. These pressures are a mix of clearly quantifiable cost pressures and other factors, which are more challenging to quantify. This is because some external factors are outside the authority's control or influence and therefore best estimates must be made.

A balance needs to be struck between areas where budget pressures need to be recognised within the medium term plan where they are quantifiable, and areas of risk where it is deemed that the level of balances held, derived through a robust risk assessment process, will cover any potential realisation of the financial impact of that risk. The areas can be broken into three categories.

1. Quantifiable areas as a result of the economic down turn; examples include:

- **Car Park Income** – The general economic downturn continues to impact on car park usage and there is likely to be a direct link between reduced car use and the high level of uptake of the concessionary fares scheme. The impact is already putting pressure on the 2010/11 budget and may have an impact on income in future years.
- **Reduction in income levels** – this covers a number of categories such as investment income, licensing, building control and planning fees.

2. Quantifiable areas as a result of service pressures:

- **Pay and Grading / Single Status project** – The implementation date for Pay and Grading is 1 January 2011. Like most authorities Northampton is not implementing single status on a cost neutral basis, so this is included in the budget proposals.
- **Equal Pay Claims** – the authority has settled the majority of the equal pay claims with the remainder due to be settled in 2010/11, but there is a risk that further claims may be lodged. Government has granted NBC a capitalisation directive, which will allow the authority to fund such costs incurred in 2010/11 through prudential borrowing or capital receipts. If it is funded through borrowing the ongoing revenue impact will be built into the budget. The authority will seek capitalisation directives for similar costs in the future.

3. Unquantified areas of High Risk:

- **Future years pay settlement** – The Government has announced a 2 year pay freeze for public sector employees earning over £21,000 from 2010/11, with those earning less than this receiving an increase of at least £250 each year. For the period after the freeze it is unclear what the pay settlement will be.
- **2011/12 and future years formula grant settlement** – The Government has announced a front loaded 28% reduction in local government funding over 4 years. The exact impact for Northampton is not yet known and a local government funding review has been announced that is likely to take effect from 2013/14.
- **Capital receipts:** Continuing impact of the recession on the values obtainable from selling property assets that are no longer required.
- **Changes in Accounting Regulation** – Changes in accounting regulations under Code of Practice on Local Authority Accounting 2010/11 will impact on revenue budgets in relation to MRP charges due to component accounting. The Council will manage its funding to minimise the effects of these changes.
- **Planning Appeals** – if more appeals take place there will probably be additional costs.
- **Fuel and Utility Costs** – the costs of fuel and utility costs have fluctuated sharply over recent years. It is therefore difficult to assess the pattern these costs will take in the next few years. Work is ongoing to reduce the Council's carbon footprint, which should generate related savings in fuel and utility costs. However changes to the Carbon Reduction scheme in the Spending Review 2010 will lead to new costs in 2012/13.

Other Areas.

Other areas which need to be considered as part of the financial element of the medium term plan include:

1. Growth

The population served by the authority has growing swiftly under the previous Government's Sustainable Communities Plan. This, linked with the regeneration needs of the borough, leads to strain on both the revenue and capital budgets as well as the need to frequently work with the County and other partners to deliver the necessary infrastructure.

Project development puts a financial strain on the authority – feasibility studies are normally revenue expenditure because there is no certainty that they will generate a positive outcome or a fixed asset. In it emergency budget in June 2010 the Government terminated the Local Authority Business Growth Incentive Scheme (LABGI) which this authority had previously ring fenced to the Regeneration and Growth department.

It is hoped that the New Homes Bonus and Local Government Resource Review announced in the Local Growth white paper may contribute to funding this type of work, depending on the outcome.

2. Capital Projects

The authority receives no supported borrowing allocation in most years other than for Housing. This means that any capital projects have to be funded by other capital funding sources including capital receipts, capital grants, Major Repairs Reserve (HRA only), section 106 planning obligations and third party contributions, unsupported (sometimes called prudential) borrowing, or revenue contributions.

Where projects are to be funded by s.106 there is often a timing issue due to the way in which payments under the agreements arise at trigger points during the development.

In ideal circumstances, due to pressures on the revenue budget it is advisable to assume that prudential borrowing will only be undertaken where savings on a 'spend to save' scheme will cover the borrowing costs. However, in practice there may be priority schemes that members consider have to go ahead or items that have to be funded this way for affordability reasons (e.g. capitalisation directives).

REVENUE

Description	Budget Proposals 2011/12	Budget Proposals 2012/13	Budget Proposals 2013/14
Summary			
Service Continuation Budget	36,544,240	36,620,570	37,683,559
<i>Medium Term Planning Options</i>			
Savings & Efficiencies	(4,797,623)	(5,071,056)	(5,035,512)
Change and Performance Programme	500,000	(1,500,000)	(2,000,000)
Growth	253,680	328,990	394,450
Total MTP Options	(4,043,943)	(6,242,066)	(6,641,062)
<i>Corporate Budgets</i>			
Debt Financing	2,170,552	1,345,330	532,533
Recharges out of GF	(5,141,000)	(5,141,000)	(5,141,000)
Potential impact on recharges to HRA of budget options submitted	285,000	285,000	285,000
Parish Grants	(22,000)	(22,000)	(22,000)
Parish Precepts	963,000	995,000	1,030,000
Contribution from Earmarked Reserves	(867,983)	(140,785)	(112,863)
Contribution to/from Change and Performance Programme Reserve	(500,000)	600,000	400,000
Contribution to General Fund Balances	100,000	100,000	100,000
Total Corporate Budgets	(3,012,431)	(1,978,455)	(2,928,330)
Revenue Budget Requirement	29,487,866	28,400,049	28,114,167
<u>Funding</u>			
Revenue Support Grant	(3,336,587)	(3,060,414)	(2,972,670)
NNDR	(10,812,304)	(9,917,360)	(9,633,022)
Total Formula Grant	(14,148,891)	(12,977,774)	(12,605,692)
<u>Council Tax</u>			
Previous Years	(14,024,746)	(14,025,375)	(14,075,375)
Taxbase changes	(629)	(50,000)	(50,000)
Increase	0	0	0
Council Tax Freeze Grant	(350,600)	(351,900)	(353,100)
Collection Fund Deficit	0	0	0
Parish Related Council Tax	(963,000)	(995,000)	(1,030,000)
Total Council Tax	(15,338,975)	(15,422,275)	(15,508,475)
Total Funding	(29,487,866)	(28,400,049)	(28,114,167)
Remaining Gap	0	0	0

Working Balances and Earmarked Reserves

As at the end of 2009/10, the General Fund working balance was £2.45m and the HRA working balance was £6.76m. The latest available figures will be taken into account during the budget setting process.

For 2010/11, the General Fund balance is expected to be approximately £2.55m. Due to the level of financial risk in local Government currently, the council aims to increase its balances over the next 3-5 years to at least £3.0m based on a risk assessment of reserves.

Earmarked reserves as at the end of 2009/10 and the estimated 2010/11 balances are detailed in the table below.

Reserve	Balance 31/03/2010	Estimated Balance 31/03/2011
	£000s	£000s
Leasing	31	31
Insurance	1,520	1,520
Rent Deposit Scheme	100	100
Subsidy Equalisation	600	400
Core Business Systems	299	299
Building Maintenance	500	500
Corporate Initiatives	401	381
Service Improvements	832	473
Debt Financing	478	478
General	7,033	6,756
Arts	46	46
Carbon Management/Salix	78	78
HRA	11,200	11,200
	23,118	22,262

Of these reserves at the end of 2009/10 £11.2m are HRA and £11.9m are General Fund. The figures for the 2010/11 year-end are estimated as at 15 December 2010. The levels of the earmarked reserves required are reviewed on an annual basis.

The Revenue Budget Strategy to meet Pressures

The 3-year financial statement highlights that there will continue to be a gap between spending pressures on the Authority and the available resources projected.

The Council recognises these pressures and will adopt the following 3-year strategy to meet them:

- The Council will put an effective Medium Term Financial Strategy in place to drive forward the financial planning process and resource allocation. The financial strategy is determined in the context of policies and priorities contained within the Corporate Plan and other key internal Strategies, feeding through to and up from Service plans.
- The Council will seek to protect and enhance front-line services and, as far as possible, will aim to contain these pressures within existing resources. Cabinet Members will examine all budget pressures and seek to reduce them where possible.
- The Council will seek new funding and new ways of working. Cabinet Members will continue to look at new methods of service delivery to improve services to the public and the value for money that they provide.
- The Council is keen to improve efficiency and deliver value for money. Cabinet Members will seek to identify efficiencies that will not impact on service levels, and options that will improve value for money through improving performance, and/or reducing service costs.
- The Council is launching a budget change and performance programme which will enable the authority to meet the revenue costs of continuing to change the Council to meet its financial targets, continue to improve towards its ambition to be one of the best Councils in the country by 2013, and maximise the amount of service delivery achieved with each pound of tax payer and customer money.
- The Council will carry out an annual risk assessment of reserves and will use reserves to manage the budget and limit service reductions and council tax increases where there are excess balances above the risk assessed level.
- Given the financial pressures faced by the Authority, the Council has determined that budgetary growth can only be supported in priority areas, or where the Council is required to fund new items e.g. by new legislation.
- The Council will continue to undertake strategic business reviews to deliver ever better service outcomes for the public and efficiency and effectiveness in the organisation.
- The Council will include strategic property acquisitions in its investment strategy in order to create a balanced investment portfolio of treasury and property assets.

A fund will be created from earmarked reserves for the Budget Change and Performance Programme to be spent on 'spend to save and improve' work with a target ratio of 3:1 net revenue savings in the first year. Capital costs will be considered on a case by case basis. This will help to replace the regional improvement fund which is coming to an end.

Council Tax Level

While addressing its priorities and setting a balanced and prudent budget, in view of the Capping regime, the Council will seek to keep any increase in the Council Tax to the lowest possible level and will always consider a 0% increase.

The planning assumption for the medium term is an annual 0% increase in Council Tax.

Housing Revenue Account

Introduction

The two main revenue budgets of the Council cover the General Fund (which determines and is funded by the Council Tax) and the Housing Revenue Account (which contains the income and expenditure related to the provision of Council Housing including Housing Rents).

The level of housing subsidy set by the Government determines the level of resources that the Council can use to provide services to tenants of its Council houses. The subsidy comes in two forms: the revenue subsidy comprises “Management and Maintenance allowances” (M&M), which are derived from complex formulae related to the make up of the stock; and a capital subsidy in the form of a “Major Repairs Allowance” (MRA) which again is formula based. As rent income exceeds the amount of M&M and MRA allowances, the balance is currently paid to Government in the form of a “Negative Subsidy”, estimated for the current year 2010/11 at £12.96 million (£12,958,000). In recent years the Council has kept substantially within the M&M allowances for revenue expenditure and has been able to make contributions to repairs reserves, but that is unlikely to continue.

On 25th February 2010 the Council approved the 2010/11 HRA budget and projections for 2011/12 and 2012/13, including the council house and garage rents, heating and service charges. In setting the HRA budget, due regard is given to the resources available in the context of achieving and maintaining the Decent Homes Standard, and to comply with Government policy on rents. As with the General Fund budget, the HRA budget was constructed to reflect the Council’s corporate priorities as set out in the Corporate Plan 2010-2013.

Key Issues in the 2011/12 Budget

The Housing Business Plan states that over the next two years the new Housing Directorate will work for customers:

- To ramp up the Decent Homes programme to raise the energy efficiency of all council homes with an accompanying programme to address environmental concerns to achieve decent neighbourhoods. (This is subject to receiving additional funding from the HRA).
- To reduce homelessness and to provide advice and support to homeless people and those in housing need
- To provide an excellent service to council housing tenants and leaseholders and to achieve top-quartile performance in resident satisfaction, rent collection, repairs and re-letting vacant housing (voids).
- To develop housing related care to enable more people to remain in their own homes in safety and security
- To deliver an effective tenant support and estate management service and combat Anti-Social Behaviour to enable council housing tenants and leaseholders to enjoy their neighbourhoods as well as their homes
- To maximise involvement of service users (including ‘hard to reach groups’) in realistic assessments of the quality of services provided and in planning service improvements, fostering community pride and engagement
- To provide a repairs and maintenance service with a “right first time, every time” objective which demonstrates value for money
- To ensure sustainability of the HRA 30 year Business Plan subject to settlement from Government following Housing Finance Reform announced within the Localism Bill.

Medium to Long Term Financial Projection

The financial pressure on the HRA is increasing. This arises from a number of factors, including:-

- Rents pressure through the Government's rent restructuring process;
- Sale of council houses through Right to Buy where, generally, the better quality housing stock will be sold;
- Repairs costs through the pressure to meet and maintain the decent homes standard.
- Uncertainties around the nature and impact of housing funding reform

An overview of the findings of the HRA financial model was reported to Cabinet on 15th July 2009. This will be used to forecast the impact of major initiatives on the long-term viability of the HRA, which will be considered alongside the Housing Asset Management Strategy (consultation draft, also approved for consultation at the 28 July 2010 Cabinet meeting).

The main pressure on the Council Housing service is in capital, where there is an estimated shortfall in the resources required over the next five years of £77.4 million to reach and then maintain the decent homes standard. Without additional action being taken, the provision of additional capital resources through revenue financing or borrowing will impact on the revenue position. In order to maintain the HRA position, the revenue impacts of the additional capital financing must be matched by efficiencies or savings from within the HRA. For these reasons savings targets on HRA revenue budgets have been identified for 2011/12. These savings would be made with a view to re-directing resources to tenant services.

Review of Council Housing Finance

In July 2009 the Communities and Local Government (CLG) Department consulted on possible reforms to the HRA subsidy system, with a favoured option of scrapping the subsidy system. This would apply to all local authorities with retained council housing and would involve a re-allocation of the national HRA debt. Whilst attempts have been made to model various levels of national HRA debt being allocated to Northampton, in practice there are too many variations in possible assumptions and timing for the full implications to be known at December 2010. Following confirmation in the Spending Review 2010 that this will be still ahead, it is expected that it would require primary legislation and would not take effect before 2012/13. In the meantime, the existing financial projection model will be updated regularly as subsidy determinations are issued by CLG.

Future Options

The Council is currently reviewing future options following the Government decision to drop its PFI bid following the Spending Review 2010. In addition, the very recent release of the Localism Bill incorporating housing funding reform will need to be analysed and built into the medium term plan for Housing

Alternative options, around the delivery of the decent homes programme to the whole of the stock, will be reflected in the new 30-year financial model as and when appropriate.

CAPITAL, TREASURY, & ASSETS

Capital Overview

Capital expenditure represents major investment in new and improved assets such as land, buildings, infrastructure, equipment and information technology. It therefore plays a key part in the development of the Council's services.

Capital Programme - Project appraisals were completed for all 2010-11 capital programme bids. In order to set a capital programme that fulfils the Council's Capital Strategy each appraisal demonstrates how the scheme will contribute to:

- Achieving the Council's priorities set out in the Corporate Plan and other NBC Plans/Strategies
- Meeting legal/contractual obligations
- Improving performance against national and local targets
- Improving efficiency and effectiveness in service delivery
- Promoting partnership working
- Generating or increase income streams
- Promoting effective Asset Management, including DDA and Health & Safety issues

Council agreed that Cabinet be authorised, once the programme was set, to approve priority new capital schemes and variations to existing schemes arising during 2010-11, subject to the funding being available and the schemes in accordance with the Council's objectives and priorities.

Decisions on capital investment are made against the background of constrained resources, and the Council is heavily dependent upon capital receipts and grants from central government to support its capital programme. Other funding sources available include prudential borrowing, third party contributions, and revenue contributions. These are actively pursued and are applied in a structured way to deliver an optimal, revenue efficient, financing strategy.

Due to pressures on the revenue budgets it is advisable to assume that prudential borrowing will only be undertaken where savings/income on a 'spend to save' scheme will cover the borrowing costs. However, in practice there may be priority schemes that members consider necessary or items that have to be funded this way for affordability reasons (e.g. capitalisation directives).

Every project in the capital programme and all new bids for capital investment are managed by a named budget manager who is responsible for delivering the project within the agreed budget and timescales. Operational responsibility may be delegated, in which case accountability remains with the budget manager, with the operational responsibilities being managed by the project manager.

The Capital Team provides financial support, advice to budget/project managers, capital strategy and co-ordination of the building, monitoring and reporting requirements of the capital programme.

Capital Strategy

The three-year Capital Strategy was approved by Council on the 25th February 2010 and will be updated on an annual rolling basis. The strategy for 2011-12 to 2013-14 was drafted during the summer of 2010, for approval by the Council's elected members in February 2011.

The Capital Strategy provides a clear framework for capital funding and expenditure decisions in the context of the Council's vision, values, objectives and priorities, resources, and spending plans. It also outlines the management and monitoring arrangements that the Council has in place for effective delivery of the strategy. The Asset Management Plan is closely linked with both the revenue and capital budgets, so it is important that this is recognised in the capital strategy.

The development of an approved capital programme shows the Council's commitment to maintaining and improving its capital assets and infrastructure. This underpins the delivery of high quality and value for money services and helps to secure a better environment for local people. The Capital Strategy covers the present position and future plans, the former setting the context for the latter.

Balance Sheet Management

Balance sheet management is a comprehensive approach to managing assets and liabilities to ensure that resources are used effectively (both financially and operationally) and that appropriate governance arrangements are in place around the use of public sector assets and liabilities. Failure to do this could expose the authority to a range of operational, reputational and accounting risks.

We already have embedded processes to review our fixed assets, strategies for treasury management and borrowing, and processes for managing and making provisions for outstanding debtors. The authority will undertake a self-assessment of our balance sheet management to ensure that it is effective and will implement any appropriate changes.

Asset Management

The Asset Management Strategy relates to all land and buildings owned by the Borough, except for housing forming part of the Housing Revenue Account. The Strategy considers planned and responsive maintenance and confirms that expenditure on safety related issues will be prioritised.

The reduction of backlog maintenance is to be reduced by active management to ensure that property is fit for purpose and does not present a barrier to effective service delivery, and renewals/enhancements undertaken where necessary. This is achieved by:

- Focussing capital and revenue investment on properties identified as being required as a long term part of the council's holdings.
- Not investing limited resources in properties not considered essential to service delivery, and disposing of property where there is no case for retention.
- Using capital receipts (where appropriate and subject to Cabinet decision) to invest in renewals and improvements to property considered 'core' to the delivery of services and the capital value will be materially enhanced.

Capital schemes for new property will only be advocated where this is the optimal solution and there are related reductions in existing revenue liabilities to offset any new liabilities. Similarly the council will consider investing in partner's property where this would generate financial and operational benefits to the council.

Levels of energy consumption and resultant carbon emissions can have a significant impact on the council's overall carbon footprint. In 2008 the council adopted a Carbon Management Strategy and has set a very ambitious target for 2012 of reducing carbon emissions from the base year (2005/06) by 35%. For property acquired, procured, or held by the council design, environmental and energy performance, and location will therefore be taken into account. This will help reduce the costs of the Government's carbon reduction scheme.

Carbon Trading Strategy

In October 2010 the Government announced in the Spending Review 2010 that the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme would be simplified to reduce the burdens on businesses. As part of the same announcement, the first sales of allowances (relating to 2011/12) will now take place in 2012 instead of 2011. At the same time the Government announced that the income from sale of allowances would not be recycled to participants, but would be retained by Government to support the public finances.

The Government intends to launch a 'public dialogue' with scheme participants on proposals to simplify the scheme.

The Council's carbon trading strategy will be further developed between now and when the first allowances are due to be purchased in April 2012, and will continue to evolve as the carbon trading market matures. When any carbon trading decision is taken then as a minimum the following information will need to be considered:

- Carbon allowance forecasts
- EU market price & forecasts
- Euro exchange rate & forecasts
- UK trading scheme market prices & forecasts

Under the original scheme proposals an initial blind auction was to be constructed using the above information and to make use of a technique called a 'marginal abatement curve'. This would have enabled the Council to assess which carbon saving projects it might undertake depending on the financial incentive offered by the price awarded in the auction.

Standard approaches to carbon trading can be categorised in the following way:

Passive	Buy allowances at the end of the year from the secondary market when needed
Opportunistic	Aim to buy allowances when cheap
Cautious	Overbuy allowances at the start of the year
Commercial trader	Buy and sell to make profit
Balanced	Buy sufficient allowances at start of the year but monitor on a regular basis for opportunities

Source: KPMG, 2009

Subject to the changes from the simplification of the scheme the Council's strategy will be that the responsible officer will adopt a mixture of these strategies, except commercial trader, depending on market conditions at the time, and the Council's own circumstances. The Council will not act as a 'Commercial Trader'.

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of the risks inherent in carbon trading, and will report as a matter of urgency, the circumstances of any difficulty in achieving the Council's objectives in this respect.

The Council will ensure that all of its carbon trading 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.

The Council recognises that future legislation or regulatory changes may impact on its carbon trading activities and will adapt its practices as necessary.

The Council will seek to ensure that its stated carbon trading policies and objectives will not be compromised by adverse market fluctuations, and will seek to protect itself from the effects of such fluctuations.

The 'safety valve' feature within carbon trading may be linked to products that are traded in Euros. This may lead to reliance on forecasts of foreign currency exchange rates. The Council will manage its exposure to fluctuations in exchange rates to minimise any detrimental impact on its budget.

The Council will identify the circumstances that may expose it to risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. It will employ suitable systems and procedures, and will maintain effective contingency plans.

The Council is committed to the pursuit of best value in its carbon trading activities, and the use of performance methodology in support of that aim. Carbon trading will be subject to ongoing analysis of the value it adds in support of the organisation's stated business objectives. This will include regular examination of alternative methods of service delivery, availability of fiscal or other grant subsidy incentives, and the scope for other potential improvements. Carbon trading performance will be measured using benchmarks that will be set once the market has had time to develop.

The Council will maintain full records of its carbon trading decisions, both for the purpose of learning from the past, and for demonstration that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

Upon commencement of the carbon trading scheme the minimum reports that the Executive will receive are:

- an annual report setting out the strategy and plan to be pursued in the coming year
- an annual report on the outlining the effects of the decisions taken during the year

More frequent reports will also be made to the Carbon Management Board, or other appropriate senior management body.

The Council will approve and, if necessary, amend (in accordance with financial regulations), an annual budget for carbon trading, which will bring together all of the costs and income involved in trading carbon allowances.

The council will ensure that its auditors, and those charged with regulatory review, have access to all information supporting the activities of carbon trading as are necessary for the proper fulfillment of their roles, and that such information and papers demonstrate compliance with external and internal policies.

The Council recognises the importance of ensuring that all staff involved in carbon trading are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint capable and experienced individuals and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise.

Treasury Management

The Treasury Strategy for 2010-11 to 2012-13 (agreed at Council on 25 February 2010), incorporates:

- a) The Capital Financing and Borrowing Strategy for 2010-11 to 2012-13 including:
 - (i) The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
 - (ii) The Affordable Borrowing Limit for 2010-11 to 2012-13 as required by the Local Government Act 2003.
- b) The Investments Strategy for 2010-11 to 2012-13 as required by the DCLG (formerly ODPM) Guidance on Local Government Investments issued in 2004.

The CIPFA Prudential Code for Capital Finance in Local Authorities (October 2003) sets the requirements for the manner in which capital spending plans are to be considered and approved together with the requirement for an integrated treasury management strategy. The Prudential Code requires the Council to set a number of prudential indicators for capital finance and a report setting out the prudential indicators for 2010-11 to 2012-13 was approved by Council on 25 February 2010. Regard is given to these prudential indicators when determining the Council's Treasury Management Strategy.

The main features of the Capital Financing and Borrowing Strategy are:

- The capital programme prioritises sources of finance other than borrowing, such as capital receipts, grants, third party contributions and revenue contributions.
- The Council makes use of operating leases to fund some types of expenditure that would otherwise be treated as capital where operating leases offer better value for money.
- Wherever possible, the Council's policy is not to enter into finance leases, which have to be treated as capital expenditure, and generally do not offer financial benefits to the authority. However the treatment of leases is set to change with the introduction from 2010-11 of International Financial Reporting Standards (IFRS). Some leases currently defined as operating leases will be treated as finance leases, and this will include some retrospective adjustments.
- From 31 March 2008 the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008 required local authorities to make 'prudent provision' for the repayment of debt. This debt repayment is known as the Minimum Revenue Provision (MRP). The underlying principle is that the repayment of debt should be aligned to the useful life of the significant component or components the borrowing was applied to.

As a transitional measure, authorities were able to calculate MRP for all capital expenditure prior to 1 April 2008 at 4% of debt principal each year as if the previous regulations still applied. Under the new regulations the authority must prepare an annual statement of their policy on MRP for approval by Council.

The Council's policy is to use the transitional arrangements to provide for MRP at 4% of debt principal. The debt liability relating to capital expenditure incurred in 2008-09 and future years will be subject to MRP under option 3, the "asset life method", and will be charged over a period that is reasonably commensurate with the estimated useful life applicable. The detailed policy was approved by Council in February 2010.

- Under the Local Government Act 2003 local authorities are able to borrow in year for the current year capital programme and for the following two years. Given the changes in the property market and impact on capital receipts, the Council is likely to take new prudential borrowing in 2011-12 and 2012-13.

- The Council's Borrowing Strategy for 2011-12 is to use internal borrowing while this is optimal in revenue terms and fixed rate borrowing where long-term rates are favourable. Should external variable rate borrowing be used, short-term loans will be arranged and replaced by long-term fixed rate loans later when rates are more favourable to balance certainty with risk.

The main features of the Investment Strategy are:

- Under the Local Government Act 2003 the Council is required to have regard to the DCLG (formerly ODPM) Guidance on Local Government Investments issued in March 2004 and CIPFA's Treasury Management in the Public Services Code of Practice (2009) and updated Guidance Notes (2009). The Council has adopted these.
- All investments, except those to other local authorities, will be placed only with those banks, building societies and authorised deposit takers under the Financial Services and Markets Act 2000 and allocated a satisfactory colour rating by Sector Treasury Services, whose list is updated monthly. This list is based upon credit ratings issued by the main rating agencies.
- The majority of the Council's investments in the medium term will fall into the category of specified investments.
- Prior to the start of each financial year officers will review which categories of non-specified investments they consider could be prudently used in the coming year.

The officer recommendation for new investments from 2010-11 onwards is that long-term investments (those for periods exceeding 364 days) may be undertaken to a limited extent taking into account the security of the principal as a priority. Advice will be taken from Sector Treasury Services before entering into any long-term investments. This policy will be reviewed on a regular basis.

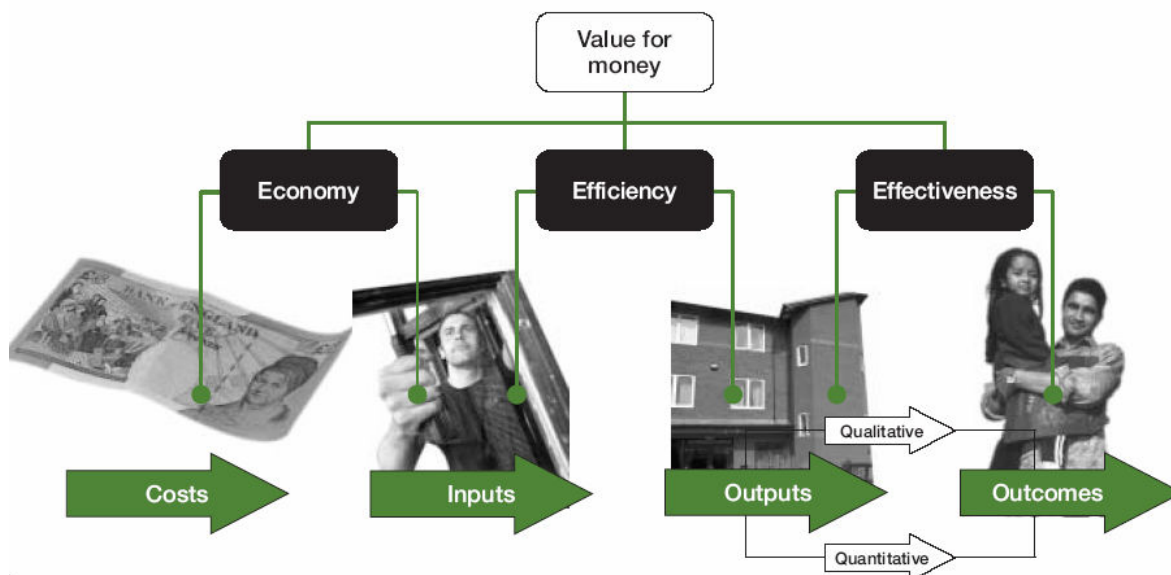
The maximum amount that the Council will hold at any time during the year as long-term investments is £6m. This is well within 10% of the forecast average level of total investments in 2010-11, which is around £63m. This could be undertaken without having an adverse effect on cash flow.

- Most short-term investments are held for cash flow management purposes and officers will ensure that sufficient levels of short-term investments and cash are available for the discharge of the Council's liabilities. Investment periods range from overnight to 364 days as specified investments or longer as a non-specified investment.
- The majority of the Council's long-term debt is in the form of Money Market LOBO (Lenders Option, Borrowers Option) loans. Officers consider that the degree of risk on these loans attached to small variations in interest rates is low.

VFM STRATEGIC FRAMEWORK

Introduction

The Audit Commission defines Value for Money as the relationship between economy, efficiency and effectiveness (see diagram below). Value for money is high when there is an optimum balance between all three – relatively low costs or inputs (economy), high performance or outputs (efficiency) and successful outcomes or impact (effectiveness). Impact is generally measured on a community wide basis.



Key drivers for our VFM Strategic Framework:

- Comprehensive Spending Review 2010 (SR2010)
- Continued inflationary pressures and the general economic environment
- Ongoing best value requirements for all services and activities
- Increasing customer expectations of service quality
- Impact of the Gershon report (2004) and the more recent Varney report (2006) regarding efficiency and service improvement
- Efficiency targets of 4% per annum from 2010/11
- Significant changes to our demographic profile
- Local factors affecting levels of service costs
- Government pressure to keep Council Tax increases at an appropriate level
- Increasing legislative frameworks within which the Council operates.

Corporate Strategy and Value for Money

Ensuring that our services are delivering value for money is a key priority for Northampton. Our Corporate Plan makes it clear that we put the customer and community at the heart of what we do. There will be clear links between our VFM activity and key Council plans and actions, for example:

- Our budget strategy will be linked to the Council's priorities and supporting value for money services.
- Innovative methods of procurement will be explored for value for money opportunities.

- Ongoing efficiency savings will be identified as part of our three-year planning and performance framework and subject to annual review and update. These efficiency savings will be used to fund cost pressures and service improvements.
- Better procurement & partnerships will be sought **through implementation of e-procurement and** through an ongoing series of fundamental efficiency reviews of categories of spend.
- Our Asset Management Plan will be fully integrated with a Capital Strategy and will set out clearly how we will deliver effective asset management.
- We will ensure that options appraisals are a key part of making capital investment decisions.

What We Will Do To Achieve VFM

To achieve VFM we have set the following objectives:

- integrate VFM principles within corporate and service planning and review processes
- implement recognised good practice where appropriate
- establish a review programme that targets services and/or cross cutting areas identified as requiring improvement (e.g. high cost/low performance services).
- provide a robust framework to benchmark the Council's activities
- promote a culture of continuous improvement
- communicate to stakeholders that achieving VFM is sought in all activities undertaken
- designing processes to optimise efficiency and deliver VFM
- ensure that all staff recognise their continuing obligation to seek and deliver VFM for the Council as part of their routine activities

How We Can Demonstrate VFM

Achieving VFM is also described in terms of the "three Es":

- Economy – minimising the cost of resources for an activity (doing things at a low price).
- Efficiency – performing tasks with reasonable effort (doing things the right way).
- Effectiveness – the extent to which objectives are met (doing the right things)

By using this model in service planning all service areas will demonstrate Value for Money through:

- Evidence of cost management (e.g. streamlining processes, partnership and procurement).
- Setting VFM targets for improvement, including building efficiency targets into the budget.
- Comparing Service's inputs, outputs and impact to others (*allowing for local context, performance and legitimate policy choices*).
- Evidencing that VFM is improving and efficiency gains are being made.

Efficiency drivers

Government has withdrawn the National indicator on performance on efficiency as of June 2010, but has made no mention of withdrawing the 4% efficiency saving target.

The Spending Review 2010 and the backing of community budgets with the pilot for families with complex needs highlight the Government's ongoing requirements for delivery of efficiency savings. The Government has said that the spending review 2010 has a particular focus on reducing 'wasteful spending'. Our VFM strategic framework will be updated for the implications of SR 2010 and the Chancellor's June 2010 Emergency Budget Report.

2008/09 VFM Profiles

VFM profiles are reported annually to management board and members via a traffic light system and a cost/performance grid and this requirement has been extended to central services for 2008/09 – benchmarking is already in hand for financial services via CIPFA. Our VFM profiling system is also used to form a key part of the evidence for identification of VFM review work.

We have completed detailed VFM profiles for our frontline services and mapped these on a cost/performance grid shown below. There is clear overall trend compared to 2007/08 with more services positioned in the higher performance/lower cost areas.

cost	High	<ul style="list-style-type: none"> Community Safety 	<ul style="list-style-type: none"> Street Cleansing 	<ul style="list-style-type: none"> Housing Benefits Economic Development
	Medium		<ul style="list-style-type: none"> Customer Services Other community housing Procurement Council Housing ICT 	<ul style="list-style-type: none"> Licensing
	Low		<ul style="list-style-type: none"> Parking & Town Centre Planning services Corporate & Democratic Core Finance 	<ul style="list-style-type: none"> Environmental Health services Homelessness Local Tax/ Rates collection Culture & Heritage Concessionary Fares Parks & open Spaces Waste Collection Sports & Recreation
		Low	Medium	High
performance				

Risk Management and Business Continuity

The Council's Risk Management Policy states that "Risk management is a positive tool that is incorporated into the management process to help achieve corporate and directorate objectives. The Council is committed to adopting a corporate, systematic and structured approach to the control of risk".

We see risk management as pivotal in supporting the achievement of our priorities and objectives. We are working towards embedding risk management in all day-to-day management processes across all business functions and activities.

Management Board has approved the changes to our risk management approach, and leads and supports the introduction of new monitoring functions and responsibilities.

The key developments in Risk and Business Continuity Management across the authority in the last year include:

- Cabinet approval of the revised Risk Management Strategy in January 2009. The Risk Management Strategy now incorporates Business Continuity Management as a function of managing risk.
- Improvements in the visibility and accessibility of risk and business continuity guidance and supporting documents by including a dedicated section on the Council's intranet site.
- Audit Committee taking an active role in risk assurance, routinely requesting updates on the risk management function.
- Undertaking risk reviews as part of the annual Service Planning Process, ensuring the risks identified are linked to service objectives and corporate priorities.
- The approval and introduction of a defined risk appetite.
- The introduction of new risk management software to facilitate closer linkages between performance management and risk.
- Undertaking a Strategic Risk Workshop, attended by Management Board, to refresh the Strategic Risk Register.
- Quarterly reviews of the Strategic Risk Register undertaken by Management Board.
- Undertaking a Councillor Training Session on Risk Management.
- An approved list of Business Continuity Critical Functions.
- All Service Areas with Critical Functions have well-developed Business Continuity Plans in place.

Procurement

Impact of Comprehensive Spending Review 2010 and Emergency Budget (June 2010)

The previous Government, set specific efficiency targets for local authorities, the latest one being 4% for 2010/11. While the national indicator has since been set aside, the target itself has not officially been withdrawn for this or future years. NBC's Management Board has therefore adopted the 4% as a local target. The Government continues to advocate effective procurement as a key to delivering significant efficiency savings.

For several years the Council has been working on a series of Strategic Business Reviews whereby ultimately every service in the council will have been reviewed in detail for efficiency and appropriateness of service delivery with a view to driving out savings.

A discussion paper for the purposes of identifying and developing a strategy for improving Local Government Procurement activities throughout the East Midlands was issued in October 2007 by the East Midlands Centre of Excellence. This paper identifies a number of key themes to be developed across the region.

Cabinet approved the Procurement Strategy 2008-11 on 3rd March 2008, following consultation with Management Board and Overview and Scrutiny. The Strategy aims to achieve minimum cost for the goods and services we require, whilst maintaining or improving the quality of our services:

- by paying less for what we currently buy.
- through buying more for the same price or at a lower price and
- by improving procurement working practices across the Council".

This will help to release resources for use elsewhere in the organisation and support the delivery of high quality services to the citizens of Northampton. A number of other criteria will also be considered in procurement matters such as sustainability, equalities and whole life costs

Sustainable Procurement

The Council takes clear action to improve the quality of life of its residents and visitors, and to create and sustain a better environment. Wider social and environmental impacts are assessed as a matter of course for material procurement decisions, in particular, carbon footprint.

The Council was selected in 2007 to take part in The Local Authority Carbon Management Programme with the Carbon Trust. The Carbon Management Strategy and Implementation Plan was approved by the Cabinet on the 3rd of March 2008 and commits the council to a target of reducing CO2 by 35% by 2012.

A number of energy/carbon reduction projects have been implemented to date that will realise the Council carbon and cost savings and will be. Savings will be re-invested to fund future energy saving projects at the Council. We are also working on a programme of projects, which will help the Council achieve the 2012 target and will go a long way to achieving 'carbon neutrality' by 2020. There is clear support for carbon management from the Councillors, which has endorsed an aim to achieve carbon neutral status by 2020. Our sustainable development officer has a clear remit to support development and implementation of the Carbon Management plan.

Partnership Working

Our partnership vision for Northampton:

We believe Northampton should be a successful and confident town in which everyone who chooses to live in, work in or visit the town feels they belong, have a future, have financial stability and, where appropriate, business opportunities. It should also be a place that has a vibrant and diverse culture and welcomes a variety of lifestyles.

To achieve this the Northampton Local Strategic Partnership developed a Sustainable Community Strategy for Northampton, which includes key themes from a county-wide strategy and focuses on key strategic objectives local to Northampton. Its vision is that by 2011 Northampton will be:

- Recognised for good quality, environmentally friendly housing
- Well served by modern and efficient public services
- Safer
- Cleaner
- Healthier

Partnership Involvement

The Council works with its partners and other key stakeholders to jointly deliver services within the Borough, and, where appropriate to deliver services differently and more effectively through the combination of partnership working, pooling of resources and negotiated flexibilities from Central Government.

We have analysed our major partnerships using “Sharing Success” (the Chesterfield BC and NE Derbyshire DC Partnership Development and Evaluation Toolkit). We have established improved partnership arrangements around monitoring, performance, policy, and guidelines for entering into from partnerships. In addition, we aim to establish a central depository of information relating to all partnerships. There has been external acknowledgement of our partnership working e.g. Charter Mark Accreditation for Leisure services with best practice rated Partnership Working. The council utilises extensive partnership working to deliver VFM via shared service and other collaborative arrangements.

Shared Services

We already operate a number of Shared Service arrangements. These represent innovative delivery options to improve service delivery to achieve lower costs through developing standardised process and systems with key partners. Current examples are

- Our business rates shared service with Wellingborough has resulted in top quartile performance at low cost, is considered an exemplar, and other Councils now wish to join
- West Northamptonshire Joint Planning Unit is a joint planning service covering the districts of Northampton, South Northamptonshire and Daventry districts.
- ‘Reaching Out’ is a joint programme aimed at tackling hard to reach businesses across Northamptonshire.

Initial Screening- Medium Term Financial Strategy

Equality Impact Assessment – screening.

Name of Policy Medium Term Financial Strategy 2011-14 Date of Assessment: 8 December 2010

Is this a new or updated Policy? New Updated

How is the Strategy/Policy finalised/adopted: Cabinet/Board Delegated

Lead Officer conducting the assessment: Rebecca Smith Job Title: Assistant Head of Finance

Service area: Finance and Assets Contact details: 01604 838046

Others involved in the assessment *(this could include service users, front line officers, people with specialist knowledge or interest):*

Bill Lewis

Identify what the activity is trying to achieve – why is the Policy/activity¹

required *(is there a statutory duty, how was the issue identified, who was the originator of the activity, etc).*

Medium Term Strategy setting the context and the council's strategy for managing its finances effectively.

Purpose of the Policy/activity. *(What does the activity entail? Consider how the activity relates to the council's equality and diversity duties and strategic priorities, etc).*

Medium Term Strategy setting the context and the council's strategy for managing its finances effectively. The Strategy acts as a framework for all aspects of financial management in the authority including budgeting, planning and asset management.

Identify the main beneficiaries or people affected by the issue *(who benefits or is affected - local residents and users of area, community at large, visitors to the town, contractors working in the area, people delivering the service etc).*

Community at large, Government, Partner organisations, staff of the authority, debtors and creditors of the authority, NBC as a whole

What information exists already?

Medium Term Financial Strategy 2011-14

Has any consultation been undertaken on this or related issue?

There will be a public capital and GF revenue budget consultation for the 2011/12 budget and for subsequent years, which is a related issue.

Are any reports or other relevant documents available from our organisation or from partners or other sources?

¹ Policy/activity in this context includes policies, services, strategies, functions, projects, plans, restructures, major events, etc

Formula Grant Settlements published by CLG, Capital Strategy, Treasury Strategy, Asset Management Plan, GF Revenue Budget, HRA Revenue Budget Capital Programme reports to Council and Cabinet in February and Cabinet in December each year.

Which parts of the activity have the potential for adverse impact or to discriminate unlawfully? *(Factors or issues that could contribute to inequality, consider risks and opportunities).*

Individual items in the budget proposals, however these are each assessed separately.

Could a particular sector of the community be disadvantaged by the strategy/policy.

Yes No *(give details of any evidence you may have)*

If yes, proceed to undertake a full [Equality Impact Assessment](#) (EIA)

If no, then have this confirmed by the Corporate Equalities Steering Group representative for your area and signed off by your Service Head / Corporate Director/ Board. In the event of any queries, check with a member of the Policy team.

Action points *(please make this SMART-state what/who/how/when)* **to be completed even when not proceeding to a full assesment**

Get EIA screening signed off by Head of Service	Rebecca Smith	Via Head of Service PA	By close 14/12/10
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I agree that this policy/activity should not proceed to a full Impact Assessment
(If appropriate, date equality impact assessment will commence)

Confirmed by:

Rebecca Smith

Signed by:

Bill Lewis

- Please attach a copy of this screening to the document it relates** ✓
- Copy to be sent to Policy Team Leader at policy@northampton.gov.uk** ✓

Appendices

8



NORTHAMPTON
BOROUGH COUNCIL

Item No.

6

CABINET REPORT

Report Title	COUNCIL WIDE BUDGET 2011/12 – 2013/14
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	4 January 2011
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Management Board
Accountable Cabinet Member:	Cllr D Perkins
Ward(s)	N/A

1. Purpose

1.1 The purpose of this report is:

- To present for consultation the Cabinet's draft budget proposals for 2011/12 and the forecast budgets for 2012/13 and 2013/14 for:
 - The General Fund (revenue) as attached in Annexes A and B and recommended Council Tax levels for public consultation.
 - The Housing Revenue Account (HRA) excluding rents, charges and subsidy
 - The draft capital programme and funding proposals
- To approve for consultation the Council's draft Capital Strategy for 2011/12 to 2013/14.

1.2 To provide details of the current financial climate and progress in compiling the 2011/12 to 2013/14 General Fund revenue budget, setting out the issues considered as part of the revenue budget setting process.

2. Recommendations

- 2.1 That the Cabinet's General fund draft budget proposals for 2010/11 and indicative budgets for 2011/12, and 2012/13 as summarised in Annex A and B be approved for public consultation.
- 2.2 That the proposed council tax freeze for 2011/12 be approved for public consultation.
- 2.3 That the Cabinet's draft capital programme and financing as detailed in annexes F1, F2, and G, be approved for public consultation
- 2.4 That the Cabinet approve the draft Housing Revenue Account (HRA) budget excluding charges, subsidy and rents for public consultation.
- 2.5 That the draft Capital Strategy at appendix H be approved for consultation.
- 2.6 That the consultation leaflet be delegated to the Assistant Chief Executive in consultation with the Leader and Portfolio Holder for Finance for approval.
- 2.7 That the Chief Executive and Management Board, in consultation with the relevant portfolio holders, undertake the preparatory work in relation to the savings and efficiencies built into the draft budget proposals, subject to any actions being rescinded should any budget options not be approved by 23 February 2011 Council.
- 2.8 That Cabinet note that the Council's response to the formula grant settlement will be prepared by the Director of Finance and Support in consultation with the Chief Executive, the Portfolio Holder for Finance and Assets and The Leader of the Council.

3. Issues and Choices

3.1 Report Background

Local Preparation

- 3.1.1 The Board approved the timetable and process for the Medium Term Financial Strategy and budgets in the summer. The report set out the financial parameters for budget projections 2011/12 to 2013/14.
- 3.1.2 The budget process was closely linked to the corporate plan and the objectives set out in it, which are also reflected in the Medium Term Financial Strategy.

Timetable

- 3.1.3 The Provisional Formula Grant for the next 2 years was announced on 13 December 2010 and the timetable following this draft budget report is as follows:

January – main public consultation on budget and proposed level of council tax.

End January/February – Final Formula Grant settlement announcement is received from Government.

February – Cabinet recommends budget to Council. Council agrees budget and council tax.

3.2 Overview

- 3.2.1 The budget is being set at a time of continuing economic and financial turmoil, and against a backdrop of an extremely challenging Spending Review 2010, part of the national Deficit Reduction Programme. The Cabinet remains clear in its determination to continue on the path of improvement and to transform this Council into an excellent performing organisation, amongst the best in the country, which is providing value for money services to the community. The Council will not be deflected from this aim by these external factors however it does recognise that they make it more challenging to accomplish.
- 3.2.2 It is now recognised that Northampton Borough Council has transformed how it works and has demonstrated a huge improvement in the performance of the Council. In early 2010 the Council was on the shortlist for the "most improved council of the year" award.
- 3.2.3 In the Annual Audit and Inspection Letter issue recently, the Audit Commission comments that "the Council has developed and improved its financial planning processes and has a track record of remaining within budget. Processes are efficient and effective, and continue to improve. It has a good understanding of its costs and has achieved savings in a number of areas, assisted by the work of the Strategic Business Reviews and use of value for money (VFM) profiles."
- 3.2.4 The Audit Commission had previously stated in its last Organisational Assessment (2009) that the Council has excellent prospects for improvement and that the Council has put in place clear plans to continue to improve. The Borough Council is now assessed as having adequate arrangements across all areas required to achieve value for money, which is a huge improvement since some previous inspections that rated the Council as among the worst few local authorities in the country.
- 3.2.5 In 2008, the Council set its ambition as to be amongst the best local authorities in terms of public service by 2013. Significant progress has been made but it is recognised that there is still more to do to achieve the excellent standards demanded by that ambition. To that end, the draft budget proposals contains a proposal to continue to invest to change the Council, improve its performance and reduce costs in future years. This Change and Performance Programme will build on the work carried out to produce a balanced budget with an improved organisation over the last two years and will aim to achieve reductions in cost alongside increases in productivity and value for money, focussing on delivering as much service as possible for the public with the limited resources available.
- 3.2.6 The fundamental changes that have been made over the last 3 years and continue to be made, in the way the organisation delivers value for money services, has anticipated the reduction in central government funding of local services. This has stood the authority in good stead for the austerity measures announced in the Spending Review 2010 for the medium term.

3.3 Issues

- 3.3.1 This report sets out the issues facing decision makers, with the aim of allowing as much information as possible to be in the public domain, as early as possible.
- 3.3.2 The Council is facing an extremely challenging financial situation and a high degree of uncertainty in the short to medium term, particularly due to the

economic environment, Government Policy in relation to funding, proposals to fundamentally reform the local government funding regime during the Spending Review (SR2010) period and technical changes in accounting with the move to International Financial Reporting Standards (IFRS).

Economic Environment

- 3.3.3 The national economy remains in a period of downturn and instability. This has had specific repercussions locally.
- 3.3.4 The impact on the housing market has seen continuing low levels of related income such as building control and land charges.
- 3.3.5 Investment interest levels remain low, and are expected to do so for the next 12 months before rising very gradually over the following two years.
- 3.3.6 The funding for capital expenditure is linked both to revenue funding in relation to borrowing costs and its ability to generate capital receipts in these difficult times.
- 3.3.7 The impact on the property market has had the effect of reducing income levels i.e. right to buy receipts have dropped away significantly and buyers are difficult to secure for other types of property, particularly at the right price. This will have an impact on the availability of capital receipts to fund capital expenditure.
- 3.3.8 In terms of borrowing, the differential between investment and borrowing rates are higher than they have been over the past few years, and the cost of borrowing, having already been increased by Government in relation to PWLB as part of the spending review, is expected to rise significantly in comparison to the investment rates which are expected to remain around 1%. In addition, the market for "LOBO" loans has become unpredictable with frequent periods when new "LOBOs" are not available.
- 3.3.9 Overall the effects of the economic downturn on local citizens and businesses are such that there is likely to be an increased draw on certain services, such as homelessness, which in turn, draws on the Council's resources.

Government Policy

- 3.3.10 There are several areas of Government policy that have influenced the Council in considering the costs of growth and limits placed on Government grant.
- 3.3.11 The Spending Review 2010 announced a real terms reduction in funding for local councils of 28% at a national level. This is 'front loaded' with reductions in funding each year starting with the highest reductions in year 1. This limits the time available to authorities to plan and prepare for the harshest of the funding cuts. The impact locally is mainly seen in the reduction in the 2011/12 formula grant of 14.5% on comparable 2010/11 figures and in the 2012/13 formula grant of 7.8% on comparable 2011/12 figures.
- 3.3.12 Policies under the Spending Review also included changes to the Carbon Reduction Scheme, which will increase costs to local authorities and other organisations in 2012/13. The SR2010 also announced that housing finance reform will go ahead, the launch of a New Homes Bonus scheme, as well as

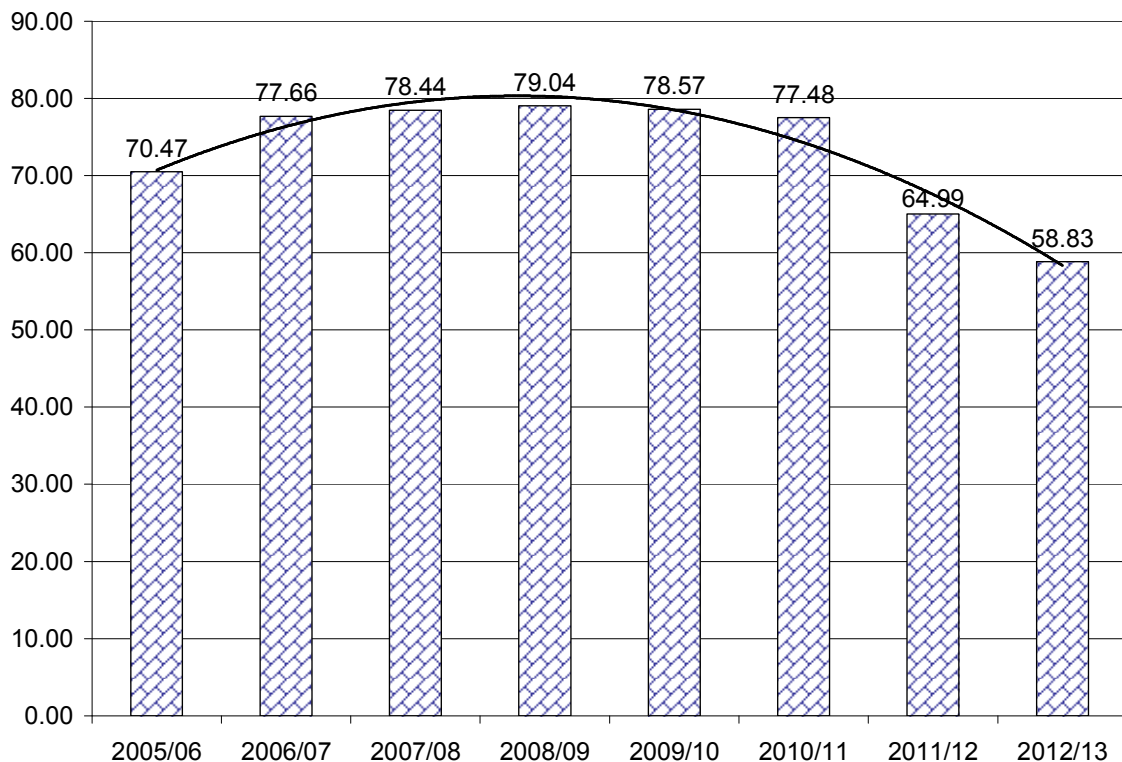
significant changes to the welfare system which could increase demand for local authority services.

3.3.13 The formula grant was set to decrease for local government under the spending review, and indeed, the draft settlement for 2011/12 shows a 14.5% reduction on the comparable figure for 2010/11. This compares to CPI of +3.2% and RPIX of +4.6% as at October 2010 (RPI +4.5%).

3.3.14 The effects of the changes are that the formula grant per head of population has started to reduce significantly. Chart 1, below, illustrates the trend in formula grant per head from 2004/05 to the provisional 2012/13 settlement.

Chart 1: Formula Grant per Head

(Based on ONS population figures 2005/06 to 2010/11 ONS Projections for 2011/12 and 2012/13)



3.3.15 Note that the grant figures used in the above chart for 2005/06 to 2010/11 have been adjusted for the concessionary fares move to upper tier authorities at the value exemplified in the 2011/12 draft settlement.

3.3.16 On 28 October the Government launched its white paper on Local Growth. This includes proposals for a Local Government Resource Review, which will incorporate the consideration of local business rate retention as part of a radical overhaul of local government finance.

3.3.17 The review will look at key issues such as:

- how to fund councils where locally raised funding would be insufficient to meet budget requirement and control council tax levels,
- how to fund upper tier authorities that do not collect business rates,
- what to do about councils (like NBC) whose business rate yield would be significantly higher than current spending, and

- how to ensure that proposals retain a genuine incentive effect and reward for promoting growth.
- 3.3.18 It is possible that the outcome of this review will lead to a very different methodology for distribution of resources to local authorities, and this authority will monitor and feed into proposals for change particularly where population is a factor in distribution to emphasise the importance of using up to date figures in that respect. However this leaves a good deal of uncertainty on funding for the longer medium term.

Technical Issues

- 3.3.19 Over past 12 months a number of technical changes have taken place to bring local government accounting treatment into line with IFRS.
- 3.3.20 Following changes to MRP (Minimum Revenue Provision) in 2008/09, the introduction of IFRS component accounting started on 1 April 2010. This means that the principal element of the capital funding for assets funded by borrowing must now be written down over the life of the significant components on which the funding was spent rather than the life of the asset or 4% on reducing balance. This therefore increases the MRP charges to General Fund revenue budgets.
- 3.3.21 The effects of leasing classification and the employee benefits accrual mentioned in last years budget report have been mitigated by use of statutory instruments in the main, so that this is not now a significant risk to the council.

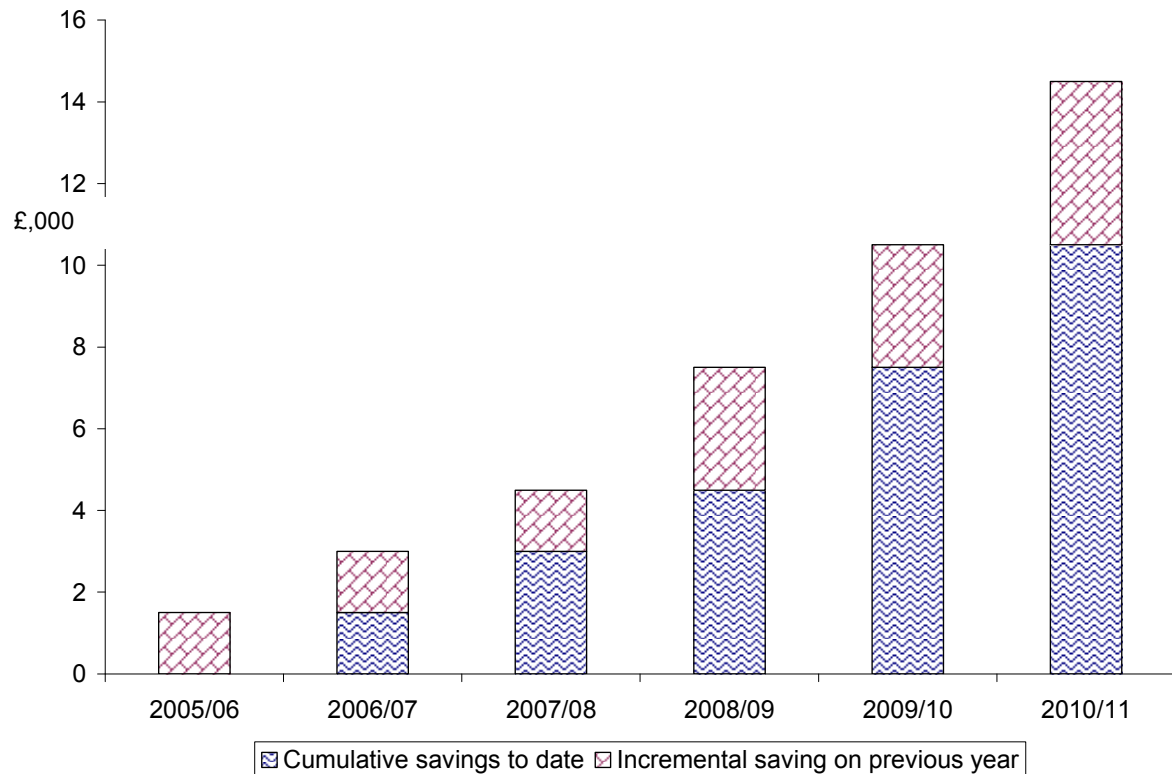
Government Lobbying

- 3.3.22 In recent years representatives of the Borough Council have met with or written to the minister to discuss Northamptonshire's particular issues with funding, in particular relating to the borough's improvement journey and the expansion of Northampton. This year the response will be made to the Government in writing.

3.4 Revenue Budget

- 3.4.1 The overall summary budget can be found at annex A to this report with further detail in annex B. From the summary it can be seen that a key feature of the budget process for previous years has been a focus on obtaining further efficiency in the delivery of council services.
- 3.4.2 As part of the budget report 2009 the then Chancellor increased the cashable efficiency savings target that local authorities need to make to 4%. As in previous years, these need to be new efficiencies on top of the targets set by the Chancellor in previous budget rounds and reiterated by the new Government in June.
- 3.4.3 The Borough Council has achieved these targets each year to date, and the savings have contributed towards investment in priority areas and minimising front line service reductions. As time goes on it becomes increasingly challenging to find new efficiency savings and the Council continues to work hard to be as efficient as possible. Chart 2 Summaries the increase in cashable efficiency targets which the Council has met or exceeded each year.

Chart 2: Incremental Government Efficiency Targets met by NBC



- 3.4.4 The Council aims to deliver as much of its savings requirements through efficiencies as possible before turning to other options to balance its budget.
- 3.4.5 The changes that are being proposed are part of the reorganisation of the Council that are necessary to be among the best and are an essential part of the requirement to deliver more with less and to raise our productivity and customer focus. These changes are part of an ongoing plan for the next three years.
- 3.4.6 The authority is pro-actively working on delivering major changes through its work on:
- Change Plan
 - Strategic Business Reviews
 - Investigating opportunities for Partnership working
- 3.4.7 The change plan looks to give us a forward looking picture of the Council services over the medium term, translating the corporate plan into a programme of project delivery whilst the Strategic Business Reviews, which are contained within the change plan, aim to establish the most economic and efficient way to deliver services.

- 3.4.8 The Council recognises that it may be necessary to share services with other authorities in order to deliver change. We are very open with regard to working with partners and overall recognise that we need a change of delivery model in some areas to enable local authority services to be delivered efficiently and effectively in this difficult financial environment. Examples of this work to establish a more mixed economy include the current projects that are underway to explore working with the Private Sector for environmental services and establishing a leisure trust.
- 3.4.9 The Council's aim of delivering efficient cost effective services, have effectively closed the budget/funding gap, by looking at efficiency improvements and considering the balance between using reduction in service levels in some areas and increasing income in others.

Fees and Charges

- 3.4.10 The authority is undertaking a review of fees and charges. The overall increase will be in line with inflation.

General Fund Balances

- 3.4.11 A prudent level of General Fund balances, along with appropriate application of reserves, should be part of the overall budget. An annual risk assessment is undertaken to ascertain the minimum level of General Fund balances the authority should hold. This suggests that £3.0m should be the minimum for 2011/12.
- 3.4.12 This is a similar level to that recommended for 2010/11 and covers key areas such as:
- Tighter requirements to plan to mitigate Treasury risks such as counterparty risk in investment.
 - Partnership risks.
 - Emergency planning and Business Continuity
 - General increased risk levels due to the unstable political and financial climate nationally.
- 3.4.13 In the current financial climate it is not prudent to move directly from £2.45m to £3m. It is therefore recommended that the authority moves towards this level of balances over the next 3 years, beginning by contributing £0.1m to reserves in 2011/12 and subsequent years until the risk assessed level is achieved.

Planning Levels of Resources

- 3.4.14 There are two main funding streams for local authorities' net general fund revenue budgets. The first is local taxation, and the second is from Government – Formula Grant, consisting of Revenue Support Grant (RSG) and the redistributed Business Rate (NNDR).

2010/11 Provisional Settlement

- 3.4.15 On 13 December 2010 the Government announced the provisional Local Government Settlement for 2011/12 for consultation.

Proposed 2011/12 Settlement

	2011/12 £m
Revenue Support Grant	3,336,587
Redistributed Business Rates	10,812,304
Total Formula Grant	14,148,891

- 3.4.16 At this stage it must be stressed that the Formula Grant projections from 2011/12 onwards are from the provisional settlement, as the final settlement announcement due in January/February 2011 could differ from the provisional announcement.
- 3.4.17 There have been a number of changes in responsibility that have impacted on the level of formula grant. Concessionary fares have been removed from district authorities, and the base adjustment for this for NBC is £2.3m and is the main adjustment for changes in responsibility.
- 3.4.18 In order to insulate the poorest and most vulnerable areas from the most significant formula grant reductions and to limit the need for councils to 'front load' the cuts into the first year of the settlement' the Government has made a change to the way in which the floor damping mechanism works. Instead of having a single floor for each type of authority, there are now four bands of floor for shire districts reflecting the relative percentage of its funding that an authority receives in formula grant. This is controversial and could be contested by some authorities.
- 3.4.19 NBC has been allocated to band 2 with a floor of 14.8%. While this is not the optimal band to have been in, the effects are better than if the authority had been allocated to band 3 or 4. The impact on funding is that after reducing the base comparator by 14.8% the excess amount of needs assessed funding above the floor is reduced by 97.75% to fund other authorities being raised up to the floor level. In the past NBC has benefitted from this mechanism, but for the next two years is impacted adversely by it.
- 3.4.20 Table 1, below, shows the effects of this, while Table 2 illustrates what the effect would have been if NBC had been in band 4.

Table 1 2011/12 Grant Calculation Summary

A	Needs Assessed Grant before Floors/Damping	£16.217m
B	Floor Grant based on 14.8% reduction	£14.101m
C	Needs Assessment above the floor before damping (A-B)	£2.116m
D	Scaling Factor for Shire Districts	2.25%
E	Needs Assessment above the floor after damping (CxD)	£0.047m
F	Total Formula Grant (B+E)	£14.148m

Table 2 Equivalent calculation if the Council had been band 4 for the floor:

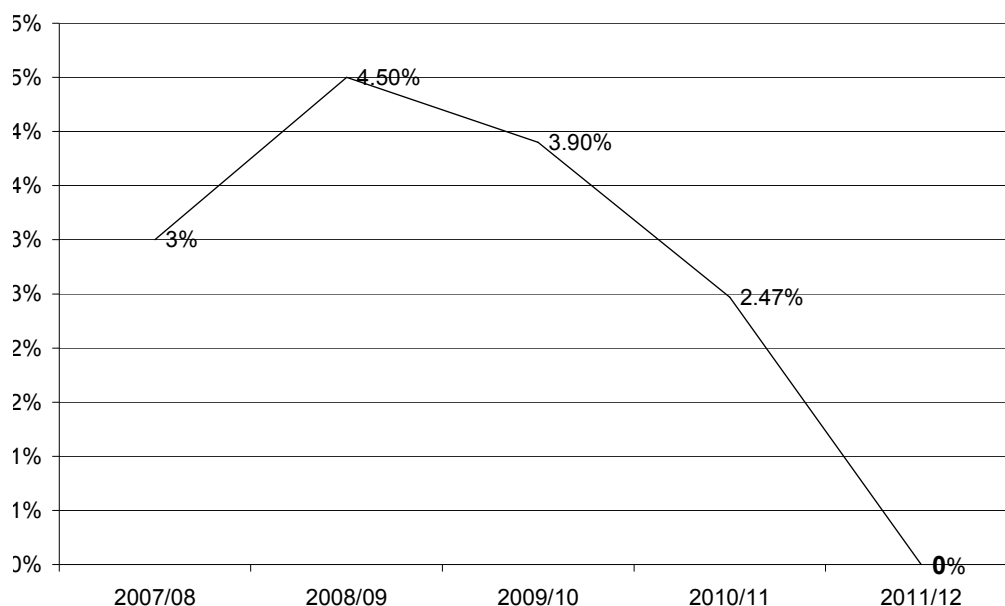
A	Needs Assessed Grant before Floors/Damping	£16.217m
B	Floor Grant based on 16.8% reduction	£13.770m
C	Needs Assessment above the floor before damping (A-B)	£2.447m
D	Scaling Factor for Shire Districts	2.25%
E	Needs Assessment above the floor after damping (CxD)	£0.055m
F	Total Formula Grant (B+E)	£13.825m

- 3.4.21 In the past the authority has raised the issue of population which has historically been under counted in the formula grant calculation. NBC welcomes the changes to the population data used for calculation of the grant, which now uses a more realistic indicator. Unfortunately the historic under counting has not been adjusted in the base position, and so the full benefit of this welcome adjustment is not felt in the floor calculation.
- 3.4.22 The Council will be responding to the formula grant consultation. The final response will be prepared by the Director of Finance and Support in consultation with the Chief Executive, the Portfolio Holder for Finance and The Leader of the Council.

Council Tax

- 3.4.23 Various options for Council Tax levels were considered by Cabinet in autumn 2010. The Cabinet has chosen to consult with the public on taking up the government offer of assistance to enable them to propose a 0% increase for 2011/12.
- 3.4.24 The Council would then apply to the Government for the new burdens funding to mitigate the cost of this equivalent to £2.5% on council tax (approximately £350k).
- 3.4.25 The following chart shows the council tax increases for the borough's own purposes since 2007/08.

Chart 3: Council Tax Increases since 2007/08



3.4.26 The Borough Council's 2010/11 Band D Council Tax is £209.65, excluding amounts raised for parish precepts. In 2010/11, the Band D at the resource illustration is the same, representing a 0% increase in Council Tax.

3.4.27 The Band Ds for each of these years is shown in the table below:

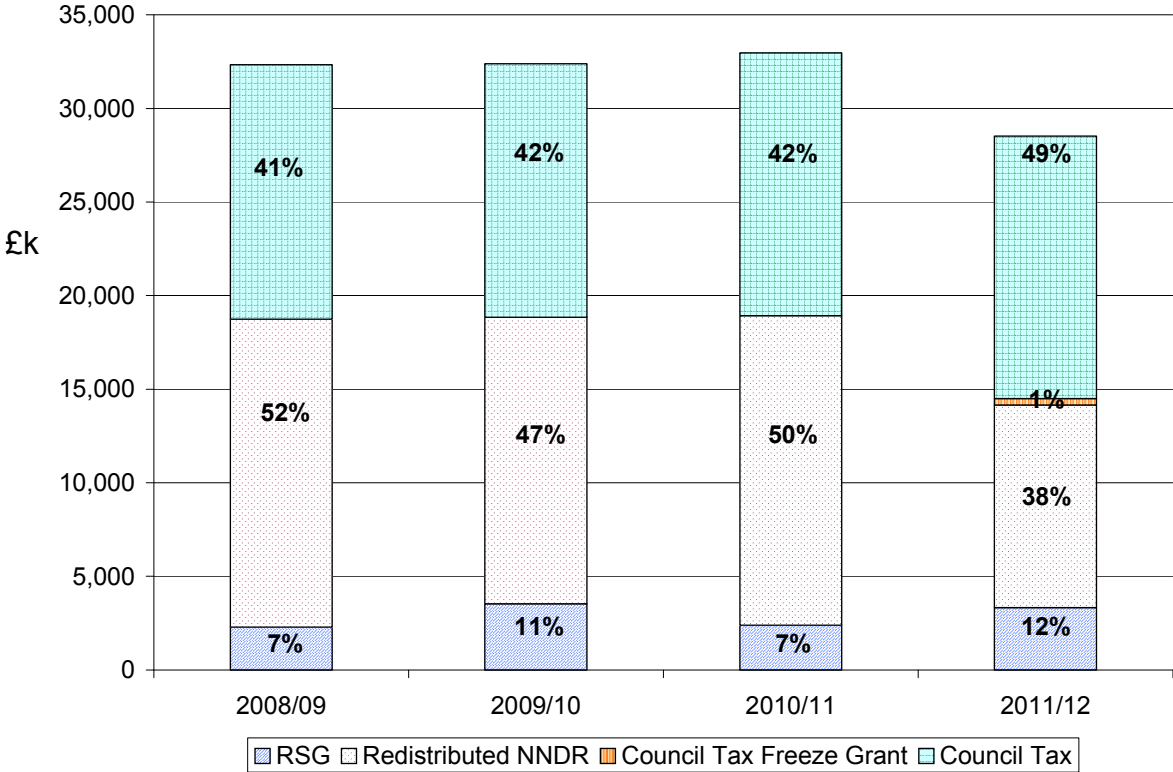
	2007/08	2008/09	2009/10	2010/11	2011/12
	£	£	£	£	£
NBC	188.44	196.92	204.60	209.65	209.65
NCC	917.55	956.05	993.34	1,028.11	1,028.11
NPA	170.21	178.62	186.66	193.20	?
Total	1,276.20	1,331.59	1,384.60	1,430.96	-

3.4.28 The Medium Term Financial Strategy requires the Council to look ahead. Whilst the budgets for years 2 and 3 have been comprehensively prepared, there may be opportunities to reduce expenditure, or changes to the Government funding arrangements in the future.

Total Resources

3.4.29 The total resources available to the Council are estimated as shown in **Chart 4** below:

Chart 4: Resources available to Northampton Borough Council 2011/12



**Note that this does not include fees and charges, investment or similar income streams.*

3.5 Housing Revenue Account

- 3.5.1 The Housing Revenue Account (HRA) is a ring-fenced account that represents the costs of holding the Council’s housing stock. There are strict rules surrounding the costs and income that can be charged to this account.
- 3.5.2 Much of the income and expenditure is dictated by legislation and regulation leaving the Council with direct control over a limited number of these budgets. Rental income, by far the largest single budget within the HRA, is calculated by applying the rent restructuring formula as defined by the Government. A consultation meeting was held in November with tenants where a presentation on housing finance, rent restructuring and capital spend was made.
- 3.5.3 The Draft HRA Determination was issued on the 5th November 2010. This draft indicates an increase in negative subsidy payments to Government of £2.9m. This is subject to consultation responses and the Final Determination.

- 3.5.4 Rents within the HRA are currently being restructured in line with the Government Rent Restructuring formula. The intention of this restructuring is to have a consistent approach to rental charges across the whole of the Public Sector housing stock. The Draft determination dictates the proposed level of rent increase for 2011/12 via the Guideline rent increase. The average Guideline rent increase is 6.9% for Northampton. Following rent restructuring guidance this equates to an average rent increase of 5.77% generating an additional £2.5m of income.
- 3.5.5 The Government has undertaken a fundamental review of Housing Finance and the subsidy mechanism. Fundamental changes to the housing finance system are outlined in the Localism Bill, but the detail of the proposals have yet to be announced in detail. The reform, therefore, does not form part of this budget process. Since the calculation of rent is dependent upon the Final Determination, this will be considered in detail for the February meeting where the rents will be set. For the purposes of these draft budgets, it has been assumed that HRA rents will increase at an average of 5.77%.
- 3.5.6 The Housing Revenue Account Draft Budget does not include the effect of charges increases at this stage; these are currently being reviewed to align with the budgeted costs. Charges and the associated budgets will be considered and set in February.

Summary of Overall HRA Position

- 3.5.7 A summary of the draft HRA budget figures is contained in Appendix D which includes medium term planning investment and savings options.

3.6 Capital Programme

- 3.6.1 The proposed capital programme for 2011/12 to 2013/14 is attached at Annex F1 and F2. The programme is split between General Fund (GF) and Housing Revenue Account (HRA) schemes. Capital Appraisals have been prepared for all proposed schemes.
- 3.6.2 The value of the total proposed capital programme for 2011-12 is £29.612m.
- 3.6.3 The table below outlines how it is planned to fund the proposed capital programme in 2011/12.

Proposed Capital Programme Funding

Funding source	GF	HRA	Total
	£m	£m	£m
Capital Programme 2011-12	9.864	19.748	29.612
Borrowing	0.600	9.717	10.317
Capital Receipts	3.950	0.125	4.075
Major Repairs Allowance	0.000	8.113	8.113
Grants & Third Party Contributions	5.314		5.314
Revenue/Earmarked Reserves		1.793	1.793
Contributions/Earmarked Reserves			
Total	9.864	19.748	29.612

3.6.4 A more detailed breakdown of the funding assumptions for the next three years is set out at Annex G.

General Fund Capital Programme

3.6.5 General Fund schemes have been prioritised within the resources available, i.e. capital receipts that will be received during 2010/11. No new schemes have been included for 2012/13 and 2013/14 pending the delivery of further receipts. As shown in Annex F1, two schemes are dependant on securing significant external funding.

3.6.6 There is continuing significant demand for Disabled Facilities Grants. These are mandatory for the Council when the homeowner has made a full application.

3.6.7 Overview & Scrutiny in June 2010 and Cabinet in July 2010 considered the Delapre Abbey Options Appraisal Report and concluded that it was a Council priority to seek the restoration of this heritage asset. The capital programme includes £100,000 to assist in the minor works restoration projects. This will be complemented in the General Fund budget by the gradual provision over four years, of the net income generated by the estate into a reserve for the restoration project

3.6.8 The introduction of capital funds to enable the acquisition of new property fits closely with the Council's Corporate Asset Management Strategy. The acquisition of new property with an investment return of 7.2% or above would strengthen our property portfolio and assist in balancing the Council's overall suite of investments, which is, currently, primarily through prudent treasury management.

- 3.6.9 Our Property Disposal Strategy is generating new capital receipts and reducing holding costs. New property acquisitions would strengthen our portfolio, increase the Council's revenue stream, provide an opportunity for future capital growth and help to stimulate economic recovery in Northampton. In an era of ever decreasing central grant support, increasing independent revenue income through property investment is one element of a strategic, balanced alternative approach.

HRA Capital Programme

- 3.6.10 The budget for 2011/12 includes £8.113m for the Major Repairs Allowance. This can only be used to finance HRA capital expenditure. Currently, there is no budget provision for Revenue Contribution to Capital Expenditure (RCCE) built into the budget shown at Annex G, however, it is assumed that the contribution to earmarked reserves will be spent on financing the capital programme. The HRA capital programme has a direct impact on the revenue position of the HRA. Expenditure for capital purposes and the effect on revenue expenditure continue to be considered together.
- 3.6.11 The HRA borrowing is based on the amount of funding for Decent Homes backlog that it is assumed will be supported by Central Government via the HRA subsidy system. The level of expenditure on Decent Homes and this level of borrowing will be adjusted once allocations are known in February 2011.
- 3.6.12 On 15 December 2010 Cabinet awarded contracts worth £22m, which will make an estimated 3,600 properties decent over the next 3 years. This in addition to contracts in place for 2010/11 which are expected to bring a further 640 properties to decent homes standard.

Capital Strategy

- 3.6.13 The proposed Capital Strategy for 2011/12 to 2013/14 is attached at Annex H. This updates the Capital Strategy for 2010/11 to 2012/13 approved by Council on 25 February 2010.
- 3.6.14 Capital expenditure represents major investment in new and improved assets such as land, buildings, infrastructure, equipment, and information technology. It therefore plays a key part developing the Council's services.
- 3.6.15 The Government expects each local authority to produce a capital strategy. The aim of the capital strategy is to provide a clear framework for capital funding and expenditure decisions. This is in the context of the Council's vision, values, objectives and priorities, financial resources, and spending plans.
- 3.6.16 The strategy supports the development of an approved capital programme that shows the Council's commitment to maintaining and improving its capital stock and infrastructure. This in turn underpins the delivery of high quality and value for money services and helps to secure a better environment for the people of Northampton.
- 3.6.17 The strategy covers both the present position and future plans - the former setting the context for the latter. It also includes an action plan for future improvements. The capital strategy also outlines the management and monitoring arrangements that the Council has in place for effective delivery of the strategy.
- 3.6.18 The strategy includes the Council's capital funding strategy for 2011/12.

3.7 Corporate Plan priorities and service spending consultation

3.7.1 The Council agreed the Corporate Plan for 2010/13 in February 2010.

3.7.2 In order to develop the Council's Corporate Plan priorities and outcomes to be achieved during 2011/12, the Council sought the views of local residents, stakeholders (including the community and voluntary sector and the business community) and staff. This year's round was named Difficult Choices and was designed to help us identify priority areas for savings and identify where reductions could be accepted. The consultation also sought views on whether services could be provided with or by others and for ideas on where savings could be made or charges increased. The feedback obtained during the Difficult Choices programme, the first phase of our budget consultation, is currently being reviewed and will help inform the priorities (including themes, outcomes and objectives) and direct spending/savings options that need to be reflected in our future Corporate Plan and budget.

3.7.3 A consultation programme, produced using the principles set out in the Council's Consultation Toolkit, was used and included a mixture of online and paper surveys, face-to-face engagement from elected members at ward and community forum meetings, press releases, associated media activity and a range of social networks. A dedicated email address and contact were made available throughout.

3.7.4 The first phase of this consultation ended 30 November 2010. 217 responses were received in total. The profile of respondents by gender, age and ethnicity matches the profile of our wider community and this can be seen as an indicator of a fair survey. People were asked to tell us if they thought that we should look at protecting or reducing the service we offer and to make comments.

3.7.5 Consultation Headline results were as follows:

Protect (100-55%)	Reduce (45-0%)	Neutral response (55-45%)
Street cleaning and sweeping	Events-Cultural and sporting events across the Borough	Museums
Grounds maintenance	Car parks management	Play and Sport activities
Manage materials reclamation and waste transfer facilities	Market Square management	CCTV
Maintaining open spaces	Events in the Town Centre	Licensing
Collection and disposal of domestic refuse and recycling		Environmental warden service
Graffiti and fly tip removal		Regeneration
Leisure Centres		
Community Safety		
Antisocial Behaviour Unit		
Environmental protection, food health and safety		
Planning		

- 3.7.6 The feedback received in relation to the services we offer which could be provided by or with others and ideas for saving money and increasing charges, rents or tariffs will be reported separately.
- 3.7.7 The protect services have been taken into account in building the budget and this is reflected in the balance of savings proposed, as the majority of savings are weighted towards neutral and reduce services.
- 3.7.8 The Cabinet will consider recommending for public consultation the draft budget for 2011/12 and its indicative budgets for 2012/13 and 2013/14 as set out in Annex I, which assume a 0% Council Tax increase in each of these years. In arriving at this decision the Cabinet has taken account of reviews of:
- corporate priorities and equalities;
 - feedback from the Budget Challenge campaign and the Difficult Choices consultation undertaken between August and November 2010
 - continuation budgets;
 - efficiencies that have been achieved through the relevant processes;
 - impact on individuals in a difficult financial climate;
 - investment items identified through the Medium Term Planning (MTP) process;
 - the current and planned levels of reserves; and
 - the outcome of the provisional formula grant settlement.
- 3.7.9 The Cabinet is keen to continue to listen to the debate on the budget proposals for Northampton Borough Council. This debate takes place at a time when the issue of good public services and their funding is to the fore. Following receipt of the consultation analysis, the Cabinet will recommend approval of the new Corporate Plan and budget at its meeting in late February 2011, for consideration at the Council meeting in February 2011.
- 3.7.10 The Cabinet has sought to protect key services from the brunt of service cuts and the growth items are targeted on the priority areas.
- 3.7.11 The aim of the process was to arrive at a sound three-year financial plan that sought to improve services in the priority areas, consistent with maintaining a low Council Tax.

3.8 Choices (Options)

- 3.8.1 The Cabinet can agree that the budget proposals for 2011/12, for General Fund Revenue, Housing Revenue Account and Capital, and indicative budgets for 2012/13, and 2013/14 as summarised in the annexes to this report are approved for public consultation, along with the capital strategy.
- 3.8.2 The Cabinet can agree that the proposed council tax increase of 0% for 2011/12 and the indicative 0% for 2012/13, and 2013/14 are approved for public consultation.
- 3.8.3 The Cabinet can choose to make changes to the budget proposals and the proposed council tax levels subject to the advice of the Chief Financial Officer.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The revenue and capital budgets are set in support of the council's priorities.
- 4.1.2 The General Fund Revenue Budget is set in the context of the Medium Term Financial Strategy, elsewhere on this agenda.
- 4.1.3 The capital programme is set in the context of the Council's Capital Strategy. The proposed Capital Strategy for 2011-12 to 2013-14 is attached at Annex H.

4.2 Resources and Risk

- 4.2.1 In addition to the Borough Council's own Council Tax, there are separate Council Taxes for Northamptonshire County Council, the Parish Areas and the Police Authority.
- 4.2.2 The provisional local government finance settlement announced on 13 December 2010 is subject to change and will be updated when the final settlement is announced, at the end of January/early February 2011.
- 4.2.3 That Housing Revenue Account budgets will need to be updated when the final HRA subsidy determination settlement is announced, the date of which is anticipated to be sometime in January 2011.
- 4.2.4 The HRA Capital Programme will need to be updated once the allocation of Decent Homes backlog funding is announced in January/February 2011.
- 4.2.5 The formula on which rents are based is included within the subsidy determination and so the rents budget cannot be set until after the final determination is received.
- 4.2.6 Information will be included in the report to the Council meeting in February 2011 on the level of spend for the county, the Parishes, the Police Authority, and the final Formula Grant settlement.

4.3 Legal

- 4.3.1 There are no specific legal issues arising from this report.

4.4 Equality

- 4.4.1 Equality and Diversity were considered as a part of the budget build process, and an equalities assessment is completed as part of each medium term planning option submitted.
- 4.4.2 Each completed capital project appraisal includes responses to the following questions:
 - State specifically the equalities issues that have been identified that this project will address?
 - How will this project address the equalities issues that have been identified?
- 4.4.3 The Equalities Impact Assessment process will be completed for each scheme in the agreed capital programme as a condition of approval.

4.4.4 The Capital Strategy is undergoing an Equalities Impact Assessment screening, to determine whether a full Assessment is required. Comments from the consultation on the draft Strategy will feed into this. As there are no direct impacts on individuals from the Capital Strategy itself, it is anticipated that this will not be required.

4.5 Consultees (Internal and External)

4.5.1 Internally Heads of Service and Budget Managers have been consulted, and Management Board has carried out a detailed challenge of the budget with members.

4.5.2 This paper is to agree to put out a draft capital and revenue budget and council tax to public consultation, which will be undertaken with the general public, partners of the Council and businesses. This is in line with best practice and the statutory requirements of the Local Government Finance Act 1992.

4.5.3 See 3.7 above for Difficult Choices programme consultees.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 All of the discretionary proposals in the draft revenue budget have been assessed against the corporate priorities as set out in the 2010/11 Corporate Plan.

4.7 Other Implications

The **Annexes** are set out as follows:

- A General Fund Summary
- B General Fund Medium Term Planning Options
- C Proposed HRA Revenue Budget 2011/12 and Budget Projections 2012/13 - 2013/14
- D1 Proposed General Fund Capital Programme 2011/12
- D2 Proposed HRA Capital Programme 2011/12
- E Proposed Capital Programme Financing 2011/12
- F Proposed Capital Strategy
- G Phase 1 Consultation output

5. Background Papers

5.1 Cabinet Reports: Budget Monitoring Dashboard reports to Cabinet during the year

5.2 Budget Options Information

5.3 External documents:

- HM Treasury - 2010 Budget Report – June 2010.
- HM Treasury - 2010 Spending Review
- CLG – Provisional Local Government Finance settlement 2011/12-2012/13
- Local Growth White Paper

5.4 Other Papers:

- Budget working papers
- Capital appraisals

Management Board, C/o Chief Executive, ext 7726
Isabell Procter, Director of Finance and Support, ext. 8757

Description	Budget Proposals 2011/12	Budget Proposals 2012/13	Budget Proposals 2013/14
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Summary			
Service Continuation Budget	36,544,240	36,620,570	37,683,559

Medium Term Planning Options			
Savings & Efficiencies	(4,797,623)	(5,071,056)	(5,035,512)
Change and Performance Programme	500,000	(1,500,000)	(2,000,000)
Growth	253,680	328,990	394,450
Total MTP Options	(4,043,943)	(6,242,066)	(6,641,062)

Corporate Budgets			
Debt Financing	2,170,552	1,345,330	532,533
Recharges out of GF	(5,141,000)	(5,141,000)	(5,141,000)
Potential impact on recharges to HRA of budget	285,000	285,000	285,000
Parish Grants	(22,000)	(22,000)	(22,000)
Parish Precepts	963,000	995,000	1,030,000
Contribution from Earmarked Reserves	(867,983)	(140,785)	(112,863)
Contribution to/from Change and Performance Programme Reserve	(500,000)	600,000	400,000
Contribution to General Fund Balances	100,000	100,000	100,000
Total Corporate Budgets	(3,012,431)	(1,978,455)	(2,928,330)
Revenue Budget Requirement	29,487,866	28,400,049	28,114,167

Funding			
Revenue Support Grant	(3,336,587)	(3,060,414)	(2,972,670)
NNDR	(10,812,304)	(9,917,360)	(9,633,022)
Total Formula Grant	(14,148,891)	(12,977,774)	(12,605,692)

Council Tax			
Previous Years	(14,024,746)	(14,025,375)	(14,075,375)
Taxbase changes	(629)	(50,000)	(50,000)
Increase	0	0	0
Council Tax Freeze Grant	(350,600)	(351,900)	(353,100)
Collection Fund Deficit	0	0	0
Parish Related Council Tax	(963,000)	(995,000)	(1,030,000)
Total Council Tax	(15,338,975)	(15,422,275)	(15,508,475)

Total Funding	(29,487,866)	(28,400,049)	(28,114,167)
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Remaining Gap	0	0	0
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Description	Reference	Budget Proposals 2011/12 £	Budget Proposals 2012/13 £	Budget Proposals 2013/14 £
MEDIUM TERM PLANNING OPTIONS				
SAVINGS AND EFFICIENCIES				
Environmental services – market testing	EFFY76-8 and MTPG1	(1,681,000)	(1,681,000)	(1,681,000)
CLIFTONVILLE HOUSE CLOSURE				
Reduction in Server Support for disaster recovery due to implementation of back up site at Westbridge	EFFY29	(20,000)	(20,000)	(20,000)
Cliftonville closure savings including NNDR and other premises costs	EFFY80	(387,770)	(387,770)	(387,770)
Savings in repair costs as a result of Cliftonville closure	EFFY81	(51,440)	(51,440)	(51,440)
		(459,210)	(459,210)	(459,210)
LEISURE TRUST SAVINGS				
Savings arising from the creation of a Leisure Trust	EFFY18	(278,000)	(278,000)	(278,000)
RESTRUCTURING/STAFF SAVINGS SUBJECT TO CONSULTATION WITH STAFF				
Re-organisation of the Assistant Chief Executives Department	EFFY1	(89,737)	(184,786)	(184,786)
Restructuring of Human Resources	EFFY83	(190,000)	(380,000)	(380,000)
Restructure of Customer Services, ICT and Facilities	EFFY86	(244,155)	(244,871)	(244,775)
Finance and Procurement Restructure	EFFY25	(198,600)	(198,600)	(198,600)

Description	Reference	Budget Proposals 2011/12 £	Budget Proposals 2012/13 £	Budget Proposals 2013/14 £
Reduction of one Full Time Equivalent officer within Revenues team	EFFY32	(30,996)	(32,263)	(33,931)
Develop on-line application form for housing applications	EFFY44	(8,610)	(17,910)	(18,650)
Reorganisation of the Housing Solutions service	EFFY87	(100,000)	(100,000)	(100,000)
Merger/Restructure of Regeneration & Development and Asset Management	EFFY88	(262,220)	(262,220)	(262,220)
Deletion of Development Manager post	EFFY89	(66,000)	(66,000)	(66,000)
Deletion of Landscape Architect post	EFFY53	(43,740)	(43,740)	(43,740)
PROPERTY SAVINGS				
Reduction in Investment Property holding costs following service review	EFFY47	(9,500)	(9,500)	(9,500)
Increase in Commercial Rental following rent review	EFFY48	(23,000)	(23,000)	(23,000)
Reduction in holding costs of vacant GF property due to proposed sale of property	EFFY94	(4,050)	(16,180)	(16,180)
Price reductions in energy contracts across Council Buildings		(358,000)	(358,000)	(358,000)
TRANSFER OF POWERS FROM WNDC				
Senior planning officer due to transfer of powers from WNDC	LG5	41,840	43,400	45,340
Additional Development Control Officer to deliver the Joint Core Strategy and Central Area Action Plan	LG6	56,630	58,240	60,070
Additional Income due to transfer of powers from WNDC	LG3	(90,000)	(90,000)	(90,000)

Description	Reference	Budget Proposals 2011/12 £	Budget Proposals 2012/13 £	Budget Proposals 2013/14 £
INCOME OPTIONS				
Increase in Fees & Charges for room hire across Museums	MTPI13	(8,000)	(8,000)	(8,000)
Increased events income arising from market square marketing strategy	MTPI19	(36,000)	(38,000)	(40,250)
Increased income for fixed penalty notices due to better working practices	MTPI21	(1,000)	(1,000)	(1,000)
Working in partnership with NCC to deliver the Free School Meals administration contract through the Northgate system.	MTPI23	(1,500)	(15,500)	(15,500)
Increase in Income from NNDR Collection	MTPI24	(7,200)	(7,200)	(7,200)
Increase in the level of administration charges for Summons Costs	MTPI25	(23,000)	(23,000)	(23,000)
GENERAL SAVINGS				
Cancel Subscription to Local Government Information Unit	MTPS12	0	(3,000)	(3,000)
Reduction in Communications Budget		(10,000)	(10,000)	(10,000)
Reduction in Consultation Budget provision	MTPS5	(10,000)	(10,000)	(10,000)
Removal of APSE Benchmarking Subscription	MTPS14	(9,530)	(9,530)	(9,530)
Revise Support Arrangements for Emergency Planning	MTPS7	(25,000)	(25,000)	(25,000)
Close Spring Boroughs Community Cafe	MTPS6	(20,430)	(20,930)	(20,930)
Redirection of legal defence of insurance claims from private sector to Borough Solicitor	EFFY91	(17,500)	(17,500)	(17,500)
Closure of Danes Camp Diner to be replaced with improved vending facilities	MTPS1	(12,036)	(12,326)	(12,874)
Deliver the provision of support for drug and alcohol abuse in house, instead of funding via CAN (Support for drug and alcohol abuse)	MTPS53	(24,980)	(24,980)	(24,980)

Description	Reference	Budget Proposals 2011/12 £	Budget Proposals 2012/13 £	Budget Proposals 2013/14 £
Deliver the provision of support for rough sleeping in house, instead of funding via CAN	MTPS2	(9,450)	(8,110)	(7,700)
Removal of contribution to PCT for Community Safety & Health improvement officer due to realignment/removal of PCT's.	MTPS54	(19,162)	(19,432)	(19,838)
Reducing collection of stray dogs service availability	MTPS55	(7,000)	(7,000)	(7,000)
Reduction in the amount of commissioned external training	MTPS22	(45,000)	(45,000)	(45,000)
Internal Audit Contract Efficiencies	EFFY27	(20,000)	(20,000)	(20,000)
Saving following review of Bank Charges	EFFY90	(20,000)	(20,000)	(20,000)
Cash Collection reconfiguration generating saving in costs	EFFY28	(16,800)	(16,800)	(16,800)
Reduction in External Audit Fees as a result of the cessation of CAA	MTPS11	(30,000)	(30,000)	(30,000)
Introduction of Public Sector mapping agreement resulting in savings on software costs for Geographical data.	MTPS4	(20,370)	(20,370)	(20,370)
Reduce Opening Hours for the One Stop Shop and Contact Centre to Nine to Five, following introduction of appointment system and expansion of web services.	MTPS83	(39,617)	(41,108)	(42,948)
Increase in housing benefit recovery through improved working practices	EFFY92	(102,380)	(49,430)	(9,710)
Further review of 25% discounts for single property occupancy	MTPS9	(7,000)	(7,000)	(7,000)
Storage facility for Revenues & Benefits no longer required	EFFY36	(6,160)	(6,160)	(6,160)
Removal of payment cards for Council Tax and Business Rates	EFFY37	(5,490)	(5,490)	(5,490)
Reduction in software maintenance costs in Revenues & Benefits	MTPS57	(5,000)	(5,000)	(5,000)
Administrative annual charge of £1,000 to RSLs joining the framework	MTPS2	(10,000)	(10,000)	(10,000)
Negotiated reduction in the contribution to County Travellers Unit with no service impact.	MTPS3	(5,120)	(6,000)	(7,000)
Reduce the Local Development Framework Budget	MTPS16	(68,760)	(68,760)	(68,760)

Description	Reference	Budget Proposals 2011/12 £	Budget Proposals 2012/13 £	Budget Proposals 2013/14 £
Reduction in the West Northamptonshire Joint Planning Unit Budget following discussions with partners.	MTPS17	(102,000)	(102,000)	(102,000)
Delete Urban Enhancement budget	MTPS18	(4,190)	(4,190)	(4,190)
Cancel software licence contract for on line public representations (Limehouse software)	MTPS19	(9,600)	(9,600)	(9,600)
Total Savings & EFFICIENCIES		(4,797,623)	(5,071,056)	(5,035,512)

Description	Reference	Budget Proposals 2011/12 £	Budget Proposals 2012/13 £	Budget Proposals 2013/14 £
CHANGE AND PERFORMANCE PROGRAMME				
Change and Performance Programme - invest to save		500,000	(1,500,000)	(2,000,000)
Total Change and Performance Programme		500,000	(1,500,000)	(2,000,000)

Description	Reference	Budget Proposals 2011/12 £	Budget Proposals 2012/13 £	Budget Proposals 2013/14 £
BUDGET GROWTH OPTIONS				
Increase in Homeless Prevention Budget to provide fund initiatives to provide alternatives to homelessness.	MTPG5	62,000	62,000	62,000
Delapre Abbey Restoration Project Reserve		25,000	50,000	75,000
Increase in Rent Bond Scheme Reserve to enable an increase in the number of properties in the scheme.	MTPG6	60,000	110,000	150,000
Funding of two additional Neighbourhood Partnership Coordinator posts	MTPG4	106,680	106,990	107,450
Total Growth		253,680	328,990	394,450

Annex C

Description	Budget Proposals 2011/12 £	Budget Proposals 2012/13 £	Budget Proposals 2013/14 £
INCOME			
Rents - Dwellings Only	(44,734,791)	(45,804,791)	(46,894,791)
Rents - Non Dwellings Only	(1,127,175)	(1,127,175)	(1,127,175)
Service Charges	(1,421,297)	(1,421,297)	(1,421,297)
Other Income	(205,000)	(205,000)	(205,000)
Total Income	(47,488,263)	(48,558,263)	(49,648,263)
EXPENDITURE			
Repairs and Maintenance	11,103,310	11,129,341	11,310,146
General Management	4,553,681	4,533,349	4,598,662
Special Services	3,095,643	3,085,147	3,106,192
Rents, Rates, Taxes & Other Charges	86,839	87,720	88,645
Increase in Bad Debt Provision	450,000	450,000	450,000
Rent Rebate Subsidy Deductions	863,000	643,000	437,000
Housing Revenue Account Subsidy	12,950,000	14,175,000	15,450,000
Total Expenditure	33,102,473	34,103,557	35,440,645
Net Cost of Services	(14,385,790)	(14,454,706)	(14,207,618)
Medium Term Planning Options	(493,393)	(566,076)	(619,329)
Net Recharges to the General Fund	4,856,000	4,856,000	4,856,000
Interest & Financing Costs	264,706	725,575	725,575
Contribution to Reserves	1,540,477	1,045,207	851,372
Depreciation/MRA	8,218,000	8,394,000	8,394,000
Remaining Surplus	0	0	0

Annex C

Description	Budget Proposals 2011/12 £	Budget Proposals 2012/13 £	Budget Proposals 2013/14 £
MEDIUM TERM PLANNING OPTIONS			
SAVINGS AND EFFICIENCIES			
Deletion of vacant posts within the Property Maintenance Service following restructure 2010/11	(293,160)	(293,160)	(293,160)
Restructure of Strategy & Performance service	(209,729)	(212,268)	(215,359)
Income generation from solar panels on Woodside Way	(8,744)	(8,888)	(9,050)
Reduction in rent loss through improved void performance	(125,000)	(125,000)	(125,000)
Outcome of Sheltered Housing Review	(180,000)	(180,000)	(180,000)
Total Savings & Efficiencies	(816,633)	(819,316)	(822,569)
BUDGET GROWTH OPTIONS			
Provision of external debt counselling service to tenants	30,000	30,000	30,000
Creation of 2 new posts - Asbestos Management Technical Officer & Fire Safety Technical Officer	73,240	73,240	73,240
Implementation of DSO Pay and Productivity Scheme	100,000	100,000	100,000
DSO Strategic Business Review	120,000	50,000	0
Total Growth	323,240	253,240	203,240
MEDIUM TERM PLANNING OPTIONS	(493,393)	(566,076)	(619,329)

Capital Programme 2011-12 to 2013-14 - General Fund**Ranked by Priority**

Reference Number	Project Title	Note	Prior Years £	2011-12 £	2012-13 £	2013-14 £	Scheme Total £	External Funding Sought £
2010-11/GF42	I Love My Park Park (Continuation)	1	250,000	tbc	0	0	250,000	
2010-11/GF44	Skate Park (Continuation)		0	250,000	0	0	250,000	
2011-12/GF29	Beckets Park Victorian Promenade Restoration	2		300,000	300,000	0	600,000	550,000
2011-12/GF30	Promoting Northampton's Heritage			35,000	0	0	35,000	
2011-12/GF04	Strategic Property Investment	3		500,000	0	0	500,000	
2011-12/GF34	DFG's Private Sector			1,750,000	250,000	0	2,000,000	
2011-12/GF31	Grosvenor/Greyfriars - Stagecoach Relocation	2		5,500,000	0	0	5,500,000	4,500,000
2011-12/GF12	Improvements to Escalators - Greyfriars Bus Station	4		24,720	0	0	24,720	
2011-12/GF11	Improvements to Car Parks	4		57,000	0	0	57,000	
2011-12/GF05	Works to Churchyards (Footpaths & Boundary Walls)			25,000	0	0	25,000	
2011-12/GF26	Wheelie Bins and Recycling Boxes	5		75,000	0	0	75,000	
2011-12/GF16	Corporate Asset Improvements			191,780	0	0	191,780	
2011-12/GF08	Central Museum - Replacement of Air Conditioning Units			40,000	0	0	40,000	
2011-12/GF18	Replacement of Air Conditioning at Westbridge Depot			120,000	0	0	120,000	
2011-12/GF06	Rethatching and Refurbishment works - Abington Park			130,000	0	0	130,000	
2011-12/GF15	Royal and Derngate Roof Replacement Works			65,000	0	0	65,000	
2011-12/GF10	Timber Footbridge Replacement			135,000	0	0	135,000	
2011-12/GF24	Refurbishment - Northampton Museum & Art Gallery			210,000	0	0	210,000	
2011-12/GF17	Water Management Works			100,000	0	0	100,000	
2011-12/GF19	Customer Relationship Management - Project Phases 2 & 3			36,500	0	0	36,500	
2011-12/GF13	Improvement to Parks Infrastructure			102,000	0	0	102,000	
2011-12/GF14	Racecourse Bowling Green Footpath			12,000	0	0	12,000	
2011-12/GF27	Guildhall Renewals			75,000	0	0	75,000	
2011-12/GF20	Content Management System Upgrade for Website			30,000	0	0	30,000	
2011-12/GF	Delapre Abbey Restoration Minor Projects			100,000			100,000	
Total General Fund			250,000	9,864,000	550,000	0	10,664,000	5,050,000

Notes:

- 1) Amount carried forward dependent on spend in 2010/11
- 2) Project approval would be conditional on securing external funding
- 3) Will only go ahead if investment income covers the cost of borrowing.
- 4) Essential health and Safety Works only
- 5) Provisional - Not needed if PES goes ahead on time

Reserve List - Ranked by Priority (Not Included in Totals)

2011-12/GF01	Improvements to Danes Camp Leisure Centre			122,434	0	0	122,434	
2011-12/GF02	Improvements to Lings Forum Leisure Centre			465,620	143,782	0	609,402	
2011-12/GF03	Improvements to Mounts Leisure Centre			140,348	272,794	0	413,142	
2011-12/GF07	Refurbishment of Cemeteries			40,000	0	0	40,000	
2011-12/GF32	Innovation Centre at St Johns			1,100,000	2,000,000	2,000,000	5,100,000	5,000,000
			0	1,868,402	2,416,576	2,000,000	6,284,978	5,000,000

Capital Programme 2011-12 to 2013-14 - Housing Revenue Account

Reference Number	Project Title	2011-12 £	2012-13 £	2013-14 £	3-Year Total £
Schemes Contributing to Decency					
2011-12/HRA01	Decent Homes	14,123,000	18,259,000	5,072,596	37,454,596
2011-12/HRA19	Structural Repairs	200,000	200,000	200,000	600,000
2011-12/HRA11	Heating Replacement (Responsive)	500,000	500,000	500,000	1,500,000
2011-12/HRA03	Asbestos Remedial Action	100,000	100,000	100,000	300,000
2011-12/HRA20	Voids	1,000,000	1,000,000	1,000,000	3,000,000
2011-12/HRA06	Door Entry Replacement	100,000	90,000	100,000	290,000
2011-12/HRA13	Lifts Refurbishment	180,000	0	0	180,000
2011-12/HRA12	Kitchen Replacement	500,000	400,000	200,000	1,100,000
2011-12/HRA17	Planned Heating Replacement	500,000	400,000	500,000	1,400,000
2011-12/HRA18	Re-roofing	500,000	200,000	200,000	900,000
2011-12/HRA21	Windows & Door Replacement	20,000	20,000	30,000	70,000
2011-12/HRA15	New Communal Boilers	150,000	0	0	150,000
2011-12/HRA07	Electrical Periodic Works	125,000	125,000	125,000	375,000
Sub-Total Contributing to Decency		17,998,000	21,294,000	8,027,596	47,319,596
Other					
2011-12/HRA02	Garage Roofs and Doors	40,000	0	0	40,000
2011-12/HRA14	Minor Adaptations for Disabled People	140,000	140,000	140,000	420,000
2011-12/HRA08	Environmental Enhancements to Housing Land	200,000	140,000	200,000	540,000
2011-12/HRA04	Digital Aerial Upgrade	10,000	0	0	10,000
2011-12/HRA09	Estate Regeneration	160,000	50,000	100,000	310,000
2011-12/HRA10	Fire Safety in Communal Areas	200,000	150,000	150,000	500,000
2011-12/HRA05	Disabled Adaptations - Council Stock	1,000,000	1,000,000	1,000,000	3,000,000
Sub-Total Other HRA		1,750,000	1,480,000	1,590,000	4,820,000
Total Housing Revenue Account		19,748,000	22,774,000	9,617,596	52,139,596
Grand Total Capital Programme		250,000	29,612,000	23,324,000	62,803,596

Capital Programme 2011-12 to 2013-14 - Forecast of Capital Financing

GENERAL FUND

	2011-12 £	2012-13 £	2013-14 £	3-Year Total £
Capital Receipts				
Continuation Scheme	250,000			250,000
New Schemes	3,700,000	250,000		3,950,000
Unsupported Borrowing	100,000			100,000
Borrowing funded by Savings/Income	500,000			500,000
LABGI Funding	60,000	25,000		85,000
External Funding - DFGs	479,000			479,000
External Funding Assumed but not yet Secured	4,775,000	275,000		5,050,000
Total Financing - GF	9,864,000	550,000	0	10,414,000

Note:

DFGs - grant support from Central Government currently assumed at 2010/11 levels. Will not be known until February.

HOUSING REVENUE ACCOUNT

	2011-12 £	2012-13 £	2013-14 £	3-Year Total £
Borrowing	9,716,856	13,156,404	0	22,873,261
Major Repairs Reserve	8,113,548	8,100,000	8,100,000	24,313,548
Capital Receipts - Right to Buy	125,000	125,000	125,000	375,000
Revenue - Earmarked Reserve	1,392,596	1,392,596	1,392,596	4,177,787
Revenue - In Year Contribution	400,000	0	0	400,000
Total Financing - HRA	19,748,000	22,774,000	9,617,596	52,139,596
Grand Total Financing	29,612,000	23,324,000	9,617,596	62,553,596

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Northampton Borough Council

Capital Strategy

2011-12 to 2013-14

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INTRODUCTION & CONTEXT

Capital expenditure represents major investment in new and improved assets such as land, buildings, infrastructure, equipment and information technology. It therefore plays a key part in the provision and development of the Council's services.

The aim of the capital strategy is to provide a clear framework for capital funding and expenditure decisions. This is in the context of the Council's vision, values, objectives and priorities, financial resources, and spending plans. It will be updated on an annual rolling basis.

The strategy supports the development of an approved capital programme that shows the Council's commitment to maintaining and improving its capital stock and infrastructure. This in turn underpins the delivery of high quality and value for money services and helps to secure a better environment for the people of Northampton.

The strategy covers both the present position and future plans - the former setting the context for the latter. It also outlines the management and monitoring arrangements that the Council has in place for effective delivery of the strategy.

International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting have replaced UK GAAP and the Statement of Recommended Practice (SORP) from 1 April 2010. This has an impact on accounting treatment for capital and leasing including definitions. The systems and processes at NBC have been or are being adapted to accommodate the new requirements. There are new definitions of what constitutes capital and revenue expenditure.

The Borough

Northampton Borough is mainly made up of the town of Northampton itself, but also includes some villages on the edge of the urban area. Although historically contained within the administrative boundaries of the Borough Council, Northampton urban area is now expanding into parts of Daventry and South Northamptonshire districts. The town has an interesting and varied history, which is reflected in the various historic buildings that can be seen within the town.

Northampton is the largest of the district councils with a population estimated to be 210,500 at mid 2009 (ONS revised mid 2009 population estimates published August 2010). The area of the Borough of Northampton covers 8,080 hectares within which the town has approximately 90,000 houses.

Council Services

The Council currently provides or commissions more than 50 public services throughout Northampton, including refuse collection, housing and community safety.

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Current Economic Context

The current economic climate provides significant challenges for the Council. The demand for investment in the regeneration and renewal of infrastructure and assets continues, whilst at the same time the resources available to the Council are constrained by proposed reductions in public service expenditure and recent increases in PWLB borrowing rates following the Comprehensive Spending Review. These reductions impact directly on the Council and on the resources available to partners.

Council Assets

The Council owned Property, plant and equipment assets with a total net book value of over £650m at March 2010. These included over 12,000 Council dwellings, and 887 hectares of Parks and Open Spaces. The Council also owns a large number of commercial properties and agricultural land used to generate income.

OVERARCHING STRATEGY

The Council's capital strategy is to deliver a capital programme that:

- Contributes to the Corporate Plan, and the Council's vision, values, strategic objectives and priorities
- Is closely aligned with the Council's asset management plan
- Supports other NBC plans and strategies
- Supports NBC service-specific plans and strategies
- Is affordable, financially prudent and sustainable, contributes to better value for money

The capital strategy will be delivered through:

- Effective political and corporate leadership
- Team Northampton working together
- Adequate and effective performance management arrangements
- Clearly defined processes for building and monitoring the capital programme
- Clear policies on financing capital expenditure
- Effective risk management arrangements
- A clear purchasing protocol

In prioritising the Capital Programme, particular emphasis will be given to schemes that:

- Achieve the Council's priorities
- Improve performance against national and local targets
- Improve efficiency and effectiveness in service delivery
- Promote partnership working
- Generate or increase income streams
- Promote effective Asset Management, including DDA and Health & Safety issues

LINKS TO OTHER PLANS & STRATEGIES

Corporate Plan

The Corporate Plan sets out the Council's overall aims and priorities and is therefore the key driver of capital investment decisions. The Council aims to be amongst the best councils in terms of public service within five years.

Our five corporate priorities are:

- Safer, greener and cleaner communities
- Improved homes, health and the well-being
- A confident, ambitious and successful Northampton
- Strong partnerships and engaged communities
- An efficient, well-managed organisation that puts our customers at the heart of what we do

Service Plans & Strategies

The Council's overall aims, objectives and priorities are cascaded down and translated into specific targets and actions through its other strategies and plans. Capital investment needs identified in these are fed by service managers into the Council's capital investment plans through medium term planning and the capital project appraisal process.

Local Targets

Meaningful targets are set at all levels of the organisation, from the Council as a corporate body, through directorates, services and teams down to individual employees. The cascading effect is largely achieved through annual service plans, and staff appraisals. These local targets link directly to the Community Strategy aims and the Council's strategic objectives and priorities, and demonstrate "The Golden Thread" throughout the organisation.

Medium Term Financial Strategy

The medium term planning process is used to identify the best strategies to meet the Council's stated vision and priorities - these may have revenue or capital investment implications. Each individual bid for capital resources is evaluated and prioritised, through the capital appraisal process, for its contribution to meeting the Council's vision and priorities as expressed in the Corporate Plan, as well as its contribution to performance indicators. In addition the medium term planning framework ensures that the revenue implications of capital projects are built into the Council's forward planning process.

Asset Management Plan & Housing Asset Management Strategy

The Council's delivery of an effective and efficient capital investment strategy can only be achieved if the process is closely aligned with a clear and robust asset management strategy. In line with the Corporate Asset Management Strategy, the Council will seek to dispose of investment properties that do not give an adequate rate of return with a view to potentially using capital receipts to either improve some existing investment properties to maximise return on investment and/or purchasing new capital assets for investment purposes. This decision will be informed by an evaluation of capital investment versus additional income generated.

The Housing HRA capital programme is closely aligned to the Housing Asset Management Strategy.

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Partnership Working

To be effective and to maximise the use of our shared resources we have developed shared priorities. Our plans set out how we can deliver these shared resources in the most effective way for the people of Northampton.

The Council works with other service providers in the area through a number of strategic partnerships. In support of the capital strategy and the delivery of the capital programme, the Council works specifically with a number of partners, including WNDC, the Town Centre Partnership, and Northamptonshire Enterprises Limited (NEL).

Equalities

Northampton Borough Council is committed to ensure that everyone is appropriately treated irrespective of race, gender, disability, sexuality, age, religion or belief or any other determining aspect of their lives. The capital project appraisal process is designed to pick up schemes that address equalities issues, and to give these a high priority. All schemes are approved subject to funding and an appropriate Equalities Impact Assessment. The Equalities impact of proposed schemes is available to decision makers when the prioritisation of capital bids is discussed.

Risk Management Strategy

Risk management is a key feature in the management of capital projects. When putting together the Council's capital programme and setting the Council's prudential indicators for capital expenditure, officers take into consideration both the opportunities and the threats which could affect Council's plans and performance, and desired levels of affordability and prudence. Uncertainty arises in the policy, planning, development and execution phases of capital projects. This is dealt with in line with the Council's Risk Management Strategy.

Procurement Strategy

Capital expenditure by its nature can involve significant sums of money, and it is therefore vital that a comprehensive procurement strategy is in place to protect the Council's interests and to ensure that the Council achieves value for money. The Council's procurement strategy was approved in April 2008. An effective procurement strategy can be used to help achieve wider objectives – for example, as a major purchaser the Council has the opportunity to influence the market in respect of economic development, environmental issues, equalities and health and safety.

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AFFORDABILITY, SUSTAINABILITY, PRUDENCE AND VALUE FOR MONEY

The Prudential Code

The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) was introduced by the Local Government Act 2003. It sets out the concepts of affordability, sustainability and prudence as they apply to capital expenditure.

A key objective of the Prudential Code is to ensure that the capital investment plans of the local authority are affordable, prudent and sustainable. To demonstrate that these objectives have been met the Code sets out the prudential indicators that must be used, and the factors that must be taken into account. These are designed to support and record local decision-making in a manner that is publicly accountable.

Affordability

The fundamental objective in determining the affordability of the authority's capital plans is to ensure that the total capital investment remains within sustainable limits. This includes considering the impact on council tax, or in the case of housing projects, housing rents. The Council is required to take into account all its current and forecast resources, together with the capital expenditure plans and revenue income and expenditure forecasts for the coming year and the following two years. This is done on a rolling basis, with regard to risk analysis and risk management strategies. Any significant known variations beyond this time frame must also be considered.

There are a number of prudential indicators that directly address the issues of affordability, including:

- The ratio of financing costs to net revenue stream
- The incremental impact of capital investment decisions on the Council Tax (or Housing Rents)
- Capital expenditure
- The capital financing requirement (i.e. the underlying need to borrow for a capital purpose)
- The authorised limit for external debt
- The operational boundary for external debt

Prudence and Sustainability

Prudence and sustainability year on year are addressed through the prudential indicators for external debt, which must be set and revised taking into account their affordability.

The key indicator of prudence laid down by the Code is that net external borrowing should not, except in the short term, exceed the total of the capital financing requirement in the preceding year, plus the estimates of any additional capital financing requirement for the current and next two financial years. This ensures that, over the medium term, net borrowing will only be for capital purposes.

It is also prudent to carry out treasury management activities in accordance with good practice, and the Prudential Code sets a number of indicators to address this. These are:

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

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- Upper limits on fixed and variable interest rate exposures
- Upper and lower limits on the maturity structure of borrowings
- Upper limit for principal sums invested for periods longer than 364 days

Northampton Borough Council and The Prudential Code

The Council addresses the issues of affordability, prudence and sustainability in its capital investment plans by complying with the requirements of the Prudential Code.

This includes the setting and monitoring of prudential indicators. The timetable for reporting to Cabinet and Council is set out in the following table.

- | | |
|--------------------|----------------------------------|
| • February/March | Setting of prudential indicators |
| • October/November | First monitoring report |
| • January/February | Second monitoring report |

Additional reports may be taken at any time if the need arises.

Value for Money

It is important that best value for money is obtained from capital investment. The Council is committed to making continuous improvements to processes and practices to increase value for money. Those that are embedded or being developed include:

- Improvements to procurement
- Investing to improve performance and/or generate efficiency savings (spend to save)
- Working with partners to improve efficiency

Minimum Revenue Provision (MRP)

The Council is required to make provision for the principal repayment of borrowing. Prior to 2007-08 the Council was required by statute to provide for the repayment of a minimum amount of 4% of General Fund debt principal each year. This debt repayment is known as the Minimum Revenue Provision (MRP).

The Housing Revenue Account is currently not subject to an MRP charge.

New regulations, the Local Authorities (Capital Finance & Accounting) (England) (Amendment) Regulations 2008, which came into force in February 2008, now require the Council to make instead 'prudent provision' for the repayment of debt. A number of options for prudent provision are set out in the regulations. The underlying principle is that the repayment of debt should be aligned to the useful life of the asset or assets to which it relates.

The authority is required, under the new regulations, to prepare an annual statement of their policy on making MRP for submission to Council. The Council's policy statement on MRP is set out in the annual Treasury Strategy, which is agreed by Council during Feb/March each year.

FINANCING CAPITAL EXPENDITURE

Overview

Decisions on capital investment are made against the background of constrained resources, and the Council is heavily dependent upon capital receipts and grants from central government to support its capital programme. Other available funding sources include prudential borrowing, third party contributions, and revenue contributions. These are all actively pursued to support capital investment.

Capital Receipts

Capital receipts are derived from both General Fund (GF) and Housing Revenue Account (HRA) asset sales. These could include income to the Council as lessor from finance leases.

NBC do not always receive the full value of these asset sales as some of them are subject to “clawback” arrangements whereby a proportion of the capital receipt must be paid over to the Homes and Communities Agency (HCA).

GF asset sales come from a variety of sources. Generally speaking, 100% of GF asset sales (after any ‘clawback’) can be used to support capital expenditure. Sometimes the asset sale is linked directly to a capital project, for example in a relocation scheme. More often, GF asset sales relate to surplus assets that are held corporately and are not specific to a scheme or even a service block.

HRA asset sales come from the sale of council houses under ‘right to buy’ legislation, and from the sale of shared ownership properties. For ‘right to buy’ receipts, 75% of the monies that are received have to be sent to Communities and Local Government (CLG) for re-distribution under ‘pooling’ arrangements, leaving 25% to fund new capital programme expenditure. For other HRA assets, 50% of any receipt is pooled, but this can be offset by capital allowances for regeneration expenditure.

Since the significant reduction of new council house build, the housing stock has gradually decreased year on year. As at 31 March 2010, the Council’s housing stock stands at 12,194 dwellings, a reduction of 15 on the previous year. The amount of receipts released by right to buy sales is dependent on both the stock itself and on economic and market conditions. The current economic climate has significantly reduced the number of sales and the amount of receipts.

Unsupported Borrowing

The Local Government Act 2003 introduced new flexibilities into the capital expenditure and financing rules governing local authorities. The new rules, contained in the ‘Prudential Code’, allow local authorities to set their own limits with regard to borrowing undertaken to support capital expenditure. Additional borrowing may now be undertaken, provided that it is, and can be shown to be, prudent, affordable and sustainable. This method of financing capital expenditure is called “unsupported borrowing”.

In order for unsupported borrowing to be prudent, affordable and sustainable, there must be an identifiable, long-term source of revenue funding for the associated revenue (debt financing) costs. Ideally this will come from revenue savings or additional income arising directly from the capital scheme. For example, refurbishment of a building may generate maintenance and/or energy savings, or the building of a car park could generate income

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through charges. The cost of borrowing therefore should be borne by the service that uses the asset.

Supported Borrowing

The other form of borrowing available for funding the capital programme is supported borrowing. This is where the costs of the borrowing are part recognised in the formula grant settlement and are therefore 'supported'. However the formula grant does not cover the full cost of the borrowing undertaken. As a district authority supported borrowing allocations are limited, generally only Housing supported borrowing allocations have been made available in recent years.

Government Grants

The conditions attached to government grants vary according to the particular grant. Some will fund the full cost of the scheme, others just a percentage, with the local authority having to fund the balance. Most, but not all, grants are time-limited. Government grants tend to be focussed towards central government priorities.

The largest government grant received by NBC to support the capital programme is the Major Repairs Allowance (MRA), around £8m per year, provided for the express purpose of improving the condition of the Council's housing stock.

Third Party Contributions

As with government grants the conditions attached to third party contributions vary.

This category of funding is becoming of increasing importance to the Council in a climate of stretched local government resources. Included here are:

- Planning obligations funding from Section 106 agreements (developer contributions)
- National Lottery grants
- Contributions from local bodies.
- Contributions from national bodies.

Revenue Contributions

In the past revenue contributions have been a fairly minor source of capital financing for the Council due to pressures on the revenue budget. They are, however, sometimes used to top up small shortfalls in the funding required for a particular scheme.

Revenue contributions from the HRA earmarked reserve have also been a valuable source of finance in helping to deliver the Decent Homes programme.

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FUNDING STRATEGY

The capital funding strategy is proposed as part of the overall capital strategy and is therefore also reviewed on an annual basis.

Cabinet may make changes to the funding strategy where necessary to deliver capital schemes that are key to delivering the Council's agreed priorities.

The Council's capital funding strategy for 2011-12 is set out below:

Funding streams are allocated in the following ways:

- General Fund capital receipts are not allocated or committed prior to receipt, unless inextricably linked to a specific project.
- Usable capital receipts from the sale of council housing stock under right to buy legislation are directed at the HRA capital programme to meet the requirements of decent homes targets.
- Usable capital receipts from other asset sales other than RTB, whether HRA or General Fund, can be used towards General Fund capital projects. This reflects the fact that the Council is not currently in a financial position to be able to direct all HRA receipts towards the HRA programme. However this policy may be reviewed in future years
- General fund capital receipts received during the year will be added to the un-earmarked general fund capital receipts reserve (see below) and taken into account as a potential funding source for new schemes or variations in the relevant financial year or the following financial year, subject to revenue budget considerations e.g. debt financing budget implications.
- General Fund capital receipts received from the capital portion of finance lease income on Council owned GF and HRA properties under new IFRS rules will be earmarked for capital expenditure on the Council's property assets.
- Capital Reserves – The current financial climate is such that capital receipts are at a premium. Once the economic climate stabilises and capital receipts become a more reliable income source, consideration will be given to creating a GF capital reserve of £200k for emergency capital works.
- The only call on the earmarked general fund capital reserve during the year would be for unforeseen high priority emergency capital works that cannot be financed from alternative sources. Agreement will be through the normal channels – that is the submission of a project appraisal or variation to Cabinet.
- Hypothecated funding – i.e. funding linked directly to a specific scheme or service area, such as grants, third part contributions, revenue contributions and supported borrowing – is allocated 100% to the relevant scheme or service.
- Major Repairs Reserve - In line with the statutory requirement, the Major Repairs Reserve is entirely earmarked for HRA capital expenditure on the Council's housing stock
- Supported Borrowing will be used if the unsupported element is affordable.

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- Unsupported Borrowing will be used to fund capital investment if the cost of the borrowing is affordable. Ideally the capital investment itself will produce revenue savings, which will cover the cost of borrowing to invest.
- Underspends on GF schemes may not be automatically diverted to other schemes. This will be considered against the demands of the programme as a whole, the Reserve Project list and funding requirements for the following year.

The funding strategy is used to determine the allocation of funding to the programme at the start of the year and throughout the year. Depending on the timing and restrictions of the funding streams, the most appropriate funding will be used at the year end. The Capital Team, under the direction of the Chief Finance Officer, will apply the available funding to the outturn expenditure in line with the best interests of the Council.

Revenue Implications of Capital Projects

The revenue implications of capital projects are identified through medium term planning and the capital appraisal process, and fed into the Council's medium term revenue budget to ensure that all revenue implications are taken into account.

Leasing (Council as Lessee)

Leases are classified in accounting terms as either finance or operating leases. This distinction is important because it dictates whether the lease must be classified as capital (finance leases) or revenue (operating leases), and different accounting treatment is required for each.

The Treasury Team are responsible for advising on and arranging all leases for the Council in conjunction with the Procurement Team. They ensure that the leases comply with all the relevant accounting conditions and requirements. All lease arrangements entered into on behalf of the Council are authorised and signed by the Council's Section 151 Officer.

In order to demonstrate and achieve value for money, the Council's leasing advisors carry out a full evaluation of any lease proposals on behalf of the Council. This involves an analysis of the quality of the proposed lease and a comparison of the whole life costs of, for example, an operating lease, a finance lease or capital purchase funded by prudential borrowing.

It is generally more cost effective to arrange operating leases through sale and leaseback arrangements with a third party rather than through a direct lease from the supplier. Items financed through an operating lease are coded to and financed as part of the Council's revenue budget. It is the responsibility of the budget holder to ensure that there is sufficient capacity in the revenue budget to fund the annual operating lease costs.

The Council's preference is not to enter into finance leases unless there are exceptional reasons for doing so. Where an operating lease is either not available or not suitable, a capital purchase funded by prudential borrowing generally offers greater benefits than a finance lease. The introduction of IFRS from April 2010 may reduce the number of instances where operating leases can be used to finance expenditure, particularly in the case of short life assets such as IT hardware, equipment and vehicles. Where this applies it is likely that such items will be purchased through the capital programme and financed by prudential borrowing, with the revenue cost of the borrowing met from the existing service budget.

PRIORITISATION PROCESS

Prioritising projects

All bids for inclusion in the following years programme can be scored according to a set of objective criteria to assist with the prioritisation of schemes and the allocation of funds. This ensures that, in a context of limited resources, the community vision and strategy and the Council's vision, values, objectives and priorities form the framework for decisions about investment priorities, and that capital allocations are made using clear impartial criteria.

The scoring is linked directly to the information given on the completed project appraisals, with weighting given to schemes that strongly support the Council's objectives and priorities, and those that fulfil an urgent legal or statutory requirement.

In summary, each bid can be scored on the extent to which the project contributes:

- The Council's objectives and priorities
- Legal commitments or statutory duties, including DDA & Health & Safety issues
- Equalities
- Contribution to Partnership working
- Improvements in performance indicators
- Efficiency savings
- Value for money
- The delivery of service objectives
- Effective Asset Management
- Environmental impacts
- Extent of ring fenced or specific funding
- Levels of financial risk involved
- Impact on the revenue budget and income generation

Scoring the bids enables officers to put forward a recommended programme that is within available resources. The weighting within the scoring framework will be reviewed on an annual basis as part of a policy of continuous improvement and to take into account any relevant factors. Bids for work required to meet a statutory or legal obligation will be given a high priority.

The prioritised programme is for guidance only. Members are responsible for agreeing the capital programme and have the discretion to include or exclude schemes as they deem appropriate.

Capital Programme 2011-12 to 2013-14 - Project Appraisals

All bids for inclusion in the capital programme are supported by a project appraisal, the preparation of which is the responsibility of the budget holder or project manager. The appropriate council officers and Portfolio holder(s) sign off the appraisal. This is to show that they are aware of and support the scheme, but these signatures do not constitute approval for the scheme to go ahead.

Project appraisals have been completed for all 2011-12 capital programme bids. The appraisal proforma has been re-designed to ensure that the information gathered is sufficient in order to make decisions based on the criteria set out above. Only relevant data and information is requested.

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Bids for future year starts have been put forward in outline only. These will form part of the capital programme build in the year preceding the proposed start and will be prioritised as outlined in the timetable below.

The deminimus level set by the authority for capital expenditure is £6,000. Individual schemes must therefore be £6,000 and above to be included in the authorities capital programme. The only exception is where the funding for the project is external and requires the scheme to be capital.

Timetables

The Council agrees its capital programme on an annual basis in February immediately preceding the start of each financial year. The agreed programme consists of:

- A firm and fully funded programme for the following year. This includes continuations from previous years as well as new starts in year
- Continuation schemes for the subsequent 2 years
- The NBC element of schemes reliant on external funding. Such schemes will only commence once the external funding is definitely secured.

The setting of the programme by Council comes at the end of a thorough process that begins in the previous summer and involves officers in all parts and at all levels of the organisation. A broad indication of the planned timetable and those involved is as follows:

May to July	Medium term planning process begins.
July/August	Capital programme launch workshops offered to all project managers and finance staff.
August/Sept	Capital Appraisal forms completed and submitted to Finance for review and refinement. For all bids, revenue implications checked against Medium Term Planning Options by Finance. Debt financing budget implications calculated by Finance.
Oct/Nov	Capital Challenge Process Management Board considers the draft capital programme
December	Notification of government funding allocations. Report to Cabinet for consultation, including Capital Strategy.
Feb/Mar	Cabinet recommend draft programme to full Council for agreement Council agree the Capital Programme. Notification by Finance to budget managers of schemes that have been included in the authorities capital programme.

The Council's Treasury Strategy and Prudential Indicators for Capital Finance, which are put together by Finance, will also be agreed by Council at the budget setting meeting in February or early March.

Once approved by Council the three-year programme will be published, at a summary level, in the Council's Revenue and Capital Budget Book.

MONITORING THE CAPITAL PROGRAMME

Project management & monitoring

Project managers are responsible for the proper and effective control and monitoring of their projects, including financial monitoring.

This includes ensuring that:

- Only capital expenditure is charged to the capital project
- Only expenditure properly attributable to the scheme is coded to the scheme
- The scheme expenditure is contained within the agreed budget, and that any 'unavoidable' variations are dealt with appropriately
- Realistic expenditure profiles are determined
- A realistic forecast outturn for the financial year and the project as a whole are calculated and kept under regular review
- Any slippage of expenditure from current to future years is identified
- Any grants or third party funding is applied for and all grant conditions met
- The source of any revenue funding is identified

Project managers are also responsible for carrying out project reviews following scheme completion. This is an area of work that the Council is developing, The Capital Team request information on completed projects as part of their ongoing monitoring role.

Directorate Management Teams

Each Directorate Management Team is responsible for ensuring they receive & review reports on the capital expenditure position for their directorate and that any appropriate corrective action needed to address any monitoring issues is agreed and implemented.

Finance – Capital Team

The Capital team is responsible for providing support and advice to assist project managers in managing and monitoring their capital budgets. It also has a key role in consolidating and co-ordinating the monitoring information that is required for reporting purposes. This involves reporting to Directorate Management Teams via Heads of Service, Management Board and Cabinet. The team is also responsible for ensuring that the agreed programme is fully and appropriately financed at all times.

Capital Programme Monitoring

The capital programme position is reported to Cabinet on a monthly basis throughout the year, commencing from period 2 (end of May). This forms part of the overall Dashboard report and covers the latest programme and any amendments to be notified or approved, expenditure to date, and the forecast outturn. It also outlines the financing position and any steps needed to deal with potential financing difficulties.

As part of the monitoring process, an annex to the report explains the background to any forecast under or overspends, and gives brief details of any variations to the original programme.

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At year-end, an outturn report and a slippage report are taken to Cabinet. These will include an analysis of programme slippage to the following year, including the reasons for that slippage and how it is to be financed.

Changes to the Agreed Programme

The programme for the coming year is set and agreed by Council prior to 1st April, and it is essential to also have a process that then allows for changes during the year.

Changes may be required as a result of proposed additions to the programme, amendments to existing schemes or deletions from the programme. For example tenders may come in above or below estimate; difficulties may be encountered in implementation, which require a change of approach; funding may need to be released to support another more urgent priority.

Proposed additions to the programme

The need to add a scheme to the programme usually arises from either access to additional funding, such as a grant or third party contribution, or as a response to an unforeseen urgent issue (often related to legal or health and safety concerns).

In order to bid for an addition to the programme, a project appraisal must be completed and signed off in the usual way. The funding for the project must be identified at this stage. Where there is no additional funding to support the bid, resources must be identified from within the existing programme. The prioritisation of the proposed addition will need to be considered with reference to any Reserve List of projects, as well as projects already in the programme but not yet complete.

The request for the addition will usually be incorporated into the regular Dashboard report to Cabinet. In exceptional cases where an urgent decision is required arrangements can be made by the Capital team to submit the request for a decision to an earlier Cabinet or to seek an appropriate decision under delegated powers.

Amendments to Existing Schemes

If the proposed amendment is one of substance, which results in a scheme materially different from the original project appraisal, then the original project must be withdrawn, and a new project appraisal completed to support the new bid. If, however, the substance of the scheme remains the same, then the change can be dealt with through the completion and approval of a project variation form.

Formal variations to budgets for existing projects must be completed and authorised in the following circumstances:

- Forecast total scheme outturn is materially in excess of budget
- Additional funding has become available to support a scheme
- A forecast overspend is to be funded by a forecast underspend in another project
- Funding is released due to a forecast underspend on a scheme
- A scheme is to be withdrawn from the programme

Project variation forms are available on the intranet.

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CONSULTATION

Northampton Borough Council recognises that it is important to actively involve the community in the decision making process through consultation in order to provide good quality services and deliver them well.

The Council adopted a Community Engagement Strategy in 2008, supported by a Consultation Toolkit introduced as a means to improve how we consult. This is designed to be an easy to understand, step-by-step guide, but is not intended to be prescriptive, but to assist in the planning and carrying out of consultation work.

Consultation and Capital Investment

Consultation feeds into decision-making on the Council's capital investment priorities at a number of levels.

The community vision and strategy and the Council's vision, values, objectives and priorities, which underpin the overall investment strategy, are themselves the result of extensive consultation.

The Capital Appraisal process specifically asks managers for details of "Consultation with stakeholders"

The Housing Asset Management Strategy includes the draft HRA capital information. The strategy is subject to extensive consultation.

The Council will take into consideration consultation feedback and take action on it where applicable within overall policy and subject to overall financial constraints.

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Fixed Assets Overview

The following tables are a summary analysis of the Council's fixed assets as they appear in the Balance Sheet in the 2009-10 Statement of Accounts.

Operational Assets

	Council Dwellings	Other Housing Property	Other land & buildings	Vehicles plant, etc.	Infra-structure	Com-munity Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Certified Valuation 31st March 2009	631,904	17,188	82,514	12,062	1,625	6,671	751,964
Accumulated Impairment	-104,979	-929	-9,344	-8,832	0	-661	-124,744
Accumulated Depreciation	-9,849	-340	-2,038	-442	-211	-87	-12,966
Net book value 31st March 2009	517,076	15,919	71,132	2,788	1,415	5,924	614,254
Movement in 2009/10							
Additions	9,437	0	644	812	0	218	11,110
Disposal	-648	-92	-326	0	-46	0	-1,112
Revaluations	6,884	1,791	734	38	0	0	9,446
Depreciation	-4,953	-409	-3,155	-467	-16	-151	-9,151
Depreciation Written Back	9,853	548	2,509	395	0	171	13,476
Impairments	-20,678	-596	-8,984	-1,522	0	0	-31,779
Adjustments/Transfers	121	484	35,153	-117	-176	-210	35,255
Depreciation Adj/Transfers	-1	-207	-615	13	0	-2	-813
Net book value 31st March 2010	517,091	17,437	97,092	1,940	1,176	5,950	640,685
Gross Valuation at 31st March 2010	647,698	19,370	118,719	12,795	1,402	6,680	806,664
Impairments at 31st March 2010	-125,657	-1,524	-18,328	-10,354	0	-661	-156,524
Depreciation at 31st March 2010	-4,949	-408	-3,299	-501	-226	-69	-9,454
Net Book Value 31st March 2010	517,092	17,437	97,092	1,940	1,176	5,950	640,686

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Non Operational Assets

	Works in Investment Surplus Progress & Assets Commercial			Total
	£,000	£,000	£,000	£,000
Certified Valuation 31st March 2009	3,514	44,461	1,300	49,275
	0	0	0	
Accumulated Impairment	0	-4,575	-104	-4,679
Accumulated Depreciation	0	-44	-27	-72
Net book value 31st March 2009	3,514	39,842	1,169	44,524
Movement in 2009/10				
Additions	126	0	0	126
Disposal	-230	-61	-652	-942
Revaluations	0	896	0	896
Depreciation	0	0	-35	-35
Depreciation Written Back	0	59	131	190
Impairments	0	-93	-24	-116
Adjustments/Transfers	-1,786	-33,575	1,196	-34,165
Depreciation Adj/Transfers	0	-15	-131	-145
Net book value 31st March 2010	1,624	7,053	1,655	10,331
Gross Valuation at 31st March 2010	1,624	11,721	1,845	15,189
Impairments at 31st March 2010	0	-4,668	-127	-4,795
Depreciation at 31st March 2010	0	0	-63	-63
Net Book Value 31st March 2010	1,624	7,053	1,655	10,331

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Analysis of Fixed Assets by Category

31/03/2009		31/03/2010
Number	Operational Assets	Number
12,209	Council Dwellings	12,194
	Other Land and Buildings	
27	Council Houses not used as dwellings	27
94	Shared Ownership Properties	91
3,196	Council Garages	3,002
19	Other Housing Properties	16
67	Operational Shops	67
1	Guildhall	1
62.88ha	Allotments	62.88ha
5	Sports & Leisure Facilities	5
27	Community Centres	26
2	Museums, Art Galleries	2
1	Open Markets	1
14	Public Conveniences	14
5	Multi-Storey Pay & Display Car Parks	5
4	Local Area Offices	3
4	Central Administrative Offices	4
1	Gypsy Site	1
1	Bus Station	1
18	Surface Pay & Display Car Parks	19
1	Depots	1
15	Sub-Depots	13
75	Infrastructure	74
163	Vehicles, Plant, Furniture and Equipment	165
	Community Assets	
887.45ha	Parks and Open Spaces	887.45ha
4	Historical Buildings	4
35	Monuments/Memorials/Exhibitions	34
6	Pavilions	6
8	Cemeteries	8
1	Civic/Mayoral Regalia	1
	Non-operational Assets	
289	Commercial Property (Units)	290
65.97ha	Agricultural Land	65.97ha
1	Golf Course	1
1	Theatres	1
1	Indoor Market/Arts Venue	1
70	Intangible Assets	75

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Key to Abbreviations and Acronyms

AGM	Annual General Meeting
AMP	Asset Management Plan
CIPFA	Chartered Institute of Public Finance and Accountancy
CSR	Comprehensive Spending Review
CLG	Communities and Local Government
DDA	Disability Discrimination Act
EMDA	East Midlands Development Agency
EU	European Union
GAAP	Generally Accepted Accounting Practice
GOEM	Government Office East Midlands
GF	General Fund
HCA	Homes & Communities Agency
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standards
LAA	Local Area Agreement
LGA	Local Government Association
LPI	Local Performance Indicator
LSP	Local Strategic Partnership
MKSM	Milton Keynes & South Midlands
MRA	Major Repairs Allowance
MRR	Major Repairs Reserve
NEL	Northamptonshire Enterprise Ltd
NBC	Northampton Borough Council
ONS	Office of National Statistics
PI	Performance Indicator
PWLB	Public Works Loan Board
SORP	Statement Of Recommended Practice
The Code	The Code of Practice for Local Authority Accounting in the United Kingdom
WNDC	West Northamptonshire Development Corporation

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Glossary of Terms

Asset Management Plan (AMP)

A plan maintained by the authority of the condition and suitability of its buildings, updated regularly and utilised to assess future capital investment needs. An AMP may be corporate or service specific.

Best Value

The duty which local authorities owe to their stakeholders to provide relevant, cost effective services.

Capital Expenditure

Expenditure on the acquisition of fixed assets (such as land, buildings, and major items of plant, vehicles or equipment), or expenditure that extends the life or value of an existing fixed asset.

Capital Programme

The authority's plan of capital works for the current and future years, including details on the funding of the programme.

Capital Receipts

Income from the sale of fixed assets. These can only be used to finance other capital expenditure or to repay outstanding debt on assets financed by loan.

Capital Reserve

An internal fund set up to finance capital expenditure in future years.

Capital Strategy

A corporate document providing clear strategic guidance about the Council's objectives, priorities and spending plans, demonstrating the link to key corporate and service objectives.

Community Strategy

A document developed by a partnership of local agencies and organisations, including the Council, which sets out:

- A framework for the way the different stakeholders can work in partnership
- A set of clear actions against which progress can be constantly monitored
- The basis for making good and effective decisions to achieve a growing and sustainable environment.
- Identified priorities for action
- A framework for other public service planning
- An action plan to identify the action required to bring the strategy into being

Comprehensive Spending Review

The public expenditure planning process introduced by the government in 1997 to replace the system of annual public expenditure surveys. Each CSR covers a three-year period.

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Corporate Plan

An annual statement published by the authority setting out the improvements that it plans to make in the performance of its services and how it intends to do so.

Cross Cutting

Issues or actions which concern or impact across a number of different areas such as demographic groups, geographic localities, services or service providers. These require co-ordination across departments and with other statutory and non statutory partners.

Debt Financing Budget

A budget to cover the repayment of principal and interest charges on the debt incurred through the building or purchase of the long term assets used in the provision of services.

Disability Discrimination Act 1995

Government legislation that places a statutory obligation on local authorities to make their services accessible to disabled people.

Fixed Assets

Tangible assets that yield benefits to the authority for a period of more than one year. This includes land, buildings, and major items of plant, vehicles or equipment.

Intangible fixed assets consist mainly of purchased software licences and custom built software prepared for use for a period of at least one year.

Local Strategic Partnership

A high level local partnership to bring together a wide range of public private, voluntary and community interests with the aim of promoting the sustainable, social, economic and environmental well being of the people of Northamptonshire.

Medium Term Plan

The Council's prioritised service and financial plans for the next three years.

Performance Measures

The process of taking aspects of performance for measurement and comparison.

Performance Indicators

Any numerical data or ratios collected and used for the purpose of evaluating performance against targets.

Procurement

The purchase of goods and services, with a strategy being developed to assist with the definition of quality standards and securing provision of the best possible services for local people for a given price.

Prudential Borrowing

All borrowing undertaken by the Local Authority for its capital programme must be prudent, affordable and sustainable.

Prudential Code

The code of practice drawn up by the Chartered Institute of Public Finance and Accountancy (CIPFA) to underpin the requirements of the Local Government Act 2003 in

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respect of an authority's duty to determine the affordability, prudence and sustainability of its capital investment plans.

Prudential Indicators

Required by the Prudential Code, these take the form of limits, estimates or actual figures used to support the local decision making process for capital investment.

Ring Fenced Funding

Funding that is for specific projects and therefore cannot be allocated to other general projects.

Section 151 Officer

The local authority's chief finance officer as defined and required by statute (Section 151 of the Local Government Act 1972).

Service Plans

Part of the business planning processes for service departments, ensuring that their objectives meet the overall priorities of the Council, and that targets are set for improvements in service delivery.

Supported Borrowing

Funding source for capital expenditure where the revenue costs of borrowing (repayments of principal and interest) are recognised by central government, through the Local Government Finance Settlement. Includes Single Capital Pot element and Separate Programme element. Referred to as "supported borrowing".

The Code

The Code of Practice for Local Authority Accounting in the United Kingdom, provides the interpretation of some IFRS accounting standards for Local Government. The code replaces the SORP, which interprets some UK GAAP accounting standards for Local Authorities. The Code has legal force through the Local Government Act 2003, and where the Code is silent on any point the relevant international standard applies unless UK statute overrides.

Unsupported Borrowing

Funding source for capital expenditure where the revenue costs of borrowing (repayments of principal and interest) do not come from central government, but have to be met by the local authority from its own revenue resources.

Useful Life

The period over which the local authority will derive benefits from the use of a fixed asset.

Whole Life Costs

The costs of acquiring or creating an asset, operating it, maintaining it over its useful life, and finally the costs of disposal (i.e. the total cost of ownership).

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Feedback Form

Did you find out what you wanted to know about the Council's Capital Strategy?

If you have any comments on the format or content of this document we would be pleased to hear from you.

Please email comments to:

capitalappraisals@northampton.gov.uk

or write your comments in the box below and return to:

Finance Manager - Capital
Finance Department
Northampton Borough Council
Cliftonville House
Bedford Road
Northampton

**Northampton Borough Council
Priorities and Budget Consultation 2011/12**

Difficult Choices

Shaping the future of council services in Northampton

Consultation Results

Phase ended 30 November 2010

Author Silvina Katz 2 December 2010

Version 3

Corporate priorities and service spending consultation

Introduction

In order to develop the Council's Corporate Plan priorities and outcomes to be achieved during 2011/12, the Council sought the views of local residents, stakeholders (including the community and voluntary sector and the business community) and staff. This year's round was named Difficult Choices and was designed to help us identify priority areas for savings and identify where reductions could be accepted. The campaign also sought views on whether services could be provided with or by others and for ideas on where savings could be made or charges increased.

The feedback obtained during the Difficult Choices programme, the first phase of our budget consultation, is currently being reviewed and will help inform the priorities (including themes, outcomes and objectives) and direct spending/savings options that need to be reflected in our future Corporate Plan and budget.

The first phase of this consultation ended 30 November 2010.

People were asked to tell us if they thought that we should look at protecting or reducing the service we offer and to make comments.

Headline results

Protect (100-55%)	Reduce (45-0%)	Neutral response (55-45%)
Street cleaning and sweeping	Events-Cultural and sporting events across the Borough	Museums
Grounds maintenance	Car parks management	Play and Sport activities
Graffiti and fly tip removal	Market Square management	CCTV
Maintaining open spaces	Events in the Town Centre	Licensing
Collection and disposal of domestic refuse and recycling		Environmental warden service
Manage materials reclamation and waste transfer facilities		Regeneration
Leisure Centres		
Community Safety		
Antisocial Behaviour Unit		
Environmental protection, food health and safety		
Planning		

The feedback received in relation to the services we offer which could be provided by or with others and ideas for saving money and increasing charges, rents or tariffs will be reported separately. The full commentary is attached as Appendix 2.

The results of this consultation will be used by the Council as part of the process of setting a balanced budget and priorities for the next financial year and to review its Corporate Plan.

Methodology

A consultation programme was produced using the principles set out in the Council's Consultation Toolkit. This included a mixture of online and paper surveys, face-to-face engagement from elected members at ward and community forum meetings, press releases, associated media activity and a range of social networks. A dedicated email address and contact were made available throughout.

People were consulted and engaged by the following methods:

- Public meetings across a range of venues in the town
- Engagement with our Disabled People's, Pensioners, LGBT and Diverse Community Forums at forum meetings and via links on all the community forums' social media
- On-line survey
- Questionnaires made available from our One Stop Shop and at public meetings
- Communication with our key stakeholders and partners (including the business community), the Voluntary and Community Sector and representatives of the tenants Sounding Board
- Media briefings

Response

Total responses received 217.

Equality Monitoring

The profile of respondents by gender, age and ethnicity, available at Appendix 1, matches the profile of our wider community and this can be seen an indicator of a fair survey.

Please note that the results of additional activity related to the budget and the council's priorities was undertaken independently and separately and the findings and views expressed are not included in this report.

Consultation Results-Analysis

Street cleaning and sweeping

77.1% (162) want to see these services protected
22.9% (48) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Clean streets and environments are seen as fundamental for the town, including improved morale
- Enforcement (including work with offenders), education and working with community and volunteers to play a bigger role
- Quality services to provide better value, consider outsourcing

Grounds maintenance

58.8% (120) want to see these services protected
41.2% (84) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Essential to maintain clean and safe spaces at the right level
- Let nature and/or reduce cutting take control of grass verges
- Increase community participation and work with volunteers and other groups
- Consider outsourcing

Graffiti and fly tip removal

76.2% (160) want to see these services protected,
23.8% (50) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Need to maintain minimum standards
- Increase community clean ups
- Enforcement (including work with offenders), education and working with community and volunteers to play a bigger role
- Removal critical for morale
- Consider outsourcing

Maintaining open spaces

78.9% (165) want to see these services protected
21.1% (44) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Beautiful parks and open spaces contribute to wellbeing and morale
- Create/support biodiversity friendly schemes
- Review pricing
- Increase community/voluntary groups role
- Consider outsourcing or sharing services

Collection and disposal of domestic refuse and recycling

84.6% (176) want to see these services protected
15.4% (32) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Collection and disposal are essential to reduce landfill taxes
- Improve local recycle/collection points
- Improve information and education
- Revise seasonal patterns
- Consider outsourcing



Manage materials reclamation and waste transfer facilities

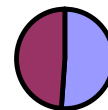
65.7% (130) want to see these services protected
34.3% (68) would accept a reduction in services.

Some of the key issues raised by people include the following:

- Use as income generation
- Improve information/education
- Consider outsourcing

Museums

51.2% 106() want to see these services protected
48.8 % (101) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Consider charging and sponsoring by businesses etc
- Town's heritage and identity, contribution to education and tourism
- Review opening times

Events

34% (69) want to see these services protected



66% (134) would accept a reduction in services.

Some of the key issues raised by people include the following:

- Should be self-funding/financing
- Review charges
- Communities and groups to support and deliver

Leisure Centres

60.2% (124) want to see these services protected
39.8% (82) would accept a reduction in services.

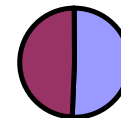


Some of the key issues raised by people include the following:

- Consider outsourcing/trust status
- Review pricing strategy and make them profitable-Self-funding

Play and Sport activities

50.5% (103) want to see these services protected
49.5 % (101) would accept a reduction in services.



Some of the key issues raised by people include the following:

- NHS/Education role
- Communities, volunteers and groups to support and deliver
- Undertake cost/benefits analysis including charge review

Community Safety

80% (168) want to see these services protected
20% (42) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Seen as police responsibility
- Focus on key areas

CCTV

48.5% (98) want to see these services protected
51.5 % (104) would accept a reduction in services.



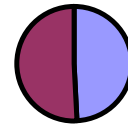
Some of the key issues raised by people include the following:

- Contribution to feeling safe where people live and work
- Should be police activity

- Perception that they are too intrusive and need to focus on high crime areas only

Licensing

49.2% (98) want to see these services protected
50.8% (101) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Consider sharing services with other authorities
- Multi-agency approach
- Impact of alcohol on young people, ASB and health

Anti Social Behaviour Unit

77.2% (156) want to see these services protected
22.8% (46) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Work with partners to address and share costs
- Strategies to work with children and improve education
- People want to feel safe

Environmental Protection, food health and safety

72.2% (148) want to see these services protected
27.8% (57) would accept a reduction in services.

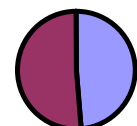


Some of the key issues raised by people include the following:

- Consider outsourcing/sharing services
- Responsibility of businesses

Environmental warden service

48.5% (97) want to see these services protected
51.5% (103) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Work with community and partners (especially the police) to deliver initiatives

- Lack of clarity between roles with wardens and the police
- Visibility, in particular in hot spot areas

Car parks management

23.6% (47) want to see these services protected
76.4% (152) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Review charging strategy and profitability
- Review and automate processes
- Consider outsourcing

Market Square management

30.5% (61) want to see these services protected
69.5% (139) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Very divided views on this
- Scope for partnership working
- Consider funding commercially
- Let market traders run it

Events in the town centre

30.8% (61) want to see these services protected
69.2% (137) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Run as a partnership or on a commercial basis
- Community groups to be responsible or major contributor for delivery

Planning

59.4% (117) want to see these services protected
40.6% (80) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Focus on prestigious projects and building control

- Important role for the economic success of Northampton
- Current system is complex

Regeneration

54.5% (110) want to see these services protected

45.5% (92) would accept a reduction in services.



Some of the key issues raised by people include the following:

- Necessary for further investment and increased job opportunities, resulting in an improved local economy
- A number of people would like to see less expansion and more regeneration
- Preserve our heritage
- Improvement required-Make efficiencies

Appendix 1

Difficult Choices-Monitoring

Are you:		
Answer Options	Response Percent	Response Count
Male	51.7%	91
Female	48.3%	85
<i>answered question:</i>		176
<i>skipped question:</i>		41
How old are you?		
Answer Options	Response Percent	Response Count
Under 16	0.0%	0
16-24	2.7%	5
25-34	13.0%	24
35-44	18.5%	34
45-54	25.0%	46
55-64	28.8%	53
65-74	10.3%	19
75 or above	1.6%	3
<i>answered question:</i>		184
<i>skipped question:</i>		33
How would you describe yourself?		
Answer Options	Response Percent	Response Count
White	85.5%	153
Asian/Asian British	2.2%	4
Mixed	1.1%	2
Black/Black British	3.4%	6
Other	2.2%	4
Prefer not to say	5.6%	10
<i>answered question:</i>		179
<i>skipped question:</i>		38

Agenda Item 7

Appendices

1



NORTHAMPTON
BOROUGH COUNCIL

Item No.

7

CABINET REPORT

Report Title	COUNCIL TAX BASE 2011 -2012
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	4 January 2011
Key Decision:	Yes
Listed on Forward Plan:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Finance & Support
Accountable Cabinet Member:	David Perkins
Ward(s)	All

1. Purpose

- 1.1 The report sets out the calculation of Northampton Borough Council's Tax Base for the year 2010/11 under the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) regulations 2003 (SI 2003/3012).

2. Recommendations

- 2.1 That Cabinet approve the tax base for 2011/12 at 66,899 Band D equivalent properties and associated parish tax bases within this.

	2011/12	2010/11
Billing	2,712	2,716
Collingtree	521	517
Duston	5,322	5,255
Great Houghton	289	288
Hardingstone	762	755
Upton	1,453	1,469

Wootton & East Hunsbury	6,358	6,340
Northampton (Unparished)	49,482	49,556
Total tax base	66,899	66,896

3. Issues and Choices

3.1 Report Background

- 3.1.1 A summary of the tax base and how this is calculated is attached at Appendix 1. This shows the comparison to 2010/11.
- 3.1.2 .The non-collection rate of council tax remains at 2.5% for the 2011/12 tax base setting. This is a prudent to maintain this level taking into consideration the current financial climate. The collection rate is reviewed each year as part of the tax base setting process.
- 3.1.3 There is no deficit to be apportioned on the Collection Fund to Northampton Borough Council and therefore does not need to be incorporated into the budget for 2011/12.

3.2 Issues

- 3.2.1 The report represents the application of a prescribed process.

3.3 Choices (Options)

- 3.3.1 To not set a tax base would render the authority unable to set a council tax.
- 3.3.2 In the methodology to calculate the tax base, the previous decisions made by Council to reduce the discount on second homes, holiday homes and empty, but furnished properties to 10%, instead of the normal 50%, and also to remove the discount on long-term empty properties have been used.
- 3.3.3 Each of these previous decisions, either individually or as a whole, could be reconsidered by Full Council and the discounts reinstated. Any decision to change the current position would have a negative financial impact on the budget report and tax base. The value of the removal of discounts is shown as a band D equivalent in appendix 1.
- 3.3.4 To approve the recommendations in the report

4. Implications (including financial implications)

4.1 Policy

None

4.2 Resources and Risk

4.2.1 No resource required. The base has to be determined by the 31st January 2011 by the Council

4.2.2 That the above policy position in respect of discretionary discounts and exemptions be kept under review in respect of future years

4.3 Legal

These are covered within the body of the report.

4.4 Equality

No direct impact on equality context, however any resulting impact on options/ consultations for budgets will have to be considered individually.

4.5 Consultees (Internal and External)

Internal: Finance & Support – Section 151 Officer
Legal Services – Solicitor to the Council

External: None

4.6 How the Proposals deliver Priority Outcomes

None

4.7 Other Implications

None

5. Background Papers

5.1 Background papers are held within Revenues and Benefits

Council Tax Base 11/12:

Evidence to support the calculations of figures (e. g. system totals, ctb1 return and new build figures)

Ian Tyrer, Revenues Manager
Extension 7451, ityrer@northampton.gov.uk

Council Tax Base for Northampton

10/11		11/12
67,594.50	CTB1 Oct	68,430.50
44.95	Movement in base between Oct and 30th November	-869.18
89.52	Second Homes Empty Property (note 1)	75.08
422.72	Planning Assumptions (note 2)	182.13
-1,715.28	Non-Collection 2.5% (note 3)	-1,715.36
459.61	Long-term Empty Homes Discount (note 4)	796.00
66,896.02	Taxbase for Council Tax	66,899.17

NB - all figures are expressed in band "D" equivalent

Note 1	NBC charge 90% rather than 50%, as assumed in CTB1, therefore additional income generated
Note 2	There is an allowance of 72.5% applied to the estimated new build to allow for part year liability.
Note 3	The Non-collection rate has remained at to 2.5% this year to reflect the current financial climate.
Note 4	NBC charge 100% rather than 50%, as assumed in CTB1, therefore additional income generated

Council Tax Base for Northampton

	BAND	A-	A	B	C	D	E	F	G	H
1	Number on list	0.00	30106.00	20899.00	21952.00	10119.00	5280.00	2272.00	1167.00	76.00
2	less exemption	0.00	1260.29	830.25	694.06	250.69	103.45	53.38	19.90	9.00
3	plus disabled from higher band	33.00	58.00	106.00	70.00	33.00	18.00	14.00	5.00	0.00
4	less disabled going into lower band	0.00	33.00	58.00	106.00	70.00	33.00	18.00	14.00	5.00
5	less number of one adult resident household x25%	2.25	3750.36	2038.70	1721.48	590.33	204.53	76.51	27.26	0.00
6	less number of properties with no residents but not exempt x50%	0.00	5.50	8.00	3.50	5.50	6.00	7.00	10.00	9.00
7	less number of second home properties with no residents but not exempt x10%	0.00	6.70	3.40	4.80	2.10	1.40	1.30	0.90	0.10
8	long-term empties x no discount	0.00	521.00	201.00	168.00	64.00	23.00	17.00	11.00	4.00
9	plus f y e for new properties	0.00	0	21.85	79.6	47.875	19.175	12.625	2.9	0
10	Total	30.75	25108.15	18088.50	19571.76	9281.26	4968.80	2142.43	1102.84	52.90
11	conversion to band d equivalent	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
12	band d equivalent	17.08	16738.77	14068.83	17397.12	9281.26	6072.97	3094.62	1838.07	105.80

Total 68614.53 **Assume 97.5% collection**

Tax Base **66899**

Council Tax Base for Duston

	<u>BAND</u>	<u>A-</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
1	Number on list	0.00	888.00	1714.00	2727.00	916.00	476.00	82.00	24.00	2.00
2	less exemption	0.00	24.29	43.96	52.49	22.16	10.06	0.02	0.01	0.00
3	plus disabled from higher band	4.00	9.00	14.00	3.00	3.00	2.00	0.00	0.00	0.00
4	less disabled going into lower band	0.00	4.00	9.00	14.00	3.00	3.00	2.00	0.00	0.00
5	less number of one adult resident household x25%	0.75	135.62	171.77	190.39	44.80	10.27	2.76	0.75	0.00
6	less number of properties with no residents but not exempt x50%	0.00	0.00	0.50	0.00	0.50	0.00	0.00	1.00	1.00
7	less number of second home properties with no residents but not exempt x10%	0.00	0.30	0.20	0.30	0.10	0.20	0.00	0.00	0.00
8	long-term empties x no discount	0.00	9.00	11.00	11.00	3.00	2.00	0.00	0.00	0.00
9	plus f y e for new properties	0.00	0.00	0.00	22.00	19.00	7.00	0.00	0.00	0.00
10	Total	3.25	732.79	1502.57	2494.82	867.44	461.47	77.22	22.24	1.00
11	conversion to band d equivalent	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
12	band d equivalent	1.81	488.53	1168.67	2217.61	867.44	564.02	111.55	37.06	2.00

Total 5458.68 **Assume 97.5% collection**

Tax Base **5322**

Council Tax Base for Collingtree

	BAND	A-	A	B	C	D	E	F	G	H
1	Number on list	0.00	5.00	38.00	58.00	27.00	105.00	43.00	127.00	26.00
2	less exemption	0.00	0.57	0.68	0.84	-0.05	2.98	-0.01	0.00	0.00
3	plus disabled from higher band	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00
4	less disabled going into lower band	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00
5	less number of one adult resident household x25%	0.00	0.63	4.60	4.55	1.02	5.51	0.75	4.50	0.00
6	less number of properties with no residents but not exempt x50%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.00
7	less number of second home properties with no residents but not exempt x10%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.00
8	long-term empties x no discount	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	0.00
9	plus f y e for new properties	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10	Total	0.00	3.80	32.72	52.62	26.04	96.51	42.25	122.90	25.00
11	conversion to band d equivalent	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
12	band d equivalent	0.00	2.53	25.45	46.77	26.04	117.96	61.03	204.84	50.00

Total 534.63 **Assume 97.5% collection**

Tax Base **521**

Council Tax Base for Billing

	<u>BAND</u>	<u>A-</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
1	Number on list	0.00	1250.00	812.00	593.00	444.00	306.00	91.00	89.00	1.00
2	less exemption	0.00	38.29	14.96	9.94	4.16	4.06	2.02	0.01	0.00
3	plus disabled from higher band	4.00	1.00	2.00	3.00	1.00	1.00	1.00	0.00	0.00
4	less disabled going into lower band	0.00	4.00	1.00	2.00	3.00	1.00	1.00	1.00	0.00
5	less number of one adult resident household x25%	0.00	151.94	75.32	45.30	24.93	11.07	4.02	2.26	0.00
6	less number of properties with no residents but not exempt x50%	0.00	0.00	0.50	0.50	0.50	0.00	0.00	0.50	0.50
7	less number of second home properties with no residents but not exempt x10%	0.00	0.00	0.00	0.10	0.00	0.10	0.00	0.10	0.00
8	long-term empties x no discount	0.00	14.00	12.00	21.00	2.00	1.00	0.00	1.00	0.00
9	plus f y e for new properties	0.00	0.00	0.00	1.45	0.00	0.00	0.00	0.00	0.00
10	Total	4.00	1056.76	722.22	539.61	412.41	290.77	84.96	85.13	0.50
11	conversion to band d equivalent	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
12	band d equivalent	2.22	704.51	561.73	479.65	412.41	355.39	122.72	141.88	1.00

Total 2781.49 **Assume 97.5% collection**

Tax Base **2712**

Council Tax Base for Great Houghton

	BAND	A-	A	B	C	D	E	F	G	H
1	Number on list	0.00	3.00	31.00	45.00	37.00	113.00	35.00	17.00	0.00
2	less exemption	0.00	0.57	0.68	1.84	-0.05	-0.02	-0.01	1.00	0.00
3	plus disabled from higher band	0.00	0.00	0.00	1.00	2.00	0.00	1.00	0.00	0.00
4	less disabled going into lower band	0.00	0.00	0.00	0.00	1.00	2.00	0.00	1.00	0.00
5	less number of one adult resident household x25%	0.00	0.02	3.77	4.01	2.50	7.00	0.50	0.50	0.00
6	less number of properties with no residents but not exempt x50%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	less number of second home properties with no residents but not exempt x10%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8	long-term empties x no discount	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00
9	plus f y e for new properties	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10	Total	0.00	2.41	26.55	40.16	35.55	104.02	35.51	14.50	0.00
11	conversion to band d equivalent	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
12	band d equivalent	0.00	1.61	20.65	35.69	35.55	127.13	51.29	24.17	0.00

Total 296.10 **Assume 97.5% collection**

Tax Base **289**

Council Tax Base for Hardingstone

	BAND	A-	A	B	C	D	E	F	G	H
1	Number on list	0.00	102.00	167.00	372.00	126.00	86.00	51.00	18.00	0.00
2	less exemption	0.00	2.00	4.00	8.00	2.00	0.00	1.00	0.00	0.00
3	plus disabled from higher band	1.00	0.00	6.00	0.00	0.00	0.00	0.00	0.00	0.00
4	less disabled going into lower band	0.00	1.00	0.00	6.00	0.00	0.00	0.00	0.00	0.00
5	less number of one adult resident household x25%	0.00	11.22	18.91	28.58	8.78	4.26	2.25	0.25	0.00
6	less number of properties with no residents but not exempt x50%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	less number of second home properties with no residents but not exempt x10%	0.00	0.00	0.00	0.10	0.10	0.00	0.00	0.10	0.00
8	long-term empties x no discount	0.00	0.00	0.00	1.00	0.00	1.00	0.00	0.00	0.00
9	plus f y e for new properties	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10	Total	1.00	87.78	150.09	329.32	115.12	81.74	47.75	17.65	0.00
11	conversion to band d equivalent	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
12	band d equivalent	0.56	58.52	116.74	292.73	115.12	99.90	68.97	29.41	0.00

Total 781.95 **Assume 97.5% collection**

Tax Base **762**

Council Tax Base for Upton

	<u>BAND</u>	<u>A-</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>
1	Number on list	0	51	140	630	508	149	134	62	7
2	less exemption	0	3	5	30	43	14	8	5	0
3	plus disabled from higher band	0	0	1	4	0	1	1	1	0
4	less disabled going into lower band	0	0	0	1	4	0	1	1	1
5	less number of one adult resident household x25%	0	3	17	83	50	8	4	1	0
6	less number of properties with no residents but not exempt x50%	0	0	0	0	0	0	0	1	2
7	less number of second home properties with no residents but not exempt x10%	0	0	0	0	0	0	0	0	0
8	long-term empties x no discount	0	25	0	6	3	1	4	1	3
9	plus f y e for new properties	0	0	0	9	25	11	7	3	0
10	Total	0	45	119	529	435	139	129	58	5
11	conversion to band d equivalent	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
12	band d equivalent	0.00	29.84	92.42	470.00	435.47	170.42	187.02	96.06	9.00

Total 1490.23**Assume 97.5% collection****Tax Base 1453**

Council Tax Base for Wootton & East Hunsbury

	BAND	A-	A	B	C	D	E	F	G	H
1	Number on list	0.00	275.00	1400.00	1728.00	1681.00	1098.00	627.00	204.00	3.00
2	less exemption	0.00	17.29	28.96	32.49	27.16	5.06	4.02	2.01	0.00
3	plus disabled from higher band	0.00	6.00	4.00	5.00	5.00	2.00	2.00	0.00	0.00
4	less disabled going into lower band	0.00	0.00	6.00	4.00	5.00	5.00	2.00	2.00	0.00
5	less number of one adult resident household x25%	0.00	49.66	159.73	139.38	85.96	39.33	19.53	4.26	0.00
6	less number of properties with no residents but not exempt x50%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.00
7	less number of second home properties with no residents but not exempt x10%	0.00	0.10	0.10	0.50	0.10	0.20	0.40	0.00	0.00
8	long-term empties x no discount	0.00	4.00	4.00	5.00	5.00	2.00	4.00	0.00	0.00
9	plus f y e for new properties	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10	Total	0.00	213.95	1209.21	1556.62	1567.78	1050.41	603.05	195.22	3.00
11	conversion to band d equivalent	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
12	band d equivalent	0.00	142.63	940.50	1383.67	1567.78	1283.83	871.08	325.37	6.00

Total 6520.86 **Assume 97.5% collection**

Tax Base **6358**

Council Tax Base for the remainder of the Northampton Borough Area

	BAND	A-	A	B	C	D	E	F	G	H
1	Number on list	0.00	27532.00	16597.00	15799.00	6380.00	2947.00	1209.00	626.00	37.00
2	less exemption	0.00	1173.98	732.06	557.96	152.28	67.07	38.42	11.97	9.00
3	plus disabled from higher band	24.00	42.00	79.00	54.00	22.00	12.00	9.00	3.00	0.00
4	less disabled going into lower band	0.00	24.00	42.00	79.00	54.00	22.00	12.00	9.00	3.00
5	less number of one adult resident household x25%	1.50	3398.62	1587.50	1226.71	372.08	119.59	43.20	13.47	0.00
6	less number of properties with no residents but not exempt x50%	0.00	5.50	7.00	3.00	4.50	6.00	7.00	6.50	6.00
7	less number of second home properties with no residents but not exempt x10%	0.00	6.00	3.00	3.60	1.70	0.90	0.90	0.50	0.10
8	long-term empties x no discount	0.00	469.00	174.00	123.00	51.00	16.00	9.00	7.00	1.00
9	plus f y e for new properties	0.00	0.00	21.85	47.15	4.00	1.00	5.73	0.00	0.00
10	Total	22.50	22965.90	14326.30	14029.88	5821.44	2744.44	1122.21	587.56	18.90
11	conversion to band d equivalent	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
12	band d equivalent	12.50	15310.60	11142.68	12471.00	5821.44	3354.31	1620.97	979.27	37.80

Total 50750.58 **Assume 97.5% collection**

Tax Base **49482**