NORTHAMPTON
BOROUGH COUNCIL

CABINET AGENDA

Wednesday, 22 February 2012

The Court Room - The Guildhall, St. Giles Square, Northampton, NN1 1DE.

6:00 pm

Members of the Cabinet:

Councillor:	David Mackintosh (Leader of the Council)
Councillor:	John Caswell (Deputy Leader)
Councillors:	Alan Bottwood, Tim Hadland, Mary Markham, Brandon Eldred.
Chief Executive	David Kennedy

If you have any enquiries about this agenda please contact democraticservices@northampton.gov.uk or 01604 837722

PORTFOLIOS OF CABINET MEMBERS

CABINET MEMBER	PORTFOLIO TITLE
Councillor D Mackintosh	Leader
Councillor J Caswell	Deputy Leader Environment
Councillor A Bottwood	Finance
Councillor T Hadland	Regeneration, Enterprise and Planning
Councillor M Markham	Housing
Councillor B Eldred	Community Engagement

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) 837722 (Fax 01604 838729)
In writing:	Democratic Services Manager 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 £250,000;

- 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 Court Room - The Guildhall, St. Giles Square, Northampton, NN1 1DE.

on Wednesday, 22 February 2012

at 6:00 pm.

D Kennedy
Chief Executive

AGENDA

1. APOLOGIES

2. MINUTES

(Copy herewith)

3. DEPUTATIONS/PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

5. ISSUES ARISING FROM OVERVIEW AND SCRUTINY COMMITTEES

6. EQUALITIES REPORT

Report of Chief Executive (Copy herewith).

7. CORPORATE PLAN 2012-2015

Report of Chief Executive (Copy herewith)

8. TREASURY MANAGEMENT STRATEGY 2012-2015

Report of Director of Finance and Support (Copy herewith).

9. GENERAL FUND REVENUE BUDGET SETTING 2012-2015

Report of Director of Finance and Support (Copy herewith)

10. HRA BUDGET AND RENT SETTING

Report of Finance and Support (Copy herewith)

11. CAPITAL PROGRAMME AND CAPITAL STRATEGY 2012-2015

Report of Director of Finance and Support (Copy herewith).

12. PRUDENTIAL INDICATORS FOR CAPITAL FINANCE 2012-2015

Report of Director of Finance and Support (Copy herewith)

13. 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."

SUPPLEMENTARY AGENDA

Exempted Under Schedule
12A of L.Govt Act 1972
Para No:-

NORTHAMPTON BOROUGH COUNCIL

CABINET

Wednesday, 18 January 2012

PRESENT: Councillor Mackintosh (Chair); Councillor Caswell (Deputy Chair); Councillors Bottwood, Eldred, Hadland and Markham

1. APOLOGIES

There were none.

2. MINUTES

The minutes of the meeting held on the 14th December and the 21st December 2011 were signed by the Chair.

3. DEPUTATIONS/PUBLIC ADDRESSES

David Huffadine – Smith addressed Cabinet on Item 8 – Community Governance Review. He welcomed the report and commented that the work of Parish Councils was wide ranging and positively impacted the local communities. He commented that Parish Councils could undertake numerous tasks under their powers and that they encouraged a sense of responsibility and community in Parishes.

Peter Jones addressed Cabinet on Item 8 - Community Governance Review and commented that he was speaking on behalf of an application for a new parish council in West Hunsbury. He stated that there were great advantages to having Parish Councils and there was no reason for certain areas to be deprived of the privilege.

Jill Pickard- (secretary of the Northampton Skatepark Action Group) addressed Cabinet on Item 7 – Community Forums Report. She commented that she appreciated the work that the forums had done and promoted their use of social networking sites for the promotion of events. She reported that there were a number of young people who becoming disenfranchised by the democratic process and referred to the recent proposed delay in the provision of a skate park in Northampton. She reported that there was a lot of frustration among members of the group and questioned why there were delays in the process.

The Leader commented that he understood the frustrations of those affected by the delay to the developments to the Skatepark. He commented that a number of developments were concurrently running at a fast pace and that sometimes it had proved necessary for changes to be made. He stated that he wished for developments to proceed as promptly as possible and that there was a commitment to the Northampton Skatepark.

Councillor Hadland, as the relevant Portfolio Holder commented that he had only recently become appreciative of the cumulative issues around the proposed area for the Skatepark. He stated that his concerns had arisen from the impact of the proposed site and the junction improvements to enable the regeneration of the Avon/Nunn Mills site. The reduction of the green area was the principle concern. He reported that the relocation of the skate park would maintain a meaningful expanse of open space. This larger area of space could then continue to be used for town events. Whilst the Dragon Boat Festival had been referred to him this event was never affected by the original site plan. Councillor Hadland regretted the delay. .

Norman Adams addressed Cabinet on Item 11 – HRA – Self Financing Business Plan. He commented that the report contained a number of uncertainties and expressed his unhappiness that the Council would be 'lumbered' with an historic debt. He commented that any increase in rents would have a knock on effect especially those in receipt of housing benefits who would suffer severe financial hardship.

4. DECLARATIONS OF INTEREST

Councillor Caswell and Hadland declared a personal and prejudicial interest in Item 6 – Duston Community Centre – Transfer to Duston Parish Council, as members of Duston Parish Councils.

Councillors Caswell, Hadland, Eldred and Bottwood declared a personal non-prejudicial interest in Item 8 – Community Governance Review, as members of Parish Councils.

5. ISSUES ARISING FROM OVERVIEW AND SCRUTINY COMMITTEES

There were none.

6. DUSTON COMMUNITY CENTRE - TRANSFER TO DUSTON PARISH COUNCIL

Councillors Hadland and Caswell left the room in accordance with the Declaration of Interest as set out in Item 4 above.

Councillor Eldred, as the relevant Portfolio Holder, submitted a report. He commented that the transfer of the freehold of Duston Community Centre to Duston Parish Council would be a positive transition as the Parish Council was well respected in the community having delivered a wide range of services and demonstrated the value of Parish Councils.

RESOLVED:

1. That the transfer of the freehold of land and buildings known as Duston community centre (shown edged red upon the attached plan) to Duston Parish Council be approved, subject to (a) appropriate title restrictions to protect this Council's financial interest and to achieve the objects of the transfer and (b) approval of a suitable business plan.
2. That authority be delegated to the Borough Solicitor to sign the freehold transfer agreement in accordance (as appropriate) with the Community Centres Policy Framework and the Corporate Asset Management Strategy 2012-2015 on the Council's behalf.
3. That authority be delegated to the Cabinet member for Community Engagement and Director responsible for Community Engagement to approve the business plan and financial forecasts for the operation of the Duston community centre, to be prepared by Duston Parish Council and Duston Community Association.

Councillors Hadland and Caswell rejoined the meeting.

7. COMMUNITY FORUMS REPORT

Nathanial Villette – a member of Northampton Youth Forum addressed Cabinet. He explained that the Forum had received national recognition for the work undertaken with regards to the Stamp out Hate Crime campaign. He commented that extensive work had been carried out with a wide range of groups from schools and educational groups to BBC Radio Northampton and encouraged the support and continuation of the work carried out by the Forums in Northampton.

Councillor Edlred, as the relevant Portfolio Holder, submitted a report and thanked Nathanial for his contribution and address to Cabinet. He commented that he welcomed the continued work of the forum and was encouraged by the public participation at the various Forums.

RESOLVED:

1. That the work and achievements of the Forums was recognised and welcomed.

2. That the role of the Forums in assisting the Council to meet its duties on equalities and consultation, particularly under the Equality Act 2010 was recognised and endorsed.

8. COMMUNITY GOVERNANCE REVIEW

Councillor Oldham addressed Cabinet and commented that he was pleased that the residents of West Hunsbury were being given the opportunity to establish a parish Council and emphasised the need for the Parish Council to be favourable for residents.

Councillor Stone addressed Cabinet and questioned what the financial implications would be in establishing new Parish Councils and asked if other democratic structures could be explored as an alternative to Parish Councils.

The Leader commented that the report dealt with the establishment of the process and not the intricacies.

Councillor Eldred, as the relevant Portfolio Holder, submitted a report and invited Councillor Stone to Wooton and East Hunsbury Parish Council to see how it was run and outlined the contents of the report.

The Chief Executive explained that the Governance Review was in its first stage and that further information would be provided to Councillors on the matter.

RESOLVED:

1. That the Chief Executive be delegated, in consultation with the portfolio holder for Community Engagement, authority to agree the use of necessary resources and the making of reasonable expenditure for the undertaking of a borough wide Community Governance Review, in particular the meeting of those costs associated with the options for determining community support for new or amended parish council arrangements.

2. That any necessary ballots as a result of the Community Governance Review be held at the same time as the Police and Crime Commissioner election to be held on 15 November 2012 in order to minimise costs.

9. COMMUNITY INFRASTRUCTURE LEVY

Councillor Hadland, as the relevant Portfolio Holder, submitted a report. He commented that the Community Infrastructure Levy (CIL) was a new system, which worked alongside the Joint Core Strategy, of collecting monies from developer contributions to fund cross boundary infrastructures. He reported that Section 106 had restricted affectivity and that CIL put in place a mechanism to charge a levy on individual authorities.

RESOLVED:

That the proposal to implement a way forward for introducing a CIL for West Northamptonshire which will entail the Council endorsing the following, be approved;

- The introduction of the outlined governance structure referred to in this report and detailed in Appendix A of the report
- The recognition that each partner authority will be a charging authority in their own right
- The setting up of cross partnership officer joint working groups as set out in paragraph 3.1.15 of this report
- The establishment of a cross partnership Infrastructure Steering group
- The opportunity to provide for cost sharing between authorities by providing a joint approach to CIL to address infrastructure delivery issues across the whole of West Northamptonshire

10. AFFORDABLE HOUSING DRAFT SUPPLEMENTARY PLANNING DOCUMENT/INTERIM POSITION

Councillor Stone addressed Cabinet and commented that she had recently been made aware of distressing circumstances faced by people with housing needs and questioned whether there were any preventative measures to assist people experiencing difficulties with private landlords.

The Director of Housing commented that there were severe housing needs and that there were measures that could be taken to assist people in the private sector and a wider response would be given.

Councillor Hadland, as the relevant Portfolio Holder, submitted a report and commented that the report contained recommendations to update the current document, which would help to address to housing needs of the people of Northampton. He stated that there was continued work with planning and housing officers to reduce housing stock problems.

RESOLVED:

1. That the draft Northampton Affordable Housing Interim Position Statement (as shown in Appendix 1 of the report) for consultation was approved.

2. That the finalised draft document prior to its adoption would be used to inform the Council's position in discussions with developers and Daventry District and South Northamptonshire Councils with regards to affordable housing provision in development within the Northampton Related Development Area was agreed.

11. HRA - SELF FINANCING BUSINESS PLAN

Councillor Markham, as the relevant Portfolio Holder, submitted a report and explained that the Localism Act would abolish the current financial framework for housing finance. The 30-year plan was a necessity in order to deliver a new council housing finance regime from April 2012. She reported that work would continue on bringing homes up to a decent standard, extra council houses would be built and that progress would be made on ensuring that improvements to heating would continue to be a priority. It was noted that the Business Plan would be reviewed regularly.

RESOLVED:

That the Housing Revenue Account Business Plan attached in the appendix of the report be approved, and delegated authority be granted to the Director of Housing in consultation with the Portfolio holders for Housing and Finance to amend following the issuing of the final debt settlement by Government in January 2012.

The meeting concluded at 18.46

Appendices: 1

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	Equalities Report

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	22 February 2012
Key Decision:	Yes
Listed on Forward Plan:	Yes
Within Policy:	Yes
Policy Document:	Yes
Directorate:	Chief Executive
Accountable Cabinet Member:	Cllr Brandon Eldred
Ward(s)	All

1. Purpose

1.1 The Council needs to replace Single Equality Scheme 2008 to 2011 with a new document for 2012 to 2015 which recognises and shows due regard to the new legal duties under the Equality Act 2010. The purpose of this report is to seek adoption of the new document by Cabinet. The new document is called "Our Approach to Equalities".

1.2 The Report also proposes corporate equality objectives, as required under the Equality Act 2010, to be incorporated within the Corporate Plan.

1.3 Finally, the report updates Cabinet on other work on equalities by the Council since the last report.

2. Recommendations

Cabinet is recommended to

2.1 approve and adopt the attached document "Our Approach to Equalities" as the new equality strategy document for 2012 to 2015;

2.2 approve the corporate priority equality objectives to be incorporated in the Corporate Plan 2012-15, taking account of feedback through the current Budget Consultation and needs identified through the development of the Corporate and Service Plans;

2.3 To delegate the setting of targets and measures to deliver the proposed Corporate Equality Objectives as set out in this report to the Chief Executive in consultation with the Leader and Portfolio Holder;

2.4 note progress on equalities within the Council.

3. Issues and Choices

3.1 Report Background

3.1.1 The legal duties

3.1.2 The Equality Act 2010 came into force, mostly from 1 October 2010, with further duties for the public sector and others providing 'public functions' from April 2011 and compliance requirements to be met from end of January 2012.

3.1.3 The new legal duties do not require councils to have a Single Equality Scheme but do place duties on councils to integrate due regard to equalities into their work and to publish details of equality data and the impacts of their policies and practices.

3.1.4 The Equality Framework for Local Government

3.1.5 The Equality Framework for Local Government supports Councils to meet their equality duties and to provide services efficiently. It is used by almost all councils. There is no charge. It is now integrated into equalities peer review.

3.1.6 The Council continues to work towards its ambition of achieving "Excellent" status within the Equalities Framework. Staff are encouraged to link using the equalities system to other performance monitoring activities which helps to ensure continuity, as does further staff training.

3.2 The Equality Strategy - "Our Approach to Equalities"

3.2.1 Members of Northampton Forums networks were involved in developing and helping in the first phase of consultation for a new equality strategy. Meetings, for example with Northampton Lesbian Gay Bisexual Transgender Questioning People's Forum and Northampton Pensioners' Forum, helped to identify things people wanted and things people disliked about proposed and existing approaches, and enabled the consultation plans to be shaped taking these into account.

3.2.2 Consultation on the Council's Budget 2012-13 included discussions with members of Forums about the budget proposals and any equalities concerns. The consultation paper included questions about equalities too. This sought to ensure that the planning of service delivery for 2012-15 takes into account needs in terms of people's protected characteristics from the earliest stages.

3.2.3 Other consultation and engagement activities in 2011-12 which were taken into account including the findings of the Community Safety Priorities consultation, discussions about hate crime in a number of forums, and findings of the Northampton Borough Council Employee Opinion Survey.

3.2.4 Regard was had to the development of the Northampton Borough Council Corporate Plan and priorities identified within it, to ensure that equality objectives were identified as part of an integrated approach.

3.2.5 These factors and involvement of service areas within the Council helped shape a document "Our Approach to Equalities" (**Appendix**). This gives a concise but meaningful description of the Council's approach which engages people and maximises readability, and which aims to help people understand about the population of Northampton and the ways the Council works.

3.2.6 Regard was had to best practice elsewhere, where it was noted that very long documents were not really accessible, while overly short documents might raise fears of attempting to hide information. Hence this is a shorter and more accessible document than the lengthy single equality scheme which, while aiming to be transparent, seems to have been too long for most people to read or find helpful.

3.2.7 The former separate Corporate Equalities Action Plan is replaced by ensuring equalities objectives are an integral part of all service planning with corporate equality objectives to be identified in an appendix of "Our Approach to Equalities" and also within the Corporate Plan. This will support effective working towards achieving those objectives, and reinforce that equalities is everyone's business.

3.2.8 The new document gives an overview signposting to other constitutional, policy and strategy documents, and includes references to benchmarks used to measure organisational performance e.g. Investors In People. It does not try to do it all itself. Web presence on the internet at www.northampton.gov.uk/equality guides staff and the public in a transparent way about equality impact assessments, monitoring and links to documents which help to show how the council's ways of working impact on people and to information about the population.

3.3 Corporate Plan, Service Planning and equality duties compliance

3.3.1 The corporate equality objectives in the equality strategy documents have been developed with due regard to, and alongside, development of the Corporate Plan 2012-15 and the corporate Budget Consultation 2012.

3.3.2 The Service Planning approaches introduced in 2011 are being used again in 2012. These specifically prompt and guide services to have regard to their equalities duties – both with regard to implementing the Corporate Plan and the corporate objectives contained within it, and also with regard to service-specific equality objectives which may, for example, be identified through equalities analysis in equality impact assessments.

3.3.3 The draft service plans will be challenged in relation to equalities aspects, and help offered to support services in setting appropriate objectives and identifying what they need to publish.

3.3.4 The Council's services have been reviewing their equalities data and impact assessments, and have been publishing to the Equality web pages on the website. Budget options were subjected to equality impact assessment and these were published as part of the consultation process, with services requested to review and as appropriate revise their assessments in light of consultation responses in order to support councillors as decision-makers.

3.4 Corporate Equality Objectives

3.4.1 The Council is required to have corporate equality objectives from April 2012. It is suggested that these should be relatively broad, though still measurable; they will be supported by more detailed objectives within service plans. Three such corporate objectives are proposed below, arising from analysis of current issues and recent consultation.

3.4.2 Targets and measures to deliver these objectives will also be required. These are being developed following the next phase of service planning. It is suggested that agreement of those targets and measures be delegated to the Chief Executive in consultation with the Leader and Portfolio Holder.

3.4.3 **Proposed Corporate Equality Objective: A Modern and Diverse Workforce**

3.4.3.1 The Council published its first Workforce Equality Monitoring report in July 2011. It includes equality objectives agreed by Management Board which it is proposed should form actions to achieve a corporate objective for having a modern and diverse workforce.

3.4.3.2 The report publishes equality data in line with national compliance guidance from the Equalities and Human Rights Commission. It is published in the Equality web pages on the internet at www.northampton.gov.uk/equality.

3.4.3.3 The report should be updated annually enabling detailed due regard to be had to evidence including employee opinion surveys, information about complaints and appraisals, and information from Stonewall Workplace Index reporting and feedback. The updated reports should show progress against the objectives.

3.4.3.4 It is suggested that the new equality strategy as published for April 2012 should have as an objective:

- **to deliver a modern and diverse workforce**

with detailed actions beneath that focusing on the outcome of the Workforce Equality Monitoring Report.

3.4.4 Proposed Corporate Equality Objective: Preventing and Tackling Hate Crime

3.4.4.1 A number of different consultation and engagement mechanisms have identified the need for more to be done to improve how hate crime is dealt with by the Council and in its work with partner organisations. These have included

- the Community Safety Priorities Consultation – which led to identification of the need for hate crime to be one of the countywide and borough-wide priorities from 2012;
- work by a Northampton Borough Council Overview and Scrutiny Committee Panel responding to a public request for looking into the need to improve how hate crime is dealt with by the Council;
- surveys done by Northampton Youth Forum finding that over 90% of respondents wanted more done about homophobia and bullying and which were followed by considerable interest in the Stamp out Hate Crime campaign (which initially sought to raise awareness of the concept of hate crime and has begun to look at the needs to improve approaches and attitudes towards reporting);
- discussions at various forum meetings which have kept Hate Crime on the agenda.

3.4.4.2 Nationally reports have also shown that, for example, there is a lack of awareness of disablist hate crime. It is noted that proposals to reduce Police staffing, operation of the Equality and Human Rights Commission and the availability of legal aid may also tend to increase the onus on the Council to do better in preventing and tackling hate crime.

3.4.4.3 It is recommended that there be a corporate equality objective to achieve:

- **A place where visitors and residents from all communities feel safe, secure and protected with low levels of crime**

with detailed actions beneath that focusing on tackling and reporting hate crime.

3.4.5 Proposed Corporate Equality Objective: Improving support to vulnerable people

3.4.5.1 Many of the Council's priorities as identified in the Corporate Plan deal with the wellbeing of vulnerable people. The current economic pressures on both the community and the Council make it even more important to focus on those in particular need or experiencing barriers to equal participation.

3.4.5.2 For example, the development of the Gateway service is a very relevant service for the Council's equality duties compliance. Working in a multi-skilled, multi-disciplinary way, it brings together high priority, highly relevant aspects of the Council's work in a partnership approach. It is important that this is seen to be transparent and accountable, with its significance noted at the corporate level.

3.4.5.3 It is recommended that there be a corporate equality objective to ensure that::

- **All services are fair, accessible and responsive to individual needs**

with detailed actions beneath that focusing on vulnerable people and the opportunities of the Gateway project.

3.5 Other Equality Developments

3.5.1 **Workforce and Councillor training to help implement the duties**

3.5.2 Training and guidance has been delivered throughout 2011 to ensure everyone in management and leadership roles is aware of compliance requirements. Work continues to further improve the framework of training to be offered and required of different roles in the Council from 2012.

3.5.3 In January, June, July and December 2011 and January 2012 sessions were held for councillors.

3.5.4 **Publishing and accessibility**

3.5.5 The Corporate Webmaster group repeatedly considered the challenges of the needs to publish in accessible formats and the limitations of existing technology across the Council. Where possible the group looked at how to maximise more accessible content.

3.5.6 Discussions have taken place with appropriate officers in the Information Technology service to ensure that in looking to update the website, there will be specific consideration about the need to publish equalities data and impact assessments, and to improve navigation and accessibility of documents themselves.

3.5.7 The committee management system (modern.gov) has been improved at no cost to the Council to allow publishing of documents in accessible formats. More work has begun on improving the templates used for publishing. There will be an opportunity for further improvement to the committee management system once new software is installed; this should further enhance the ability of the Council to publish documents for its meetings in accessible formats easily.

3.5.8 **Promoting participation through disability access**

3.5.9 The DisabledGo access guide has been updated. The contract for the coming three years has been renegotiated to give better value for money within existing costs. There are opportunities for local businesses to advertise in the guide and to sponsor it – which could potentially benefit the businesses, draw in more trade to the town and reduce costs of providing the guide for the Council going forward.

3.5.10 The One Stop Shop has been transformed, and services there now have ‘Louder than Words’ accreditation.

3.5.11 Signage about induction loops has been improved around the Guildhall

3.5.12 The Council's Museums Service has been undertaking work to improve their accessibility and their reach to under-participating audiences as part of modernisation works.

3.5.13 **Stonewall**

3.5.14 The Council has continued its participation in the Stonewall Workplace Index and Diversity Champions scheme, and currently awaits the findings from the 2011 self-assessment and staff surveys.

3.5.15 Northampton Youth Forum's "Stamp out Hate Crime " campaign has been identified by Stonewall as inspirational work which they have shared with others to encourage organisations to support this type of approach.

3.5.16 **Forums**

3.5.17 The Council is required to have effective forums for engaging with equality stakeholders under the Equality Framework for Local Government. Some of their work has gained national and regional recognition in 2011, particularly the Stamp out Hate Crime campaign, intergenerational volunteering at Heritage Open Days and youth involvement in Holocaust Memorial Day activities.

3.5.18 The Forums have continued to develop their use of social media networking and low cost informal face to face contact outside of formal public meetings. A fuller account of the achievements of the forums was reported to Cabinet at its January meeting.

3.6 Choices (Options)

3.6.1 Recommended – that Cabinet choose to approve the equality strategy 'Our Approach to Equality', with measures and targets for equality objectives to be published by April 2012.

3.6.2 Cabinet could reject the strategy in whole or in part, or propose alternative corporate objectives. The risk here is that delay in publishing the strategy and objectives could lead to the Council failing to meet its statutory obligations. The proposed document has been developed with a thorough consideration of the Council's position and the community it serves. Hence rejecting the document is not recommended.

4. Implications (including financial implications)

4.1 Policy

The Report will enable the Council to continue to comply with its equality duties.

4.2 Resources and Risk

There are no financial implications. The risk of not approving the equality strategy is that as of the end of January 2012 the Council may be at risk of compliance action.

4.3 Legal
The adoption of the new equality strategy will help the Council to meet its legal duties on equalities under the Equality Act 2010. The strategy and the equality objectives due to be published within it by April 2012 will be updated annually as part of ongoing equalities compliance.

4.4 Equality
The new equality strategy should help the Council to promote equality and meet its duties, with appropriate due regard. There should not be anyone disadvantaged as a result of it.. The approaches set out within it are subject to specific equalities assessment, sometimes including through external benchmarking such as the Investors In People standard. The corporate equality objectives have been identified through consideration of a range of types of information, consultation and engagement. Beneath the corporate level, service plans will continue, in line with the approaches set out in the strategy, to identify the equality impacts of their policies and practices and to seek to address these appropriately through service planning and actions, including continuing to develop equality impact assessments with equality stakeholders and publishing equality impact assessments from consultation onwards to inform decision-making.

4.5 Consultees (Internal and External)
Various members of staff, councillors and the public including some members of Forums networks have contributed to the consultations mentioned in this Cabinet Report.

4.6 How the Proposals deliver Priority Outcomes
The proposal to adopt the new equality strategy enables the council to meet its equality duties. These pervade all its priorities and in particular responding to your needs.

5. Background Papers

5.1 'Our Approach to Equalities' (Appendix)

Lindsey Ambrose, Community Engagement and Equalities Officer, tel/text: 0779 53 33 687

Appendix

Our Approach to Equalities
2012-15

NORTHAMPTON
BOROUGH COUNCIL

What is this document about?

This document, which we refer to as a strategy, shows what Northampton Borough Council will do to make Northampton a place where people are treated with fairness, dignity and respect. It shows how the councillors and people who work for the Council, together with services we commission and provide with others, will make Northampton a place where everyone can access high quality services that have been designed to meet their needs.

It explains how we will promote equality of opportunity, tackle discrimination and foster good relationships between different community groups. It also covers what we will do to support equality of opportunity within our workforce.

Who is this document for?

It is for everyone in Northampton - to show what we will do to make Northampton a fairer place for everyone.

It is for Northampton Borough Council councillors and employees – to communicate that the equalities agenda is a priority of the Council and that it is **everyone's business**.

Contact the Council

Lindsey Ambrose, Community Engagement and Equalities Officer

Email: lambrose@northampton.gov.uk

Telephone: 01604 837566 Telephone/Text: 0779 53 33 687

Write to us at: The Guildhall, St Giles Square, Northampton NN1 1DE

Visit our website for electronic copies of this equalities strategy:

www.northampton.gov.uk/equality

If you require a summary of this information in an alternative version such as large print, Braille, audiotape, or some help in understanding it in your language, please contact the Community Engagement and Equalities Officer (contact details above)

This document is due for review each year. Date of this version: 22 February 2012

EQUALITY FRAMEWORK FOR LOCAL GOVERNMENT ACHIEVING

INVESTORS IN PEOPLE

POSITIVE ABOUT DISABLED PEOPLE

Stonewall

THE ALBERT KENNEDY TRUST APPROVED LGBT SERVICE PROVIDER

CONTENTS

Foreword

This strategy sets out what the Council will do over the next three years to make Northampton a place where people get along with each other and treat each other with dignity and respect.

At Northampton Borough Council we recognise that equality and diversity is a fundamental requirement in the delivery of the best services that meet the needs of individuals. We also recognise that it is essential to securing the employment of the best people.

This strategy covers inequality in terms of age, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sexual orientation and human rights.

In the past we focussed on developing processes to take forward the equalities agenda. This new strategy is also about what we intend to do to improve outcomes to bring about real and lasting change to people's lives.

Thank you to everyone who has helped us to develop this strategy. We have talked with a wide range of people to hear their views on what we should be focusing our efforts on. We will continue to use what people have said to develop our priorities for action.

Cllr David Mackintosh
Council Leader

Cllr Brandon Eldred
Portfolio Holder, Community Engagement

David Kennedy
Chief Executive

Part 1 - Introduction

The Equalities Journey so far

This strategy has been developed to meet the requirements of the Equality Act 2010.

We are moving away from a process-driven framework. Our main aim now is to work in ways that have outcomes which can make a real difference for our residents, customers, councillors and workforce.

We recognise that everyone has a part to play – our councillors, employees, contractors, local organisations and citizens - in making Northampton a place where people get along well with each other, where difference is valued and where everyone treats each other with fairness and respect.

What do ‘equality’, diversity’ and human rights really mean?

Equality: is about creating a fairer society where everyone has the same chance to fulfil their potential, to participate fully in the community and have access to the services they need. Equality of opportunity is about equal access, treatment and outcomes that meet individual needs.

Diversity: is about recognising and valuing differences in their broadest sense: understanding people’s differences and similarities to help the individual, the council and society as a whole.

Human rights: are basic rights and freedoms that belong to every person in the world. Human rights are based on core principles like dignity, fairness, equality and respect. They affect your day-to-day life and protect your freedom to control your own life, to take part in elections and council decision-making, to get fair services from public authorities. They help you to be safe, be treated fairly and with dignity; live the life you choose; and take an active part in your community and wider society.

Why are equality, diversity and human rights important?

The moral case: treating people fairly and well with respect for their diversity and human rights is a fundamental value of civilised societies.

The business case: investing in equality, diversity and human rights will result in the council designing and delivering more efficient and effective services that more people can use. It can lead to greater employee productivity, creativity, innovation and flexibility. This means more value for money for the taxpayers in Northampton.

The legal case: The law imposes duties on the council and others providing public functions. These seek to reduce bureaucracy, support improvement in services and accountability to local people. The duties include a ‘general’ duty to have regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people from different groups; and
- foster good relations between people from different groups.

Having ‘due regard’ means showing we think about the three aims of the general duty as part of the process of decision-making by services and the council as a whole. We will publish information as required by new regulations – to help everyone see how we are working to the equality duties.

This strategy relates to other important council documents

The Constitution of the Council
The Constitution sets out the rules and requirements for how the council works. “Our approach to equalities” is recognised by the Constitution of the Council.

The Corporate Plan 2012-15
The Corporate Plan sets out Northampton Borough Council's priorities, recognises this strategy and includes the corporate equality objectives identified in this strategy. It is the central place listing key objectives that each service area is working towards to ensure our corporate priorities are delivered: see www.northampton.gov.uk/performance.

Service Plans
Equalities issues that need addressing at service level are included in departmental service plans. These will be identified through the engagement and involvement of the local community, equality impact assessments and through guidance issued by the Equalities and Human Rights Commission (EHRC). These plans are made on an annual cycle.

Consultation Toolkit
This guides services how to plan and conduct consultation to take account of good practice, including in relation to equalities and diversity: www.northampton.gov.uk/consultation.

About the people of Northampton

Northamptonshire has officially been the second fastest growing county in 2004 – 2009. The mid-year population estimate for Northamptonshire in 2009 was 683,800. Some suggested links to find national and other datasets are included at www.northampton.gov.uk/equality.

The largest centre of population in Northamptonshire is Northampton, the county town. In 2009 the Places Database estimated the population of Northampton to be 210,500.

People’s characteristics protected by equalities law: the population can be broken down into groups or characteristics to help understand the people we serve. These are sometimes called "protected characteristics". They are set out in the Equality Act 2010. They are age, gender, gender assignment, race/ethnicity, disability, sexual orientation, faith and belief, pregnancy and maternity (including breastfeeding) and marital status (including civil partnership). All of us have at least some of these characteristics.

✷ Age

Nationally: By 2034, 23% of the UK population is projected to be aged 65 and over compared to 18% under 16. By 2034 the number aged 85 and over is projected to be 5% of the total UK population.

Northamptonshire: Office for National Statistics mid-year estimates for 2009 show a relatively young population. There is a slightly higher percentage of children in Northamptonshire compared with the national average (19.8% against 18.7%.); the working age population in Northamptonshire is the same as the national average (61.9%) but higher at 64.4% in Northampton.

Northampton: population in 2009 (based on 2001 Census updated by details of births etc):

- 51,500 people aged 0 – 19 years
- 95,100 people aged 20 – 49 years
- 35,300 people aged 50 – 64 years; and
- 28,700 people aged 65 and over.

There were 141,400 working age people in Northampton in 2009 according to the Places Database with a 2008/9 employment rate of 76.8%.

Large developments, for example, in the eastern district of Northampton have tended to attract people of particular ages to live in the town. This has an impact on the age profile of the town with a high number of people of a similar age likely to reach retirement at about the same time and likely to develop age-related disabilities at about the same time. This has a potential impact on services and help people need.

Northampton Borough Council workforce: monitoring shows as at 31 March 2011:

Age Band	
20 and under	1.23%
21 – 30	14.39%
31 – 40	20.9%
41 – 50	29.6%
51 – 60	25.7%
61 - 64	6.66%
65 and over	1.39%

✷ Gender

Northamptonshire: Office for National Statistics mid-year estimates for 2009 put the population very similar to the national average of 49.6% males and 50.4% females.

Northampton: population in 2009 according to the Places Database:
- 50.5% female
- 49.4% male.

Northampton Borough Council workforce: monitoring shows at 31 March 2011:
- 51.3% male
- 43.5% female.

Northampton Borough Council councillors: monitoring shows in June 2011:
- 73.3% male
- 24.4% female.

✷ Gender Assignment (Transgender)

There is no local data about the number of Transgendered people living in Northampton.

There are about 25 transgendered people per 100,000 people aged 16 years and older in the UK population according to the Gender Identity Research and Education Society (GIRES).

For every one of those who can be counted, there are up to 40 others who experience a degree of gender variance. Some of these people will transition in the future

GIRES 2009 report funded by the Home Office (www.gires.org.uk/prevalence.php) estimated that, in 2007, the prevalence of people who had sought medical care for gender variance was 20 per 100,000, ie 10,000 people nationally, of whom 6,000 had undergone transition. 80% were assigned as boys at birth (now trans women) and 20% as girls (now trans men). GIRES anticipates, based on more recent data from individual gender identity clinics, that the gender balance may eventually become more equal.

✷ Race/Ethnicity

Northamptonshire: The Office for National Statistics 2007 mid-year estimates suggested
- the population of Northamptonshire was then around 684,900
- 7.8% of the county population were from ethnic minorities (53,200 people.)
- Northampton had the largest ethnic minority population in the county (12.1%)
- The largest non-white ethnic group were Asian (3.3% of the county's population)
- 88% of the county's population were White British and 2.9% were classed as White Other.

The total Gypsy and Traveller population in Northamptonshire is unknown and estimates vary greatly. This situation is due to a variety of reasons, including a lack of data capture for this group.

Northampton: In 2001 the Census found the population to be as shown in the table below.

Ethnic Population Census 2001	Northants	Northampton
White	95.10%	91.60%
Mixed	1.20%	1.70%
Asian or Asian British	2.00%	3.30%
Black or Black British	1.20%	2.40%
Chinese or other ethnic group	0.50%	1.00%

The percentage for ethnic minority population is believed to have increased since then. By 2006 the Mid Year Population Estimated figures put the White population at around 88% (with White British population at around 84%).

Northampton Borough Council workforce: monitoring shows the following as at 31 March 2011:

Ethnicity	Percentage
Bangladeshi	0.24%
Black African	1.2%
Black Caribbean	1.1%
Chinese	0.16%
Declined to state	0.3%
Did not answer	12.4%
Indian	0.57%
Other Asian	0.16%
Other Ethnic Group	0.24%
Other Mixed	0.24%
Other White Background	1.89%
White British	77.3%
White Irish	0.24%
White and Asian	0.48%
White and Black Caribbean	0.33%

Northampton Borough Councillors: monitoring shows that in June 2011 at least 53% declared as British, Irish or Scottish and around 4% declared as Asian.

✷ Disability

Disability refers to both physical and mental disabilities.

Barriers in society prevent disabled people participating and restrict their opportunities. When we understand people's needs, we can reduce and remove barriers. This helps people to participate in society to their full potential.

Nationally: the Labour Force Survey (2009) says there are 6.7 million disabled people of working age in Great Britain. This is about 18% of the working age population.

Figures reflect that disability is very common:

- 1 in 5 adults in the UK has a disability; 1 in 20 children in the UK has a disability
- 1 in 5 people will be affected by mental health issues at some time in their life.
- 1 in 4 men/1 in 5 women aged 45 can expect to have a stroke if they live to be 85 years old.
- 1 in 10 people in Britain are dyslexic; 4% severely so
- 1 in 100 people have some form of autistic spectrum disorder
- 7 out of 10 people aged over 70 have some kind of hearing loss.

Work and disability:

- 23% of disabled people have no qualifications compared to 9% of non-disabled people.
- Disabled graduates are more likely to be out of work than non-disabled individuals with no formal qualifications (Monitoring Poverty & Social Exclusion 2006, New Policy Institute). Employment rates vary greatly according to the type of impairment a person has.
- Only 20% of people with a mental health condition are in employment (Labour Force Survey, March 2009).

Northamptonshire: The 2009 Joint Strategic Needs Assessment highlights that the county has

- a higher number of people who have a learning disability compared to neighbouring counties.
- a higher number of people with a physical disability and who are permanently unable to work.
- more men than women with a physical disability.
- 1 in 5 people with a learning disability are likely to be employed
- around 50% of people with a physical disability are likely to be in employment.

In May 2010, the number of people aged between 16-89 claiming Disability Living Allowance in Northamptonshire was 29,450 based on claimant figures (approximately 4% of the population).

There is a lack of robust data at a national and local level regarding the numbers and characteristics of disabled children. Northamptonshire County Council and NHS Northamptonshire‘s Aiming High for Disabled Children Joint Strategy April 2009- March 2011

- estimated that 3.5% of 0 to 19 years olds in the county had a disability which includes those that are in the mild‘ range
- highlighted that 2.4% of 0 to 19 year olds in the county could be expected to have a disability in the moderate‘ to severe‘ range.

Northampton Borough Council workforce: disability monitoring shows at 31 March 2011

- 4.2% declared themselves to have a disability
- 78.9% declared having no disability
- 16.7% either did not answer or chose to ‘decline to state’ whether or not they had a disability.

Northampton Borough Council councillors: monitoring shows that more than 7% of our councillors declared themselves to have a disability in June 2011.

Carers: The 2009 Joint Strategic Needs Assessment estimated that there were 60,000 carers in Northamptonshire including 17,500 young carers carrying out caring tasks. It was also estimated that 10,900 people over the age of 65 are providing unpaid care.

✸ Sexual Orientation

A wide range of research suggests that lesbian, gay and bisexual (LGB) people constitute 5–7% of the adult population. This estimate is based on the findings of a number of different and disparate sources. Using a slightly different definition, a number of surveys point to an LGB population estimate of around 2.0–2.5% based on general population samples when the question asked focuses on the identity dimension of sexual orientation. In Northampton this puts LGB population between 4,210 (2%) and 14,735 (7%).

The percentage of Transgendered people identifying as lesbian, gay or bisexual is the same as within the general population.

Northampton Borough Council workforce: sexuality monitoring shows as at 31 March 2011:

- LGB 1.23% (being Bisexual 0.4%, Gay 0.32%, Lesbian 0.49%)
- Heterosexual 75.5%
- Declined to State 5.9% and Did not answer 17.2%

✸ Faith and belief (including no religion or belief)

There is a wealth of diversity in the religions and beliefs followed by local people, which include Baha'i, Buddhist, Christian, Hindu, Jain, Jewish, Muslim, Pagan and Sikh faiths.

We have no recent estimation of religion figures for the Borough so our estimates are based on calculating religion using percentages from the Office for National Statistics regarding religion by ethnicity and the estimated ethnicity figures from the Office for National Statistics in 2008.

Christian	71.7%
No religion	18%
Not stated	7.8%
Muslim	1.2%
Hindu	1.2%
Sikh	0.4%
Buddhist	0.3%
Other:	0.3%
Jewish:	0.1%

Northampton Borough Council workforce: monitoring shows as at 31 March 2011:

Christian	48.3%
No religion	16.3%
Not stated	30.8%
Muslim (Islam)	0.3%
Hindu	0.3%
Buddhist	0.3%
Jehovah's witness	0.08%
Jewish	0.16%
Other religion	0.17%
Atheist	0.15%

Northampton Borough Councillors: monitoring shows in June 2011:

Christian	31%
No religion	15.5%
Not stated	42%
Humanist:	2.2%

What is our approach to equality, diversity and human rights?

Where we are now and where we want to be

We want equality and diversity to be integral parts of everyone's work, to help our customers and our workforce. From 2011-12 we are introducing a new question to our employee opinion survey to find out the extent to which staff across all service areas and all levels of role agree that equality and diversity is everybody's business.

We are using the **Equalities Framework for Local Government** to help us embed good equality and diversity practice. The Framework is a tool that helps us to measure the progress we are making towards embedding and integrating excellent equality and diversity practice. It is about what we do and how that makes a difference for the people we serve and the workforce.

There are 3 levels of the Framework:

- Level 1 – Developing
- Level 2 – Achieving
- Level 3 - Excellent.

The Council is at the 'Achieving' level of the Framework and was awarded the **Equality Mark Certificate** in September 2009. Our aim is to become 'Excellent' before the end of 2013.

In order to achieve the 'Excellent' level, we need to ensure we can evidence best practice across the five themes of the **Equality Framework**, listed below:

Theme 1 – Knowing your community and equality mapping
Theme 2 – Place shaping, leadership, partnership and organisational commitment
Theme 3 – Community engagement and satisfaction
Theme 4 – Responsive services and customer care
Theme 5 – Modern and diverse workforce

We have met some requirements of the 'Excellent' level. However, there are some that we have not yet achieved. We will include actions to address these in our **Equalities Action Plan**.

Examples of where we have been improving:

- **The Council has implemented action for equal pay outcomes**.

- **The Council has achieved the Investor In People standard** including being assessed on how we are doing on equality and diversity.

- **Several service areas have achieved the Customer Service Excellence Standard.**
  In 2010 a Customer Service Excellence Standard award inspector praised our Customer Services staff for their equality champions' work. It has helped them respond to people's needs and informed the re-design of our One Stop Shop to make services more accessible.

- **Our Housing Solutions Service has been accredited by the Albert Kennedy Trust for its work with customers from the lesbian, gay, bisexual and transgender communities.** The Trust supports young people aged 16 to 25 years old who are homeless or living in a hostile environment

- **We have responded to feedback from disabled people to improve how we publish Agendas and Minutes of council meetings.** They are now published in both pdf and rich text format, helping people who use screen-reader software and with various disabilities to help themselves to the information; and helping all internet users to find documents more easily.

- **The Council uses equality impact assessments for all major new changes in policy and ways of working. There is more involvement of equality stakeholders at an early stage.**

- **We have strengthened our budget-planning processes to use and publish equality impact assessments on proposed options.** We have ensured councillors and managers are aware of the Equality and Human Rights Commission guidance for financial decision-makers.

- **We use a free best practice management tool known as "EFECT"** (Equality Framework Evidence Collection Tool). This helps staff across the council plan and monitor their progress on equalities.

- **Some staff have become equality champions,** helping to build skill and knowledge around the council to help meet our equalities responsibilities in how we work.

- **We have increased our use of social networking media** eg Facebook, to reach more young people, LGBT people, people with disabilities and others..

- **We have developed the DisabledGo (online) access guide to Northampton**, talking to disabled people, carers and others. It provides details of around 500 places open to the public in Northampton to help disabled people and their carers plan visits and take part in community life and visits to the council – and to help promote accessible local businesses.

Areas where we need to improve include:

- **How we prevent and deal with hate crime including bullying.** A "hate crime" is any incident perceived by the victim or any other person to have happened because of hate or prejudice and which happens to be a criminal offence eg verbal abuse, assault, graffiti, damage to property, bullying, malicious phone calls and texts.

- **We need to monitor our workforce strategy** to make sure it is helping to maximise the potential of all staff and that staff feel supported and free from bullying at work.

- **We need to improve how we help and support vulnerable people** in aspects of their housing and well-being.

- **We need to improve satisfaction about how we communicate and consult with people.** More people need to feel communication is accessible, consultation is meaningful and that they can influence decisions.

- **We need to improve our approach to equality impact assessments** (EIAs), particularly publishing them and involving people from outside the council in their development. We need to ensure that their quality and integration to service development continues to improve.

- **Partnership working and grants funding:** We need to ensure that organisations we work with, or fund, are able to identify how communities are changing and the impact this may have on equality priorities.

Part 2 – What are our equality, diversity and human rights priorities?

What the people we serve think our equality priorities should be

We consulted people between July 2011 and January 2012 about equalities. We also took into account the results of consultations and research by the Council's Overview and Scrutiny Committee, issues of concern to people raised at Forum meetings, and service and corporate planning information, to help identify corporate equality objectives.

Hate crime including bullying was an issue of concern identified from a number of different sources. These included the Community Safety Partnership Priorities Consultation in 2011, an Overview and Scrutiny Committee Panel's work on hate crime in response to public requests, and Forums' work such as Northampton Youth Forum's "Stamp out Hate Crime" campaign. National evidence has also been published about the need for more to be done by Councils to help people with hate crime. The council has public sector equality duties which require it to have due regard to issues related to hate crime such as discrimination, harassment and fostering good relations. The council has other legal duties in relation to crime and disorder which are also relevant to hate crime.

Workforce monitoring and transparency is a key requirement of the public sector equality duties. The council's employee opinion and Stonewall Workplace Index returns, along with other evidence available within the council about training needs, appraisals, grievances, recruitment etc, help to provide a picture of changing needs of the workforce. A key purpose of the equality duties is to ensure the workforce are treated fairly.

Helping people in vulnerable situations – whether due to disability, domestic violence, hate crime, homelessness, mental health or other need – is an important responsibility of the Council and one which it recognises the need to do more about.

Our corporate equality objectives

The first corporate equalities objectives for the purposes of meeting the public sector equality duties must be published by April 2012. We will review them each year to help show people how we are doing.

In this strategy, for clarity they are published together at Appendix 1 – and in future years updates on progress against them will be included too.

The equality objectives will also be published in the Corporate Plan, an integral part of the key priority objectives that services must build into their work and their service plans.

At service level further equality-related objectives may also be identified - for example, to help the service area progress in meeting the requirements of the Equality Framework for Local Government and also to help ensure services take account of the impacts their policies and practices have on people they serve.

Part 3 – What are we doing to ensure equality, diversity and human rights are considered in everything we do?

Identifying which of our functions and policies are relevant to equality

Each year services have to update their plans for the coming year. Services follow corporate guidance to make sure they consider equalities and accessibility aspects of what they do and need to improve.

We need to identify everything we do that is relevant to the duty to promote equality. From 2011 the Council's services have been asked to assess the relevance of what they do overall in relation to the equalities duties. This is to help them make prioritised plans for action – such as what equality impact assessments and equalities engagement they need to do about specific parts of their work.

Assessing how services and plans impact on people

We need to be sure that what we do meets the needs of our communities. We need to be confident that the policies we develop do not disadvantage a particular group of people. And we need to ensure that all of our services, in terms of their design and delivery, are fair and accessible to everyone and that there is equality of outcome for all.

We have developed a process that enables us to check everything that we do for its impact on equality and diversity. We have called this process an equality impact assessment or EIA. Our EIA process considers all equality groups ('protected characteristics') and human rights.

An EIA will be carried out on:

- new functions, policies, procedures and services as they are developed;
- significantly altered functions, policies, procedures and services; and
- over time, on existing functions and policies.

We have taken account of what people have told us to improve the design of our form. It helps staff completing EIAs to make sure they consider the right questions. We hope it is also easier now for people outside the council to be able to understand and follow the process, seeing what services are doing, how and why things may be changing.

Members of the public may be involved in developing the EIAs. This may be by giving their views to help develop proposals that go on to be used in consultation and decision-making.

Council services often monitor the impact of what they do on people by using feedback and monitoring to provide information about the types of people using the people and to identify groups who may be finding it harder to access their services. This information is also taken into account in developing the EIA as part of working out how to improve services and treat people fairly.

Services publish completed EIAs on our website at consultation stages, as part of taking reports to Cabinet for decisions and when EIAs have been finalised.

Suggested templates for EIAs and related information can be found at: www.northampton.gov.uk/equality.

Consulting and talking with people

The Council's Consultation Toolkit includes guidance on equality issues and the need to ensure a wide enough range of people is included in consultations: see www.northampton.gov.uk/consultation.

The Council has a number of forums, including for equalities groups. These help the council stay informed about the impacts ways it is working are having on people in different equality groups so that it can look to make changes as appropriate. The Council's Young Voices group and tenant participation mechanisms help it to keep informed and involve people it serves in considering ways it is working and improving them.

Services regularly seek feedback and consider what people have told them, including on equalities.

Employment monitoring

We collect, and since July 2011 have published on our website, information about the profile of our workforce in terms of age, disability, gender, race, religion or belief and sexual orientation on an annual basis. The Council is committed to using the data collected to check whether any equality group is being disadvantaged by any of the Council's employment policies or procedures – and to addressing issues identified. The recruitment portal www.everyroadleadstous.co.uk is one way we are trying to encourage a wider range of people to apply to work at the Council. You can find a copy of our annual report among the downloads at www.northampton.gov.uk/equality.

Staff Development and Competency

Investor In People standard: The Council achieved this accreditation in 2010. In relation to equality of opportunity the assessor's report says

> "The organisation and managers within it do recognise the different needs of different people and were able to demonstrate this by the variety of learning and development methods open to staff ranging from formal courses, open learning, CBT, in house training, on the job training and coaching. Staff interviewed do believe that the organisation is committed to ensuring that everyone has the opportunity to the learning and development that they need to enable then to carry out their job effectively […] The culture in the Council is one of treating everyone equally. Policies and procedures are in place in relation to equality and diversity and people are treated as individuals, where differences exist they are respected."

Managers sessions: In relation specifically to promoting understanding of equality and diversity, Managers sessions (which involve Directors, all managers and team leaders) regularly receive updates on equalities and are used for development activities to ensure they are aware of the Council's, and their own, responsibilities.

Employee Development Unit: This team supports our objectives of promoting equality and diversity and tackling discrimination. A basic level of training is provided through the 'Valuing Diversity' course for all staff. E-learning includes material on safeguarding. Other courses eg on customer service have been reviewed and developed to integrate equalities content to build knowledge and skills of staff, adding value to training at no extra cost. Work continues to improve training available to staff.

Performance-Related Pay: The Council has begun to implement performance-related pay. From 2012 this will impact on team leaders' and managers' pay; from 2013 on all employees. Staff at all levels will need to demonstrate achievement of behavioural competencies. The competencies integrate good practice on equalities and diversity into performance. Requirements for managers for example include to treat everyone 'equally and fairly', to have regard to language and behaviour which others might find offensive, to foster good relations, to involve customers in evaluating services and to recognise that valuing diversity can help to develop excellent customer service.

Councillors take their learning and development needs seriously. They have opportunities to take part in equality and diversity training and activity – for example through Open Day training sessions for newly-elected councillors, personal development plans for councillors and Councillor Development Training Sessions. Councillors receive email briefings on equality to keep them informed of changes to the law and best-practice guidance, such as that for financial decision-makers. Several councillors take an active role in our Forums for equality stakeholder engagement and have joined their mailing lists and/or Facebook pages.

Evaluation and improvement: Training sessions provided by the Employee Development Unit and other staff, for example as part of the Councillor Development Programme, are routinely evaluated as part of commitment to continuing improvement. In the event there are concerns about attitudes or issues mentioned in relation to equalities and diversity, these will be raised with line managers in order that appropriate action can be taken.

Evaluation of staff confidence and ability to address equalities issues has also been carried out through workshops with staff (Spring 2010) and reviewing feedback and answers from participation in managers sessions (January 2011). The feedback has been shared with the Employee Development Unit to help them continue to adjust training and development to meet current needs.

Equality Framework for Local Government: Training on this and using the EFECT (Equality Framework Evidence Collection Tool) computer system has been carried out with around 60 staff across the council. The quality of their inputs to the system is monitored by the Community Engagement and Equalities Officer.

Ensuring equality and diversity is considered in procurement and commissioning

The Council is committed to equal opportunities and expects its partners and suppliers to share this commitment. Procurement is one of the tools by which the Council can promote equality of opportunity and service delivery. The role of procurement in this context is to influence and promote good equalities practice in those organisations that supply goods and services to the Council or to the citizens of the Borough. Our tender documents already require prospective suppliers to abide by equal opportunities legislation, and to provide documentary evidence of this.

The **Procurement Strategy** aims to ensure that real long-term benefits from our commissioning and procurement activities are generated for the people of Northampton. The economy in Northamptonshire includes many small and medium-sized businesses and small community organisations. We aim to make doing business with the Council something which is accessible to all these businesses wherever possible, and to people from across our diverse communities. Our approaches to doing this include meeting our obligation to the Government's Local Transparency measures and ensuring contract opportunities are made available to the wider community.

The web site supplymycouncil.org.uk will be a mechanism to capture data, our electronic tender solution will enable organisations to register interest in doing business with the council, and our increased use of www.sourcenorthamptonshire.co.uk as an advertising portal should support and encourage more local participation in bidding for contract opportunities.

Commissioning: The Council has been developing a new Commissioning Framework which will take account of equality and diversity considerations as it is implemented. For example, it will include the need to assess community needs and the impact of outcomes to be achieved. The Council recognises that it retains its responsibility for the service even when it is being provided on the Council's behalf by another organisation. In particular it retains its obligations under the Equality Act 2010 to eliminate discrimination and foster good community relations. To do this it will need to understand the make-up of service users according to their 'protected characteristics', and be able in partnership with the commissioned organisation to address any inequalities revealed by assessment and analysis.

Safeguarding: the Council is a member of the Local Safeguarding Board. It will have due regard to its safeguarding duties when commissioning services for children, young people and vulnerable adults.

Together these enable the Council to:

- ensure that equality considerations are built into all stages of the procurement process
- do business with suppliers who meet their obligations under equalities legislation
- ensure that, where Council staff are transferred as a result of an outsourcing exercise, TUPE Regulations are complied with, including subsequent monitoring

Measuring Performance and Improvement

We have identified a number of equality and diversity performance indicators which we have embedded into our corporate and service level performance management process. The indicators cover both employment and service delivery.

Our individual appraisals process for staff now includes assessment of staff against behavioural competencies relating to equalities.

Reviewing progress against this strategy

This strategy was approved by Cabinet in February 2012, including corporate equality objectives for 2012-15. The strategy now becomes a key governance document of the Council under the Council's Constitution. This document will be reviewed annually with a report submitted to Cabinet for approval and updating of corporate equality objectives.

Responsibility for equality issues overall is assigned to a named Cabinet Lead Member, currently the portfolio holder for Community Engagement. Other Councillors champion equalities as Co-Chairs of community forums eg Northampton Youth Forum, Northampton Disabled People's Forum, Northampton Diverse Communities Forum.

Equalities is an integral part of our service provision and equalities is everyone's business. During the year, ways we ensure we review and continue to make progress include:

- our Chief Executive and Senior Management team meet regularly with equalities staff to progress business across the organisation including equalities and diversity matters;
- Service plans include equalities as an integral part of business planning;
- EFECT users across the council help to plan and evidence progress of their service areas towards Excellence against the Equality Framework;
- Management and team meetings regularly including equalities as an agenda item.

Appendix 1 - Corporate Equalities Objectives

Under the theme "Your Town":

Priority: Creating an attractive, clean and safe environment

Long term outcome: A place where visitors and residents from all communities feel safe, secure and protected with low levels of crime

Equality objective: Improve the mechanisms available for local people to report incidents of Hate Crime and support individuals to feel confident that the Council will act appropriately on the information provided

Measures: annual report on hate crime to be produced considering
- number of reports received by each service area and giving examples of good and bad practice
- training developed and delivered and with what outcomes
- progress against community safety partnership priority objectives for dealing with hate crime
- activities and discussions by Northampton Forums

Priority: Provide Value for Money to protect local services

Long term outcome: A modern diverse workforce

Equality objective: through reviewing the evidence we have, to ensure Council services identify the most efficient and effective ways to deliver services, through a modern diverse workforce, reflective of the community we serve, equipped and maximising their use of the right skills and knowledge to serve the community efficiently well.

Measures: annual report on workforce updating on the initial report dated July 2011 and the detailed objectives contained within it.

Under the theme "You"

Priority 8 - Responding to your needs

Long term outcomes:
- Appropriate support provided to those in most need
- All services are fair, accessible and responsive to individual needs

Equality objective:
Further develop the Gateway Service to support those in most need

Measures: regular monitoring of performance of the service in relation to people in terms of their protected characteristics including through customer feedback, service outcomes and relevant external benchmarking.

Appendix 2 - Equality Framework: Summary of what we want to achieve

We want to achieve all these things by 2013. Some we want to achieve much sooner.

Equality Framework Theme 1 - Knowing your community and equality mapping

We will:

- ensure data is collected for all equality groups and used to improve our services
- undertake specific work to address gaps in data/information about our community and their needs/priorities
- make better use of the data we have collected - to inform Equality Impact Assessments and service planning
- analyse our performance by equality group
- analyse and publish our workforce information on our website annually

Equality Framework Theme 2 - Place shaping, leadership, partnership and organisational commitment

We will:

- develop and annually review “Our approach to equalities”
- strengthen what is needed to demonstrate consideration of equality implications in policy and decision making and development
- continue to encourage and empower under-represented groups to play an active role in the Council’s decision-making process
- promote the importance of reporting and dealing with all hate incidents (related to age, disability, gender identity, race, religion / belief or sexual orientation) and increase the level of hate incident reporting by councillors and staff, with a view to reducing hate incidents

Equality Framework Theme 3 - Community engagement and satisfaction

We will:

- ensure that our approach to involvement and participation includes people from all communities
- develop workers groups to inform cultural change, policy and service improvement
- develop communications for managers on equalities issues, to be discussed in their teams
- maintain the equality content of the council’s web pages
- promote the use of appropriate language in all publications and communications
- make sure we use a range of appropriate communication methods and approaches to inform people about our services
- monitor satisfaction with procured services from all sections of the community
- monitor satisfaction with services amongst all users, including vulnerable and marginalised groups

Equality Framework Theme 4 - Responsive services and customer care

We will:

- undertake regular corporate monitoring and reporting of progress against all equality outcomes (service & corporate level)
- improve the quality and consistency of our approach to undertaking Equality Impact Assessments and analysis to reflect and influence decision making
- embed contract monitoring to ensure that our procurement, commissioning and grants-funding activities promote equality

Equality Framework Theme 5 - A modern and diverse workforce

We will:

- use monitoring information to inform the development of employment initiatives to address under-representation
- create a working environment where employees are happy to be open about their sexual orientation, religion or beliefs
- ensure that all staff have received some level of equality and diversity training (refresher training if over 2 years) and that staff working in more people-focussed roles attend further training to help them with management, customer service etc.
- ensure that EIA’s are carried out as part of organisational restructures
- participate in the Stonewall Workplace Equality Index
- review the Equality and Diversity Learning and Development Plan on a regular basis and produce monitoring information showing numbers of attendees (and their evaluation of each course)
- review and evaluate the new behavioural competencies and appraisal framework from an equality and diversity perspective

Appendix 3 - Equalities law

The law which gives the council duties includes:

Equalities

Equality Act 2010

The Act simplifies and modernises discrimination law. The government began implementation of the Act in 2010.

The Autism Act 2009

The Act commits the Government to publishing a strategy for improving the lives of adults with autism in England, with associated guidance that local authorities (and others) must comply with. The first such strategy was published in March 2010. It sets out a number of key actions and recommendations for public bodies. These include increasing awareness and understanding of autism, improving access to the services and support people need to live independently within the community, employment and enabling local partners to develop relevant services to meet identified needs and priorities. Find out more at www.autism.org.uk/autismstrategy

Racial and Religious Hatred Act 2006

The Act seeks to stop people from intentionally using threatening words or behaviour to stir up hatred against somebody because of what they believe.

Equality Act 2006

Established a single Commission for Equality and Human Rights. In 2011 the government is considering repealing various of its provisions and revising the functions of the Commission leaving it with a key role as an enforcement body in relation to councils.

Gender Recognition Act 2004

The purpose of the Act is to provide transsexual people with legal recognition in their acquired gender. Legal recognition follows from the issue of a full gender recognition certificate by a gender recognition panel.

Human Rights

Universal Declaration on Human Rights and European Convention on Human Rights

In 1948 the United Nations adopted and proclaimed the *Universal Declaration of Human Rights*. This arose from the experience of the Second World War. It is the first global expression of rights to which all human beings are entitled. The European Convention on Human Rights, also known as the *Convention for the Protection of Human Rights and Fundamental Freedoms, was* passed by the Council of Europe in 1950 in response to the *Universal Declaration of Human Rights*. It gives people in European states a list of agreed civil and political rights.

Human Rights Act 1998

The *Human Rights Act 1998* gives further legal effect in the UK to the fundamental rights and freedoms contained in the *European Convention on Human Rights*. These rights affect everyday life: what you can say and do, your beliefs, your right to a fair trial and other similar basic entitlements. In 2011 the government is considering whether to change this area of law.

Appendix 4 - Jargon-Buster and Glossary

Accessible: designed and / or altered to ensure that people, including disabled people, can use services and facilities

Alternative format: media formats which are accessible to disabled people with specific impairments, for example Braille, audio description, subtitles and Easy Read.

Breastfeeding: when a woman feeds her baby with breast milk. Breastfeeding is specifically protected for the first 26 weeks after birth by the pregnancy and maternity discrimination provisions in relation to non-work cases

Different needs: refers to the different requirements that people with protected characteristics may have which either must or should be met to provide equality, including equality of opportunity and access

Direct discrimination: less favourable treatment of a person compared with another person because of a protected characteristic

Disability: a person has a disability if s/he has a physical or mental impairment which has a substantial and long-term adverse effect on that person's ability to carry out normal day-to-day activities.

Disadvantage: a detriment or impediment – something that the individual affected might reasonably consider changes their position for the worse.

Disaggregate: breaking down information to understand it in terms of protected characteristics

Equalities engagement: the many ways the council can connect with the community about equalities to share about its work and to build understandings of how its serving the community.

Equality mapping: using data to build up a picture that helps councils to understand both their local community profiles and main ‘equality gaps’ often experienced by different communities.

Equality policy: statement of an organisation’s commitment to the principles of equality of opportunity in the workplace.

Harassment: unwanted behaviour that has the purpose or effect of violating a person’s dignity or creates a degrading, humiliating, hostile, intimidating or offensive environment. See below for sexual harassment.

Hate incident: any incident, which may or may not constitute a criminal offence, which is perceived by the victim or any other person, as being motivated by prejudice or hate.

Indirect discrimination: the use of an apparently neutral practice, provision or criterion which puts people with a particular protected characteristic at a disadvantage compared with others who do not share that characteristic , and applying the practice, provision or criterion cannot be objectively justified

LGBT: an abbreviation for Lesbian, Gay, Bisexual and Transgender

Monitoring: monitoring for equality data to check if people with protected characteristics are participating and being treated equally. For example, monitoring the representation of women, or disabled people, in the workforce or at senior levels within organisations.

Objective: a specific goal or target

Outsourcing: the procuring of services or products from an outside supplier to cut costs.

Performance Indicators: are measurable indicators that demonstrate the achievement of an outcome. They enable decision-makers to assess progress towards achievement of intended outcomes, goals, and objectives. They are chosen to relate to particular projects or activities.

Policy: a plan of action for dealing with a particular situation, usually written down.

Procurement: is the term used in relation to the range of goods and services a public body or authority requires and delivers. It includes sourcing and appointment of a service provider and the subsequent management of the goods and services being provided.

Protected characteristics: these are the grounds upon which discrimination is unlawful. The characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

Race: refers to the protected characteristic of race. It refers to a group of people defined by their race, colour, nationality (including citizenship) ethnic or national origins.

Regulations: secondary legislation made under an Act of Parliament setting out requirements which help to implement the Act

Religion or belief: a faith or belief (including religious and philosophical beliefs e.g. atheism). Generally, a belief should affect the way you live for it to be included in the equalities definition.

Safeguarding: a duty to protect vulnerable people from harm (adults and children)

Sexual orientation: whether a person's sexual attraction is towards their own sex, the opposite sex or to both sexes

Tender: to make a formal offer or estimate for a job or contract

Transgender: of, relating to, or being a person who identifies with or expresses a gender identity that differs from the one identified for them at birth

TUPE regulations: Transfer of Undertakings (Protection of Employment) Regulations, which regulate how the rights of staff are protected when services are taken over

Victimisation: subjecting a person to a detriment because they have done a protected act or there is a belief that they have done a protected act i.e. bringing proceedings under the Act; giving evidence or information in connection with proceedings under the Act; doing any other thing for the purposes or in connection with the Act; making an allegation that a person has contravened the Act

Appendices 1

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	Corporate Plan 2012-2015

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	22 February 2012
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	YES
Directorate:	Chief Executive
Accountable Cabinet Member:	Cllr David Mackintosh
Ward(s)	All

1. Purpose

1.1 To approve the Council's Corporate Plan 2012-2015 and to recommend the adoption of to Full Council

2. Recommendations

2.1 Cabinet is recommended to:

a) Recommend the adoption of the Corporate Plan to Full Council (Appendix 1) – text version only);

b) Delegate to the Chief Executive, in consultation with the Leader, the authority to amend if necessary and finalise the:

i) Corporate Plan for presenting to Full Council 29 February in line with the budget decisions, service plans and any other consequent changes

ii) Associated set of corporate measures to underpin the Plan by 31 March to be developed alongside the service planning process

3. Issues and Choices

3.1 Report Background

3.1.1 The Corporate Plan priorities were developed in consultation with local residents, stakeholders (including the community and voluntary sector and the business community) and staff as part of the 'Difficult Choices' campaign during 2010/11.

3.1.2 The Corporate Plan 20012-15 priorities were further informed by the priorities detailed within the Conservative Manifesto mandated through the 2011 May Elections. Draft budget proposals were developed to take into account these priorities.

3.1.3 Consultation on draft budget proposals commenced in December 2011 and continued until the end of January 2012.

3.1.4 Consultation feedback was used to clarify priorities, understand the impacts of draft budget proposals and inform spending/saving options to be reflected in our future plans and budget.

3.1.5 The development of the Corporate Plan has been informed by the consultation feedback and the Plan is presented for Cabinet endorsement

3.1.6 To ensure a wide participation, the consultation approach used a range of consultation mechanisms including on-line and paper surveys, engagement through our Forums and via a public meeting. A total of 272 surveys were completed, compared to 149 received last year. The consultation programme was supported by a comprehensive communications plan. A full report on the budget consultation is included within the 22 February Cabinet report 'General Fund Revenue Budget Setting 2012-15'.

3.1.7 The Plan will need to be reviewed and amended following Council decisions on the annual budget on the 29 February 2012. It is recommended that delegated authority to finalise the plan be given to the Chief Executive, in consultation with the Leader.

3.1.8 Once the Corporate Plan is adopted a corporate risk review will be conducted to ensure that the service and Corporate Risk Registers are aligned to the new plan.

3.1.9 The Corporate Plan will be formally launched at the end of March, supported by a communications plan.

3.1.10 To support monitoring and delivery of the Council's Corporate Plan priorities, a number of key corporate measures will underpin the Plan. Corporate measures against each priority and the outcomes are currently in development. Detailed targets and measures to deliver the agreed priority outcomes cannot be completed until the next phase of service planning has been completed and budget decisions concluded. It is recommended that delegated authority to finalise the set of corporate measures be given to the Chief Executive, in consultation with the Leader.

3.2 Issues

3.2.1 Cabinet are asked to consider the content of the Corporate Plan in terms of ensuring it reflects the priorities highlighted through the consultation and sets out activities and outcomes that NBC can afford and has sufficient capacity to deliver.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Corporate Plan 2012-2015 sets out the Council's corporate priorities for the next three years with an annual refresh. For each priority outcome a number of actions and projects have been detailed, which once adopted will be a commitment to delivery.

4.1.2 The corporate priorities detailed in the Plan form the framework for the Council's Service Planning process. Delivering the commitments in the Corporate Plan may require the review of some policies.

4.2 Resources and Risk

4.2.1 The plan needs to be considered alongside the budget, which can be seen as providing the resources to deliver the Corporate Plan within overall financial constraints. The service area Service Plans will underpin the delivery of the Corporate Plan priorities. All objectives, measures and actions within the Service Plans are risked accessed and challenged before final approval. The challenge process includes the agreement of targets and the capacity/ability to deliver the plans with appropriate resource set aside to do so.

4.2.2 The key risk with delivering the Corporate Plan is the inability to meet the commitments because it underestimates the difficulties, fails to understand its environment, or lacks the necessary resources. In the Council's current financial position it will be particularly important not to commit to activities and outcomes that NBC cannot afford or has insufficient capacity to deliver.

4.3 Legal

4.3.1 None.

4.4 Equality

4.4.1 The plan is clear about the commitments that this Council has made to deliver an equitable service and to support a diverse community.

4.4.2 A full EIA on the corporate planning process in terms of content and the consultation approach has been undertaken.

4.5 Consultees (Internal and External)

4.5.1 Management Board, Directors, Heads of Service and Cabinet have been consulted on the development of the draft Corporate Plan.

4.5.2 Partners and all other stakeholders were consulted upon priorities in December /January 2011/12 as part of the wider consultation on the budgetary challenge, in line with the Consultation Toolkit recommended consultation period. A communication package was developed to support the consultation process with the Communications Team to ensure publicity, awareness and wide community participation. Consultation included on-line and paper surveys and public meeting including community forums and residents.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The Corporate Plan identifies priority outcomes and sets a framework for delivering them.

4.7 Other Implications
None

5. Background Papers

5.1 Appendix 1 – Corporate Plan 2012-2015

Dale Robertson
Head of Performance & Change
Ext: 7110

Appendix 1

Northampton Borough Council

Corporate Plan 2012-2015

Putting Northampton back on track

Version 25
17 February 2012

Inside cover image

Welcome to Northampton Borough Council's Corporate Plan 2012-15. This plan sets out our priorities, explains what we want to achieve over the next three years and highlights what progress has already been made over the last year.

This plan has been developed acknowledging that the national economy remains in a period of downturn and instability and is likely to be so for the foreseeable future.

In order to mitigate the effects of the downturn, the Council is actively working with others to grow the local economy and regenerate the town with the aim of increasing the number of businesses in Northampton and bring new jobs to the area. The Government also awarded Northampton an Enterprise Zone which will help attract inward investment. The Council is now planning, along with partners, how the Zone can be created. It is vital to invest the right skills and resources in getting the Enterprise Zone off the ground so that we attract good quality businesses to invest in Northampton and bring with them jobs and other opportunities. We are also continuing to progress the delivery of other major regeneration projects that will positively shape the town's retail and cultural offer for residents and visitors.

The Council is also preparing to meet the challenges presented by changes announced nationally through housing and welfare reform proposals. We will continue to work with partners to support the most vulnerable in our communities and at the same time helping to prevent more people falling into difficulties.

Our plan will therefore focus on two themes;

'Your Town', recognising the importance that investment and growth in local business and jobs will have on the long term prospects for the town and those people that choose to live and work here.

'You', acknowledging the significant challenges that the current economic climate and future welfare and housing reforms will have on the lives of people impacted by the changes and the importance of the role the Council will have in supporting people through the change.

We have made significant progress over the last year in putting Northampton back on track and will continue to deliver against our commitments.

David Mackintosh

Leader of Northampton Borough Council

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Your Town

You

This information can be made available in other languages and formats upon request.

To discuss this and for any other help you may need in order to understand this document, please contact (01604) 838527

YOUR TOWN

A town to be proud of

A successful vibrant town centre economy is an essential part of prompting growth and prosperity. Our focus is on regenerating the Town and raising its national profile. The Council recognises it cannot achieve this alone. It is actively working with others to keep the Town clean, safe, attract new investment, visitors and jobs, whilst enhancing the Town's heritage and cultural opportunities.

We recognise that our parks and open spaces and the facilities available within them contribute to our sense of wellbeing. We will work with local communities and groups, benefit from their experience and their contribution to improve our beautiful parks and open spaces across the Town. Having access to a wide variety of cultural, leisure and sport activities and events is also a key part of having a vibrant and successful Town. We will also work with partners to improve access to cultural opportunities such as our Museums, cultural events programme and through our support to the local Theatres.

As well as taking a leading role in the future development and growth of Northampton, the Council must ensure that Council Tax payer's money is spent wisely. The Council will continue to review how it is organised, to ensure it has the right skills and capacity and to identify the most effective methods of delivery. This will reduce our costs in order to prioritise spending to allow us to promote the Town's economic growth, regeneration and protect frontline services.

Our key priorities are:

- **Priority 1- Northampton - on track**
  A vibrant town
- **Priority 2 - Invest in safer, cleaner neighbourhoods**
  Creating an attractive, clean and safe environment
- **Priority 3 - Celebrating our heritage and culture**
- **Priority 4 - Making every £ go further**
  Provide Value for Money to protect local services

Priority 1 - Northampton - on track

A vibrant town

The long-term outcomes we want to achieve are:

- An economically prosperous, successful and vibrant Town
- The Town is nationally recognised as an economic hub and a place to do business
- Increased numbers of visitors
- Increased job opportunities and an improvement in the quality of jobs available
- A Borough Wide planning policy that will preserve the identity, history and heritage of the Town but that encompasses the development of the Borough as a whole;
- Delivery with partners of major town centre regeneration projects , such as the re-development of Grosvenor Greyfriars, a new bus interchange, and the re-design of the railway station
- The Town's history, heritage and culture is promoted and preserved

How we will do this…..

- Deliver the new Enterprise Zone to regenerate the Waterside area of the Town, by developing and introducing:
  a) a strategy to dispose of public land
  b) a marketing plan to attract new businesses
  c) Local Development Orders to simplify the planning application process for new businesses

- Work to focus on reducing factors deterring people from visiting the Town, to stimulate the local economy by;
  - Reviewing the Parking Strategy
  - Conducting a review of parking charges

Work with Northamptonshire County Council and West Northamptonshire Development Corporation to secure the delivery of the new bus interchange in 2012/13

- Work with the Local Enterprise Partnerships for Northamptonshire and the South East Midlands

- Support partners in the re-development and funding bids for Northampton's railway station

- Progress plans for Grosvenor Greyfriars Shopping Centre regeneration and secure a planning application

- Progress development plans for St Johns

- Work in partnership with Northamptonshire County Council to deliver regeneration projects within the Town Centre

- Indentify ways of incorporating the Marina and the waterways into the life of the Town to exploit it to its full potential as a tourist attraction

- The independently chaired Market Square body will:
  - oversee any proposed changes following the governance review and direction of the Market Square
  - assess Market Square events and give feedback for the future

- Actively support our sports clubs.

What we have already done in 2011/12:

- Successfully gained Enterprise Zone (EZ) status in the Waterside area of the Town. This will help to attract inward investment, new business and create new jobs for Northampton. EZ status provides Northampton with national recognition and allows us to market ourselves on the bigger stage

- The content of the Central Area Action Plan for Town Centre development has been reviewed. Agreement was reached in Spring 2011 to progress submission to examination with adoption later in 2012/13

- Successfully negotiated the return of full development control planning powers back to Northampton Borough Council from West Northamptonshire Development Corporation and provided extra resource to ensure an excellent service

- The review of the Pre-Submission version of the Joint Core Strategy and the representations received has been undertaken. Housing growth targets have been revised downwards to take into account locally derived housing needs and a realistic, pragmatic approach to delivery based on infrastructure capacity. The approved submission version of the Joint Core Strategy will now be submitted to examination in autumn 2012

- Introduced reduced cost car parking when visiting the Town Centre to make it more convenient for local people to make short trips into the Town centre and £1.7m has been invested in improving the Grosvenor Greyfriars car park. Free Town Centre parking on weekends before Christmas, bank holidays and free Sunday parking for all premier car parks have been introduced. We will continue to review of parking charges focusing on reducing factors deterring people from visiting the Town

- Worked with partners to complete the new Marina and Riverside Walkway in Becket's Park to improve the connection between the Town Centre, park and waterway

- Conducted a review of the operation and future direction of the Market Square and established an independently chaired body to review the governance and direction of the Market Square so that it meets the needs of the whole Town

- Established a Business Improvement District (BID) working to create a vibrant and thriving town centre, focusing on promoting the town centre to shoppers and visitors, improving signage and in the longer term, improving the night time offer

- Substantial progress made to complete a development agreement for the redevelopment of the St John's surface car park and the 'Blueberry Diner' site. A planning application has now been submitted for the provision of new student accommodation for Northampton University and an application for the provision of a new hotel on the site, by a national hotel chain is expected

- Identified a preferred site for the new bus interchange, allocated capital funding to secure delivery, secured funding from WNDC and progressing a planning application.

Priority 2 - Invest in safer, cleaner neighbourhoods

Creating an attractive, clean and safe environment

The long-term outcomes we want to achieve are:

- A clean Town with neighbourhoods that are tidy and well maintained
- A place where people want to visit and enjoy our parks and open spaces
- A place where visitors and residents from all communities feel safe, secure and protected with low levels of crime
- Less waste and increased recycling through education and waste reduction schemes

How we will do this…..

- Improve the appearance and cleanliness of our neighbourhoods and open space land across the Town by proactively removing fly-tipping, graffiti and litter and use enforcement, working towards a zero tolerance approach

- Improve standards and facilities within our parks to contribute to the achievement of green Flag status and 'Britain in Bloom' success. We will do this by working in partnership with local groups and Friends Associations, establishing local management committees for our premier parks, the development of local 'park plans', improving public conveniences and ensuring our trees are well maintained. We will also work in partnership with community groups to provide community events in our parks all year round and deliver high quality holiday sports and play programmes for young people

- Review and rationalise the land currently used for allotments seeking new sites, disposal of sites, investment in existing sites and provision in future developments through a review of the Allotment Strategy

- Deliver the Community Safety Strategy action plan to improve safety across the Town, in particular:
  - Work in partnership to deliver a programme of projects throughout the year to tackle local priority issues; alcohol related violent crime, anti-social behaviour and serious acquisitive crime
  - Review the Council's approach to licensing to ensure that it supports the Council's aims of reducing anti-social behaviour and making the Town centre safer

- Improve the mechanisms available for local people to report incidents of Hate Crime and support individuals to feel confident that the Council will act appropriately on the information provided

- Actively work with Northamptonshire Probation Trust and local communities to utilise the Community Payback Scheme

- Reduce waste and increase recycling and focus on fly posting and fly tipping removal and enforcement.

What we have already done in 2011/12:

- Entered into an innovative environmental services contract in partnership with the private sector and Daventry District Council, that will improve the level of cleanliness and maintenance of the Town, as well as saving council taxpayers money

- Significantly reduced the amount of waste sent to landfill and made a step change in our recycling performance

- Established Northampton Borough Council as a recycling exemplar by implementing an extensive recyclate service which provides for the fortnightly collection of green waste and the weekly collection of paper, card and glass

- Further enhanced the weekly recyclate collection service with the addition of kitchen food waste and textiles collections

- Helped Northampton to become greener Town by reinstating fortnightly green waste collections and introducing weekly kitchen food waste collections to increase recycling and reduce the waste going into landfill

- Carried out targeted campaigns to address increasing incidents of fly posting across the town

- Recruited three Park Rangers in 2011-12 to work with local communities, the Police and other agencies to ensure our parks are enjoyable spaces for all

- Worked with Partners to make Northampton safer by delivering a programme of projects throughout the year to address crime and anti-social behaviour and reduce fear of crime

- Adopted a byelaw for Good Rule and Government to tackle low level issues of anti-social behaviour such as people urinating in the street and skateboarders skating in prohibited areas. Council Public Protection Officers, Police officers and Police Community Support Officers have now been authorised to enforce these byelaws and to date, 35 warning letters have been issued

- Won the 'Gold' award for the East Midlands 'Britain in Bloom' working with community groups, partners and the Town Centre Business Improvement District to improve the appearance of the Town

- Introduced Houses in Multiple Occupation (HMO) zones where new HMOs are subject to planning permission

- Introduced fully accredited Neighbourhood Wardens and reviewed our approach on how we discuss and deliver services within our neighbourhoods.

Priority 3 - Celebrating our heritage and culture

The long-term outcomes we want to achieve are:

- Increased tourism
- Promotion, protection and improvement of our heritage and other attractions
- Delapre Abbey restored and it's future secured
- Delivery of events to celebrate and enjoy the Town's heritage and culture
- Celebration of national events in 2012 through a varied cultural programme

How we will do this…..

- Work to promote tourism to increase the economic prosperity of the Town through the delivery of a varied programme of events
- Continue to support and promote Delapre Abbey and Delapre Park as part of wider heritage strategy and develop the funding bid for Stage 2, to be submitted for consideration by the Heritage Lottery Fund by October 2013
- Reinstate the historic walkways of the Town in emerging town centre regeneration plans
- Explore the creation of a 'Cultural Trust'
- Seek innovative ways to bringing the Town's cultural museum offer to a wider audience with a broader exhibition programme and to raise the regional profile
- Continue to seek funding opportunities to improve the offer at Abington Museum
- Work constructively with the management of the Royal & Derngate theatres to safeguard the work they undertake and enhance their vital contribution to wider cultural life of Northampton
- Provide continued support to the Arts Collective in their new home
- Celebrate London Olympics and The Queen's Diamond Jubilee in 2012 with a programme of events.

What we have already done in 2011/12:

- Successfully bid for £250,000 Stage 1 funding from the Heritage Lottery Fund for Delapre Abbey, re-established the Delapre Trust and allocated funding to support the project
- Invested £280k to upgrade the Central Northampton Museum and gallery facilities as part of an on-going improvement project to provide a quality facility
- Completed restoration of water gardens at Delapre Abbey and commenced a programme of structural repairs and minor restorations
- Designated a Boot and Shoe Conservation Area and Billing Road Conservation Area to protect the Town's buildings and heritage environment
- Worked together with Northamptonshire County Council to provide new premises for the Northampton Arts Collective and entered into a three year funding agreement to provide ongoing support
- Continued to work towards achieving national status for the Shoe Collection to improve Northampton's museum offer
- Reinvigorated the museum service through the launch of an exciting new brand and an extensive physical refurbishment to provide improved customer access, a better visitor experience and a higher quality cultural offer.

Priority 4 – Making every £ go further

Provide Value for Money to protect local services

The outcomes we want to achieve are:

- Public money used to maximum benefit
- Cost savings achieved through the use of shared services, outsourcing opportunities and reduction in the use of consultants
- Delivery of value for money services in terms of service delivery and use of energy
- A continued freeze on Council Tax (where possible)
- A modern diverse workforce

How we will do this…..

- Continue to review Council services to identify the most efficient and effective methods of delivery and identify shared services and outsourcing opportunities to make savings and further improve services

- Continue to reduce the use of consultants to ensure that skills of existing staff are maximised and resources are targeted towards areas most in need

- Further reduce the Council's carbon footprint and energy costs by identifying and implementing energy saving initiatives and purchasing energy wisely. We will also continue to promote sustainable energy initiatives across the wider community

- Continue to freeze Council Tax if possible and lobby central Government to get the best for the Council in terms of funding.

What we have already done in 2011/12:

- Frozen Councillor allowances for four years

- Delivered a number of shared services including; an innovative joint environmental services contract in partnership with Enterprise Managed Services LTD and Daventry District Council, delivering year on year savings for the 7 years of the contract, saving local taxpayers' money. Implemented a pilot to prepare for a full shared service with East Northamptonshire Council and delivered a chargeable Fraud Service for Daventry District Council

- Introduced a new Social Enterprise by transferring our sports, play and leisure facilities into a Trust, which saves local taxpayers' money and improves the quality and variety of services on offer

- Reduced the number of senior managers and introduced a Consultants Register

- Frozen the rate of Council Tax

- Reduced costs by selling one of our most energy inefficient buildings and remodeled remaining buildings to accommodate our staff. We minimised our energy usage and reduced our carbon footprint by investment in new technology and made improvements to our buildings through draft proofing, loft insulation and other initiatives

- Achieved a ranking of 354 out of more than 1,300 organisations in the UK for the work done to successfully cut our carbon emissions.

YOU

How your Council will support and empower you and your community

In order to have a successful vibrant town, Northampton needs to have the right number and types of homes, across both the private and public sectors, which address the needs of local people. The quality of these homes is also an important factor in determining how people feel about where they live, their sense of pride in their neighbourhoods and the Town overall.

Being able to stay in your home, when you want to, is also important to personal wellbeing and the Council will support people with advice and guidance to make the right choices for them and support vulnerable people to be able to live independently, when they want to.

Homelessness is increasing due to economic climate. We need to manage the increasing demand, prevent homelessness, where ever possible and support people in housing crisis by working in partnership with other key agencies. The Council is also proactively working to anticipate the impact of emerging central government Social Housing Reform on local people.

The Council recognises the important work undertaken by voluntary and community groups across Northampton and how this work supports the Government's aspirations to build a Big Society, where people can play an active role in their neighbourhoods and communities. We will continue to work with voluntary and community groups to build capacity and encourage wider community management of our Community Centres. We will also continue to develop our approach to neighbourhood management to ensure we provide support to frontline councillors in their community leadership role.

We provide services to ensure that the community has access to a variety of leisure and sport facilities to promote healthy lifestyles and a sense of wellbeing. The Council will continue to improve such facilities and opportunities, by supporting the Northampton Leisure Trust and improving facilities and opportunities to be physically active, across the Town.

Delivering high quality, cost effective services in a way that local people want them is a key focus for the Council. We are committed to delivering excellent customer service, treating our customers fairly and listening to them to develop and improve services and put things right when our standards have not been met.

Our key priorities are:

- **Priority 5 - Better homes for the future**
  Helping you to have a home
- **Priority 6 - Creating empowered communities**
- **Priority 7- Promoting health and well-being**
- **Priority 8 - Responding to your needs**

Priority 5 - Better homes for the future

Helping you to have a home

The long-term outcomes we want to achieve are:

- People provided with timely advice and information to enable them to make informed choices
- Local housing needs provided for
- The Decent Homes standard met
- Vulnerable people supported with their housing needs
- Future developments informed by the views of all local people

How we will do this…..

- Respond to the emerging Social Housing Reform agenda by reviewing housing policies and writing and implementing the Tenancy Strategy
- Understand the impact of Welfare Reform plans on housing provision regarding universal credit payments and new housing occupation rules and review policies to reflect necessary changes
- Consider changes to legislation and look at options for a large scale stock transfer, including consultation with tenants
- Deliver a Decent Homes programme to improve more Council tenanted properties
- Undertake a review of sheltered housing and identify a solution to the changes to sheltered housing
- Develop an Independent Living Strategy for Older People
- Continue to work with partners to reduce causes of homelessness and support the Homeless Forum, Oasis House and other organisations tackling homelessness and rough sleeping in the Town
- Secure an ongoing supply of new homes through planning policy to meet local housing needs
- Continue to support the work of the Countywide Traveller Unit
- Introduce a register of Houses in Multiple Occupation (HMO) inspected within Northampton
- Consult on any changes that may affect local residents' homes or communities on any future developments.

What we have already done in 2011/12:

- Achieved ISO9001 quality standard for our Housing Solutions Service in October 2011
- Selected as one of only nine authorities to receive funding to run a social mobility pilot project, supporting people to move out of social housing into private rented accommodation where their circumstances allow, and to assist those living in health institutions to live independently and move into social housing
- Commenced development of a Tenancy Strategy to respond to Social Housing Reform agenda. The strategy has included a review of Council housing policy on allocations, under occupations and who can go on the housing register. This includes supporting members of the Armed Forces (via our local connection criteria)
- Obtained £300,000 of government funding to run a 'No Second Night Out' pilot project to eliminate rough Sleeping in the Town
- Implemented a sub-regional Choice Based Lettings Scheme enabling people to move within the social housing market between Daventry and Northampton
- Successfully bid for government money to improve the quality of Council homes
- Commenced a review of Sheltered Housing and Call Care in order to identify a solution to the changes to sheltered housing wardens
- Received a 'Good Communications Award' in 2011 for our web site and Young Voices work to reduce youth homelessness
- Completed a business plan for the reform of the Housing Revenue Account to enable us to self finance and manage our Council homes
- Implemented de-pooling of rent and service charges following consultation with Council tenants

Priority 6 - Creating empowered communities

The outcomes we want to achieve:

- Empowered local communities with a greater capacity to become involved in community life
- Increased capacity of our partners in the voluntary sector to better support communities
- Community managed community centres

How we will do this…..

- Encourage individuals, communities and groups to get involved and contribute to activities within their local neighbourhoods in order to promote integration and cohesion within communities and foster a sense of pride across the Town
- Work with others to support and develop the capacity of the voluntary sector for the benefit of NBC and local people
- Support councillors in their community leadership role by continuing to improve our neighbourhood management approach by;
  - developing and delivering a partnership action plan for each ward within the Borough
  - maintaining a rolling programme of consultation with residents in all parts of the borough
  - project managing key initiatives to meet local needs
  - securing the expansion of the Change of Scene project to priority areas across the Borough
- Progress the review of Community Governance arrangements in order to support those areas wishing to establish new Parish Councils
- Support localism plans for neighbourhood planning to increase community involvement in the planning process
- Develop a Referendum Plan following the end of the review so that those areas that wish to be parished can hold a referendum vote on the same basis as Police and Crime Commissioner elections
- Adopt an open door policy to allow our parish Councils, resident associations, community groups and other organisations to take over the management and running of community centres still within the council's full or partial control, where they have the capacity to do so.

What we have already done in 2011/12:

- Transferred the running of fifteen out of twenty one Community Centres over to local community and voluntary organisations to run
- Developed an approach to neighbourhood working that supports Councillors in their leadership role to better understand local priorities and deliver against them
- Agreed to introduce a Councillor Empowerment Fund, (subject to consultation results and budget decision)
- Work with partners to support people to take up volunteering through the implementation of a County-wide recruitment portal
- Established a borough wide 'Friends' network to share best practice amongst our parks and open spaces volunteers
- Obtained 'Front Runner' status from the Government for Wootton and East Hunsbury Parish Council to prepare a Neighbourhood Plan.

Priority 7 - Promoting health and well-being

The long-term outcomes we want to achieve are:

- Work with the new local 'Health & Well-being' Board to improve the health of local people
- Promote the health and well-being of residents through continued support of leisure and sporting opportunities in local clubs and the Leisure Trust
- Improved public health

How we will do this…..

- Respond to the emerging Health & Wellbeing Board strategy
- Work with the new GP consortia and develop locality plans to influence spend to deliver local priorities
- Actively support our sports clubs
- Plan and complete the development of a skate board park on Midsummer Meadow
- Support the Leisure Trust to deliver healthy living and Children and Young People outcomes and widen participation in leisure activities across all sections of the community
- Work with businesses and individuals to promote responsible drinking
- Work to influence our partners to improve air quality and meet Government minimum targets
- Implement the Affordable Warmth Strategy
- Work with external energy providers to implement the Community Energy Savings Programme to improve energy efficiency standards and reduce fuel bills in some of the Borough's most vulnerable communities

What we have already done in 2011/12:

- Entered into an innovative social enterprise by transferring our sports, play and leisure services into a Trust in order to improve services and access to facilities locally, at a price that people can afford as well as protecting services for the future
- Installed gym equipment in some of our parks and open spaces that is suitable for all ages and abilities to enjoy a free workout outdoors
- Delivered the 'Mend' project on behalf of the NHS, through the Northampton Leisure Trust. MEND is a healthy lifestyle programme designed for children 7-13 yrs and 2-4 yrs who are above a healthy weight. Parents and carers join their children in each session to learn about how to choose healthier foods, portion sizes and how to spend more time about play and being active
- Launched a Junior Direct Debit gym membership scheme as an initiative to ease cash flow issues for parents and also to grow the business, retain customers and generate higher levels of income for the new Northampton Leisure Trust
- Organised the UK's first dedicated family friendly 3km night run in Northampton as part of last year's Cultural Olympiad Igniting Ambition Festival, in the lead up to London 2012

- Worked with a number of partners to deliver a Disability Sports Open Day at Danes Camp Leisure Centre in February 2012 celebrating 200 days to the opening ceremony of the Paralympic Games.

Priority 8 - Responding to your needs

The long-term outcomes we want to achieve are:

- Appropriate support provided to those in most need
- All services are fair, accessible and responsive to individual needs
- Residents and customers feel informed and engaged in service quality and design

How we will do this…..

- Further develop the Gateway Service to support those in most need
- Implement the Council's Equality Strategy, "Our Approach to Equalities" and continue to work towards achieving 'Excellent' within the Equality Framework for local government
- Expansion of the range of partners providing services in the One Stop Shop and focus on channel shift through the self-service area
- Provide consistency of customer service and "one point of contact" for customers by migrating the remaining service areas into the telephone contact centre and one stop shop
- Continue to create effective dialogue with people so that they can feel involved in the decision making process and ensure developing policy and service delivery takes into account different needs
- Support individuals affected by Social Welfare and Housing Reforms through effective communications of the changes and impacts upon them.

What we have already done in 2011/12:

- Increased the range of partner services available in the One Stop Shop to include a Pharmacist service, Access to Employment service and charities providing support to vulnerable young mothers and Children leaving care
- Implemented the shared contact centre telephony and workforce management systems with Northamptonshire County Council enabling overflow of calls during peak periods
- Re-launched a jointly managed residents panel with Northamptonshire County Council supporting both organisations to consult and listen to the views of local people
- Achieved the 'Louder Than Words' accreditation for ensuring that our website and letters relating to our Housing Solutions service are accessible to deaf people and the Albert Kennedy Trust accreditation for ensuring that our Housing Solutions working practices are not homophobic
- Introduced a single 0300 telephone number to get through to all of the borough council's services, making it easier to remember and cheaper to call for many of our customers
- Hosted a disability multi sports club at Danes Camp Leisure Centre through the Northampton Leisure Trust to improve access to sport
- Developed and refurbished a shared One Stop Shop service with Northamptonshire County Council, Police, Fire and voluntary sector partners to improve customer access to services
- Introduced an appointment system, which includes emergency appointments for those in urgent need
- Achieved re-accreditation of the Cabinet Office 'Customer Service Excellence Award' for the services within the Finance and Support Directorate and our Housing Solutions Service.

Agenda Item 8

Appendices
8

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	TREASURY MANAGEMENT STRATEGY 2012-13 to 2014-15

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	22 February 2012
Key Decision:	NO
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	YES
Directorate:	Finance and Support
Accountable Cabinet Member:	Alan Bottwood
Ward(s)	Not Applicable

1. Purpose

The purpose of the report is to bring to Cabinet:

- The Treasury Management Policy Statement
- The Treasury Management Practices (TMPs) and TMP Schedules for 2012-13
- The Treasury Management Strategy for 2012-13
- Other associated treasury management information for 2012-13

2. Recommendations

2.1 That Cabinet recommend to Council that they approve:

a) The Treasury Management Policy Statement at **Appendix C**

b) The Treasury Management Practices (TMPs) Main Principles at **Appendix D**

c) The TMP Schedules for 2012-13 at **Appendix E**

d) The Treasury Management Strategy for 2012-13 at **Appendix F,** incorporating:

(i) The Capital Financing and Borrowing Strategy for 2012-13 including:

- 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.
- The Affordable Borrowing Limit for 2012-13 as required by the Local Government Act 2003.

(ii) The Investment Strategy for 2012-13 as required by the CLG revised Guidance on Local Government Investments issued in 2010.

e) That authority be delegated to the Council's Chief Finance Officer, the Director of Finance and Support, in liaison with the Portfolio Holder for Finance, to make any temporary changes needed to the Council's borrowing and investment strategy to enable the authority to meet its obligations.

2.2 That Cabinet recommend to Council that they note:

a) Adherence to the Council's policy on reserves and balances (paragraph 3.2.13).

b) Compliance with the requirement under the Local Government Finance Act 1992 to produce a balanced budget (paragraph 3.2.14 & 3.2.15).

3. Issues and Choices

3.1 Report Background

Treasury Management in the Public Services - CIPFA Code of Practice

3.1.1 The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Code), as set out at **Appendix A**. The latest adoption of the Code was formalised at the Council meeting of 25 February 2010, and is included in the Council's Financial Regulations.

3.1.2 In November 2011 CIPFA published new revised editions of both the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the Code) and the associated Guidance Notes for Local Authorities (Guidance Notes). The requirements of the revised and updated Code and Guidance Notes have been fully incorporated into the Council's treasury management function and are reflected in this Cabinet report and Appendices.

CIPFA Prudential Code for Capital Finance in Local Authorities

3.1.3 CIPFA also published a new and updated edition of the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) in November 2011. The Prudential Code sets out the manner in which capital spending plans should be considered and approved, and in conjunction with this, the requirement for an integrated treasury management strategy.

3.1.4 The Prudential Code requires the Council to set a range of prudential indicators for capital finance and a report setting out the prudential indicators for 2012-13 to 2014-15 is included elsewhere on this agenda.

3.1.5 Three key treasury indicators are prudential indicators and form part of the Prudential Code.

- Authorised limit for external debt
- Operational boundary for external debt
- Actual external debt

The authorised limit and the operational boundary for external debt are included in the Council's Treasury Management Strategy for completeness (Section 10 of **Appendix F**).

The actual net external debt is an outturn position, which will be reported in the Treasury Management Outturn report.

3.1.6 In addition four treasury management indicators are required by the Prudential Code but are not treated as prudential indicators

- Upper limits on the proportion of net debt compared to gross debt

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

These are included in the Council's Treasury Management Strategy (Sections 11 and 24 of **Appendix F**).

3.1.7 The Code states that all the indicators are to be presented together as one suite. The Council's prudential and treasury indicators have all been set within an integrated strategy for capital expenditure and financing and treasury management, and they are both brought to this same budget setting meeting for approval. The Council's Treasury Management Strategy includes both the prudential indicators relating to treasury, and the treasury indicators.

3.1.8 The Prudential Code requires that where there is a significant difference between the net and the gross borrowing position, the risks and benefits associated with this strategy should be clearly stated in the annual strategy. This is covered at Section 9 of the Council's Treasury Management Strategy attached at **Appendix F**.

3.2 Issues

Economic Background

3.2.1 An analysis of the economic position as at January 2012 is attached at **Appendix B.** This has been provided by Sector, the Council's treasury management advisers.

3.2.2 External economic events and market conditions have continued to have an impact on the Council's debt financing budget in the current year. Monthly rates of return on the Council's investments have remained fairly stable at figures between 0.93% and 1.12%, averaging at around 0.99%, (as at 31 January 2012) against a budgeted figure of 0.70%.

3.2.3 Forecasts of investment returns remain depressed for the three year period from 2012-13 to 2014-15, as set out below. This continues to have a significant negative impact on the Council's income from investments and its revenue resources.

Financial Year	Budgeted rate of return on investments %
2012-13	0.70%
2013-14	0.70%
2014-15	0.70%

3.2.4 The economic situation continues to be fluid and relatively unstable, and it is essential to have a counterparty selection policy that can respond quickly to changes. A balanced view must be taken, but management of risk takes a higher priority over returns, so that the Council's balances are protected.

3.2.5 Policies for the management of credit and counterparty risk are set out at Section 1 of TMP 1 and the Schedule to TMP1, attached at **Appendix D** and **Appendix E**. The Council's proposed approach for 2012-13 is set out at Section 18 of the Treasury Management Strategy attached at **Appendix F.**

Treasury Management Policy Statement

3.2.6 The Council's Treasury Management Policy Statement is set out at **Appendix C**. The statement follows the wording recommended by the latest edition of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes.

Treasury Management Practices (TMPs)

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

3.2.8 The TMPs are split as follows:

- Part 1: Main Principles (Set out at **Appendix D**)
- Part 2: Schedules (Set out at **Appendix E**)

3.2.9 The Main Principles follow the wording recommended by the revised CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes.

3.2.10 The Schedules cover the detail of how the Council will apply the Main Principles in carrying out its operational treasury activities.

Treasury Management Strategy 2012-13

3.2.11 The Council's Treasury Management Strategy for 2012-13 is set out at **Appendix F**. The strategy incorporates:

(i) The Capital Financing and Borrowing Strategy for 2012-13 including:

- o 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.

- o The Affordable Borrowing Limit for 2012-13 as required by the Local Government Act 2003.

(ii) The Investment Strategy for 2012-13 as required by the CLG revised Guidance on Local Government Investments issued in 2010.

Debt Financing Budget 2012-13 to 2014-15

3.2.12 The debt-financing budget has been prepared in accordance with the requirements of the relevant legislation and guidance and with full regard to the Council's proposed capital programme, treasury management strategy and prudential indicators and is included in the Council Wide General Fund Revenue Budget 2012-13 to 2014-15 report to Cabinet.

3.2.13 The debt-financing budget has been prepared in line with the Council's policy on reserves and balances, which is that 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 2012-13. This policy is included in the Council Wide General Fund Revenue Budget 2012-13 to 2014-15 report to Cabinet.

3.2.14 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby the impact of charges to revenue from higher interest charges caused by extra borrowing to finance additional capital expenditure, and any growth in running costs from new capital projects, are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

3.2.15 The CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes requires this report to include a reference to compliance under the Local Government Act 1992 to produce a balanced budget. Such compliance is demonstrated within the Council Wide General Fund Revenue Budget 2012-13 to 2014-15 report to Cabinet.

HRA Self Financing Reforms

3.2.1 The Localism Act incorporates statutory changes to housing finance, with a move from the present housing subsidy system to the self-financing of the HRA. As part of the changes the Council are required to make a settlement payment of £192.92m to the Department of Communities and Local Government (CLG) on 28 March 2012 to buy out of the housing subsidy system. The payment will be largely funded by borrowing from the PWLB at a reduced rate on 26 March 2012.

3.2.2 The reforms have a significant impact on the Council's treasury management position and indicators, primarily in terms of the debt portfolio, which is expected to rise by around £184m before the end of the 2011-12 financial year. Changes to the 2011-12 treasury strategy to deal with the operational impacts of the settlement have already been agreed by Council. Some of these are ongoing - for example the raising of borrowing limits - and where this is the case they are reflected in the proposed treasury strategy for 2012-13.

3.2.3 The treasury management impacts will be kept under review in the light of government and other announcements on the regulatory and accounting changes that are required as a result of the reform.

Abbreviations

3.2.16 A list of abbreviations used in this report and the accompanying Appendices is provided at **Appendix H**.

3.3 Choices (Options)

3.3.1 Cabinet are asked to agree the recommendations at paragraph 2 above.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Treasury Management Strategy report sets the Council's policy on its debt and investment portfolios over the next financial year. It is revisited annually and reported to Cabinet and Council as part of the budget setting process.

4.2 Resources and Risk

4.2.1 The resources required to deliver the Council's treasury management strategy and policies over the next three years are incorporated into the Council's debt financing and debt management budgets, which are included in the Council Wide General Fund Revenue Budget 2012-13 to 2014-15 report to Cabinet.

4.2.2 Effective risk management is a fundamental requirement for the treasury management function, and this theme runs clearly throughout the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Council's Treasury Management Policy, Treasury Management Practices (TMPs) and Schedules, and Treasury Management Strategy for 2012-13 discuss the ways in which treasury management risk will be determined, managed and controlled.

4.2.3 The Council's appetite for risk must be clearly identified in its strategy report. The Treasury Management Strategy at **Appendix F** affirms that priority will be given to the security and liquidity of capital when investing funds. This will be carried out by strict adherence to the risk management and control strategies set out in the Schedules to the Treasury Management Practices and the Treasury Management Strategy. Responsibility for risk management and control lie within the Council and cannot be delegated to an outside organisation.

4.2.4 Risks in the debt financing budget have been taken into account in earmarked reserves and in the Risk Assessment of General Fund Reserves.

4.3 Legal

4.3.1 The Council is obliged to carry out its treasury management activities in line with statutory requirements and associated regulations and professional guidance. The relevant legislative and regulatory documents are referred to within the report and Appendices and listed in the background papers.

4.4 Equality

4.4.1 An Equalities Impact Assessment (EIA) has been carried out on the Council's Treasury Management Strategy for 2012-13, and the associated Treasury Management Practices (TMPs) and Schedules to the TMPs.

4.4.2 The EIA assessment is that a full impact assessment is not necessary, as no direct or indirect relevance to equality and diversity duties has been identified.

4.5 Consultees (Internal and External)

4.5.1 Consultation on treasury management matters is undertaken as appropriate with the Council's external treasury advisers and with the Portfolio holder for Finance.

4.5.2 The Audit Committee has been nominated by Council as the body responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. This role includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The proposals support the Council's priority of providing quality services.

4.7 Other Implications

4.7.1 No other implications have been identified.

5. Background Papers

Current Statute, Regulation and Guidance

Local Government Act 2003

Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

CIPFA Prudential Code for Capital Finance in Local Authorities – Fully Revised Guidance Notes for Practitioners 2007

The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008

CIPFA Prudential Code for Capital Finance in Local Authorities - 2011 Edition

CIPFA Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes - 2011 Edition

CIPFA Treasury Management in the Public Services - Guidance Notes for Local Authorities including Police Authorities and Fire Authorities – 2011 Edition

CLG Guidance on Minimum Revenue Provision (11 March 2010)

CLG Guidance on Local Authority Investments (11 March 2010)

Localism Act 2011

Reports to Cabinet & Council

Treasury Strategy 2010-11 to 2012-13 - Report to Council 25 February 2010 (Contains formal adoption of the CIPFA Code of Practice for Treasury Management)

Capital Programme 2012-13 to 2014-15 - Report to Cabinet 22 February 2012

Council Wide General Fund Revenue Budget 2012-13 to 2014-15 - Report to Cabinet 22 February 2012.

Housing Revenue Account (HRA) Budget, Rent Setting 2012-13 and Budget Projections 2013-14 and 2014-15 - Report to Cabinet 22 February 2012.

Prudential Indicators for Capital Finance 2012-13 to 2014-15 - Report to Cabinet 22 February 2012

Bev Dixon, Finance Manager (Treasury), ext 7401

Northampton Borough Council

Adoption of the CIPFA Code of Practice on Treasury Management in the Public Services

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Code), and specifically adopts the key recommendations as described in Section 5 of the Code.

1. Northampton Borough Council will create and maintain, as the cornerstones for effective treasury management:

    - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.

    - Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

    The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

2. Northampton Borough Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

3. Northampton Borough Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

4. Northampton Borough Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Economic Background

Provided by Sector Treasury Services – January 2012

Global economy

The outlook for the global economy remains clouded with uncertainty with the UK economy struggling to generate sustained recovery that offers solid optimistim for the outlook for 2012, or possibly even into 2013. Consumer and business confidence levels are low and with little to boost sentiment, it is not easy to see potential for a significant increase in the growth rate in the short term.

At the centre of much of the uncertainty is the ongoing **Eurozone sovereign debt crisis** which has intensified, rather than dissipated throughout 2011. The main problem has been **Greece**, where, even with an Eurozone/IMF/ECB bailout package and the imposition of austerity measures aimed at deficit reduction, the lack of progress and the ongoing deficiency in addressing the underlying lack of competitiveness of the Greek economy, has seen an escalation of their problems. These look certain to result in a default of some kind but it currently remains unresolved if this will be either "orderly" or "disorderly". Most commentators currently view that it is now inevitable that Greece will have to exit the Eurozone in 2012.

There is also growing concern about the situation in **Italy** and the risk that contagion has not been contained. Italy is the third biggest debtor country in the world but its prospects are limited given the poor rate of economic growth over the last decade and likely difficulties in implementing the required level of fundamental reforms in the economy. The Eurozone now has a well established track record of always doing too little too late to deal with this crisis; this augurs poorly for future prospects, especially given the rising level of electoral opposition in northern EU countries to bailing out profligate southern countries.

The US economy has encouraged with some positive news around the start of 2012 but any improvement in the weak rate of growth is likely to only generate slow progress in reducing the high level of unemployment which is acting as such a dampener on the economy. With Presidential elections due in November 2012, the current administration has been hamstrung by political gridlock with the two houses split between the main parties. In quarter 3 the Federal Reserve started "Operation Twist" in an effort to re-ignite the rate of growth in the economy. However, high levels of consumer indebtedness, a moribund housing market together with stubbornly high unemployment, will continue to weigh heavily on consumer confidence and so on the abiltity to generate a healthy and consistent rate of economic growth.

Hopes for broad based recovery have, therefore, focussed on the **emerging markets** but these areas have been struggling with inflationary pressures in their previously fast growth economies. China, though, has maintained its growth pattern, despite a major thrust to tighten monetary policy during 2011 to cool inflationary pressures which are now subsiding. However, some forward looking indicators are causing concern that there may not be a soft landing ahead, which would then be a further dampener on world economic growth.

UK economy

The Government's austerity measures, aimed at getting the public sector deficit into order over the next four years, have yet to fully impact on the economy. However, coming at a time when economic growth has been weak and concerns at the risk of a technical recession (two quarters of negative growth) in 2012, it looks likely that the private sector will not make up for the negative impact of these austerity measures given the lack of an export led recovery due to the downturn in our major trading partner – the EU. The housing market, a gauge of consumer confidence, remains weak and the outlook is for house prices to be little changed for a prolonged period.

Economic Growth. GDP growth has, basically, flatlined since the election of 2010 and, worryingly, the economic forcecasts for 2012 and beyond have been revised lower on a near quarterly basis. With concerns of a potential return to recession, the Bank of England embarked on a second round of Quantitive Easing to stimulate economic activity. It appears very likely that there will be another expansion of quantitative easing in quarter 1 2012 in order to stimulate economic growth.

Unemployment. With the impact of the Government's austerity strategy resulting in steadily increasing unemployment during 2011, there are limited prospects for any improvement in 2012 given the prospects for weak growth.

Inflation and Bank Rate. For the last two years, the MPC's contention has been that high inflation was the outcome of temporary external factors and other one offs (e.g. changes in VAT); that view remains in place with CPI inflation starting quarter 1 of 2012 at 4.8%, having peaked at 5.2% in September 2011. They remain of the view that the rate will fall back to, or below, the 2% target level within the two year horizon.

AAA rating. The ratings agencies have recently reaffirmed the UK's AAA sovereign rating and have expressed satisfaction with Government policy for deficit reduction. They have, though, warned that this could be reviewed if the policy were to change, or was seen to be failing to achieve its desired outcome. This credit position has ensured that the UK government is able to fund itself at historically low levels and, with the safe haven status from Eurozone debt also drawing in external investment, the pressure on rates has been down, and looks set to remain so for some time.

Sector's forward view

Economic forecasting remains troublesome with so many extermal influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains weak and whilst there is still a broad range of views as to potential performance, they have all been downgraded throughout 2011. Key areas of uncertainty include:

- a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
- the impact of the Eurozone crisis on financial markets and the banking sector;
- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to exporting manufactured goods;
- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that inceasingly seem likely to be undershot;
- a continuation of high levels of inflation ;
- the economic performance of the UK's trading partners, in particular the EU and US, with some analysts suggesting that recession could return to both;
- stimulus packages failing to stimulate growth;
- elections due in the US, Germany and France in 2012 or 2013;
- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.

The overall balance of risks remains weighted to the downside. Lack of economic growth, both domestically and overseas, will impact on confidence putting upward pressure on unemployment. It will also further knock levels of demand which will bring the threat of recession back into focus.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries.

Given the weak outlook for economic growth, Sector sees the prospects for any interest rate changes before mid-2013 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

Northampton Borough Council
Treasury Management Policy Statement

1. Northampton Borough Council defines its treasury management activities as:

   "The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. Northampton Borough Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3. Northampton Borough Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

4. The Council's high level policies for borrowing and investment are:

   - For borrowing, to ensure affordability and to secure value for money when making capital investment and borrowing decisions.
   - For investments, to prioritise the security and liquidity of capital sums, at the same time optimising yields within a sound risk management framework.

Appendix D

Treasury Management Practices

Part 1: Main Principles

February 2012

Appendix D

TREASURY MANAGEMENT PRACTICES

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

TMP 1	Risk management
TMP 2	Performance measurement
TMP 3	Decision-making and analysis
TMP 4	Approved instruments, methods and techniques
TMP 5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP 6	Reporting requirements and management information arrangements
TMP 7	Budgeting, accounting and audit arrangements
TMP 8	Cash and cash flow management
TMP 9	Money laundering
TMP 10	Training and qualifications
TMP 11	Use of external service providers
TMP 12	Corporate governance

Specific details of the systems and routines to be employed and the records to be maintained take the form of schedules to the TMPs, which are set out in a separate document (report Appendix E).

TMP 1 TREASURY RISK MANAGEMENT

General Statement

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in TMP 6 *Reporting requirements and management information arrangements*.

In respect of each of the following risks, the arrangements that seek to ensure compliance with these objectives are set out in the schedule to this document.

1) Credit and counterparty risk management

This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP 4 *Approved instruments methods and techniques* and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financial agreements.

2) Liquidity risk management

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

This Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

3) Interest rate risk management

This Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP 6 *Reporting requirements and management information arrangements*.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

4) Exchange rate risk management

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

5) Refinancing risk management

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

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

6) Legal and regulatory risk management

This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP 1 [1] *credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

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

7) Fraud, error and corruption, and contingency management

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

8) Market risk management

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

TMP 2 PERFORMANCE MEASUREMENT

This Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

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

TMP 3 DECISION-MAKING AND ANALYSIS

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

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

This Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP 1 *Risk management.*

Where this Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

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

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

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

If and when this Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP 6 *Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

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

The delegations to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management.*

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

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

As a minimum:

The Council (i.e. full council) will receive:

- An annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council's treasury management policy statement and TMPs.

The committee/board/council will receive regular monitoring reports on treasury management activities and risks.

The body responsible for scrutiny, such an audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.

Local authorities should report the treasury management indicators as detailed in their sector specific guidance notes.

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

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The responsible officer will prepare, and this Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP 1 *Risk management*, TMP 2 *Performance measurement,* and TMP 4 *Approved instruments, methods and techniques.* The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP 6 *Reporting requirements and management information arrangements.*

This Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP 8 CASH AND CASH FLOW MANAGEMENT

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

TMP 9 MONEY LAUNDERING

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

Appendix D

TMP 10 STAFF TRAINING AND QUALIFICATIONS

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

The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule to this document.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

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

TMP 12 CORPORATE GOVERNANCE

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

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

Treasury Management Practices

Part 2: Schedules

February 2012

TREASURY MANAGEMENT PRACTICES - SCHEDULES

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

Key Principles:

TMP 1	Risk management
TMP 2	Performance measurement
TMP 3	Decision-making and analysis
TMP 4	Approved instruments, methods and techniques
TMP 5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP 6	Reporting requirements and management information arrangements
TMP 7	Budgeting, accounting and audit arrangements
TMP 8	Cash and cash flow management
TMP 9	Money laundering
TMP 10	Training and qualifications
TMP 11	Use of external service providers
TMP 12	Corporate governance

SCHEDULES TO THE TMPs - KEY PRINCIPLES

The key principles of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes are that:

- Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.
- They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

The Schedules to the Treasury Management Practices that follow and the Council's Treasury Management Strategy at report Appendix F, are drafted in the context of these principles, as well as the requirements of the four key clauses (report Appendix A), the Treasury Management Policy Statement (report Appendix C), and the Treasury Management Practices – Main Principles (report Appendix D).

TMP 1 RISK MANAGEMENT

1) Credit and counterparty risk management

Credit and counterparty risk is the risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital or project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

Specified Investments

The Council may enter into any type of investment instrument categorised as a specified investment (See TMP 4 Approved instruments, methods and techniques). Any type of specified investment that has not habitually been used by the Council – i.e. has not been used within the previous two year period, will only be entered into after consultation with the Council's external treasury management advisors, and with the express approval of the Chief Finance Officer.

All investments, with the exception of those to other local authorities and the Governments UK Debt Management Office, 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 rating by the Council's external treasury management advisors based upon credit ratings issued by the three main rating agencies, and also taking into account other relevant factors (e.g. sovereign ratings and movements in credit default swaps).

Non-specified investments

The Council will set a limit each year for the level and type of non-specified investments that may be placed at any one time. This limit will be set in the Annual Investment Strategy and also, for investments over 364 days, in the Prudential Indicators.

The Council may undertake investments over 364 days, which are classified as unspecified investments. The maximum period of investment will be two years.

Capital Expenditure

The Council may make loans to third parties for the purpose of capital expenditure as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146)

Counterparties

The CIPFA Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes has emphatically laid down that the use of credit risk control measures in selecting counterparties with high credit worthiness to place on an approved counterparty list must be a normal and minimum part of day to day treasury management for all local authorities and public bodies.

The Council will use credit criteria in order to select creditworthy counterparties for placing investments with. Credit ratings will be used as supplied by the Council's external treasury management advisors, combining ratings from Fitch, Moody's and Standard and Poor's.

However, sole reliance will not be placed on credit ratings. Professional advice will be taken from the Council's external treasury management advisors on which institutions present the minimum level of risk to the authority. This analysis may include other criteria to determine creditworthiness; for example sovereign ratings and/or credit default swap spreads. These recommendations will form the Council's minimum levels of acceptable credit quality.

Where sovereign ratings are used to determine counterparty eligibility, the lowest common denominator approach is applied, which uses the lowest minimum acceptable credit rating from any of the three rating agencies

The Council is alerted to changes in credit ratings, and other relevant data such as rating watches, alerts or outlooks through its use of the creditworthiness service of its external treasury management advisers. Any changes to ratings are notified to the authority immediately and action is then taken to immediately remove them from or add them to the list as appropriate.

The Council will also use other independent external data - for example from market data and information, the quality financial press, information on government support for banks, and the credit ratings of that government support - to further inform its assessment of the financial standing of counterparties on its approved list.

High credit quality will be as defined in the Council's Treasury Management Strategy.

The Chief Finance Officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising time, type, sector and specific counterparty limits.

The counterparty list may be further restricted with the approval of the Chief Finance Officer to limit the exposure of the authority to risk in times of economic or market uncertainty.

Treasury management staff will add or delete counterparties to or from the approved counterparty list in line with the policy on criteria for selection of counterparties, and as appropriate when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers.

The maximum value for any single investment transaction will be £7m.

The maximum level of investment with any counterparty, or group of counterparties will be £15m.

Any proposals for adjustments to these maximum lending limits required to enable the effective management of risk in relation to investment will be submitted to Chief Finance Officer for approval and subsequently reported to Cabinet.

Diversification will be achieved through the use of both UK and overseas counterparties and the application of the maximum investment levels. The maximum percentage of the portfolio that may be placed with overseas counterparties at any one time is 50%.

For the purposes of setting limits, institutions within the same banking group (eg Lloyds Banking Group) will be treated as a single counterparty.

The criteria in place to determine inclusion in the Council's current lending list will be reported as part of the Annual Investment Strategy. This will not limit the Chief Finance Officer's discretion to make temporary or other changes, so long as all investments are in line with the Council's minimum levels of credit risk and the requirements set out above under specified or non-specified investments.

2) Liquidity risk management

Liquidity risk is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business or service objectives will thereby be compromised.

Money market investments will be placed with a view to maturity dates which correlate to cashflow needs for the discharge of the Council's liabilities.

Sufficient levels of cash deposits will be kept available in bank and building society deposit accounts, to meet short-term cashflow needs. This will include at least £5m available at 24 hours notice.

Bank balances will be maintained within the terms agreed with the Council's bankers, and by having regard to any constraints on the minimum sum that can effectively be invested.

The Council has an agreed overdraft facility of £200k with its bankers.

The Council may undertake temporary borrowing, in accordance with Part 1 of the Local Government Act 2003, if necessary to maintain a sufficient level of liquidity at a particular point in time.

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. The Council's policy on borrowing in advance of need is set out at Section 3 of the Council's Treasury Management Strategy. Any such borrowings will be invested within the rules of the Council's agreed investment and counterparty policies.

3) Interest rate risk management

Interest rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself.

The upper limits for fixed and variable interest rate exposures in respect of net external debt are set each year by the Council as treasury indicators, in accordance with the Local Government Act 2003 and the associated regulatory framework. These are set out in the Council's Annual Treasury Management Strategy.

The Council will not use hedging tools such as derivatives to manage exposures to interest rates or exchange rates.

4) Exchange rate risk management

Exchange rate risk is the risk that fluctuations in the levels of foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself.

The Council will only enter into loans and investments that are settled in £ sterling.

The Council will not use hedging tools such as derivatives to manage exposures to interest rates or exchange rates.

5) Refinancing risk management

Refinancing risk management is the risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Council for those refinancings, both capital and current (revenue) and/or that the terms are inconsistent with prevailing market conditions at the time.

A schedule will be maintained of all long-term loans, including maturity profiles, in order to assist with the consideration of possible rescheduling opportunities that may arise as a result of changes to interest rates.

All rescheduling proposals will be fully costed in terms of costs/benefits to the organisation in the short, medium and long term, and in the context of the latest accounting guidance and regulations.

No refinancing of loans will be undertaken without the advice of the Council's external treasury management advisers and the express approval of the Chief Finance Officer.

6) Legal and regulatory risk management

Legal and regulatory risk is the risk that the Council, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

The Council is mindful that all treasury management activities must be carried out within the current legal and regulatory framework.

This includes the following:

- Local Government Act 2003
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- CIPFA Prudential Code for Capital Finance in Local Authorities – Fully Revised Guidance Notes for Practitioners 2007
- The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008
- CIPFA Prudential Code for Capital Finance in Local Authorities - 2011 Edition
- CIPFA Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes - 2011 Edition

- CIPFA Treasury Management in the Public Services - Guidance Notes for Local Authorities including Police Authorities and Fire Authorities – 2011 Edition
- CLG Guidance on Minimum Revenue Provision (2010)
- CLG Guidance on Local Authority Investments (2010)

As well as the statutory and regulatory documents listed above, regard will be had to other relevant statute and guidance - e.g. as relating to money laundering (see Schedule to TMP 9)

In terms of good practice, the Bank of England introduced a revised Non-Investment Products Code (NIPs Code), which was drawn up by a wide cross-section of market practitioners, in April 2009. The NIPs Code, which is market guidance, has no statutory underpinning; and there are no arrangements for supervision or enforcement. CIPFA commends the NIPS Code to its members as good practice to which they should adhere.

Officers responsible for strategic and operational treasury management decisions are required to keep abreast of new legislation and regulations impacting on the treasury management function, and to apply any changes as necessary (See Schedule to TMP 10).

Legal and regulatory risks associated with other organisations with which the Council deals in its treasury management activities are managed through counterparty risk management policies.

7) Fraud, error and corruption, and contingency management

This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

Officers involved in treasury management are explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council. All treasury activities must be carried out in strict accordance with the agreed systems and procedures in order to prevent opportunities for fraud, error and corruption.

Scheme of delegation and separation of duties

(i) The Director of Finance & Support, the Council's Chief Finance Officer (CFO) and Section 151 Officer, has been nominated as the Responsible Officer.

All executive decisions on borrowing, investment or financing have been delegated to the CFO.

(ii) The Head of Finance has the authority, together with the CFO and other senior officers nominated by the CFO, including the Assistant Heads of Finance, and the Finance Managers, but excluding the Finance Manager (Treasury), on being satisfied that procedures have been complied with, to authorise the release of monies from the council's bank account, by whatever means appropriate, to repay monies borrowed or to invest temporary cash balances.

Neither the CFO, the Head of Finance, the Assistant Heads of Finance, nor the other Finance Managers, other than the Finance Manager (Treasury), are authorised to enter into transactions with brokers or directly or indirectly with counterparties for the investment or lending of any monies.

The Head of Finance has the authority, together with the CFO and other senior officers nominated by the CFO, including the Assistant Heads of Finance, and the Finance Managers, to act as systems administrator for the Council's on-line banking system HSBCnet.

(iii) The Finance Manager (Treasury) FMT has been nominated as the Operational Manager and is responsible for managing the overall treasury function and ensuring that at all times there is compliance with the Council's Schedules to the Treasury Management Practices (TMPs).

The FMT is empowered to conclude deals with brokers or directly or indirectly with counterparties for the investment and lending of monies on behalf of the Council within the conditions and criteria set out within the Schedules to the TMPs.

The FMT has the authority, together with the Head of Finance, and the Assistant Head of Finance, to undertake borrowing from the PWLB or through money brokers on the documented approval of the CFO and being satisfied that all procedures have been complied with.

Neither the FMT, nor any person nominated to cover their role, is authorised to effect the final approval of monies to be released, by whatever means, from the Council's bank account.

(iv) The Assistant Accountant in the Capital & Treasury Team (AA) is responsible for maintaining the Council's cashflow and investment records, for preparing paperwork relating to investments and other treasury activity and for collecting information on the investment rates on offer in order for investment decisions to be made

The Assistant Accountant in the Capital & Treasury Team (AA) is empowered, in the absence or unavailability of the FMT (and in discussion with the Head of Finance, an Assistant Head of Finance or a Finance Manager) to conclude deals with brokers or directly or indirectly with counterparties for the investment and lending of monies on behalf of the Council within the conditions and criteria set out within the Schedules to the TMPs.

The AA is empowered to execute transactions, on the Council's on-line banking system or by whatever means appropriate, to repay monies borrowed or to invest temporary cash balances. All such transactions will require authorisation from The Head of Finance and other senior officers nominated by the CFO, including the Assistant Heads of Finance, and the Finance Managers, but excluding the Finance Manager (Treasury),

The CFO will authorise cover staff from within the Finance Section to cover the functions of the AA in his or her absence.

Neither the AA, nor any person nominated to cover their role, is authorised to effect the final approval of monies to be released, by whatever means, from the Council's bank account.

(v) Day to day treasury management responsibilities for carrying out administrative functions associated with the daily treasury activity, and back office checks on the treasury activities, are carried out by staff from within the Finance Section and/or Business Support Section authorised to cover this function by the CFO.

A schedule will be maintained by the FMT of all officers currently nominated for each level of delegation set above.

Internal Audit

The treasury management function will be the subject of an internal audit review on a regular basis as determined in the audit plan, and full and free access to all records will be given.

The review will cover the design and operating effectiveness of key controls in place relating to treasury management. This will include:

- Obtaining an understanding of treasury management through discussions with key personnel and review of systems documentation
- Identifying the key risks relating to treasury management
- Evaluating the design of the controls in place to address the key risks
- Testing the operating effectiveness of the key controls.

Dealing procedures

All dealing activities will be carried out in line with the Council's documented procedures and having regard to the conditions and criteria set out in the Schedules to the TMPs and the Treasury Management Strategy.

The AA is responsible for maintaining a schedule of procedure notes, and ensuring that these are made available to all relevant personnel.

All procedure notes will be assigned to a nominated individual who is responsible for reviewing and updating them on a regular basis.

Emergency and contingency planning arrangements

A business continuity plan is maintained by the FMT in the format prescribed by the Council in its Risk Management Strategy. This is backed up by detailed procedure notes. Both the plan and the procedure notes are reviewed and updated at least annually, or more frequently if circumstances change.

The plan covers the treasury management functions listed below, which are carried out or reviewed on a daily basis, and are considered to be level 2 critical functions.

- The daily management of the Council's cash flow and bank balances
- The placing and recovery of investments
- Transfers to and from deposit accounts
- Transfers between the Council's bank accounts
- CHAPS payments
- Stopped cheques

Other treasury management functions, not set out above, are not considered to be critical functions according to the agreed criteria, and are not included in this business continuity plan

Insurance cover details

Fidelity guarantee insurance cover is in place as required by law and officials indemnity insurance is also held by the Council.

8) Market Risk Management

Market risk management is the risk that, through adverse market fluctuations in the value of principal sums that the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Council does not currently hold any investments that are subject to fluctuations in market value, such as gilts and CDs. However, advice from the Council's treasury management advisers indicates that greater returns could be achieved by investment in products such as gilts and callable deposits (CDs) at a level of risk to the security of capital that is in line with the Council's risk appetite, so long as the investments are undertaken and managed within clear defined parameters.

The CFO will put in place procedures and limits for controlling exposure to any instruments of this type that it plans to use during 2012-13. These will ensure that the treasury management staff will:

- Fully understand how the investment product works
- Fully understand what degree of risk exposure the product has
- Be comfortable that it is a suitable product that meets the risk appetite of the authority
- Be sure that the product complies with the latest edition of the CIPFA Code of Practice on Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes
- Ensure that they are fully satisfied with the level of security of the product
- Apply value for money principles to optimise investment returns

TMP 2 PERFORMANCE MEASUREMENT

1) Evaluation of treasury management decisions

Performance reporting to management

Monthly treasury management meetings are held to review the previous month's treasury activity and to plan for the following month and beyond. The meeting is attended by:

- Head of Finance
- Assistant Head of Finance
- Finance Manager (Treasury)
- Assistant Accountant in the Capital & Treasury Team

The minutes and performance data arising from each meeting are reported to the Chief Financial Officer to provide regular management information on treasury management operations and performance.

The terms of reference for the meeting are as follows:

1. To record and review treasury management performance data

2. To discuss and agree or recommend actions pertaining to:

    a) Investment issues
    b) Debt issues
    c) Prudential Indicators
    d) Debt financing budget
    e) Treasury management strategic issues
    f) Treasury management processes and procedures
    g) Bank contract
    h) Business continuity and contingency arrangements

3. To report upwards to the Head of Finance and the Chief Financial Officer, by means of:

    a) Performance data
    b) Documented decisions and action points

Corporate performance targets are set annually as part of the Finance Service Plan, and these are reported monthly to management through the Corporate Performance Reporting process, using the Councils Performance Plus reporting tool. These are reviewed and set annually, but will include, as a minimum, targets for the average rate of interest achieved on temporary investments, and parameters for the level of daily bank balances.

In addition to the minuted monthly meetings, quarterly treasury management strategy meetings are held with the Council's Chief Finance Officer to discuss key strategic treasury issues. These are attended by the Head of Finance, the Assistant Head of Finance and the Finance Manager (Treasury).

Performance reporting to Cabinet and Council

Treasury management performance will be reported to Cabinet and Council at least twice each year, as follows:

The annual Treasury Management Mid Year report will be submitted to Council by 31 January before the financial year-end. The report will cover:

- Treasury activities undertaken
- Variations (if any) from agreed policies and practices
- Treasury performance to 30 September
- Monitoring information
- Monitoring of treasury management indicators and prudential indicators

The annual Treasury Management Outturn report will be submitted to Council by 30 September following the year-end. The report will cover:

- Transactions executed and their revenue (current effects)
- The risk implications of decisions taken and transactions executed
- Compliance with agreed policies and practices and with statutory and regulatory requirements
- Treasury performance
- Compliance with the latest CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes
- Monitoring of treasury management indicators and prudential indicators

Council will also receive an annual prudential indicator setting report in line with the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities (Fully revised second edition 2009)

In addition to the above Cabinet will receive regular debt financing budget monitoring information, which is prepared and presented to Cabinet as part of the Council's overall revenue budget monitoring cycle and dashboard reporting.

2) Testing value for money

Banking services are re-tendered at least once every five years to ensure that the level of service reflects changing practices and represents value for money. During the life of the contract the Council's bankers will be required to be pro-active in drawing attention to new or innovative banking products that will assist with workflow, or which will generate savings for the Council in its banking related costs.

It is the Council's policy to appoint professional treasury management consultants specialising in local authority business, and this contract will be re-tendered at least once every five years.

The Council sometimes uses money broking services in order to make deposits or to borrow. A minimum of two money brokers are used in order to compare the rates offered. For operational purposes three brokers will typically be used, given the number of investment transactions currently undertaken. The standard of service provided is monitored on an ongoing basis.

3) Benchmarking

The Council completes and submits the annual CIPFA Capital Expenditure and Treasury Management Statistics to enable comparisons of treasury management service costs with other local authorities.

In addition the Council has membership of the IPF Treasury Benchmarking Club, involving the completion of questionnaires and the attendance at meetings, usually twice a year. This membership is kept under review to ensure that it continues to be useful to the Council.

TMP 3 DECISION-MAKING AND ANALYSIS

Funding, borrowing, lending and new instruments/techniques

Records to be kept

For each **counterparty** with which the council has treasury dealings, the following data will be maintained:

- Name and address and local contact if appropriate
- Bank details, name, address, sort code and account number
- Counterparty type and sector (for CIPFA and CLG returns)
- Borrowing and lending limits
- Maximum investment periods

For each **broker** with which the Council has dealings with the following data will be maintained:

- Name and address
- Local contact name
- Telephone and fax numbers
- Commission rates for borrowing

For each **transaction** the following data will be maintained:

- NBC reference
- Counterparty details
- Principal amount
- Transaction type
- Value date
- Repayment date, if fixed
- Initial interest rate
- Broker, if applicable
- Interest amount, if fixed

If the transaction is a variable rate instrument details of interest rate revisions and the final repayment date will be maintained.

For each **long-term loan** raised the data will be maintained:

- NBC reference
- Counterparty details
- Principal amount

- Start and maturity dates
- Repayment method and period
- Interest rate and amount
- Interest payment dates
- Method of interest payment
- Supporting data in respect of the purpose of the borrowing and the extent to which it is for General Fund or HRA purposes

Processes to be pursued

All dealing activities will be carried out in line with the Council's documented procedures and having regard to the conditions and criteria set out in the Schedules to the TMPs and the Treasury Management Strategy.

The AA is responsible for maintaining a schedule of procedure notes, and ensuring that these are made available to all relevant personnel.

All procedure notes are assigned to a nominated individual who is responsible for reviewing and updating them on a regular basis.

Issues to be addressed

The Council's Financial Regulations delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management

The Council's Section 151 Officer is the Director of Finance and Support, who is also the Council's Chief Finance Officer (CFO).

Operational treasury management decisions have been further delegated to other staff as set out in the Schedule to TMP 5 (Section 4 Duties and Responsibilities).

In respect of every decision made the CFO and the Council's treasury management staff will:

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

In respect of borrowing and other funding decisions the CFO and the Council's treasury management staff will:

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

In respect of investment decisions the CFO and the Council's treasury management staff will:

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

Further details on how decision making processes are managed at an operational level, and in the context of the prevention and management of fraud, error and corruption and contingency management, are contained in the Schedule to TMP 1 (Section 7 Fraud, error and corruption, and contingency management).

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

1) Approved activities of the treasury management operation

Approved activities of the Council's treasury management function include:

- Cash flow management
- Money market and other approved investments
- Use of external deposit and call accounts and money market funds
- Treasury related banking activities
- Borrowing
- Debt repayment and rescheduling
- Risk management of treasury management activities
- Developing treasury policy and Treasury Management Strategy
- Reporting on treasury management activities

2) Approved instruments for investments

Under the Local Government Act 2003 the Council is required to have regard to the CLG revised Guidance on Local Government Investments (2010) and CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009) and Guidance Notes for Local Authorities (Fully revised third edition 2009).

In accordance with the CLG revised Guidance on Local Authority Investments issued under Section 15 (1) (a) of the Local Government Act 2003 the instruments approved for investment by local authorities are sub-divided into specified and non-specified investments.

- Specified investments – broadly, sterling investments, not exceeding 364 days and with a body or investment scheme of high credit quality.
- Non-specified investments – do not satisfy the conditions for specified investments.

Specified investments

An investment is a specified investment if it satisfies the conditions set out below:

- The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
- The investment is not a long-term investment. A long term investment is defined as any investment other than (a) one which is due to be repaid within 12 months of the date on which the investment was made, or (b) one which the local authority may require to be repaid within that period.
- The making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 3146 as amended)

- The investment is made with a body or in an investment scheme of high credit quality; or with one of the following public sector bodies:
  - (i) The United Kingdom Government
  - (ii) A local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland
  - (iii) A parish council or community council.

High credit quality is as defined in the Council's Treasury Management Strategy at Appendix F (Section 16)

The following types of instruments may fall into the category of specified investments where they have a maturity of less than one year (i.e. 364 days or less) and the counterparty meets the Council's definition of high credit quality

- Gilts
- Treasury Bills
- Term deposits with local authorities and banks and building societies with a high credit quality
- Certificates of deposit with banks and building societies with a high credit quality
- Bonds issued by a financial institution that is guaranteed by the UK Government and multi-lateral development banks as defined in Statutory Instrument 2004 No. 534
- Triple A rated Money Market Funds (MMFs)
- Debt Management Office Deposit Facility
- Reverse Gilt Repos
- Forward deals with banks and building societies with a high credit quality (negotiated deal period plus period of deposit must be less than 364 days)
- Commercial paper
- Gilt funds and other bond funds

However caution must be exercised. Any investment product that takes on greater risk should be subject to greater scrutiny and justification, and will fall into the category of non-specified investments. The greater risk may be by virtue of unfamiliarity on the part of the Council's treasury management staff.

Non-specified investments

Non-specified investments include those listed above with a maturity of one year or longer, together with investments made with a body or scheme that does not have a high credit quality as defined in the Council's Treasury Management Strategy.

In addition, any investment product that takes on greater risk should be subject to greater scrutiny and justification, and will fall into the category of non-specified investments. Should the Chief Finance Officer determine that the authority would wish to make use of higher risk investment products this will be brought to Cabinet as a specific change to the Annual Investment Strategy in order that the decision to use such instruments receives proper consideration by those charged with governance.

3) Investments methods and techniques

The Council may enter into any type of investment instrument categorised as a specified investment, as listed above.

The majority of the Council's investments fall into the category of specified investments, as they relate to short term cash flow surpluses that can be invested until required to meet expenditure commitments.

Any type of specified investment that has not habitually been used by the Council – i.e. has not been used within the previous two year period will only be entered into after consultation with the Council's external treasury advisers, and with the express approval of the Chief Finance Officer, and subsequently reported to Cabinet.

The Council will set a limit each year for the level and type of non-specified investments that may be placed at any one time. This limit will be set in the Annual Investment Strategy.

The Council may undertake investments over 364 days, which are classified as unspecified investments. The maximum period of investment will be two years.

Investments, with the exception of those to other local authorities and the UK Debt Management Office, 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 rating by the Council's external treasury advisors.

Only counterparties in the Council's current lending list, using the criteria determined by the Chief Financial Officer and set out at the Schedule to TMP 1 and in the Annual Treasury Management Strategy will be used.

All dealing activities will be carried out in line with the documented procedures and having regard to the conditions and criteria set out in the Schedules to the TMPs and the Treasury Management Strategy.

The Council may make loans to third parties for the purpose of capital expenditure as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146).

4) Approved instruments for borrowing

The statutory basis of the local authority's power to borrow is derived from the Local Government Act 2003. Essentially a local authority may borrow (or invest) for any purpose relevant to its functions, under any enactment or "for the purpose of the prudent management of its financial affairs".

Local authorities may only borrow in sterling, except with the consent of the treasury.

The main source of local authority borrowing is through Public Works Loans Board (PWLB) loans. Money market loans may be also used, including LOBOs (Lenders Option, Borrowers Option). Where significant levels of borrowing are required, in excess of £25m, local authorities may also raise funds through bonds or private placements.

Local authorities may also borrow from each other.

Local authorities are required by the 2003 Act to determine and keep under review limits as to how much money they can afford to borrow. The Council's Authorised Borrowing Limit as set in the Treasury Management Strategy and its Treasury Indicators must not be exceeded.

Regard must be had to the contents of TMP 9 (money laundering).

5) Borrowing methods and techniques

Long-term borrowing

All long-term borrowing requires the express approval of the Chief Finance Officer, who will also sign any associated internal or external approval or authorisation documentation. The Chief Finance Officer has the delegated authority to take the most appropriate form of borrowing from approved sources.

Long-term borrowing will usually take the form of loans from the Public Works Loans Board (PWLB) or from the market, including LOBO loans. Other forms of borrowing such as bonds or private placements may be considered if appropriate.

PWLB loans are arranged directly with the PWLB, using their standard application procedures. Money market loans are arranged via a money broker.

Advice from the Council's external treasury advisers will be sought and documented before entering into any long-term loan arrangements.

Short-term borrowing

The Council may take short-term deposits from other local authorities, arranged via a money broker, to facilitate the management of cash flow, and, under long established arrangements, from two local organisations.

The CFO may also authorise the taking of short-term deposits under mutually agreed and documented terms from other local not for profit organisations.

All borrowing activities will be carried out in line with the documented procedures and having regard to the conditions and criteria set out in the Schedules to the TMPs and the Treasury Management Strategy.

6) Derivatives

Recent legislative changes suggest that local authorities may now be able to use hedging tools such as derivatives to manage exposures to interest rates or exchange rates, although they should seek legal advice as to the legality of entering into such transactions. If the authority wishes to use such instruments, it should be clear about its policies in its annual strategy. It should only use such instruments for the prudent management of its financial affairs and should fully understand the instruments and the risks it is managing.

The Council will not use hedging tools such as derivatives to manage exposures to interest rates or exchange rates.

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

1) Limits to responsibilities/discretion at executive levels

Council

The Council is responsible for:

- Receiving and reviewing reports on treasury management policies, practices and activities, including the setting and monitoring of the prudential and treasury indicators.
- Approval of the annual Treasury Management Strategy

Cabinet

The Cabinet is responsible for the following:

- Approval of/amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices
- Annual strategy/budget consideration and recommendation to Council
- Annual outturn report consideration and recommendation to Council
- Receiving and reviewing external audit reports and acting on recommendations
- Approving the selection of external service providers and agreeing terms of appointment if the total contract value exceeds the OJEU threshold
- Annual setting of prudential and treasury indicators consideration and recommendation to Council
- Regular monitoring of prudential and treasury indicators consideration and recommendation to Council.

Audit Committee

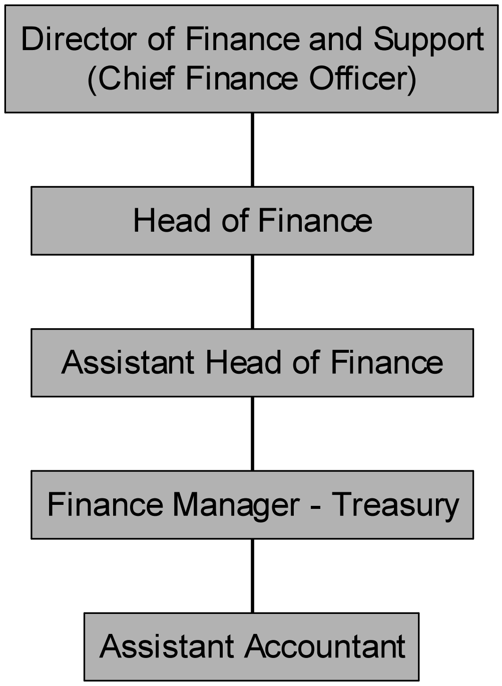
Audit Committee is the body responsible for scrutiny and will have responsibility for the review of all treasury management policies and procedures, the scrutiny of all treasury management reports to Cabinet and Council, and for making recommendations to Cabinet and Council.

2) Segregation of duties

Segregation of duties is achieved by the allocation of treasury duties to specific posts within the finance structure, and by the authority levels set up on the Council's online banking system, HSBCnet, which is used to make electronic CHAPS payments and transfers between the Council's bank accounts. See the Schedule to TMP 1 for a full description of the levels of delegated responsibility and separation of duties designed to restrict opportunities for fraud, error and corruption.

3) Organisation chart

The current structure of the Council's treasury division is set out below.



4) Duties and responsibilities

Officers involved in treasury management are explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council.

Head of the Paid Service

The Head of Paid Service is the Chief Executive, responsible for the corporate and overall strategic management of the Council as a whole. He has responsibility for establishing a framework for management direction, style and standards, and for monitoring the overall performance of the organisation.

The Chief Executive heads up the Management Board, of which the CFO is a member. Management Board meets on a weekly basis. Treasury reports feed into the corporate domain via the Management Board.

Monitoring Officer

The Council's Monitoring Officer is the Borough Solicitor. The Monitoring Officer is responsible for promoting and maintaining high standards of conduct by both members and officers and therefore provides support to the Standards Committee. He is also responsible for the reporting of any actual or potential breaches of the law or maladministration to the full Council and/or Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

The Monitoring Officer, in conjunction with the Chief Executive and Section 151 Officer, has responsibility for advising Cabinet or the full Council on whether a decision is likely to be contrary to or not wholly in accordance with the Council's budget and policy framework.

The responsibilities of this post will include-

- Ensuring compliance by the Chief Finance Officer with the treasury management policy statement and treasury management practices and that they comply with the law
- Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice
- Giving advice to the Chief Finance Officer when advice is sought.

Chief Finance Officer

The Director of Finance and Support is the Council's Chief Financial Officer and the officer designated for the purposes of section 151 of the Local Government Act 1972 as the Responsible Officer for treasury management at Northampton Borough Council.

This post, as defined in Article 14 of the Constitution, has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Local Government Act 1972 (Section 151)
- Local Government Finance Act 1988
- Local Government and Housing Act 1989
- Local Government Act 2003
- Accounts and Audit Regulations 2003 (as amended)

These statutory duties are set out in more detail in the Council's Financial Regulations.

The Council's Financial Regulations delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

The detailed responsibilities are:

- Ensuring that the schedules to the Treasury Management Practices (TMPs) are fully reviewed and updated annually and to monitor compliance to the Treasury Management in the Public Services: Code of Practice and Guidance Notes.
- Ensuring that the annual Treasury Management Strategy Report, the Mid Year Treasury Management report and the annual Treasury Outturn Report are submitted to Council via Cabinet (See Schedule to TMP 6),
- Reviewing the performance of the treasury management function and promoting value for money.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.

- Recommending or approving the appointment of external service providers (e.g. treasury advisors) in line with the approval limits set out in the Council's procurement rules.

The CFO has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments. These powers have been delegated to officers as set out below.

The CFO and the Council's Monitoring Officer will ensure that the policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible in accordance with their statutory duties.

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

Head of Finance/Assistant Head of Finance

These posts have line management responsibility through the structure of the department. As such they may carry out delegated tasks as instructed by the CFO. This may include delegated Section 151 responsibilities in her absence. They also have managerial responsibility for the tasks carried out by the operational manager and the other operational treasury management staff.

The post holders attend the Council's monthly and quarterly treasury management meetings. (See Schedule to TMP 2)

Operational Manager

The Finance Manager (Treasury) (FMT) will operate as the Operational Manager and shall be responsible for:

- Implementing and ensuring compliance with the policies and procedures as set out in the TMPs and schedules, and the Council's Treasury Management Strategy.
- Reviewing treasury management policies and practices and submitting proposals for changes, as appropriate, to the CFO.
- Drafting, for the consideration of the CFO, all treasury management and prudential indicator reports to Cabinet and Council.
- Preparing an annual debt-financing budget for consideration, taking all relevant factors into account, and ensuring that the debt-financing budget is monitored as part of the Council's budget monitoring process, reporting all significant deviances to the CFO.
- Providing such reporting information, as determined by CFO, to enable her to fulfil her obligations as the Responsible Officer.
- Managing, on behalf of the CFO, the overall treasury management function ensuring that there is, at all times, an appropriate division of duties within the treasury team.
- Supervising treasury management staff.

- Ensuring that the treasury management team, and other staff undertaking treasury functions, receive such training as is required for them to undertake their respective functions.
- Holding monthly treasury management meetings including a review of performance data.
- Holding quarterly treasury management strategy meetings with the CFO
- Ensuring that sufficient information is available at all times to satisfy internal and external audit requirements, and liaison with internal and external auditors.
- Maintaining relationships with counterparties and external service providers.
- The arrangement of all transactions.

Assistant Accountant (AA)

The Assistant Accountant (AA) will operate as the Council's Treasury Manager and be responsible for:

- The arrangement of transactions ion the absence of the FMT
- The execution of all transactions.
- Adherence to agreed policies and practices on a day to day basis.
- Maintaining relationships with counterparties and external service providers.
- Ensuring that all loans received and investments repaid have been received into the Council's bank account.
- Entering and arranging approvals for all CHAPS payments via HSBCnet.
- Raising the payment documentation for all loan repayments, interest instalments and investments and ensuring that all loans are repaid on the due date and that interest payments are made on the appropriate date.
- Monitoring performance on a day to day basis
- Submitting management information reports to the Operational Manager and others.
- Keeping the Operational Manager informed of all matters relating to his or her responsibilities.
- Identifying opportunities for improved practices.
- Preparation of the necessary documentation (letters, loan receipts etc) and subsequent despatch to the borrower/lender as appropriate.
- Checking that confirmation documentation provided by brokers, lenders and borrowers corresponds to the initial documentation prepared as above.
- Entering the necessary information, from the documentation, on to the relevant electronic and hard copy records, ensuring that at all times, the databases are accurate and up-to-date.
- Preparing weekly and monthly reconciliations and performance data.

Internal Audit

The treasury management function will be the subject of an internal audit review on a regular basis as determined in the audit plan and full and free access to all records will be given.

The review will cover the design and operating effectiveness of key controls in place relating to treasury management. This will include:

- Obtaining an understanding of treasury management through discussions with key personnel and review of systems documentation
- Identifying the key risks relating to treasury management
- Evaluating the design of the controls in place to address the key risks
- Testing the operating effectiveness of the key controls.

5) Cover arrangements and business continuity

An adequate number of nominated officers at an appropriate level are trained and set up to provide cover arrangements.

The Assistant Accountant maintains a schedule of lead and cover responsibilities for dealing, manual and system authorisation, back office checks, and system support. The schedule includes colour coding to demonstrate the segregation of duties to be practiced; this is backed up by system controls. The schedule is reviewed and updated or confirmed each month at the monthly treasury management meeting.

A business continuity plan is maintained by the FMT in the format prescribed by the Council in its Risk Management Strategy. This is backed up by detailed procedure notes. Both the plan and the procedure notes are reviewed and updated at least annually, or more frequently if circumstances change..

6) Dealing limits

The Chief Finance Officer is responsible for formulating suitable criteria for assessing and monitoring the credit risk of investment counterparties and constructing a lending list comprising time, type, sector and specific counterparty limits. This is carried out with reference to the creditworthiness advice given by the Council's external treasury advisors. The criteria and limits are set out at TMP 1 (Section 1 Credit and counterparty risk management), TMP 4 (Section 2 Approved Instruments for Investment) and in the Treasury Management Strategy (Section 18 Counterparties).

7) Approved brokers

The Council currently uses the following money brokers:

- ICAP Europe Ltd
- Tullett Prebon (Europe) Ltd
- Tradition (UK) Ltd

It is considered good practice to use a minimum of two brokers; three is the number that it is considered by the Council to be operationally suitable given the number of investment transactions typically undertaken. The standard of service provided is monitored on an ongoing basis.

There is no direct charge to the Council for using money brokers; their fees are met through commission received from the counterparty to the investment.

8) Policy on the taping of conversations

The Council does not record external telephone calls related to the dealing process.

However firms regulated by the Financial Services Authority (FSA), which include the money brokers used by the Council, are required to keep an accurate, up-to-date record of all trades and transactions. In practice they achieve this through their own recording of telephone conversations between traders and customers.

9) Direct dealing practices

Direct dealing arrangements can be used as an additional tool to achieve further spreading of counterparty risk, to aid flexibility and to improve on interest rates offered.

Direct dealing arrangements are only set up with authorised counterparties. Prior to new arrangements being set up the counterparty is supplied with a list of officers authorised to deal on behalf of the Council and a copy of the Council's standard bank settlement instructions.

10) Settlement transmission procedures

Settlement transmission procedures are set out in the treasury management procedure notes.

11) Documentation requirements

Documentation requirements are set out in the Schedule to TMP 3, above, and the treasury management procedure notes.

12) Management of third party funds

Section 106 Developer Funds

The Council holds funds from developers (Section 106 funds) that are used to fund the Council's capital and revenue expenditure as per the terms of the individual legal agreements. In some instances the legal agreements provide for the funds to be returned to the developer if not used by the Council for the intended purpose after a given period of time. In cases where funds have to be returned, which are exceptional, interest is applied at the rate set out in the legal agreement. The Council declares the maximum liability for interest payable at year-end as a contingent liability in its annual Statement of Accounts.

Temporary borrowing arrangements

Under long established arrangements the Council takes short-term deposits, treated as temporary borrowing, from two local organisations.

Formal agreements are in place for the management of these funds. Interest review dates are quarterly, and the interest rates are set at the Council's average rate for approved investments for the previous quarter, less 0.5% to cover administrative costs.

The CFO may also authorise the taking of short-term deposits under mutually agreed and documented terms from other local not for profit organisations.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

1) Council and Cabinet Reports

A key recommendation of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009) is that the Council's Treasury Management Policy Statement should specify formal reporting arrangements by the responsible officer to full Council, to include at minimum annual reports both before, mid year and after the year end. These should include the Council's treasury management indicators.

Audit Committee is the body responsible for scrutiny and will have responsibility for the review of all treasury management policies and procedures, the scrutiny of all treasury management reports to Cabinet and Council, and for making recommendations to Council.

Council will receive, via Cabinet, the following reports:

Annual Treasury Management Strategy Report

The Annual Treasury Management Strategy report will be submitted to Council before the start of the financial year, consisting of a review of the Council's approved clauses, Treasury Management Policy Statement and Practices and a strategy report on the proposed treasury management activities for the year.

The latter will incorporate:

(i) The Capital Financing and Borrowing Strategy for the coming year including:

- 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.
- The Affordable Borrowing Limit as required by the Local Government Act 2003.

(ii) The Investments Strategy for the coming year as required by the CLG revised Guidance on Local Government Investments issued in 2010.

The Treasury Management Strategy will include the following elements:

<u>Capital Financing and Borrowing Strategy</u>

- Capital Financing
- Existing Borrowing
- New Borrowing
- Minimum Revenue Provision
- Borrowing Requirement
- Debt Rescheduling

- Long Term Interest Rates for Borrowing
- Sensitivity of Forecasts
- Borrowing Strategy
- Prudential Indicators
- Treasury Indicators
- Affordable Borrowing Limit
- Temporary Borrowing
- Overdraft Facilities

<u>Investment Strategy</u>

- Current Investment Portfolio
- Specified/ Non specified Investments
- Investment strategy;
- Counterparties
- Liquidity of Investments
- Bank Base Rate
- Short Term Interest Rates for Investments
- Sensitivity of Forecasts
- Prudential Indicators
- Treasury Indicators
- Treasury Management Advisers
- Investment Training

The annual report will also include:

- The proposed debt financing and debt management budget for the coming three years
- Demonstration of adherence to the Council's policy on reserves and balances
- Compliance with the requirement under the Local Government Finance Act 1992 to produce a balanced budget

Treasury Management Mid Year Report

The annual Treasury Mid Year report will be submitted to Council by 31 January before the financial year-end. The report will cover:

- Treasury activities undertaken
- Variations (if any) from agreed policies and practices
- Treasury performance to 30 September
- Monitoring information

- Monitoring of treasury management and prudential indicators

Treasury Management Outturn Report

The annual Treasury Management Outturn report will be submitted to Council by 30 September following the financial year-end. The report will cover:

- Transactions executed and their revenue (current effects)
- The risk implications of decisions taken and transactions executed
- Compliance with agreed policies and practices and with statutory and regulatory requirements
- Treasury performance
- Compliance with the latest CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes
- Monitoring of treasury management indicators and prudential indicators

Other reports to Cabinet and Council

In addition to the above Cabinet will receive:

An annual prudential indicator setting report in line with the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities (Fully revised second edition 2009)

Regular debt financing budget monitoring information, which is prepared and presented to Cabinet as part of the Council's overall revenue budget monitoring cycle

Reports to Audit Committee

Audit Committee is the body responsible for scrutiny and will have responsibility for the review of all treasury management policies and procedures, the prior scrutiny of all treasury management reports to Cabinet and Council, and for making recommendations to Council.

2) Reports to the Chief Finance Officer

The following performance reports will be submitted to CFO on a monthly basis along with the action points/minutes from the monthly treasury management meetings.

- Details of all outstanding loans, including name of lender, amount, period and interest rates.
- Details of all outstanding investments including name of borrower, amount, period and interest rates.
- Variations on actual daily bank balances against targets.
- Average monthly rates achieved on temporary investments, with base rate and average 7–day LIBID and LIBOR rates as comparators.
- Details of any variations (if any) from agreed policies/practices.

Notifications of changes to counterparty credit ratings are advised on a daily basis with, if applicable, a note of the value of any investments that the Council holds with the counterparty.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

1) Budgeting arrangements

Working within the overall context of the Council's Medium Term Financial Strategy, the FMT will prepare a three-year medium term financial plan, which will incorporate, for the following three years:

- The debt financing and debt management budget for the forthcoming year and provisional estimates
- The prudential indicators
- The treasury indicators

These will be submitted to Council for approval at their annual budget setting meeting preceding the start of the financial year in, respectively, the Annual Revenue Budget report, the Prudential Indicators report and the Treasury Management Strategy report.

The debt-financing budget will comprise:

- Interest and investment income
- Debt and other financing costs (including MRP)
- Recharges to and from the HRA
- Other recharges

The debt management budget will comprise:

- Staffing numbers and related costs (in the form of recharges)
- Premises and other administrative costs (in the form of recharges)
- Bank and overdraft charges
- Brokerages, commissions and other transaction related costs
- External advisers' and consultants' charges

b) Accounting practices and standards

All current accounting standards, regulations, practices and guidance pertaining to budgeting and accounting will be followed. This will include the CIPFA Code of Practice on Local Authority Accounting and the Service Reporting Code of Practice for Local Authorities (SeRCOP) as well as the treasury management specific documents referred to at the Schedule to TMP 1.

c) Information requirements of external auditors

Year-end figures and working papers on the Council's financial instruments, including debt and investment portfolios, will be provided as required for the Council's annual Statement of Accounts in line with the requirements of the latest CIPFA guidance, currently the CIPFA Code of Practice on Local Authority Accounting

The working papers provided will be of sufficient quality to include all relevant supporting information reasonably required by the external auditors, set out in a clear and logical manner and providing a clear audit trail.

Any other information or supporting documents reasonably requested by the Council's external auditors will be provided in a timely manner.

TMP 8 CASH AND CASH FLOW MANAGEMENT

1) Cashflow forecasts

The Finance Manager (Treasury) will prepare high level cash flow projections annually, for the following three years, to prepare the debt financing budgets, as part of the Council's budget setting cycle.

The Assistant Accountant responsible for the day-to-day treasury function will prepare cash flow projections at detailed level for the current year, and, by 28 Feb each year, for the forthcoming year, updated on a daily basis.

The types of information to be included in the cashflow forecasts include the following:

- Details of all BACS runs
- Details of large cheques drawn
- Details of forthcoming Right-to-Buy, Shared Ownership and other property sales
- RSG and NDR receipts and/or payments (from annual schedule)
- Housing Benefits subsidy payments or receipts
- Details of local precepts and levies
- Details of loan interest and principal payable.
- Details of returns of previous investments

Comparisons of forecasts to actual figures will be undertaken in order to improve the accuracy of projections.

2) Overdraft arrangements

The Council has a £200k overdraft facility with its bankers, HSBC Bank, for which an annual fee of £3,000 applies. The overdraft rate applicable to use of the agreed facility is 3.17% above base rate.

The overdraft facility is only used to cover unforeseen events; usage is kept to an absolute minimum and generally occurs only as a result of events outside of the Council's control; for example, failure by third parties to make agreed payments. The use of the overdraft facility is monitored on a daily basis against a performance target and reported monthly to senior managers through the corporate performance reporting framework.

3) Bank statement procedures

Electronic bank statement extracts are downloaded daily from the online banking system (HSBCnet) in order to calculate the net cash position and take treasury management decisions on investments or short-term borrowing as necessary.

Electronic bank statements and transaction reports are downloaded and sent to IT for bank reconciliations using the automated Agresso process. The Council's bank reconciliations are undertaken by the Corporate Finance Team.

The Council keeps electronic and/or hard copies of all bank statements

4) Payment scheduling and agreed terms of trade with creditors

The Council's normal settlement terms are 30 days in accordance with Best Value Performance Indicators (BVPI8). In the current economic climate, and to support local businesses, efforts are being made to make payment to NN postcodes within 10 days.

Payments are made by BACS wherever possible and payment runs are made daily. BACS is also used for other payment runs, including salaries/wages and housing benefit payments.

Bank details are requested from all new suppliers in order to keep cheque payments to a minimum to reduce costs. New bank details are verified with the supplier prior to use to prevent fraud.

5) Procedures for banking of funds

All income coming into the authority must be banked promptly. All payments received into the authority are banked via an E-Return. Individual departments that receive income hold paying in books that are specific for their individual area and submit separate banking returns for cash and cheque payments. E-Returns is a simple and effective tool for processing payments onto the Council's cash/cheque collection system, which feeds into Agresso, the Council's financial management system.

Northampton Borough Council closed its cash offices in March 2009. Customers wishing to make cash payments can still do so at the 80 Payzone and 20 Post Office locations throughout Northampton. The contract for third party payments will shortly be put out to tender, with a planned go live date of 1 April 2013.

Appendix E

TMP 9 MONEY LAUNDERING

1) Wider context

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering.

The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering, which apply to all persons in the UK in a personal and professional capacity. The Terrorism Act 2000 also contains provisions in respect of money laundering in the context of terrorist activity.

In December 2007 the government published the Money Laundering Regulations 2007, which replaced previous regulations of 2003. This defines money laundering as an act which falls within section 340(11) of the Proceeds of Crime Act 2002.

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the Proceeds of Crime Act 2002, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However as responsible public bodies they are expected to employ policies and procedures that reflect the essence of the UK's anti-terrorist financing and anti-money laundering regimes.

It is for individual organisations to evaluate the prospect of laundered monies being handled by them and to determine the appropriate safeguards to be put in place. It is the legal responsibility of every person engaged in treasury management to make themselves aware of their personal responsibilities. However CIPFA recommend that organisations bring them to their staff's attention and consider the appointment of a member of staff to whom they can report their suspicions.

2) Procedures for establishing the identity or authenticity of lenders

The Council does not accept loans from individuals. All long-term loans are obtained from the PWLB, or from authorised institutions under the Financial Services and Market Act 2000. A register of these institutions is maintained by the Financial Services Authority (FSA) and can be accessed through their website at www.fsa.gov.uk.

The Council may also take short-term deposits from other local authorities, to facilitate the management of cash flow, and, under long established arrangements, from two local organisations.

The CFO may also authorise the taking of short-term deposits under mutually agreed and documented terms from other local not for profit organisations.

3) Other NBC arrangements

Any suspicions of money laundering must be reported immediately to the Head of Finance in his role as the Money Laundering Reporting Officer.

Training will be provided for treasury management staff on their responsibilities in respect of money laundering (See Schedule to TMP 10)

TMP 10 STAFF TRAINING AND QUALIFICATIONS

1) Training and qualifications

It is vital to the success of the treasury function that all members of the treasury management team, and all other individuals undertaking treasury roles, including those with responsibility for governance, are suitably qualified and receive sufficient training to enable them to carry out their functions efficiently, effectively and to a high standard. This has become increasingly evident in the context of the worldwide banking crisis and economic environment of the past three years, which has highlighted the growing complexity of treasury management in general, and its application to the public sector in particular.

Training can be achieved in a number of ways. Professional qualifications and specific internal and external training courses are evidently important. Work shadowing and on the job training are also valuable training tools and will be undertaken on an ongoing basis as required. Regular more formal in-house training will also be used. In addition general awareness training that comes from reading appropriate publications and electronic communications on a regular basis is essential to keep up to date with the external environment in order to contribute to the successful operation of the treasury management function.

The way in which the individual training needs of those involved in the treasury management function at the Council can be met are set out in the table below. Professional and AAT qualifications are in line with the requirements of the post. The level and nature of other training will be as appropriate to the role.

For the specific treasury responsibilities of each of those listed below, see the Schedule to TMP 5 (Section 4. Duties and responsibilities)

Meeting training needs for treasury management responsibilities

Job Title	CCAB Qualified	AAT Qualified	External Seminars/ Workshops	In-house training	Reading
Cabinet and Audit Committee Members	N/A	N/A	N/A	Yes	Yes
Chief Executive	N/A	N/A	N/A	Yes	Yes
Chief Finance Officer / S151 Officer	Yes	N/A	Yes	Yes	Yes
Head of Finance	Yes	N/A	Yes	Yes	Yes
Assistant Head of Finance	Yes	N/A	Yes	Yes	Yes
Finance Manager	Yes	N/A	Yes	Yes	Yes
Assistant Accountant	N/A	Yes	Yes	Yes	Yes
Cover for above	N/A	Yes	N/A	Yes	Yes
Admin/Back office support	N/A	N/A	N/A	Yes	N/A

2) Training Records

Training records will be kept of the training needs of those individuals with roles in the treasury management function, setting out their specific requirements and when and how they have been or will be addressed.

Areas to be covered by training (dependant on role) will include:

- Regulatory framework
- Governance
- Risk management
- Best practice
- Investment
- Borrowing
- Cashflow
- Performance management
- Prudential Indicators
- Budgeting and budget monitoring
- Money laundering
- Local financial systems

3) Statement of Professional Practice (SOPP)

Where the Chief Financial Officer is a member of CIPFA, there is a professional requirement for the post holder to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

Similarly the Chief Financial Officer as a CCAB member and other staff as CCAB or AAT members are required to follow the professional standards and codes of conduct of their own professional bodies.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

The Council has relationships with external providers that help support its treasury management functions. In dealing with external providers the Council and its officers are mindful of potential conflicts of interest and of the requirements of the Bribery Act 2011. Details of existing contracts with service providers are set out in the paragraphs below.

1) Banking services

A full retendering exercise for banking services was undertaken during 2009-10 under the ESPO (Eastern Shires Purchasing Organisation) Framework. The new contract was awarded to HSBC Bank Plc and commenced 1 October 2010 with an initial contract period of 3 years and an option to extend for a further year.

The costs of the banking service are provided for in the council's annual revenue budget. Amounts due are invoiced on a monthly basis and paid by direct debit.

2) Money-broking services

The Council currently uses the following money brokers

- ICAP Europe Ltd
- Tullett Prebon (Europe) Ltd
- Tradition (UK) Ltd

It is considered good practice to use a minimum of two brokers; three is the number that it is considered by the Council to be operationally suitable given the number of investment transactions typically undertaken. The standard of service provided is monitored on an ongoing basis.

There is no direct charge to the Council for using money brokers; their fees are met through commission received from the counterparty to the investment.

3) Treasury Management Advisers services

The current supplier of service is Sector Treasury Services Ltd. The contract commenced 1 April 2010 with an initial contract period of three years to 31 March 2013 and an option to extend for a further year to 31 March 2014

The costs of the service are provided for in the Council's annual revenue budget. Payments under the contract are currently based on a fixed fee, payable half yearly in arrears. Additional services are available at rates specified in the contract.

4) Other external service providers

The Council is in the process of setting access to a money market find portal (Sunguard Global Network) provided by Sunguard Global Execution Services Ltd. There is no direct charge to the Council for using this service; fees are charged to the investment counterparty

The Council is in the process of setting up access to a custody and dealing service provided by King and Shaxon Ltd in order to open up further investment opportunities, including CDs and Gilts. Charges to the Council for using this service are met through a marginal reduction to the investment rate on individual transactions.

TMP 12 CORPORATE GOVERNANCE

1) Arrangements for corporate governance

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the Council is responsible for putting into place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council produces an Annual Governance Statement in its annual Statement of Accounts, which explains the corporate governance arrangements that the Council has in place and how it ensures compliance with these arrangements.

The Council adopted and implemented the key recommendations of the CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes 2001 and the 2006 update. Subsequently, on 25 February 2010, the Council adopted the updated wording of the 2009 second fully revised edition of the Code of Practice. This, together with detailed arrangements contained in the Schedules to TMP 1 to 11, is considered vital to the achievement of proper corporate governance in treasury management, and the Chief Finance Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Documents subject to Cabinet or Council approval and available to the public on the Council's website include:

- Annual Treasury Management Strategy Report
- Mid year Treasury Management Report (from 2010-11)
- Treasury Outturn Report
- Prudential Indicators Setting Report
- Prudential Indicators Monitoring Reports
- Three Year Revenue Budget Setting Report
- Three Year Capital Programme Report
- Capital Strategy
- Annual Statement of Accounts.

2) Procedures for consultation with stakeholders and representatives of local persons

The Council recognises that it is important to actively involve the community in the decision making process in order to provide good quality services and deliver them well. The Council, aware of its equality duties, will follow local and national guidance (such as the Consultation Toolkit, Best Value Statutory Guidance, etc.) and will also have regard to best practice in relation to consultation.

3) External funds managed on behalf of others

Section 106 Developer Funds

The Council holds funds from developers (Section 106 funds) that are used to fund the Council's capital and revenue expenditure as per the terms of the individual legal agreements. In some instances the legal agreements provide for the funds to be returned to the developer if not used by the Council for the intended purpose after a given period of time. In cases where funds have to be returned, which are exceptional, interest is applied at the rate set out in the legal agreement. The Council declares the maximum liability for interest payable at year-end as a contingent liability in its annual Statement of Accounts.

Temporary borrowing arrangements

Under long standing arrangements, the Council manages deposits from two local organisations. Formal agreements were set up with these organisations from 1st April 2009. These contain the following operational arrangements:

- Interest rates set in line with the average rate of interest achieved by the Council in the preceding period, less 0.5%
- Quarterly review of interest rates
- Withdrawal notice periods of 7 days
- Termination notice of 7 days

The CFO may also authorise the taking of short-term deposits under mutually agreed and documented terms from other local not for profit organisations.

Northampton Borough Council
Treasury Management Strategy 2012-13

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Introduction and Equalities Statement

Introduction

The Council is required to adopt the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009) and it is a requirement under that Code of Practice to produce an annual strategy report on proposed treasury management activities for the year.

The Treasury Management Strategy Report incorporates:

(i) The Capital Financing and Borrowing Strategy for the coming year including:

- 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.
- The Affordable Borrowing Limit as required by the Local Government Act 2003.

(ii) The Investments Strategy for the coming year as required by the CLG revised Guidance on Local Government Investments issued in 2010.

The purpose of the Treasury Strategy is to establish the framework for the effective and efficient management of the Council's treasury management activity, including the Council's investment portfolio, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.

Key Principles

The key principles of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes are that:

- Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.
- They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

The Treasury Strategy that follows, and the Council's Schedules to the Treasury Management Practices at report Appendix E are drafted in the context of these principles, as well as the requirements of the four key clauses (report Appendix A), the treasury management policy statement (report Appendix C), and the Treasury Management Practices Main Principles (report Appendix D).

General Fund and HRA

The Council is required to have a clearly agreed policy for attributing income and expenditure and risks between the General Fund and the HRA.

The Council will use a two pool approach to splitting debt between the HRA and General Fund, whereby both existing loans and new loans are assigned to either the HRA or the General Fund. This approach accords with CIPFA's proposed methodology, and maintains the key principles upon which splitting of loans should be based, i.e:

- The underlying principle for splitting of loans at transition must be that of no detriment to the General Fund
- Local authorities are required to deliver a solution that is broadly equitable between HRA and the General Fund
- Future charges to the HRA in relation to borrowing are not influenced by General Fund decisions, giving a greater degree of independence, certainty and control
- Uninvested balance sheet resources which allow borrowing to be below the CFR are properly identified between General Fund and HRA.

The Council will apply the requirements of the CLG Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012 in recharging debt financing and debt management costs between the HRA and the General Fund. The interest rates to be applied will be determined as follows:

Principal Amount		**Interest Rate**
HRA Credit Arrangements CFR: concession agreements and finance leases		Average rate on HRA credit arrangements
HRA Loans CFR: long term loans (external)		Average rate on HRA external debt
HRA Loans CFR: short term loans payable (under funded CFR)		Average rate on NBC external debt/or for formally agreed borrowing from GF resources an agreed PWLB equivalent rate.
HRA Loans CFR: short term loans receivable (over funded CFR)		Average rate on external investments/or for earmarked medium term reserves an actual external investment rate
HRA Cash balances: short term loans payable (cash balances overdrawn)		Average rate on external investments
HRA Cash balances: short term loans receivable (cash balances in hand)		Average rate on external investments/or for earmarked medium term reserves an actual external investment rate

For the purpose of calculating interest rates:

- HRA cash balances will be based on the average of opening and closing HRA cash balances.
- HRA CFR external debt will be based on actual external debt
- Other HRA CFR balances will be based on the mid year position

Debt management costs will be charged to the HRA on an apportioned basis that takes into account the weighting of time spent on managing debt and investments respectively.

Risk associated with external loans will sit with either the GF or HRA depending on which of these the loan has been earmarked to. This will include interest rate risk, for example the risk of interest rate rises associated with LOBOs.

Similarly, risk associated with any external investment of earmarked medium term HRA reserves will sit with the HRA. This will include the risk of impairment, in the event of the failure of a counterparty.

Where risk cannot be earmarked specifically to either the General Fund or HRA, it will be apportioned fairly between the two, using relevant available data. For example, in the event of impairment of an investment counterparty, the loss will be apportioned between the two funds based on an estimated proportion of cash balances held.

Equalities Statement

An Equalities Impact Assessment has been carried out on the Council's Treasury Strategy for 2012-13, and the associated Treasury Management Practices (TMPs) and the Schedules to the TMPs.

The EIA assessment is that a full impact assessment is not necessary, as no direct or indirect relevance to equality and diversity duties has been identified.

Capital Financing and Borrowing Strategy

1. Capital Financing

The Council's capital programme is financed by borrowing and by other available sources such as capital receipts, grants, third party contributions and revenue contributions.

There are two scenarios where borrowing may be used to fund the Council's capital expenditure.

(i) Supported borrowing – The government may award borrowing approvals in the form of Supported Capital Expenditure (Revenue) (SCE(R)) and provide associated revenue support to meet some of the costs of borrowing (i.e. repayment of principal and interest). This is targeted towards specific service blocks, including education and social services. The nature of district council services means that very little supported borrowing is awarded to this Council, with the exception, in some years, of a limited amount for housing services.

(ii) Prudential borrowing – The Council has to fund the full costs of borrowing from its own revenue resources. This is sometimes referred to as unsupported borrowing. This method of funding is particularly suitable for 'spend to save' schemes, where the financing costs of borrowing can be funded from revenue savings. However lack of capital resources means that it may also used for other essential capital schemes where no other resources can be identified.

The Council also makes use of operating and finance leases to fund some types of expenditure where these offer better value for money than straightforward purchase and capital financing. Examples of the types of assets that might be leased are IT equipment and office furniture.

The accounting treatment for operating and finance leases is very different. The annual costs of operating leases are treated as revenue expenditure in the accounts and are not included in the Council's capital programme. In contrast, finance leases have to be treated as capital expenditure items in the Council's accounts

2. Existing Borrowing

Existing borrowing to fund capital expenditure stands at £31.8m.

The following tables illustrate the debt type and maturity profile of existing borrowing as at 31 January 2012.

These figures exclude the borrowing that will be taken out on 28 March 2012 to make the housing finance settlement payment to the Department of Communities and Local Government (CLG).

Analysis of Outstanding Long Term Debt as at 31 January 2012				
Type of Loan	**Principal £000**	**Proportion of Debt %**	**Range of Interest From %**	**To %**
Public Works Loan Board	6,000	19%	3.47%	3.97%
Money Market LOBO Loans	24,600	77%	4.85%	7.03%
Homes and Communities Agency*	1,191	4%	9.25%	9.25%
Total	**31,791**	**100%**		

* Excludes HCA annuity principal due within one year, treated as short term borrowing

Long Term Debt Maturity Profile as at 31 January 2012			
Time Frame: Within -	**Year**	**Principal £000**	**Proportion of Debt %**
Within 12 months	2012-13	24,600	77%
1 -2 years	2013-14	20	-
2-5 years	2014-15 to 2016-17	4,073	13%
5-10 years	2017-18 to 2021-22	2,175	7%
10 - 20 years	2022-23 to 2031-32	694	2%
20 - 30 years	2032-33 to 2041-42	229	1%
30 - 40 years	2042-43 to 2051-52	-	-
Over 40 years	2052-53 onward	-	-
Total		**31,791**	**100%**

The latest edition of the Treasury Management Code of Practice Guidance Notes has introduced a material change to the way that debt maturity should be shown. The maturity should be determined by the earliest date on which the lender can require payment, which in the case of LOBO loans is the next break period. Since the Council has a number of LOBO loans this means that the maturity structure appears to be heavily loaded towards the front end. However in the current low interest rate environment the likelihood of the interest rates on these loans being raised and the loans requiring repayment at the break period is extremely low.

3. New Borrowing

The Council has access to Public Works Loan Board (PWLB) loans for its long term borrowing needs. Loans, including LOBO loans, may also be available from major banks via the money market, depending on market conditions, and these may be considered when they offer better value for money than PWLB loans. Other forms of borrowing such as bonds or private placements may be considered if appropriate. However these are only viable for borrowing of amounts in excess of £25m.

Decisions on the timing and type of borrowing are taken in consultation with the Council's external treasury management advisors.

The Localism Act incorporates statutory changes to housing finance, with a move from the present housing subsidy system to the self-financing of the HRA. As part of the changes the Council are required to make a settlement payment of £192.92m to the Department of Communities and Local Government (CLG) on 28 March 2012 to buy out of the housing subsidy system.

In order to raise funds to make the payment, the Council will borrow from the PWLB at a special reduced rate available only on 28 March 2012. The PWLB reduced rate on offer will be at a margin of around 11 to 15 basis points over gilts, compared with the normal rate of around 100 basis points over gilts. This equates to an interest rate saving of between 0.85% and 0.89% per annum.

In addition to the new borrowing above, the Council's existing long-term LOBO loan of £9m with Barclays Capital, maturing in 2065-66 will be assigned to the HRA

The new debt will be taken out in tranches as fixed rate maturity loans. The planned debt maturity profile of the new borrowing is as follows:

HRA Self Financing - PWLB New Borrowing		
Year	**Loan Value £000**	**Proportion of Debt %**
2062-63	125,000	67.6%
2028-29	20,000	10.8%
2027-28	5,000	2.7%
2026-27	5,000	2.7%
2025-26	5,000	2.7%
2024-25	5,000	2.7%
2023-24	5,000	2.7%
2021-22	5,000	2.7%
2019-20	5,000	2.7%
2017-18	4,000	2.7%
Total	**184,000**	**100%**

The total amount of HRA long-term external loans, including the existing £9m LOBO loan, will therefore be £193m, corresponding to the £193m settlement payment to the CLG.

The total amount of GF long-term external loans will be £23m.

In terms of the Council's normal business activity, 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. The Council's policy on borrowing in advance of need is that this will not be undertaken purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

The Council will:

- Ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- Ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- Consider the merits and demerits of alternative forms of funding
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

General Fund capital expenditure funded by borrowing has been given close consideration in order to reduce the impact on the revenue budget, and the Council's new borrowing needs are minimal. Amounts put aside for the repayment of debt (MRP) exceed the amount of new borrowing in each of the next three years. (See section 4 below).

Existing GF debt totalling £15.6m will mature during 2014-15. Consideration will be given to funding some or all of this amount from cash balances.

It is anticipated that the borrowing requirement for the next three years will be met from internal rather than external borrowing – i.e. from cashflow surpluses.

4. Minimum Revenue Provision (MRP)

The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008, which came into force in February 2008, requires local authorities to make 'prudent provision' for the repayment of its General Fund debt. This debt repayment is known as the Minimum Revenue Provision (MRP).

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 for which the borrowing has been carried out.

Since 2007-08 the Council has used the transitional measures available to calculate MRP for all capital expenditure prior to 1 April 2008 as if the previous regulations were still in force.

The authority is required, under the 2008 regulations, to prepare an annual statement of their policy on making MRP for submission to Council. The Council's policy statement on MRP for 2012-13 is set out in the following paragraphs.

The Council has implemented the 2008 CLG Minimum Revenue Provision (MRP) guidance from 2008-09 onwards, and assessed their MRP from 2008-09 onwards in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

MRP relating to the historic debt liability incurred for years up to and including 2007-08 will continue to be charged at the rate of 4% on the reducing balance, in accordance with option 1 of the guidance, the "regulatory method".

The debt liability relating to capital expenditure incurred from 2008--09 onwards 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 to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

Estimated life periods will be determined in line with accounting guidance and regulations. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, the Council will generally adopt these periods. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis that most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner that reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

The Council will seek to spread MRP charges prudently in relation to asset lives, and with regard to the revenue impact of MRP charges. Where prudent to do so, capital receipts will be used to repay borrowing previously taken out in relation to assets with a short life. MRP on residual debt will be based on the lives of the remaining asset for which borrowing was undertaken.

MRP will be charged from the financial year after the asset comes into use. In cases where the Council has approved the use of capital receipts to fund the asset, this funding will be assumed when the receipt is contractually certain, even if not actually received. In such cases no MRP charge will be made.

Where finance leases are held on the balance sheet, the MRP will be set at a charge equivalent to the element of the annual lease charge that goes to write down the balance sheet liability, thereby applying Option 3 in a modified form.

The Council will take advantage of any transitional arrangements introduced to minimise or negate the impact of retrospective accounting adjustments as a result of the transfer to the balance sheet of finance leases previously treated as operating leases under the introduction of IFRS.

Applying the policy as set out above, MRP for the next three years is estimated at:

General Fund	2012-13 £000	2013-14 £000	2014-15 £000
Minimum Revenue Provision	1,144	1,132	1,054

The Housing Revenue Account is not subject to an MRP charge. It may however write down the HRA Capital Financing Requirement by means of revenue contributions and/or capital receipts. The HRA business plan identifies annual revenue surpluses that may be used to write down the HRA CFR in the coming three-year period. These resources can be used to repay external debt at maturity or to create headroom to fund additional HRA capital schemes.

The HRA CFR debt liability is forecast to reduce by the following amounts over the next three years, through the application of revenue surpluses:

HRA	2012-13 £000	2013-14 £000	2014-15 £000
Voluntary write down of CFR	8,198	10,842	317

Borrowing Requirement

The Council's long-term new borrowing requirement for the next three years from 1 April 2012 is estimated at:

Long Term Borrowing Requirement Forecast		2012-13 £000	2013-14 £000	2014-15 £000
(i)	New borrowing to cover new capital expenditure	1,683	1,000	1,898
(ii)	Replacement of loans maturing in year	0	0	0
(iii)	Less: debt repayment (above)	(9,342)	(11,974)	(1,371)
Total new borrowing/(provision for debt repayment)		**(7,659)**	**(10,974)**	**527**

5. Debt Rescheduling

As is the current practice, the debt portfolio will be kept under review throughout 2012-13 and beyond, with debt rescheduling opportunities being investigated for potential cash savings and / or discounted cash flow savings or to enhance the balance of the portfolio.

Changes to accounting regulations and to the structure of PWLB rates in recent years, together with the current interest rate market mean that rescheduling opportunities are very much more limited than in the past, but decisions will be based on appropriate advice from the Council's external treasury management advisers. Any debt rescheduling will be reported to Cabinet at the meeting following its action

LOBO loans of £15.6m, 50% of the current debt portfolio, are due for repayment in 2014-15. The Council does not have the option to repay or reschedule these before the due date unless the lender opts to increase the interest rate. Repayment at maturity will be funded from internal borrowing, new loans, or a combination of both.

PWLB maturity loans of £2m are due in each of the following three years - 2015-16, 2016-17 and 2017-18. Advice from the external treasury management advisers is that current interest rate profiles do not offer suitable opportunities for the rescheduling of these debts.
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Officers will continue to liaise with the treasury advisers to understand the latest best advice on debt rescheduling opportunities.

6. Long Term Interest Rates for Borrowing

Interest rates on offer for PWLB and Money Market loans fluctuate daily according to market conditions, and in accordance with movements on the gilt market.

The table below illustrates the forecast PWLB rates to December 2015. The forecasts are provided by Sector Treasury Services Ltd.

Long Term Borrowing Rates - PWLB Maturity Loan Interest Rates		10 Years %	25 Years %	50 Years %
2012-13	Forecast - June 2012	3.30	4.20	4.30
	Forecast - Sept 2012	3.40	4.30	4.40
	Forecast - Dec 2012	3.40	4.30	4.40
	Forecast - March 2013	3.50	4.40	4.50
2013-14	Forecast - June 2013	3.60	4.50	4.60
	Forecast - Sept 2013	3.70	4.60	4.70
	Forecast - Dec 2013	3.80	4.70	4.80
	Forecast - March 2014	4.00	4.80	4.90
2014-15	Forecast - June 2014	4.20	4.90	5.00
	Forecast - Sept 2014	4.40	5.00	5.10
	Forecast - Dec 2014	4.60	5.10	5.20
	Forecast - March 2015	4.80	5.20	5.30

7. Sensitivity of Forecasts

In a normal interest rate environment the main sensitivities of the forecast and appropriate responses are likely to be the two scenarios below.

- If it were felt that there was a significant risk of a sharp rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity or further increases in inflation, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be used whilst interest rates were still relatively cheap.
- If it were felt that there was a significant risk of a sharp fall in long and short term rates, due to e.g. growth rates weakening, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.

The borrowing and investment market remains very subdued and uncertain at the present time.

Borrowing for the HRA self-financing settlement will be from the PWLB at a special reduced rate that is only available on 28 March 2012. The constraint of being tied to one particular date removes the Council's discretion to take borrowing on a date when rates are low, and creates an interest rate risk related to the date of drawdown. However this risk is offset by the low rate on offer on that date. The PWLB reduced rate on offer will be at a margin of around 11 to 15 basis points over gilts, compared with their normal rate of around 100 basis points over gilts. This equates to an interest rate saving of between 0.85 and 0.89% per annum.

Other than borrowing for the HRA self-financing settlement payment, no external borrowing is currently planned to support capital expenditure in the next three years. Although borrowing rates are currently at extremely low levels, given the Council's capital financing requirement and low level of borrowing need and its high levels of cash balances, it is more prudent to use cashflow balances to fund internal borrowing in the current environment of low investment returns. This is on the advice of the Council's treasury advisers, taking into account the Council's debt position and capital financing requirements.

Around 77% of the Council 's existing long-term debt (excluding the planned borrowing for HRA re-financing) is in the form of Money Market LOBO (Lenders Option, Borrowers Option) loans. Officers consider that the degree of risk on these loans in the current interest rate environment is low.

Officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts.

8. Borrowing Strategy

Internal borrowing is the management of cash flows, using funds from maturing investments within the financial year, to finance capital programme expenditure. As long term borrowing rates are currently higher than rates on investment income and look likely to remain so in the short term, this is a viable strategy. The running down of investments also has benefits of reducing exposure to interest rate and credit risk.

External borrowing takes place when the Council borrows money from PWLB or the money markets. Once the affordability of external borrowing to finance capital programme funding requirements has been established and the balanced capital programme and revenue budgets approved, decisions about when to borrow are driven by the forecasts on interest rates. Advice is sought from the Council's treasury management advisors before entering into any long-term loan arrangements

All long-term external borrowing requires the express approval of the Chief Finance Officer, who should also sign any associated internal or external approval or authorisation documentation. The Chief Finance Officer has the delegated authority to take the most appropriate form of borrowing from approved sources.

There are benefits and risks to the use of internal and external borrowing. In the current interest rate environment these are as follows:

- Over the next three years, investment rates are expected to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt. This would maximise short-term savings.
- However, short term savings by avoiding new long term external borrowing must also be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when long term rates are forecast to be higher. Particular regard should be had to this factor in the current market, as interest rates on PWLB borrowing are at historic lows.

However, over the three year planning horizon it is felt that the benefits of using internal borrowing outweigh the potential risks. Given the Council's capital financing requirement and low level of borrowing need and its high levels of cash balances, it is more prudent to use cashflow balances to fund internal borrowing in the current environment of low investment returns.

The Council currently has an excess of investments over borrowings. However, once the HRA reform self-financing debt is taken out on 28 March 2012, this situation will be reversed. Average values forecast for 2012-13 including the new HRA debt are £82m and £216m respectively, making a difference of £134m between gross debt and net debt after deducting cash balances.

The Prudential Code requires that where there is a significant difference between the net and the gross borrowing position, the risks and benefits associated with this strategy should be clearly stated in the annual strategy.

The Council actively manages the difference between the two debt levels in order to minimise the credit risk incurred by holding high levels of investments. The Council aims to reduce the difference between the gross and net debt through the use of internal, rather than external, borrowing.

Another factor that will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.

9. Prudential Indicators

The proposed prudential indicators that relate to the Capital Financing and Borrowing Strategy are set out below. These are included in a separate report to Cabinet - Prudential Indicators for Capital Finance 2012-13 to 2014-15. Full explanations for each of the indicators can be found in Appendix B of that report.

Both indicators have been set to accommodate the additional debt required to finance the HRA self financing reform settlement payment to CLG.

Authorised limit for total external debt

The proposed authorised limit for total external debt gross of investments for the forthcoming, and following two financial years is:

Authorised Limit for External Debt			
	2012-13 Limit £000	2013-14 Limit £000	2014-15 Limit £000
Borrowing	245,000	245,000	245,000
Other long-term liabilities	5,000	5,000	5,000
Total	**250,000**	**250,000**	**250,000**

Operational boundary for total external debt

The proposed operational boundary for total external debt for the forthcoming, and following two financial years is:

Operational Boundary for External Debt			
	2012-13 Boundary £000	2013-14 Boundary £000	2014-15 Boundary £000
Borrowing	240,000	240,000	240,000
Other long-term liabilities	5,000	5,000	5,000
Total	**245,000**	**245,000**	**245,000**

The borrowing element of the operational boundary has been set with reference to the maximum Capital Financing Requirement (CFR) over the coming three years.

Other long-term liabilities, shown in both tables above, relate to finance leases and other credit arrangements (if applicable).

The authorised limit is set at an amount that allows a contingency for any additional unanticipated or short-term borrowing requirements over and above the operational boundary during the period.

HRA Limit on Indebtedness

The local authority is required to report the level of the limit imposed (or subsequently amended) at the time of implementation of self-financing by the Department for Communities and local Government. It is the HRA capital financing requirement that will be compared to this limit.

The HRA limit on indebtedness is £208.401m.

10. Treasury Indicators

The proposed treasury indicators that relate to the Capital Financing and Borrowing Strategy are set out below. These indicators were treated as prudential Indicators prior to 2010-11, but the revised codes and guidance now require them to be included in the Treasury Strategy as treasury indicators.

Upper limit on the proportion of net debt compared to gross debt

This is a new indicator introduced by the latest edition of the Treasury Management Code of Practice Guidance Notes. The effect is to highlight where an authority may be borrowing in advance of need.

The indicator can be expressed either as an absolute amount (the amount of gross debt less investments) or as a percentage (the amount of net debt expressed as a percentage of gross debt). On the advice of the Council’s treasury advisors, and so as not to create artificial constraints, it is proposed that the limit be set at 100%, whereby net debt will be below or equal to gross debt.

Upper Limit on the proportion of gross debt compared to net debt		
2012-13 Limit	2013-14 Limit	2014-15 Limit
100%	**100%**	**100%**

Maturity structure of borrowing

This represents the amount of projected borrowing that is fixed rate maturing in each period expressed as a percentage of total projected borrowing that is fixed rate at the start of the period where the periods in question are:

- Under 12 months;
- 12 months and within 24 months;
- 24 months and within 5 years;
- 5 years and within 10 years;
- 10 years and within 20 years;
- 20 years and within 30 years;
- 30 years and within 40 years;
- 40 years and above.

This sets both upper and lower limits with respect to the maturity structure of the Council’s borrowing.

The latest edition of the Treasury Management Code of Practice Guidance Notes has introduced a material change to the way that this indicator is calculated. The maturity should be determined by the earliest date on which the lender can require payment, which in the case of LOBO loans is the next break period. Since the Council has a number of LOBO loans this means that the maturity structure may appear to be loaded more toward the front end than might appear prudent. However in the current low interest rate environment the likelihood of the interest rates on these loans being raised and the loans requiring repayment at the break period is extremely low.

The proposed limits for the forthcoming year are:

Maturity Structure of Borrowing		
	Lower Limit %	Upper Limit %
Under 12 months	0%	15%
Between 1 and 2 years	0%	15%
Between 2 and 5 years	0%	15%
Between 5 and 10 years	0%	25%
Between 10 and 20 years	0%	50%
Between 20 and 30 years	0%	100%
Between 30 and 40 years	0%	100%
Over 40 years	0%	100%

The limits have been adjusted to accommodate the new requirements in respect of LOBO loans and the additional debt required to finance the HRA self financing reform settlement payment to CLG.

Risk – The debt maturity profile is actively managed to ensure that debt maturity is prudently spread across future years. This ensures that the Council can properly plan for the maturity of its borrowings, and is not exposed to unmanageable risks.

Upper limits on interest rate exposures

The Council must set for the forthcoming financial year and the following two financial years, upper limits to its exposure to the effect of changes in interest rates. These limits relate to both fixed interest rates and variable interest rates, and are referred to as the upper limits on fixed interest rate and variable interest rate exposures.

The purpose of the indicator is to express the Council's appetite for exposure to variable interest rates, which may, subject to other factors, lead to greater volatility in payments and receipts. However this may be offset by other benefits such as lower rates, as in the case of LOBOs.

These limits can be expressed either as absolute amounts or as a percentage. They may be related either to the authority's net principal sum outstanding on its borrowing/investments or to the net interest on these.

As a result of advice from the Council's treasury advisors, from 2011-12 these indicators have been set as percentages rather than absolute values. Separate indicators are be set and monitored for debt and investments, as well as for the net borrowing position.

It is proposed to maintain the upper limits on interest rate exposures for borrowing at 100% for both fixed and variable rate debt. This will allow officers to make judgements on the most appropriate form of borrowing dependant on the market conditions and rates on offer, rather than being artificially constrained by the indicator. In practice there is likely to be a mix of fixed and variable rate borrowing in the Council’s debt portfolio.

Upper limits on interest rate exposures - borrowing		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2012-13	100%	100%
2013-14	100%	100%
2014-15	100%	100%

The interest rate exposures for net borrowing are distorted when debt and investment are combined, sometimes resulting in negative percentages and percentages of over 100%. This combined indicator is included here for completeness, and as required by the Treasury Management Code of Practice. The percentages in the table below allow for both borrowing and investments to independently reach limits of 100% for both fixed and variable rates. In practice, once the PWLB fixed rate borrowing for the HRA self-financing debt is entered into, the actual figure for variable rate interest rate exposure on net debt is likely to be a negative figure.

Upper limits on interest rate exposures – net borrowing		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2012-13	150%	150%
2013-14	150%	150%
2014-15	150%	150%

The proposed treasury indicators for upper limits on interest rate exposures for investments are set out at Section 24 below.

11. Affordable Borrowing Limit

The Local Government Act 2003 and supporting regulations require the Council to determine and keep under review how much it can afford to borrow. The amount determined is termed the “Affordable Borrowing Limit”. This is equivalent to the authorised limit at Section 9 above, and accommodates the additional debt required to finance the HRA self financing reform settlement payment to CLG.

Affordable Borrowing Limit		
2012-13 Limit £000	2013-14 Limit £000	2014-15 Limit £000
250,000	**250,000**	**250,000**

Cabinet are asked to recommend to Council that they approve the Affordable Borrowing Limits for 2012-13 to 2014-15.

12. Temporary Borrowing

The Council may occasionally undertake short-term temporary borrowing if this is needed to cover its cash flow position. The maximum amount of temporary borrowing that the Council will borrow from any one counterparty will be £5m.

In addition, under long standing arrangements, the Council manages deposits from two local organisations. Formal agreements were set up with these organisations in April 2009. These contain the following operational arrangements:

- Interest rates set in line with the average rate of interest achieved by the Council in the preceding period, less 0.5%
- Quarterly review of interest rates
- Withdrawal notice periods of 7 days
- Termination notice of 7 days

The CFO may also authorise the taking of short-term deposits under mutually agreed and documented terms from other local not for profit organisations.

13. Overdraft Facilities

The Council has a £200k overdraft facility with its bankers, HSBC Bank, for which an annual fee of £2,000 applies. The overdraft rate applicable to use of the agreed facility is 3% above base rate.

The overdraft facility is only used to cover unforeseen events; usage is kept to an absolute minimum and generally occurs only as a result of events outside of the Council's control; for example, failure by third parties to make agreed payments. The use of the overdraft facility is monitored on a daily basis against a performance target and reported monthly to senior managers through the corporate performance reporting framework.

<u>Investment Strategy</u>

14. Current Investment Portfolio

The investment portfolio as at 31 January 2012, including deposit and call accounts and money market funds, was as follows:

Counterparties at 31 January 2012	**£m**	**%**
UK nationalised or part nationalised banking institutions	19.03	29.4%
Other UK counterparties	31.40	48.4%
Overseas counterparties having sovereign ratings of AAA	8.00	12.3%
AAA rated Money Market Funds	6.40	9.9%
Total	**64.83**	**100%**

15. Specified/Non specified Investments

Under the Local Government Act 2003 the Council is required to have regard to the CLG revised Guidance on Local Government Investments issued in 2010 and CIPFA's Treasury Management in the Public Services Code of Practice (Fully Revised Second Edition 2009) and updated Guidance Notes (Fully Revised Third Edition 2009).

The CLG Guidance on Local Government Investments requires that investments are split into two categories:

(i) Specified investments – broadly, sterling investments, not exceeding 364 days and with a body or investment scheme of high credit quality.

(ii) Non-specified investments – do not satisfy the conditions for specified investments. This may include investment products that would normally be considered as specified investments, but are judged to have a higher level of risk than normal attached to them.

The detailed conditions attached to each of these categories are set out in the Schedules to the TMPs at Appendix E (TMP4 Approved Instruments, Methods and Techniques).

16. Investment Strategy

The Council's appetite for risk must be clearly identified in its strategy report. The Council affirms that its investment policies are underpinned by a strategy of prudent investment of funds held on behalf of the local community. The objectives of the investment policy are firstly the security of funds (protecting the capital sum from loss) and then liquidity (keeping money readily available for expenditure when needed). Once approved levels of security and liquidity are met, the Council will seek to maximise yield from its investments, consistent with the applying the agreed parameters. These principles are carried out by strict adherence to the risk management and control strategies set out in the Schedules to the Treasury Management Practices and the Treasury Management Strategy.

Responsibility for risk management and control lies within the Council and cannot be delegated to an outside organisation.

The Council's counterparty and credit risk management policies are set out at the Schedule to the TMP 1 Risk Management (Credit and counterparty risk management) and its approved instruments for investments are set out at the Schedule to TMP 4 Approved Instruments, Methods and Techniques. These, taken together, form the fundamental parameters of the Council's Investment Strategy.

The Council defines high credit quality in terms of investment counterparties as those organisations that:

- Meet the requirements of the creditworthiness service provided by the Council's external treasury advisers (ie have a colour rating) and,
- Have sovereign ratings of AAA, or are
- UK nationalised or part nationalised banking institutions, or are
- UK banks or building societies supported by the UK banking system support package or are
- UK national or local government bodies or are
- Triple A rated Money Market funds

Specified Investments

The majority of the Council's investments in 2012-13 will fall into the category of specified investments.

Further counterparty limits may be put in place to minimise risk to the authority (see Section 17 below)

Non-Specified Investments

Prior to the start of each financial year officers review which categories of non-specified investments they consider could be prudently used in the coming year. The officer recommendation for 2012-13 is that long-term investments (those for periods exceeding 364 days) could prudently be used where interest rates are favourable and funds are not required for short-term cashflow management. This is subject to an evaluation of counterparty and other risk.

Advice will be taken from the Council's external treasury advisors before entering into any long-term investments.

Only counterparties in the Council's current approved counterparty list that have limits of over 364 days will be used for such investments.

Any overall stricter limits in force in the Council's investment counterparty policies at any time will take precedence.

The maximum amount that the Council will hold at any time during the year as long-term investments is £27m. Actual amounts deposited for over 364 days will be determined by liquidity considerations and by whether longer term interest rates are favourable, and all deposits will be in accordance with counterparty limits.

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Transfer of powers from West Northamptonshire Development Corporation

The transfer of powers from West Northamptonshire Development Corporation will involve the transfer of Section 106 developer agreements and associated funds from 1 April 2012. The transfer will be governed by a Statutory Instrument. Where the Section 106 funds are held in liquid accounts it is expected that they will be paid across to the Council on the transfer date. They will then be invested in line with the Council's investment strategy, having regard to any specific requirements of the agreements themselves. Where funds are held by WNDC in illiquid form (for example fixed term investments with specific maturity dates) they will transfer across, with interest as appropriate, at the investment maturity date, and henceforth be invested in line with the Council's investment strategy, having regard to any specific requirements of the agreements themselves.

Capital Expenditure

The Council may make loans to third parties for the purpose of capital expenditure as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146)

17. Counterparties

Policies for the management of counterparty and credit risk are set out at Section 1 of the Schedule to TMP 1, attached to the accompanying Cabinet report at Appendix E.

The Council's approach to counterparties for 2012-13 is set out below:

The Chief Finance Officer (CFO) will use the recommendations of the creditworthiness service provided by the Council's external treasury advisers to determine suitable counterparties and the maximum period of investment, using the ratings assigned.

The CFO will determine, in the context of the above, and taking into account appropriate risk management factors:

- Any further criteria to be put in place to determine suitable counterparties
- The maximum investment amount to be held with each type of counterparty assigned a rating
- The maximum investment period with each type of counterparty assigned a rating

The following table sets out the Council's counterparty policies for 2012-13.

Investments may be placed with counterparties recommended by the Council's external treasury advisors, and which meet the following criteria:	**Additional limits**
(1) UK counterparties	NBC **additional limits** in force will be £15m and a maximum of 2 years (729 days)
Or	
(2) Non UK counterparties having a sovereign rating of AAA	NBC **additional limits** in force will be £15m and a maximum of 2 years (729 days)

A schedule is attached at Appendix H of counterparties that meet the criteria above as at 31 January 2012. This schedule is at a particular point in time and is subject to change according to changes in credit ratings and other economic and market data. Maximum investment periods will also vary for individual counterparties for the same reasons. The inclusion or exclusion of counterparties from this schedule is entirely a reflection of the Council's investment criteria, which may differ from those of other organisations.

It should be noted that the inclusion of counterparties in a counterparty list does not necessarily mean that they will be in the market for investment deals at any one point in time.

For the purposes of setting limits, institutions within the same banking group (eg Lloyds Banking Group) will be treated as a single counterparty.

Investments may also be placed with other local authorities and with the Government Debt Management Office (DMO). The limits will be £15m, for periods of up to 2 years.

Investments may also be placed with triple A rated Money Market Funds. The limit for each fund will be £15m.

The maximum percentage of the portfolio that may be placed with overseas counterparties at any one time is 50%.

Any types of investments that fall within the category of specified investments as set out in the schedule to TMP 4 may be made, within the bounds of the counterparty policies. Any type of specified investment that has not been used by the Council within the previous two-year period will only be entered into after consultation with the Council's external treasury management advisors, and with the express approval of the Chief Finance Officer.

Deposits may be placed with the Council's own bankers, HSBC Bank. These will generally be for small amounts of up to £100k. However amounts of up to £15m may be placed for longer periods for operational purposes should the need arise.

As an exceptional arrangement to deal with the requirements of the housing finance reform settlement payment to CLG, the amount that may be invested overnight on 26 & 27 March 2012 with HSBC Bank, will be increased by the amount of the CLG payment due on 28 March 2012.

The Chief Financial Officer has discretion during the financial year to lift or increase the restrictions on the counterparty list and/or to adjust the associated lending limits on values and periods should it become necessary to enable the effective management of risk in relation to investments. At all times the Council's minimum level of credit risk, as set out at the Schedule to TMP 1, will be met.

The total value of investments over 364 days at any one time is restricted by the treasury indicator for the upper limit on investments for periods longer than 364 days (See Section 24 below). For 2012-13 this is £27m.

18. Liquidity of Investments

Most short-term investments are held for cashflow 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 2 years as a non-specified investment.

When deciding the length of each investment, regard is had to both cashflow needs and prevailing interest rates.

The range of duration for each new fixed term investment in 2011-12, as at 31 January 2012 was from 7 to 364 days. The average term was 126 days.

For short term and overnight investment the Council makes full use of appropriate bank call and deposit accounts offering competitive rates and in most instances instant access to funds. In addition the Council will use triple A rated Money Market Funds, which also provide instant access at competitive rates.

As referred to in Section 17 and Section 24, maximum values have been set for the amounts that can be invested for periods exceeding 364 days and up to 2 years. Actual amounts deposited for over 364 days will be determined by liquidity considerations and by whether longer term interest rates are favourable, and all deposits will be in accordance with counterparty limits.

19. Bank Base Rates

The bank base rate has been held steady at its current all time low of 0.50% since March 2009, whilst the Bank of England has pursued an alternative course of quantitative easing.

The current interest rate view of Council's treasury management advisors is that bank base rate will remain at 0.50% until the second quarter of 2012. The rate is then forecast to commence a steady rise over the next 18 months, reaching 2.50% by March 2015. There is downside risk to these forecasts if the economic downturn is more prolonged than currently forecast.

The table below shows the Council's treasury advisors forecast bank base rates for 2012 to 2014:

Bank Base Rates 2011 to 2013		**%**
2012	Forecast - June 2012	0.50
	Forecast - Sept 2012	0.50
	Forecast - Dec 2012	0.50
	Forecast - March 2013	0.50
2013	Forecast - June 2013	0.50
	Forecast - Sept 2013	0.75
	Forecast - Dec 2013	1.00
	Forecast - March 2014	1.25
2014	Forecast - June 2014	1.50
	Forecast - Sept 2014	2.00
	Forecast - Dec 2014	2.25
	Forecast - March 2015	2.50

20. Short Term Interest Rates for Investments

Short-term interest rates for investments tend to be linked to the bank base rate levels; in the current economic climate these are abnormally low, and forecast to remain so for some time.

The Council's treasury advisors have advised that the Council should budget for an investment return of 0.70% on investments placed during 2012-13.

This compares with a rate of return of 0.70% budgeted in 2011-12. Actual return as at 31 January 2012 was 0.99%.

At an average forecast balance of £82m, the variance in income per 0.1% increase or decrease in interest rates equates to £82k. As some of the cash being invested relates to HRA balances, a proportion of the impact is passed on to the HRA; the remaining balance accrues to the General Fund budget.

The impact of the interest rate forecast has been included in the 2012-13 debt-financing budget, included in the Council Wide General Fund Revenue Budget 2012-13 to 2014-15 report to Cabinet.

21. Sensitivity of Forecasts

The amount that can be earned on interest on investments is very sensitive to changes in the prevailing interest rates. This is particularly marked in the current economic climate. Officers have budgeted prudently, and the rates achievable on investments are currently so low that it is considered unlikely that they would drop further.

Officers, in conjunction with the Council's treasury advisors, will continually monitor both the prevailing interest rates and market forecasts, taking corrective action as required.

Any impact on the debt-financing budget of changes in forecast returns will be reported to Cabinet as part of the monthly revenue budget monitoring reporting.

22. Prudential Indicators

There are no prudential indicators that relate specifically to the Investment Strategy.

23. Treasury Indicators

The proposed treasury indicators that relate to the Investment Strategy are set out below.

Upper limits on interest rate exposures

The Council must set for the forthcoming financial year and the following two financial years, upper limits to its exposure to the effect of changes in interest rates. These limits relate to both fixed interest rates and variable interest rates, and are referred to as the upper limits on fixed interest rate and variable interest rate exposures.

The purpose of the indicator is to express the Council's appetite for exposure to variable interest rates, which may, subject to other factors, lead to greater volatility in payments and receipts. However this may be offset by other benefits such as liquidity, as in, for example, deposit accounts and money market funds.

These limits can be expressed either as absolute amounts or as a percentage. They may be related either to the authority's net principal sum outstanding on its borrowing/investments or to the net interest on these.

As a result of advice from the Council's treasury advisors, from 2011-12 these indicators have been set as percentages rather than absolute values. Separate indicators will be set and monitored for debt and investments, as well as for the net borrowing position.

It is proposed to maintain the upper limits on interest rate exposures for investments at 100% for both fixed and variable investments. This will allow officers to make judgements on the most appropriate form of investment dependant on the market conditions and rates on offer, rather than being artificially constrained by the indicator. In practice there is likely to be a mix of fixed and variable rate investments in the Council's investment portfolio.

Upper limits on interest rate exposures - investments		
	Fixed Interest Rate Exposures £000	Variable Interest Rate Exposures £000
2012-13	100%	100%
2013-14	100%	100%
2014-15	100%	100%

The proposed treasury indicators for upper limits on interest rate exposures for borrowing and net borrowing are set out at Section 11 above.

Total principal sums invested for periods longer than 364 days

Under the Local Government Act 2003 and the CLG Guidance on Local Authority Investments 2004 (revised 2010), all Councils are permitted to invest for periods exceeding 1 year (or 364 days). The Council is required to set a limit to the level of such investments it might wish to make.

This limit can be expressed as a percentage or as an absolute amount (i.e. a monetary figure). The Council has chosen to work to a limit represented as an absolute amount as officers consider this to be the most transparent and method and the more straightforward to monitor.

The limit has been set at a level that would allow for monies not anticipated to be spent in year to be invested for longer periods if interest rates are favourable.

The proposed limits for the forthcoming, and following two financial years are as follows.

Upper limit on investments for periods longer than 364 days			
	2012-13 Upper Limit £m	2013-14 Upper Limit £m	2014-15 Upper Limit £m
General cash balances (HRA & GF)	12	13	14
HRA earmarked balances	15	15	15
Upper Limit	27	28	29

Risk analysis – This upper limit has been calculated at a prudent level with regard to cashflow liquidity, based on a maximum of 15% of forecast average general (HRA & GF) cash balances in year, and an additional allowance for HRA earmarked reserves that may be generated for future investment under the new HRA self financing regime.

24. Treasury Management Advisers

The Council uses treasury management advisers to support its treasury management activities.

The contract specification is set out in italics below:

To provide an effective and efficient treasury management advisory service to Northampton Borough Council

This to include:

Provision of General Information and Advice

- *Economic and interest rate forecasts*
- *Technical updates on investment and debt issues*
- *Interest rates and available options for investment and debt financing*
- *Investment counterparty creditworthiness based on clear parameters and latest available data*
- *Notification of changes to treasury legislation, regulation, best practices and procedures, and advice on the impacts of such changes*
- *Advice on treasury reporting formats and techniques, including standard templates*

By means of emails, phone calls, website access, and meetings as appropriate.

To meet agreed scheduled (daily, weekly, monthly and other) and ad hoc requirements

Provision of Tailor-made Information and Advice

- *Debt management and investment advice tailored to the Council's financial position and requirements*
- *Financial appraisal and balance sheet analysis*
- *Analysis of the Council's debt and investment strategy, with advice on any changes that could be beneficial*
- *Technical advice for specific issues when required*
- *Templates for treasury documents*

By means of emails, phone calls, website access, and meetings as appropriate.

To meet agreed scheduled (weekly, monthly and other) and ad hoc requirements

Training, Workshops and Seminars

- *Provision of regular scheduled training and/or seminars for the council's treasury staff*
- *Provision of ad hoc training to Council Members, treasury staff and others*

The current supplier of service is Sector Treasury Services Ltd. The contract commenced 1 April 2010 with an initial contract period of three years to 31 March 2013 and an option to extend for a further year to 31 March 2014

The costs of the service are provided for in the Council's annual revenue budget. Payments under the contract are currently based on a fixed fee, payable half yearly in arrears. Additional services are available at rates specified in the contract.

Contract monitoring is an ongoing process, having regard to the timeliness and quality of information and advice received. The contract monitoring process is supported by review meetings at six month intervals with the suppliers of service.

25. Investment Training

The Council's policies for reviewing and addressing the training needs of its treasury management staff for training in investment management are out at the Schedules to the TMPs at Appendix E (TMP10 – Staff training and qualifications)

Appendix G

Counterparties meeting NBC investment criteria for 2012-13 as at 31 January 2012

Institution	Country	Maximum Amount (£m)
Australia & New Zealand Banking Group Ltd	Australia	15
Commonwealth Bank of Australia	Australia	15
Westpac Banking Corporation	Australia	15
National Australia Bank Ltd	Australia	15
Bank of Montreal	Canada	15
Bank of Nova Scotia	Canada	15
Canadian Imperial Bank of Commerce	Canada	15
National Bank of Canada	Canada	15
Royal Bank of Canada	Canada	15
Toronto Dominion Bank	Canada	15
Nordea Bank Finland plc	Finland	15
Deutsche Bank AG	Germany	15
Landesbank Baden Wuerttemberg	Germany	15
Landesbank Berlin AG	Germany	15
DZ Bank AG	Germany	15
Landesbank Hessen-Thueringen Girozentrale	Germany	15
Landwirtschaftliche Rentenbank	Germany	15
Banque et Caisse d'Espargne de L'Etat	Luxembourg	15
Clearstream Banking	Luxembourg	15
Bank Nederlandse Gemeenten	Netherlands	15
ING Bank NV	Netherlands	15
Cooperatieve Centrale Raiffeisen - Boerenleenbank BA	Netherlands	15
DnB NOR Bank	Norway	15
DBS Bank Ltd	Singapore	15
Oversea-Chinese Banking Corporation Ltd	Singapore	15
United Overseas Bank Ltd	Singapore	15
Nordea Bank AB	Sweden	15
Skandinaviska Enskilda Banken AB	Sweden	15
Svenska Handelsbanken	Sweden	15
Swedbank AB	Sweden	15
UBS AG	Switzerland	15
Credit Suisse	Switzerland	15
Bank of New York Mellon (International) Ltd	UK	15
Barclays Bank plc	UK*	15
Credit Suisse International	UK	15
DB UK Bank Limited	UK	15
HFC Bank Ltd	UK	15
HSBC Bank plc	UK*	15
MBNA Europe Bank	UK	15
Nationwide Building Society	UK*	15
Standard Chartered Bank	UK*	15
Sumitomo Mitsui Banking Corporation Europe Ltd	UK	15
UBS Ltd	UK	15

Institution	Country	Maximum Amount (£m)
Santander UK plc	**UK***	**15**
Cater Allen	*UK**	*15*
Lloyds Banking Group	**UK****	**15**
Bank of Scotland plc	*UK***	*15*
Lloyds TSB Bank plc	*UK***	*15*
Royal Bank of Scotland Group	**UK****	**15**
National Westminster Bank Plc	*UK***	*15*
Royal Bank of Scotland	*UK***	*15*
Ulster Bank Ltd	*UK***	*15*

* UK banks or building societies supported by the UK banking system support package
** UK nationalised or part nationalised banks

This schedule is at a particular point in time and is subject to change according to changes in credit ratings and other economic and market data. Maximum investment periods (currently from 3 months to 729 days) will also vary for individual counterparties for the same reasons.

The inclusion or exclusion of counterparties from this schedule is entirely a reflection of the Council's investment criteria, which may differ from those of other organisations.

Note - The following investment counterparties may also be used, but are not included in table of counterparties above

Institution	Country	Maximum Amount (£m)
AAA rated Money Market Funds	-	15 (per fund)
Other Local Authorities	UK	15 (in total)
Debt Management Office	UK	15

Treasury Strategy 2012-13 to 2014-15

Abbreviations used in the Report and Annexes

AA	Assistant Accountant
AAT	Association of Accounting Technicians
AIS	Annual Investment Strategy
BACS	Bankers' Automated Clearing Services
BVACOP	Best Value Accounting Code of Practice
CAA	Comprehensive Area Assessment
CCAB	Consultative Committee of Accountancy Bodies
CD	Certificate of Deposit
CFO	Chief Finance Officer
CHAPS	Clearing House Automated Payment System
CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government
CPI	Consumer Prices Index
DMO	Debt Management Office
ECB	European Central Bank
EU	European Union
FMT	Finance Manager - Treasury
GDP	Gross Domestic Product
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPF	Institute of Public Finance
LIBID	London Interbank Bid Rate
LIBOR	London Interbank Offered Rate
LOBO	Lenders Option Borrowers Option
MMF	Money Market Fund
MPC	Monetary Policy Committee
MRP	Minimum Revenue Provision
NDR	Non Domestic Rate
NIPs	Non Investment Products
PWLB	Public Works Loan Board
QE	Quantitative Easing

RPI	Retail Prices Index
RSG	Revenue Support Grant
SeRCOP	Service Reporting Code of Practice for Local Authorities
SOPP	Statement of Professional Practice
SORP	Statement of Recommended Practice
TA	Trainee Accountant
TMPs	Treasury Management Practices

Appendices
12

Item No. [For Democratic Services Use only]

NORTHAMPTON
BOROUGH COUNCIL

DRAFT
CABINET REPORT

Report Title	COUNCIL WIDE GENERAL FUND REVENUE BUDGET 2012/13 TO 2014/15

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	22 February 2012
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	YES
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr A Bottwood
Ward(s)	N/A

1. Purpose

1.1 To report the outcome of the consultation process on the 2012/13 General Fund budget and the final formula grant settlement for 2012/13.

1.2 To agree the Cabinet's proposals for recommendation to Council on 29 February 2012 for the 2012/13 to 2014/15 General Fund budgets, Council Tax level for 2012/13 and indicative levels for 2012/13 – 2014/15.

2. Recommendations

2.1 That the feedback from consultation with the public, organisations and the Overview and Scrutiny Committee be considered and welcomed (detailed at **Appendices 1a, 1b, 1c and 1d**).

2.2 That the Council's representations on the provisional formula grant settlement be noted (**Appendix 2**)

2.3 That the changes to the proposed budget (detailed at **Appendix 3**), in light of the consultation responses, equalities issues and the final formula grant settlement, be agreed.

2.4 That a General Fund budget for 2012/13 of £27.38m (excluding parishes) be recommended to the Council (detailed in **Appendices 4 and 5**) for its own purposes.

2.5 That the Cabinet notes the key medium term financial issues as set out at **Appendix 6.**

2.6 That the Cabinet notes the Chief Finance Officer's legal duties detailed in the letter from the Chairman of CIPFA (**Appendix 7**).

2.7 That the Cabinet acknowledges the issues and risks detailed in the Section 151 Officer's statement on the robustness of estimates and the adequacy of the reserves (**Appendix 8**).

2.8 That the draft Fees and Charges set out in **Appendix 9** be noted.

2.9 That authority be delegated to the Director of Finance to make any technical changes necessary to the papers for the Council meeting of 29 February 2012.

2.10 That Council be recommended to delegate authority to the Chief Executive and Director of Finance and Support to implement all budget options and restructures.

2.11 That authority be delegated to the Director of Finance and Support in consultation with the Portfolio Holder for Finance, and where appropriate the relevant Director and Portfolio Holder to:

- transfer monies to/from earmarked reserves should that become necessary during the financial year.
- update the budget tables and appendices, prior to Council should any further changes be necessary.
- update prudential indicators in both the Prudential Indicators report and Treasury Strategy report, for Council for any budget changes that impact on these.

2.12 That the Council be recommended to confirm the reserves strategy of protecting balances wherever possible to allow the option of supporting future years' budgets, aiming for a minimum level of unallocated general fund balances of £3m at the end of 2012/13 having regard to the outcome of the financial risk assessment and remaining at this level over the medium term.

2.13 That the Council be recommended not to increase the Council Tax for its own purposes, that is, excluding county, police, and parish precepts for 2012/13.

3. Issues and Choices

3.1 Report Background

3.1.1 The Cabinet is proposing a budget for 2012/13 that takes into account the Council's corporate priorities and objectives to increase the resources available for front line services.

3.1.2 It does this by

a) Proposing no council tax increase for 2012/13,
b) Examining all possible efficiency savings and other ways of reducing expenditure or increasing income without affecting service levels,

c) Proposing significant efficiency savings,

d) Reflecting the views emerging from the public consultation.

3.2 Issues

Consultation Feedback

3.2.1 The consultation process was carried out from 22 December 2011 until 31 January 2012. The aim of this consultation was to find out people's views on the draft budget proposals presented.

3.2.2 Residents, businesses, and other stakeholders were invited to provide feedback on the proposals for the draft budget during the consultation period and support was made available to maximise involvement and understanding of the proposals.

3.2.3 People were able to engage in a range of methods including:

- The consultation proposals and questionnaire were available to download and complete on-line via the Council's website. An e-mail address, freepost address and consultation phone line were set up to receive comments/views etc. (**Appendix 1a**.)
- Invitation to the business community via the Chamber of Commerce, their network and the Federation of Small Businesses;
- Question Time Event -Open public meeting held at the Guildhall on 26 January 2012; (**Appendix 1b**.)
- Council's budget proposals debated at Community Forums (Diverse Community Forum, LGB People's Forum, Pensioners and Disabled People's Forums); (**Appendix 1c**)

3.2.4 Public consultation showed the majority of respondents to be broadly in agreement with the Council's budget proposals (**Appendix 1a**).

3.2.5 In addition, Overview and Scrutiny Committee reviewed the budget proposals at its meeting on 23 January 2012. The recommendations of the Overview and Scrutiny Committees are reported in **Appendix 1d**.

3.2.6 The Council must set a prudent, balanced budget, particularly in light of the current economic environment and the constraints imposed on them through the government funding regime.

3.2.7 The Cabinet has considered the budget proposals, taking into account the financial position, in the light of the results of the public consultation, Overview and Scrutiny comments and other discussions and representations from key partners, and has made a number of changes that reflect the views expressed in the consultation.

3.2.7.1 Enhanced Housing Management Charge. The Cabinet has carefully considered this option and will be consulting current tenants therefore the option has been scaled down to £100,000.

3.2.7.2 Licensing Officer: The Cabinet have agreed to create an additional Licensing Officer post. This will allow the Licensing Team to take a more high profile, proactive approach.

3.2.7.3 There has been an increase in drivers using our car parks following the successful reduction in car-park charges, including the 'first hour free' offering, which means the estimated cost of the scheme has reduced by £70,000.

3.2.7.4 Senior Management Restructure: This has resulted in savings of just over £325K savings and 4 posts in addition to the 3 posts deleted in 2011/12. The budget has therefore been adjusted to reflect this saving, although it should be noted that some of this saving had been already shown in the draft budget in December.

3.2.7.5 An additional neighbourhood warden post will be created, to enhance our work in neighbourhoods and our contribution to community safety. The funding has been found within the continuation budget following a budget review.

3.2.7.6 There have been a number of other adjustments, mainly of a technical nature. All adjustments can be found at **appendix 3** to this report.

3.2.8 Equally there are areas where, whilst the Cabinet has considered views raised during consultation, they have decided not to make any changes to the budget proposals. The key areas are outlined below:

3.2.8.1 PCSOs. The Cabinet has carefully considered views on PCSOs and the proposal to end Northampton Borough Council funding for these posts. The Borough has made a financial contribution to the Police for this service but has no influence in what PCSOs are supplied to areas of the Borough. This is a funding decision only for the Borough Council, and the Cabinet believes that it is the responsibility of Northamptonshire Police Authority to supply and fund this service.

3.2.8.2 Review of Close Circuit Television (CCTV) Operations. There were a number of representations in this area. The option will not result in any cameras being switched of in 2012/13. This will not lessen our ability to respond to incidents. The Borough Council will work with community groups and businesses to minimise the impact of any future year changes.

3.2.8.3 Councillor Community Fund: The Cabinet feel that the creation of this fund will benefit local community groups who otherwise struggle to obtain small amounts of funding which can make a significant difference locally. This is in accord with the Localism Act 2011.

Draft Budget Position – Cabinet 21 December 2011

3.2.9 The Cabinet met on 21 December 2011 and recommended proposals for consultation. The headlines were:

a) No proposed council tax increase, for the Council's own purposes, for 2012/13, and no annual increases be adopted as planning parameters for the financial years 2012/13 to 2014/15;

b) A General Fund budget for 2012/13 of £28.4m (including parishes).

3.2.10 New efficiency savings and medium term planning savings and income options totalling £1.8m had been proposed for consultation to reduce the gap. Investment in priority areas totalling £1.2m was also proposed for 2012/13.

Draft Budget Position – Cabinet 22 February 2012

3.2.11 Further work on the budget has been undertaken to refine the budget since 21 December 2011. This has resulted in a number of new options and adjustments including those of a technical nature.

3.2.12 Since the draft budget was proposed by Cabinet on 21 December 2011 the position has changed as follows:

Changes since 21 December 2011 Cabinet

	2012/13 Budget Changes £
Reduction in Funding for Enhanced housing Management Charge	290,000
Additional Licensing Officer	35,000
Improved Car Park Income Projections	(70,000)
Net additional savings from Senior Management Review	(167,993)
Additional funding for the Enterprise Zone	48,000
Adjustment to Debt Financing	(315,444)
Adjustment to Taxbase	10
Reduced Funding from Earmarked Reserves	180,427

3.2.13 A schedule of all changes since the 21 December 2011 Cabinet proposals can be found at **Appendix 3**.

Use of Balances

3.2.14 A prudent level of reserves, along with appropriate application of reserves, should be part of the overall budget. The Section 151 Officer reviews the level of balances required to support the general fund spend annually as part of a robust risk assessment. This risk assessment suggests that the minimum level of balances, taking all known risks into account along with the Council's gross expenditure requirement, should be in the order of £3m for 2012/13.

3.2.15 In determining the potential use of the reserves, the three year financial strategy takes into account previous years' spending trends, in particular the projected general fund 2011/12 outturn.

3.2.16 The Chief Finance Officer recommends that a minimum prudent level of reserves be set at £3m for 2012/13 (target for 31 March 2012) subject to achieving an overall saving in 2011/12 (on debt financing) sufficient to achieve this. This will be reviewed at least annually. This minimum level is designed to cope with unpredictable circumstances, which cannot be addressed by management or policy action within the year.

3.2.17 Note that this does not represent a medium-long term safe level of reserves. The level can only accommodate the impact of significant events up to the level set, and would need to be replenished if one or more such events actually occur.

3.2.18 The 2012/13 budget assumes no use of general reserves in 2012/13. The expected movement on the General Fund Reserve is summarised in the table below.

Forecast of General Fund Reserves as at the end of January 2012

		£m
	General Fund Balance as at 01.04.2011	**2.67**
Plus:	Budgeted contribution to General Fund balances	0.1
	Saving mainly due to Debt Financing (subject to outturn)	0.13
	Total estimated General Fund balance at 31.03.2012	**2.9**
Plus:	Budgeted contribution to General Fund balances	0.1
	Total estimated General Fund balance at 31.03.2013	**3.0**
	Total estimated General Fund balance at 31.03.2014	**3.0**
	Total estimated General Fund balance at 31.03.2015	**3.0**

3.2.19 It must be emphasised that the forecast level of General Fund balances by the 31st March each year is purely that, a forecast, and is not therefore guaranteed.

Final Formula Grant Settlement

3.2.20 The provisional 2012/13 finance settlement was announced in December 2010, and was confirmed on 31 January 2012 with no changes. The Councils representation to the government with regard to the settlement is shown at **Appendix 2**.

Formula Grant Settlements 2010/11 to 2012/13

	2010/11 £m	**2011/12 £m**	**2012/13 £m***
Redistributed Business Rates	16.535	10.852	13.041
Revenue Support Grant	2.401	3.354	0.253
Total Formula Grant	**18.936**	**14.206**	**13.294**

**The 2011/12 ongoing council tax freeze grant has been rolled into the formula grant by CLG from 2012/13.*

Revised Proposals

3.2.21 **Appendix 5** sets out a summary of the revised budgets covering 2012/13 to 2014/15 to be recommended to the Council. The main features are:

a) No Council Tax increase, for the Council's own purposes (excluding precepts), for 2012/13;

b) A General Fund budget for 2012/13 of £28.4m (including parishes).

c) A planning parameter of 0% indicative annual Council Tax increases, for the Council's own purposes (excluding precepts), for 2012/13 – 2014/15.

3.2.22 The Council's budget for its own purposes (excluding parishes) is £27.38m.

The Council's Budget for its Own Purposes

	£m
Revenue Budget Requirement including Parishes	28.359
Less Parish Precepts	(0.978)
Amount to be Funded by Formula Grant and Council Tax Excluding Parishes	**27.381**

3.2.23 CLG have set the capping criteria as a council tax increase of 3.5% or less. The NBC budget proposes a 0% council tax increase, and therefore falls well within the capping targets.

Medium Term Implications

3.2.24 In setting a budget for 2012/13, the Cabinet and the Council must take into account the implications for the following two years financial strategy, namely 2013/14 – 2014/15. There are significant planned efficiency savings in 2012/13 and the following years, which will require action to be taken now if they are to be secured within the planned timescales.

3.2.25 **Appendix 4** sets out the budget projections for 2012/13 to 2014/15 and the key features of the projections including assumptions of the level of Formula Grant and Council Tax funding.

3.2.26 The medium term plan assumes that the Council will achieve year on year cashable efficiencies, 2012/13, and this has been built into the financial strategy from 2012/13 onwards. Plans will be developed to deliver the required savings as part of the 2012/13 medium term planning process.

3.2.27 The financial projections put into sharp relief the need to continue to:

a) Continue the search for efficiencies in accordance with Government requirements; and

b) Make sure the council's ambitions are set within the context of the available funding envelope.

3.2.28 The medium term budget projections also highlight the need to continue to develop the organisation's future strategy through the Corporate Plan. The key medium term financial issues identified are attached at **Appendix 6.**

Robustness of Estimates and Adequacy of Reserves

3.2.29 The Local Government Act 2003 places a duty on the Section 151 Officer (Chief Financial Officer) to comment on 'the robustness of the estimates' included in the budget and the adequacy of the reserves for which the budget provides.

3.2.30 **Appendix 7**, a letter from the Chairman of CIPFA, highlights the Chief Financial Officer's legal duties and responsibilities in respect of the robustness of estimates.

3.2.31 The Council has adopted a risk-based approach when assessing the minimum level of reserves. The risk assessment is undertaken annually to ensure that new risks are taken into account as well as re-assessing current risks.

3.2.32 The Audit Committee at its meeting on 9 January reviewed risk assessments of proposed budget options and implementation plans for the budget options proposed by the Cabinet at its meetings on 21 December 2011 and 22 February 2012.

3.2.33 The Statement on the Adequacy of Reserves and Robustness of Estimates is presented at **Appendix 8**.

Fees and Charges

3.2.34 The schedule of draft Fees and Charges for 2012/13 is attached at **Appendix 9**. The Cabinet is recommended to note the fees and charges that have been reflected in the budgeted income figures. These figures have been reviewed through the Medium Term Planning process and updated where feasible.

The Next Steps

3.2.35 The timetable for the 2012/13 budget process requires a special meeting of the Council on 29 February 2012, at which consideration will be given to the recommendations of this Cabinet in relation to the expenditure and tax proposals that relate to the Council's own spending.

3.2.36 In addition to the Council's own Council Tax, there are separate Council taxes for the county, police, and the parishes. These precepting bodies have not yet all set their Council Taxes, with the result that these will be reported to the Cabinet if known by that date and at Council on 29 February 2012 in any event.

3.3 Choices (Options)

3.3.1 It is recommended that Cabinet make the recommendations to Council as detailed in section 2 of this report, taking into account the items detailed for noting.

3.3.2 The Cabinet may choose to make amendments to the proposed budgets or to the proposed council tax increase and adjust the budget proposals accordingly, in consultation with the Chief Finance Officer. It would then recommend the amended budget and council tax (if applicable) to Council.

4. Implications (including financial implications)

4.1 Policy

4.1.1 In carrying out its business, the authority has a number of general and specific duties, which must be taken into account through the medium term planning process and on to the setting of the budget. Most duties to which the authority is subject are specific but some are generic to all of its functions, including the setting of the budget.

4.1.2 Current such duties include:

a) the crime and disorder duty - to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area; and

b) the race equality duty - in carrying out its functions, to have due regard to the need

- to eliminate unlawful racial discrimination; and
- to promote equality of opportunity and good relations between persons of different racial groups.

c) the disability equality duty - in carrying out its functions to have 'due regard' in the exercise of all of the authority's functions to:

- eliminate unlawful disability discrimination, and
- promote disability equality

d) the gender equality duty - in carrying out its functions to have 'due regard' in the exercise of all of the authority's functions to

- eliminate unlawful gender discrimination, and
- promote equality of opportunity between men and women.

4.2 Resources and Risk

4.2.1 The resource implications are detailed throughout the report and annexes.

4.2.2 Appendix 7 addresses the robustness of the estimates and adequacy of the Council's reserves with reference to risks identified.

4.2.3 A detailed report on risk and the 2012-15 budget was also considered by Audit Committee at its meeting on 9 January 2012, which is a background paper to this report.

4.3 Legal

4.3.1 The Council must set a balanced budget by midnight on 11 March 2012 (Local Government Finance Act 1992). Failure to do this would leave the Council potentially vulnerable to court action by way of judicial review on the part of the Audit Commission. Delay in sending out Council Tax demands would result in losses being incurred by the Council.

4.3.2 The authority has specific legal duties in relation to equalities and financial decision making – see 4.4 below.

4.3.3 There are no further specific legal issues arising from this report

4.4 Equality

4.4.1 The Equality and Human Rights Commission (EHRC) has published a paper on The Public Sector Equality Duties and Financial Decisions to advise and inform local authorities in light of a number of recent court cases. The legal duties each authority has aim to ensure that "public authorities work to eliminate discrimination and promote equality in their activities".

4.4.2 "Public authorities must ensure that decisions are made in such a way as to minimise unfairness, and do not have a disproportionately negative effect on people from different ethnic groups, disabled people, and men and women." (EHRC).

4.4.3 Equality and Diversity were considered as part of the budget build process, and an equalities assessment/screening was completed as part of each appropriate medium term planning option submitted. These were made public as part of the budget consultation. All Equalities Impact Assessments have been reviewed and updated for feedback from the consultation where relevant.

4.4.4 Members are required to have specific regard to the equalities issues identified when making the decision to approve the budget options. The detailed Equalities Impact Assessments are available on the Internet as a background paper to this report.

4.4.5 Where issues have been identified and the option is approved, the detailed Equalities Impact Assessment will be used to inform the implementation of the budget option.

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.

4.5.2 The budget has also been consulted on with relevant stakeholders including the public, business community, forums, key partners and NBC Overview and Scrutiny. This was undertaken through the public consultation process during January and February 2012.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 All of the discretionary investment proposals in the draft budget reflect the corporate priorities as set out in the Corporate Plan

4.7 Other Implications

4.7.1 The Appendices are set out as follows:

1a	Consultation responses – Public Consultation
1b	Question Time – Public Meeting
1c	Consultation with Community Forums
1d	Consultation responses – Overview and Scrutiny Committees
2	Representations on the Provisional Settlement
3	Changes since 21 December 2011 Cabinet
4	Proposed Budget Summary 2012/13 – 2014/15
5	Schedule of Budget Options 2012/13 – 2014/15
6	The Key Medium Term Financial Issues 2012/13 – 2014/15
7	Legal Duties of the Chief Finance Officer
8	Robustness of Estimates – Statement of the Section 151 Officer under the requirements of Section 25 of the Local Government Act 2003
9	Draft Fees and Charges 2012/13

5. Background Papers

5.1 Cabinet Reports:

- 22 February 2012 Corporate Plan 2012-15

- 21 December 2011 Draft Budget 2012-15
- 23 November 2011 Medium Term Financial Strategy 2012-2015

5.2 Overview and Scrutiny Reports:

- 23 January 2012 Council Wide Draft Budget 2012/13 to 2014/15

5.3 Audit Committee Reports:

- 9 January 2012 Risk Review of 2012/13 Budget Options

5.4 Equalities Impact Assessments (NBC Internet website)

5.5 External documents:

- HM Treasury – Spending Review 2010.
- CLG – Local Government Finance Settlement 2012/13
- Equalities and Human Rights Commission – The Public Sector Equality Duties and Financial Decisions

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

Appendix 1a

Northampton Borough Council

Facing the challenge

Draft Budget Proposals for Northampton 2012/13

Consultation Results

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February 2012

1 EXECUTIVE SUMMARY

This report contains the results to the Draft Budget 2012/13 Consultation which took place between 22 December 2011 and 31 January 2012.

Key results

- 2/3 of respondents disagree with the proposed reduction in funding to the Police towards PCSOs;
- half agree with the proposed review of CCTV operations;
- just over half disagree with the introduction of a Councillor Empowerment Fund and over 2/3 disagree with the amount;
- around half of respondents agree with the Waterside Enterprise Zone additional costs;
- around half of respondents agree with the rat control hardship fund;
- over 2/3 agree with standardisation of car park charges;
- about half agree with continuing to improve the condition of the Council's housing stock to bring it to a recognised standard;
- nearly 3/5 agree with the council tax freeze and
- 9/10 agree with the reduction in management structure to protect front line services.

2 INTRODUCTION

2.1 Cabinet approved the draft budget proposals for 2012/13 and the forecast budgets for 2013/14 and 2014/15 for the General Fund Revenue Budgets, the Housing Revenue Account, the Capital Programme and the Capital Strategy for consultation on 21 December 2011.

2.2 The consultation process covering all these areas was carried out from 22 December 2011 until 31 January 2012. The aim of this consultation was to find out people’s views on the draft budget proposals presented.

2.3 Completed questionnaires were accepted up to 31 January 2012.

2.5 The consultation period will formally close on the date the budget is approved in February 2012.

2.6 This consultation followed the principles set out in the Council’s Consultation Toolkit and industry standard guidance on best practice in consultation.

2.7 The results of the consultation are contained in this report. They will be used to by the Council as part of the process of setting a balanced budget (including a capital programme).

3 METHODOLOGY

3.1 Residents, businesses, and other stakeholders were invited to provide feedback on the proposals for the draft budget during the consultation period and support was made available to maximise involvement and understanding of the proposals.

3.2 People were able to engage in a range of methods:

- Question Time Event -Open public meeting held at the Guildhall on 26 January 2012;
- Council's budget proposals debated at Community Forums (Diverse Community Forum, LGB People's Forum, Pensioners and Disabled People's Forums);
- On-line survey;
- Questionnaires made available in public locations ;
- The consultation proposals and questionnaire were available to download and complete on-line via the Council's website. An e-mail address, freepost address and consultation phone line were set up to receive comments/views etc.
- Staff via intranet;
- Invitation for Residents Panel to participate;
- Invitation to the business community via the Chamber of Commerce, their network and the Federation of Small Businesses;
- Invitation to members of the Sounding Board (tenants);
- Engagement with the voluntary and community sector via their various networks ;
- Engagement with our key stakeholder and partners ;
- Meeting of the Overview and Scrutiny Committee 23 January 2012.

3.3 The consultation was advertised widely through the media including, mail shots, press releases and radio interviews to raise awareness.

3.4 Interim weekly consultation reports containing full details, including potential impacts and alternative proposals, were circulated to Senior Management and portfolio holders to maximise awareness and action in relation to issues and concerns arising during the consultation.

4 RESULTS

4.1 A total of 272 responses were received as at 31 January 2012. A further 1 was received after the closing date. (In 2011 we received 149 questionnaires for this phase).

4.2 Full consultation results can be provided upon request or viewed at

http://www.surveymonkey.com/sr.aspx?sm=rqgX_2faNeMJdg_2b4lNHS2gOfGrFpSzGmjBEQm_2fJ4DVS28_3d

4.3 The profile of respondents by gender, age and ethnicity, available at Appendix 1, is representative of the wider community profile. This can be seen as an indicator of a fair survey.

4.4 It should be noted that additional activity relating to the budget was undertaken independently of this consultation during the period of consultation including local press, public meetings, forums, etc and that the views expressed during such events are not included in this report.

5 Draft Budget Proposals

5.1 Findings on Facing the challenge-Results and Analysis

5.2 Below are the questions asked, the response achieved and a summary of the key points arising;

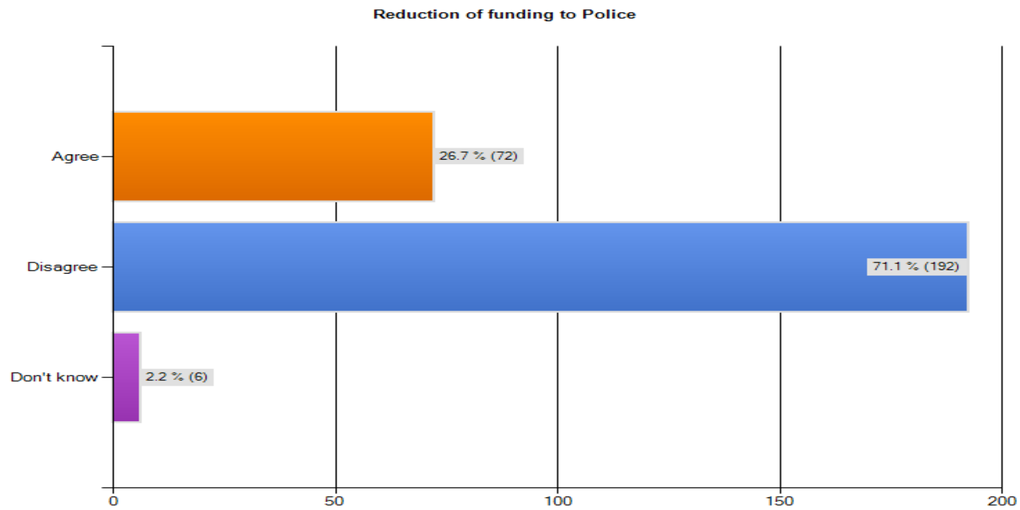
Reduction of £100,000 funding of Police Community Support Officers (PCSOs		Percent	Count	
Agree		26.70%	72	
Disagree		**71.10%**	**192**	
Don't know		2.20%	6	
Review of CCTV operations				
Agree		**53.20%**	**140**	
Disagree		33.80%	89	
Don't know		12.90%	34	
Introduction of a Councillor Empowerment Fund	**Agree**	**Disagree**	**Don't know**	**Count**
Do you agree with the Council's proposal?	42.4% (106)	**50.0% (125)**	7.6% (19)	250
Do you agree with the amount?	26.2% (60)	**62.4% (143)**	11.4% (26)	229
Enterprise Zone Additional Costs		**Percent**	**Count**	
Agree		**53.50%**	**139**	
Disagree		26.20%	68	
Don't know		20.40%	53	
Rat control– Creation of a hardship fund of around £40,000 to assist people with the costs of rat control		**Percent**	**Count**	
Agree		**52.30%**	**135**	
Disagree		35.30%	91	
Don't know		12.40%	32	
Standardisation of car park charges across the town		**Percent**	**Count**	
Agree		**72.90%**	**191**	
Disagree		14.50%	38	
Don't know		12.60%	33	
The Council is continuing to improve the condition of its housing stock to bring it up to a recognised standard		**Percent**	**Count**	
Agree		**55.30%**	**145**	
Disagree		31.30%	82	
Don't know		13.40%	35	
Council Tax Freeze		**Percent**	**Count**	
Agree		**61.30%**	**160**	
Disagree		23.80%	62	
Don't know		14.90%	39	
Reducing management to protect front line services		**Percent**	**Count**	
Agree		**85.40%**	**223**	
Disagree		5.70%	15	
Don't know		8.80%	23	

Table 1- Budget Consultation Summary Results

5.3 Consultation Questions

Q1. Reduction of £100,000 funding to the Police towards Police Community Support Officers (PCSOs). Northampton Borough Council has previously given Northamptonshire Police funding of £100,000 per year for the provision of PCSOs in Northampton. Every other authority in Northamptonshire has already cut funding for PCSOs and Northamptonshire County Council is also proposing to do so. Northampton Borough Council strongly supports the work of PCSOs but in its current financial position, cannot continue this financial contribution. The Borough Council has neighbourhood coordinators, who work on community safety issues in partnership with other agencies. They will continue to do that, with a new emphasis and focus. Some of the impact of a reduction in PCSOs will be offset by the work of the re-launched neighbourhood wardens and the newly established park rangers. Both of these roles provide a lower cost and more flexible resource to address local issues in the town. Northampton Borough Council proposes to remove the funding for PCSOs. **Do you agree with the Council's proposal?**

Agree 26.7% (72)
Disagree 71.1% (192)



Number of additional free-form comments received: 163
Key points raised:

- People feel the presence of PCSOs make communities feel safer
- Concerns that crime rates may increase
- Neighbourhood wardens and park rangers do not have the same authority and powers as PCSOs

Some of the comments received included:

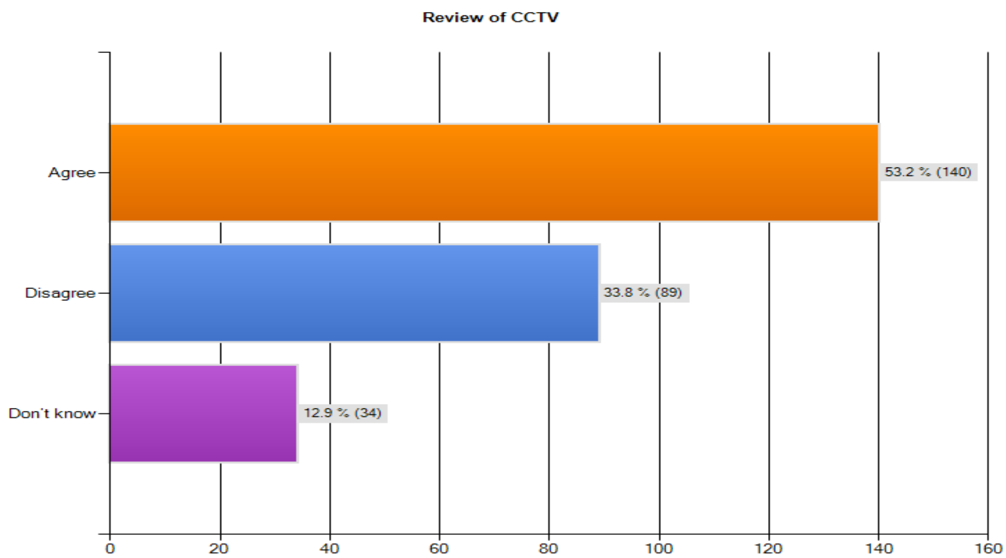
"PCSOs do a great job around the areas and it is folly to remove funding, surely the NBC,NCC & the police authority can come to an agreeable resolution"

"I hope that Northants Police will continue to resource the PCSOs where required. I also hope that Neighbourhood Wardens will be given more powers to assist prosecution of residents who act antisocially"

Q2. Review of CCTV operations. The Council is proposing to review how it could make savings by working smarter in how we use CCTV. We have identified times where the number of operators could be reduced due to low levels of activity. We have over 500 cameras at the moment and it is impossible to actively monitor them all, even when an operator isn't directly monitoring a camera it is recording footage that can be reviewed by Northamptonshire Police at a later date. Budget saving if approved: £39,000 in 2012/13 and £68,600 in future years. Year 1 impact of this proposal is minimal and entails a reduction in evening shift coverage from 2 people to 1 on Sun, Mon, Tue & Wed nights. The possibility of external funding for cameras will be explored during 12/13 which if available would enable more cameras to remain on. **Do you agree with the Council's proposal?**

Agree 53.2% (140)

Disagree 33.8% (89)



Number of additional free-form comments received: 87

Key points raised:

- Concerns that criminal activity will increase and/or be undetected
- Concerns that feelings of safety may be jeopardised

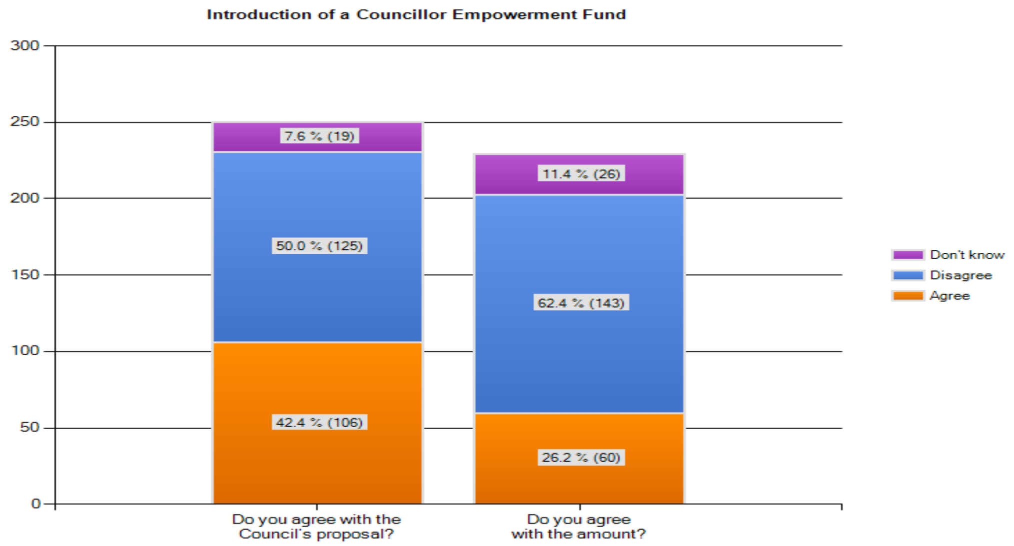
Some of the comments received included:

"Makes sense to concentrate on cameras that catch criminals rather than those that don't"

"CCTV is an invaluable resource in the county's fight against crime and disorder"

Q3. Introduction of a Councillor Empowerment Fund. It is proposed to create a Councillor Empowerment Fund to give each councillor £3,000 per year to spend on community projects in their ward. This would support the councillor's role of community leadership and allow them to invest in innovative and creative schemes for the benefit of their community and allow small scale initiatives that directly benefit local neighbourhoods to go ahead when they might otherwise struggle for funding. **Do you agree with the Council's proposals and amount?**

Agree with proposals 42.4% (106)	Agree with amount 26.2% (60)
Disagree with proposals 50.0% (125)	**Disagree with amount 62.4% (143)**



Number of additional free-form comments received: 141

Key points raised:

- Concerns about accountability and transparency
- Concerns that sum would not make significant impact
- Concerns that funding will be at the expense of other valuable services

Some of the comments received included:

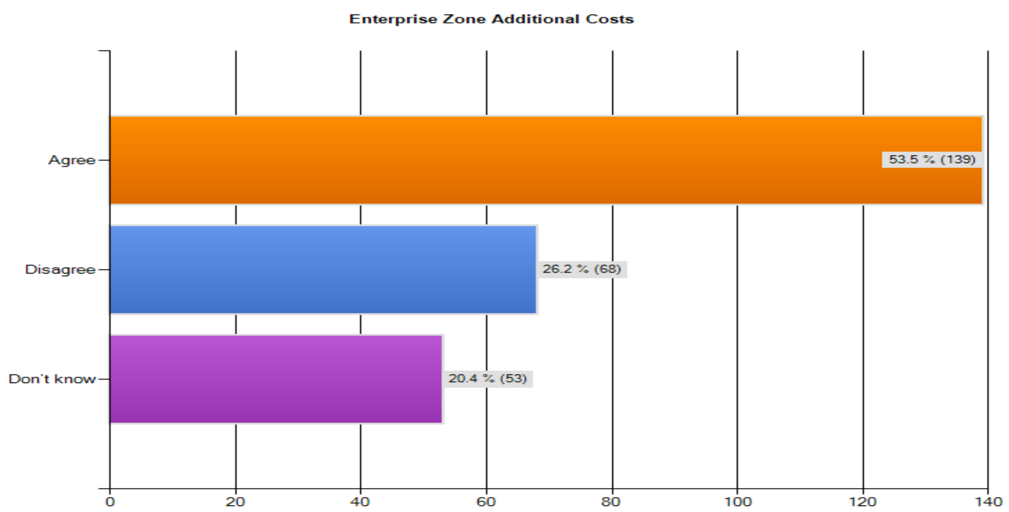
"This would be beneficial for the local community projects."

"Amount is far too small to make any significance to the council ward."

Q4. Enterprise Zone Additional Costs. This option relates to funding of £430,000 next year to support the delivery of the Northampton Waterside Enterprise Zone. Northampton Borough Council successfully mounted a bid, as part of the South East Midlands Local Enterprise Partnership (SEMLEP) for national status as an Enterprise Zone for Northampton Waterside. Enterprise Zone status was granted in August 2011 and the Borough Council is now planning, along with partners, how the Zone can be created. It is vital to invest the right skills and resources in getting the Enterprise Zone off the ground so that we attract good quality businesses to invest in Northampton and bring with them jobs and other opportunities. The funding for this investment would come initially from the New Homes Bonus reserve, reward funding from Government for delivering housing growth - the funding is to help authorities develop the local economy and communities in which people live and work. It is anticipated that this would eventually be repaid through additional revenue from business rates. **Do you agree with the Council's proposal?**

Agree 53.5% (139)

Disagree 26.2% (68)



Number of additional free-form comments received: 77

Key points raised:

- Concerns about expenditure in difficult financial times
- Concerns about future funding

Some of the comments received included:

"I agree in principle that new growth, improvements and making the best of the positive aspects of which there are many, of Northampton, are a very good thing. I hope that it will not prove to be at the expense of the lower paid and lower-end of the business sector"

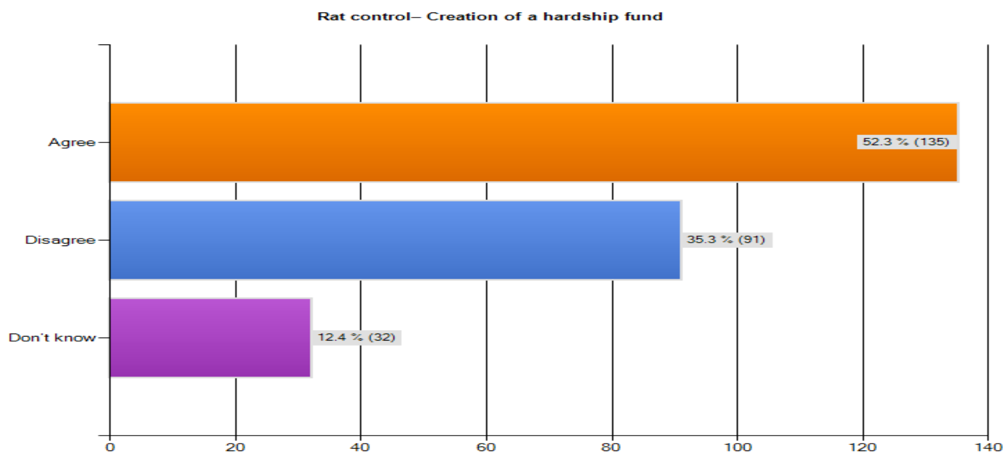
"We need to develop the town for its future progress and utilise the land and monies to our best advantage. Wasteland is a wasted opportunity."

"Crucial to kick start delivery of Enterprise Zone."

Q5. Rat control– Creation of a hardship fund of around £40,000 to assist people with the costs of rat control. Northampton Borough Council ended the pest control service from June 2009. In the last year in which the service operated, the Borough Council carried out more than 800 treatments to control rats. The Borough Council retained powers to deal with serious problems in the town and has taken enforcement action on seven occasions (giving advice or informal action on many more occasions) in the past year but has not carried pest control on behalf of individuals. If approved, the Council's Overview and Scrutiny Committee would be asked to review and develop a scheme to ensure that the funding was used as effectively as possible and meets the needs of local people. **Do you agree with the Council's proposal?**

Agree 52.3% (135)

Disagree 35.3% (91)



Number of additional free-form comments received: 80

Key points raised:

- Focus should be on prevention
- Concerns about other forms of pest infestation

Some of the comments received included:

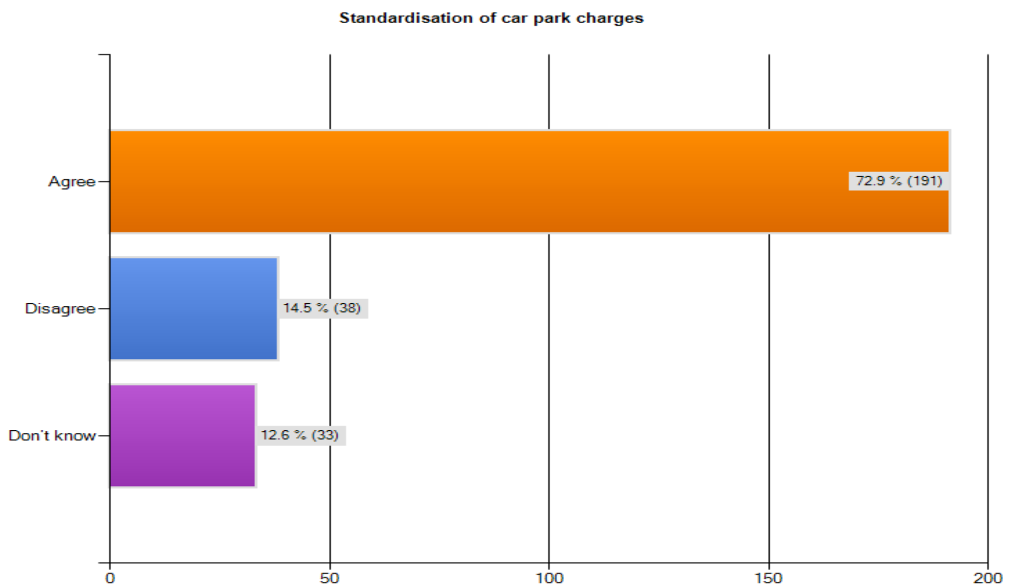
"We need to look after vulnerable residents as this is a serious problem"

"More work needs to be done on the issue of waste and rubbish, either domestic or manufacturing, especially shops and supermarkets."

Q6. Standardisation of car park charges across the town. Northampton Borough Council car parks are currently designated as either 'premier' or 'standard'. Whilst the majority of car parks are designated 'premier', seven car parks – Chalk Lane, Doddridge Street, Marefair, Horsemarket, Market Street, Melbourne Street & Midsummer Meadow are designated 'standard'. Standard car parks (599 spaces) account for 11.8% per cent of the total parking 5,070 spaces in the town. They are located very close to the town centre but have the same facilities and benefits as our premier car parks, but for historic reasons they have different prices to other town centre car parks. The purpose of this proposal is to achieve greater fairness in car park charging. It is also intended to remove the incentive to park on the fringes of the town centre and to encourage people into the heart of the town to support the town's retail offer. This proposal would bring all council car park charges into line in a bid to standardise prices, making them more straightforward and fairer for customers. It will also mean that the reduced parking charges that were introduced in October will now apply, including an hour of free parking. **Do you agree with the Council's proposal?**

Agree 72.9% (191)

Disagree 14.5% (38)



Number of additional free-form comments received: 70

Key points raised:

- Pricing strategy needs to be designed to attract shoppers

- Concern that application of standard fees may result in higher charges for some

Some of the comments received included:

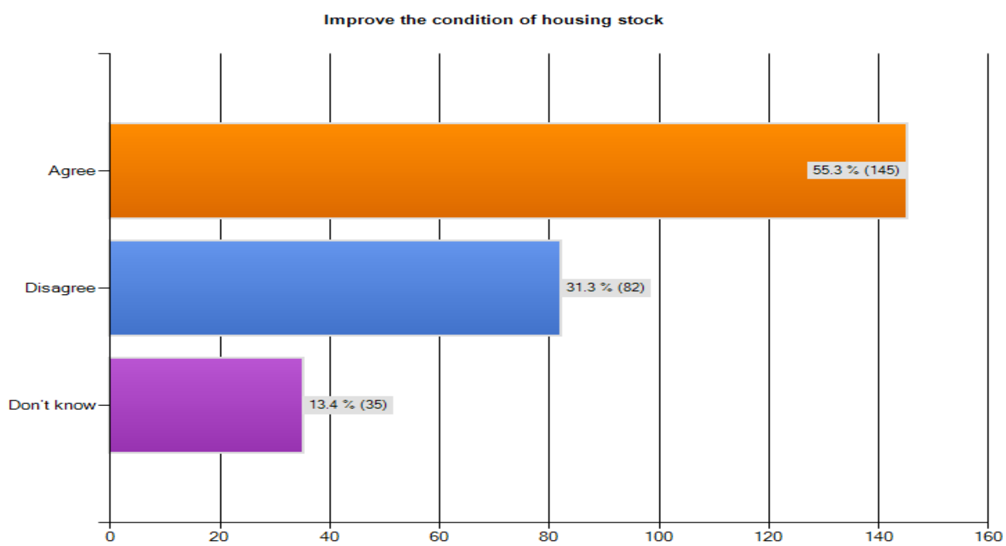
"Anything to encourage people and life back into the town should be supported"

"More thought should be given to creating a Park and Ride service to draw traffic away from the town centre"

Q7. The Council is continuing to improve the condition of its housing stock to bring it up to a recognised standard. We want to make sure all our homes meet the national standard of 'decent' by 2015. This means that some of our 12,500 homes would be updated with new kitchens, bathrooms and other general refurbishments. This would mean an investment of £64 million over three years in our Decent Homes programme-£10 million in 2012/13 with a further £54 million in the following 2 years, subject to confirmation of Government funding. **Do you agree with the Council's proposal?**

Agree 55.3% (145)

Disagree 31.3% (82)



Number of additional free-form comments received: 91

Key points raised:

- Concerns that costs may be too high in the current economic climate
- Important to look after the Council's assets but must promote individual responsibility

Some of the comments received included:

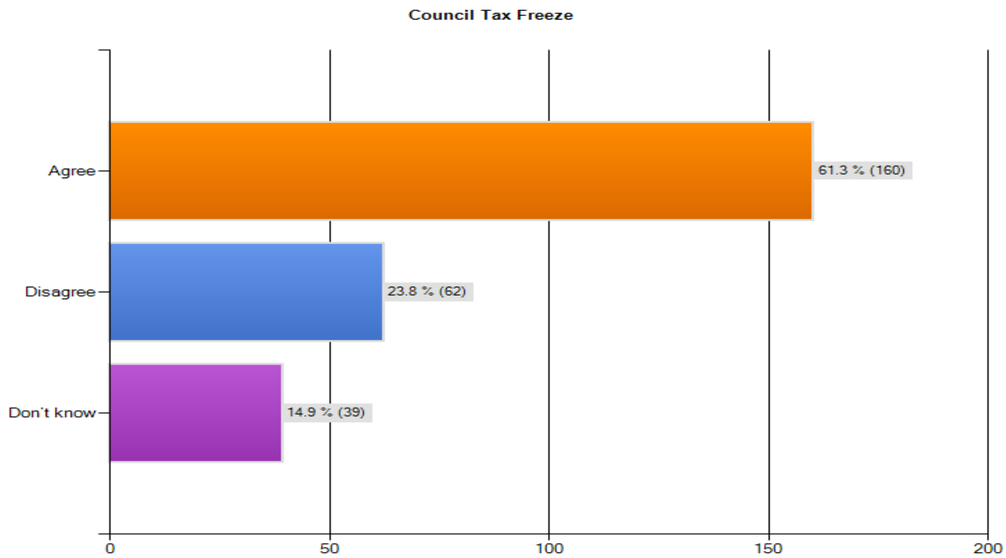
"Invest-provided Government funding is available"

"If it is mandatory, do it. If not, don't"

Q8. Council Tax Freeze. Despite the significant financial pressures that the Council is facing, we are not proposing to increase the level of council tax. For 2012/13 the Government is offering a one off grant (equivalent to a 2.5% increase in council tax) to subsidise a council tax freeze. The £350k from this grant would not form part of the authority's funding in subsequent years. The loss of funding in 2013/14 would have to be compensated for through additional savings or income. **Do you agree with the Council's proposal?**

Agree 61.3% (160)

Disagree 23.8% (62)



Number of additional free-form comments received: 73

Key points raised:

- Concerns that whilst a council tax freeze will help people this year (whilst an incentive is received from the Government) no such guaranteed protection exists in the future.
- Some people would be prepared to pay more to preserve essential services

Some of the comments received included:

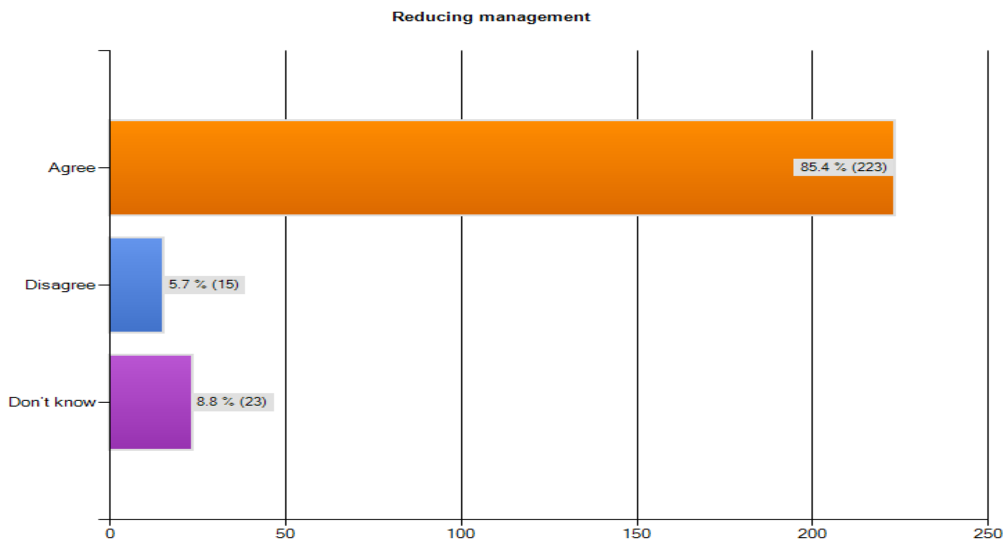
"All this delays a larger increase further down the line…"

"In the current economic climate this would benefit all council tax payers"

Q9. Reducing management to protect front line services. A review of senior management structure is currently under way to save at least £640,000 by restructuring Northampton Borough Council departments and services. We want Northampton Borough Council to be a well-run and efficient council so that council taxpayers get the best value for their money. It is proposed to restructure a number of departments to ensure that we make savings on back office costs and achieve efficiencies. We are also looking to reduce senior management posts to ensure we remain fit for purpose and can focus on funding frontline service delivery. We are constantly looking at ways to reduce the cost of our support services and will need to continue to do so for the foreseeable future. **Do you agree with the Council's proposal?**

Agree 85.4% (223)

Disagree 5.7% (15)



Number of additional free-form comments received: 87

Key points raised:

- Concerns about the impact on the workforce
- Concern that legacy and skills will be lost or diluted

Some of the comments received included:

"…try not to get rid of experienced people. Someone has to run the place"

"Front line services should be protected at all times"

6 Additional findings

6.1 Respondents provided in excess of 1041 comments, including details about specific proposals, concerns about potential impacts that were considered to affect various sectors of the community and also about alternative proposals for efficiencies. These have been circulated to Senior Managers and to Cabinet members for their input and consideration.

7 How will comments received and results be used

7.1 Where comments relate to service specific issues that relate to the usual business of the organisation, these will be forwarded to the relevant service area.

7.2 Where issues raised are not our responsibility, such as street lighting, the state of the roads or about school provision, the comments received will be forwarded to the relevant organisation as appropriate.

7.3 In relation to the budget, the Cabinet will consider all responses alongside the need to set a balanced budget. Any changes arising from the consultation will be detailed in the Council Wide General Fund Revenue Budget 2012/13-2014/15 Report.

7.4 Findings have been used to inform priorities for the Council's Corporate Plan.

8 EQUALITIES

8.1 The Cabinet will consider the results of this consultation and of all relevant impact assessments which were developed to make an informed decision regarding the Council's budget.

8.2 Equality and Diversity were considered as part of the budget build process and an equality impact assessment or screening was completed as part of each option submitted.

8.3 Where issues have been identified and the option is approved, the detailed equality impact assessment will be used to inform the implementation of the budget option.

8.4 An Equality Impact Assessment for this consultation process is available as Appendix 2.

Appendices

Appendix 1 Demographics
Appendix 2 Consultation Equality Impact Assessment
Appendix 3 Questionnaire

Appendix 1

Demographics

Gender		
Options	**Response %**	**Response Count**
Male	**59.8%**	**147**
Female	40.2%	99

Age		
Options	**Response %**	**Response Count**
Under 16	0.4%	1
16-24	5.3%	13
25-34	20.7%	51
35-44	**26.4%**	**65**
45-54	15.4%	38
55-64	19.5%	48
65-74	9.3%	23
75 or above	2.8%	7

Ethnicity		
Main categories	**Response %**	**Response Count**
White	**80.4%**	**197**
Asian/Asian British	5.7%	14
Mixed	1.2%	3
Black/Black British	4.5%	11
Other	1.6%	4
Prefer not to say	6.5%	16

About Respondents			
Options	**Yes**	**No**	**Response Count**
I live in Northampton	**82.1% (192)**	17.9% (42)	234
I work in Northampton	**69.9% (135)**	30.1% (58)	193
I study in Northampton	20.9% (31)	**79.1% (117)**	148
I have a business in Northampton	12.3% (18)	**87.7% (128)**	146
I am employed by Northampton Borough Council	10.1% (15)	**89.9% (133)**	148
I am responding on behalf of an organisation/group	11.6% (16)	**88.4% (122)**	138

Organisational responses were received from:

- CAN
- Rectory Farm Residents Association
- Semilong Community Forum
- Northants Police
- Duston Parish
- Northampton Volunteering Centre
- Stanion Parish Council
- Corby Old Village and Stanion
- Kilsby Parish Council
- Yelvertoft Village Hall
- Cottingham Parish
- Somali Women

Appendix 2

Equality and Community Impact Assessment

Facing the challenge Consultation Programme

What are we looking to achieve in this activity?

This consultation was designed using the principles established in our Consultation Toolkit to make sure that it was accessible to local people, to businesses, to partners, to the voluntary and community sectors and to any other interested parties and that all groups can participate and respond meaningfully.

How will the decision be made?

Cabinet will consider the results of this consultation and of all relevant impact assessments to help it make an informed decision regarding the Council's budget and priorities. The Council will agree its Corporate Plan and set its Budget for the forthcoming 2012/2013 in February 2012.

What information exists already to assist with making the judgments above? Has any consultation been undertaken on this or any other related issue? Are any reports or relevant documents available internally or from partners or other sources?

Screenings and Impact assessments have been carried out for all options developed.

Who is/ will be the main beneficiaries/people affected by this activity?

Everybody living, working, studying or otherwise engaged with the town or its people may be potentially affected by the choice of priorities and budget plans. This includes businesses, employees of the Council as well as, partners and contractors. Some efficiency savings will impact on staff and could lead to redundancies and changes in service provision, not the level of service received by the public. Where this is appropriate, consultation will be undertaken in accordance with council policy and all those affected will be able to have a say in the process.

Does the activity have the potential to cause adverse impact or to discriminate against different groups in the community or to make a positive contribution to equalities?

The testing challenges caused by the general economic environment, and the credit crunch in particular, are already having a significant impact on our communities and also on our budget, creating added pressure and increase demand for our services.

With limited resources, service provision will need to be reviewed and this may affect the services we provide, the people who deliver them and those who receive them. It is critical when making decisions that may affect people that their views are sought and considered so that we can understand what matters to them, what they consider priority and what areas are in need of improvement and how the choices made may impact on their lives.

Impact

Proposals that will lead to efficiency savings have been screened for impact against the protected characteristics groups. Where proposals involve staff changes and rationalisation, appropriate consultation in line with council policy will be followed and outcomes monitored for any disproportionate and adverse impacts on individual groups.

Any savings with impact on services will have the issues and risks raised through their individual assessments and evaluations taken into account in the implementation and monitoring of the options.

Issues and concerns identified during this consultation have been used to inform priorities for the Council's Corporate Plan.

Appendix 1b

Question Time Event -26 January 2012

Pest Control

- Has a fully funded pest control service been costed and if so how much would it be?
- Why does it take so long for the council to deal with complaints about pest control (regarding neighbours and neighbouring businesses)? This process is far too slow and by the time anything is done the problem has escalated further. A quicker response would lead to a saving of money that could be spent elsewhere?

Car Parking

- What are the capital costs associated with the implementation of standardized parking charges and how will these be funded?
- How much per year will Northampton Borough Council lose in car parking income after its deal with Legal and General is completed? Am I right in thinking it is such a high figure that it would pay for the Borough Council's yearly contribution to PCSOs fifteen time over? What other services will need to be cut from the budget in future years to pay for this?

Councillor Empowerment Fund

- The Overview and Scrutiny Panel (Scrutiny Panel 3) Report issued December 2011, recommends in Section 6.1.1 that the proposed councillor empowerment fund be limited to £1500 per member, a figure in agreement with the recommendation of the Cabinet Member for Finance (as noted in the Key Findings on Page 4). It should be also noted that Kettering BC only awards only £625 per member and other councils surveyed by the committee have cancelled similar schemes due to budget constraints. Can the Cabinet explain, how in this time of extreme budget pressure, this discretionary fund, no matter how well intentioned came to be doubled at the expense of other services of great public value and whether the current proposed figure of £3000 per member will be reviewed to allow re-allocation of funds to areas of more pressing need

PCSO's

- Does the Council understand the role that PCSOs perform?
- Has the Council consulted the majority of the general public and local businesses as to how they think the cuts to PCSOs may affect them?
- Why is the Council retaining resource in other departments whilst it is reducing funding to support PCSOs who could fulfil broader roles? Cabinet members have acknowledged the excellent work of the PCSO's in the community of Rectory Farm and other areas of Northampton, and have stated that they support the continuation of the service but are unwilling to provide any funding as they have been doing for the past few years. The County Council is also withdrawing its funding at the same time, while the Police Authority has declined to fill the funding gap, threatening the loss of PCSOs from communities like Rectory Farm.
- Can the Cabinet provide assurances to the people of Rectory Farm that meaningful discussions have been held or will be held before the budgets for

all three bodies currently funding PCSOs are finalised, to resolve what appears from the public view to be a stand-off between the two Councils and the Police Authority.

- What consideration has the Cabinet given to the fact that there will be an elected leader of the Police installed during the coming financial year who may well have a completely different outlook on the need for Police funding of the PCSOs than the current Police administration. Therefore, PCSOs positions which are likely to be made redundant in the next couple of months at a cost to the taxpayer would have to be recruited and trained again only a few months later at a further cost to the taxpayer?
- What consideration has the Cabinet given to the possibility of reducing funding gradually over e.g. 2-3 years, rather than eliminating it totally in one fell swoop thus allowing continued negotiation between the Councils and the Police but ultimate achieving the Cabinet's aim of transition of PCSO funding to the Police.
- What consideration has the Cabinet given to reducing other discretionary items in the budget such as the proposed Councillor Empowerment Fund in order to achieve a slower reduction in the PCSO funding. For example: The CEF is proposed at £3000 per councillor. 45 x 3000 = £135000 Reverting the CEF to £1500 per member as was originally proposed by the Finance Portfolio Holder, would release £67500. This would be good a starting point from which to negotiate PCSO funding with the NPA & NCC.

CCTV

- A large number of cameras in the Borough are Pan Tilt Zoom (PTZ) cameras which are designed for live monitoring and control by trained Control Room Operators. Cabinet propose to reduce the number of CCTV Control Room Operators by half on certain nights. This is particularly critical as one operator will only be able to give his or her full attention to supporting the Police in one unfolding incident at a time.
- What specialist CCTV advice (if any) has been sought and what analysis has been done on the projected workload of the control room operators to determine whether they may for example, be called upon more often to support the Police in managing incidents following the proposed reduction in PCSO numbers. Northamptonshire County Council have switched off many street lights in the Borough of Northampton resulting in many areas of darkness and extremely uneven illumination where any lights have been retained. In order to provide pictures of suitable standard for live viewing by operators and for recording for possible admission as evidence in court, CCTV cameras must be provided with a good level of visible or Infra-Red illumination distributed evenly in the scene being viewed.
- What review (if any) has been done to determine the effect of the changes in light distribution on the performance of the CCTV cameras since the street-lights have been switched off to ensure that cameras are providing pictures of suitable quality and therefore an acceptable return on investment.
- What will be done to address issues where lighting is inadequate for CCTV and ineffective cameras are therefore racking up running and maintenance cost?

- After the recent news of location change of the skate park planned to open this year, where does the Council plan to source the extra £40,000 per year needed for CCTV at the new skate park location? As previous location was more suitable, has an existing camera and is clearly visible from the main road.

Other Questions:

- Is this consultation another tick box exercise that will not be listened to?
- How will the Council offset the impact of Government policy changes impacting on those less well off?
- Why has LED technology not been rolled out fully within the council owned buildings?
- Why is my Council Tax so high? (I live in a small bungalow)
- Can the council confirm or deny it is considering the withdrawal of the 20% discretionary rate relief if gives to voluntary organisations? if so, will community centres be exempt and, if not, will the relief be reduced at a rate of 5% per annum or all in one go? The business plans submitted to NBC by CSN did not allow for this extra potential £4,000 of expenditure, as we were unaware of this extra cost.
- When is NBC going to tackle the great number of empty office units which are in the town centre, several of which have been empty for over 20 years or more?
- It seems the bus station consultation has not been given longer timeframe nor taken to much wider communities or areas in consideration and the whole process is based on self driven political agenda. Why are we or Northampton council taxpayers denied this?
- What's the point of knocking down the bus station to make way for new shops when we already have loads of empty shops in the town?
- Some Community Centres have been, or are in the process of being, transferred to community groups or parish councils. The Borough Council spends a lot of money on maintaining the smaller parks and public open spaces with no hope of any return income to offset against the costs. Has any consideration been given to transferring these to parish councils and community groups who could maintain them at far lower cost. And if not, why not?
- Is the Council planning to sell its housing stock (including sheltered accommodation) within the next 4 years? If so, will consultation be carried out to ensure all views are considered? Also, in relation to future rent levels, what will be the anticipated increases in real terms? What steps will the Council take to safeguard the need of vulnerable individuals in sheltered accommodation now or those due to access sheltered accommodation within the next 4 years?
- Please can you tell me when money will be available to carry out essential health and safety works to my mother's bungalow?
- Provision of information in accessible formats-Some of the information was too complex for people to understand
- Will NBC look at outsourcing other services?
- Concerns regarding the vulnerability of women park rangers
- Future of sheltered housing and rents

Appendix 1c

Northampton Disabled Peoples' Forum

Rats service and tenants handbook/advice:
NBC should be concerned with all pests, not just rats. NBC should be more efficient in how it does what it already does. 95 flats with red ants and cockroaches have been treated over the last 10 months but if all were at home or done on the same day this could be tackled in one go. As it is, the problem and the costs, continue, because nobody writes to let people know when the pest people are coming so people can't plan to be home. There are ongoing monthly visits but again people aren't told when they are going to happen. People have individually been spending money on sprays etc but this they have since learned was the worst thing to do. The occupant in the apartment thought to be the source of the issue is never home when the pest people come and they never get access to that property. Tenants need better advice from NBC. If communication improved by NBC lots of costs and problems would be reduced. Similarly the heating system – nobody told tenants when the new system was put in that they needed to bleed the radiators first before calling out people to repair it – this was a waste of time and money. Tenants need more information so as not to call in people inappropriately.

Gateway and B&B:
Data sharing concern if private sector housing and other 3rd parties outside the Council are involved in the arrangements for housing people;

Social Lettings Agency:
If an individual loses their job they will end up back on the housing list as they can't afford to rent in the private sector and social housing rents are increasing, but jobs aren't increasing. The policy looks impressive but NBC may find it's a pointless exercise to look to put people into non-council housing.

Bed & Breakfast:
After World War II there was a shortage of housing. Today there's a shortage of council housing. Back then the government built prefabs. You can buy them today. School sites need clearing. It might be cheaper to look at how much it would cost to build prefabs on the disused school sites.

The Forum went on to discuss hate crime. Within that discussion comments were made which are relevant to the PCSO option. There was a general feeling that "PCSOs lack training – are useless" and the example given that they had not recorded verbal hate crime reported by some of the disabled people at the forum. There were other concerns about lack of response from the Police.

Northampton Diverse Communities Forum

CCTV:

- E-law on decision-making relates to the current duty to have due regard. How are you doing that? In respect of good news e.g. Enterprise Zone other authorities have put in equality targets for how many jobs to go to BME people, youth etc. Can NBC do this too?
- Who is deciding where it will be non-manned and is this in liaison with the Police? Will CCTV in buildings etc still be serviced?
- I did chair a community safety group and I became aware that the UK had more than almost the rest of the world of CCTV cameras and Northampton within the UK had a particularly high amount of CCTV. This raised personal freedom questions. When the Police made a training film years ago about CCTV they said that CCTV is only as good as the person following the CCTV.
- Can we have mobile CCTV to offset the impact of losing CCTV in some places and help address hotspots? I'm not too unhappy about this option. We should also remember that business premises have a responsibility to protect their own facilities not expect local taxpayers to do so. Housing and flats have a separate sort of CCTV so again I'm not too unhappy

PCSOs:

- A large reason for concern is a Police reason. The Police have been hiring less and less black officers over the past years. In contrast PCSO recruits see a good amount of BME and LGBT diversity. That's where the diversity in the Police staffing has been. It has a significant part to play in endorsing good relations in the community. So if NBC makes the proposed cuts how will NBC show that it's being proportionate so that the Police staff doesn't lose that diversity?
- I agree with the comments made. My big concern is safety. We'll increase the numbers of people in the town. If we reduce the numbers of Police now how will we maintain people feeling that they live in safety?
- They've done a good job. They should be funded somewhere along the line. I met Police Cadets – it was great as they were already community-orientated and they were going out with PCSOs for experience. The Police's job will be harder as they will need to put in more resource. What is the desirable or required ratio of Police per person? What's the ratio of the number of criminals per person in the population?
- I've a strong view that those authorities responsible should provide them e.g. NCC for youth, while NBC can choose to have a youth forum. With regard to Policing it's a Police responsibility. I'd rather see NBC invest more in neighbourhood wardens and park rangers. There's one warden covering 2 or 3 parks. I'll be very angry if Northampton loses the PCSOs – we need to keep them but it's for the Police to make sure we do, not NBC.

Review of Discretionary Rates

- Rates review potentially impacting on charities and voluntary organisations: I've got a concern. I've no idea how many would be affected. Funding is always a problem for voluntary organisations. To know NBC is going to take more £ or put more constraints on this sector is a concern especially as voluntary organisations are types of channel particularly used by BME and LGBT people so they could be disproportionately impacted by the policy.
- Rates review: I want to see dialogue with charities. How do you plan to review non-domestic rates and concessions? Existing funding cuts are already taking grass roots organisations down and they are ceasing to operate. So how will you reach those people and organisations? Charities are chasing the same money as bigger organisations so they don't get a chance of getting the funding – most big funds have their organisations that they regularly fund year after year.

Rat service:

- Is the fund for people who identify the rats? Or the people where the rats are coming from? Often rats travel from other places. So the policy doesn't make sense.

Other comments:

- Sunday parking makes sense e.g. to go to Quaker meetings, but NCC is reducing availability of blue badges so that may affect the impact of the charging policy on disabled people.
- Bus interchange: much of the £ should have come from Legal and General. I'm happy to see a new interchange but not to have to fund it via the council
- NBC should have regard to the impact of things like the Cube and the Enterprise Zone on neighbourhoods as there's bound to be some crossover.
- Leisure: I have concerns as I don't see any options to do with leisure or heritage which promote celebrations of diverse communities – things like Carnival and Diwali. Given there's a rich diverse community there should be something. I wonder how will you cover promoting community cohesion through these budget options? I don't see how you will – it doesn't seem to make sense. I want more investment in celebrations in Northampton town.
- Neighbourhood planning: NBC need to get their heads around the impact on BME communities. Most BME organisations in Northampton organise themselves on a town-wide basis. So it's difficult when you get local planning on a specific part of the town. So NBC needs to find a way to be fair and equitable with these organisations when they have bases or premises in the town centre while having their members in various parts of town. This needs to be thought about in how you set it up. A huge amount of people, for example, have Northampton Volunteering Centre as their office address.
  - Modernising IT: does this look at translation too? Are you monitoring what you put in place? To make sure you take account of everyone's needs?
  - Back office v frontline: they need someone behind the frontline staff to support them, so please monitor the impacts of cutting the back office.

Northampton Pensioners Forum

CCTV:

- It won't work in any case where there are no lights because they've been turned off. You need to consider the impact of the lights switch off in thinking about implementing this option.
- We only keep CCTV tapes for a month, so in considering implementing this policy, NBC should consider whether it needs to start keeping them for longer if monitoring of the cameras is to be reduced.

Rat service:

- It's appalling as an option. Dealing with rats should be a public service. Hardship fund approach is illogical as rats move around. It seems heartless too to make someone go through a hardship assessment when they've got rats.

PCSOs:

- Police should provide PCSOs.

Other comments:

- A lot of stuff in the budget options is quite positive
- Social Lettings Agency: is this with the idea of bringing all the rents to the same level i.e. raising the rents to the level of non-council housing?
- Is Housing to be floated off by NBC? We need to understand the figures, the details, what's in and what's not in the contracts. Councils get taken to the cleaners e.g. by Enterprise. It's difficult even on freedom of information to find out enough detail about how my council tax is being used. We don't get a say when services are privatised or put out to contract. The paperwork doesn't show how the Council is in fact moving to offload its services.
- Grants funding: I appreciate the council is looking to maintain the current levels but NBC needs to consider in deciding to do so that need is increasing as other funding that pays for say benefits advisors is reducing and so that will have an impact on people's access to council services
- Allotments: we have had 2 reviews in 5 years. We need a strategy rather than just reviews. We have had a big waiting list for allotments.
- Some 10 – 12 years ago there was a move to stop putting people in to B&B accommodation. Money was spent converting barracks and accommodation in Cliftonville for them. What's happened to that policy?
- The Capital is a concern. I notice people are not registered on the electoral role so they get services but the government doesn't recognise them in funding formula for Northampton.
- There's no mention of the railway station?
- In May 2010 NBC's O&S issued a report on the use of consultants and agency staff which I believe has always been out of control. Why do we have to employ consultants? Is this situation now controlled as I believe it's senior management who decide to employ them rather than the councillors we vote for?

Northampton LGBTQ People's Forum
PCSOs / CCTV:

- They keep a high profile, visible presence so in proposing to cut them NBC should consider about how it can keep a visible uniformed presence out there so people feel safe.
- These options are likely to be associated with an increase in fear of crime, not necessarily actual rise in crime, but fear of it – especially where people might stop walking around and perhaps not go to use businesses, or might suffer falls and trips e.g. on bins put out for recycling collection on terraced streets when they can't be seen in the dark as they're just dark or black objects. I think NBC need to look at the links between these policies and on other ways it works like putting out black and dark bins into dark streets

Rates review:

- I have some concerns and interest in this for the voluntary sector. How will NBC consider the impact on the ability of LGBT groups for example, to participate in the community? I'd like to see it consider the impact on the types of service e.g. LGBT, BME not just on 'charities', recognising that the impacts of this policy could impact on its equality duties to promote good relations and participation, tackling discrimination etc.

Other Comments:

- Grants: pleased to see level of funding should be maintained
- Gateway: there can be distrust and stigma about using these services by LGBT people so it would be good to see and promote that the service will allow anonymous contact by email and phone initially

Appendix 1d

Extract of the Minutes of the Meeting of the Overview and Scrutiny Committee - 23rd January 2012

Item 5 – Council Wide Budget 2012-15

The Committee considered key areas that the Reporting and Monitoring Working Group had made recommendations for the Overview and Scrutiny to investigate and comment upon.

These were:-

- Restructure of Community Safety and Licensing Administrative Functions
- Reducing the cost of Bed and Breakfast accommodation through the use of Council Housing.
- Enhanced Housing Management Charge
- Withdrawal of Funding of Police Community Support Officers

The main points of comment were:

Restructure of Community Safety and Licensing Administrative Functions

The Committee expressed concern that there was a proposed budget reduction of £35,000 at a time when there was a perceived need for the service to be enhanced.

The Environment Portfolio Holder, Councillor Caswell, addressed the Committee. He advised the Committee that £35,000 had been identified as a potential saving through the introduction of an integrated administration team. These savings will then be used to fund an additional Licensing Officer post; this should enable officers to carry out more enforcement.

It was accepted that the initial reduction in the Licensing Administration budget appeared misleading but negotiations regarding the use of savings were ongoing.

There will be an associated review of the Licensing Officers job description but it was not anticipated that there would be major variations. This was still subject to Trade Union consultation and formal evaluation.

The Portfolio Holder suggested that the performance of the Licensing function be reviewed after the changes had been implemented and running for at least six months.

AGREED: That the Committee review the performance of the Licensing function after the changes had been implemented and running for at least six months.

Enhanced Housing Management Charge

Mr Townsend spoke as an individual who as a vulnerable adult lives in sheltered accommodation. He felt that the wardens did a very good job and was concerned that these proposals may place them under threat.

Mr Townsend conveyed concerns regarding the budget proposal regarding enhanced housing management charges.

He stated that there were problems with anti social behaviour in his area and that vulnerable people felt unsafe. He considered that the Council should be taking more action to ensure that these concerns seriously and that resources should be concentrated on areas of concern.

The Chair thanked the member of the public for his address.

The Committee queried what services this charge would fund and who would be likely to be affected by its introduction.

The Portfolio Holder for Housing, Councillor Mary Markham, addressed the Committee.

The service would be designed to provide support for vulnerable people in matters relating to their tenancy. It might cover matters such as helping them with benefits, repair work reporting, ensuring there are mechanisms to pay their rent. They would also receive regular visits to make sure that they were supported. This group of people are amongst those most at risk of losing their tenancies; this service would be geared to preventing that wherever possible.

Qualifying tenants would be identified via the Gateway process.

The proposed charge was £15 per week and would usually be covered if the tenant were on housing benefit. Approximately 65 / 70 % of tenants are currently receiving benefits.

It was not yet decided on what level of additional staffing might be required. That would be subject to negotiation and also the numbers of people who were eligible for the charge.

The Committee asked for percentages of those presenting as homeless that were classed as vulnerable. Currently it is around 20% of all those presenting as homeless.

Whilst generally supporting the introduction of the service, the Committee raised concerns that there wasn't a corresponding increase in resources allocated to dealing.

There was also concern as to how the Government's proposed cuts to housing benefit would affect the levels of benefit paid.

The Portfolio Holder emphasised that currently many of the concerns that are raised regarding housing tenancies are those surrounding vulnerable tenants.

Officers undertook to circulate figures on the numbers of tenants affected by this proposal.

It was confirmed that the existing service standards would be amended if this proposal were introduced.

The Chair raised concerns whether the proposed budget savings would be achieved.

The Committee heard that the Audit Committee would consider the impact of Welfare benefit reforms at a future meet

Withdrawal of Funding of Police Community Support Officers (PCSOs)

Mr Alexander Pradere- Johnson of Rectory Farm Residents Association, spoke on Item 5- Council-wide Draft Budget 2012-2015 – (Withdrawal of funding for Police Community Support Officers).

Mr Pradere-Johnson spoke of the effectiveness of the Police Community Support Officers (PCSOs) who he felt had made an enormous difference to the estate. There had been problems with vehicle damage, the PCSO's identified those responsible and with the help of the parents imposed sanctions on them.

He felt that if funding was to be withdrawn then it was important to ensure that there had been a proper analysis on the effect that it would have on levels of crime and that alternative service reductions had been properly evaluated.

The Chair thanked the member of the public for his address.

The Portfolio Holder for Finance, Councillor Alan Bottwood, addressed the Committee.

The Committee expressed concern that this proposal was about allaying people's fears about public safety in the Northampton area. Dialogue was continuing between partners regarding funding for PCSOs.

The roles of Neighbourhood Wardens and Park Rangers was emphasised and the fact that their roles often complement that of the role of the PCSO.

The Portfolio Holder emphasised that the first aim of the Borough Council was to protect front line services. The funding of PCSO'S could be seen by some as being part of the responsibilities of the Police Authority. The decision was not about the effectiveness of the PCSO'S, but about whether it was appropriate that the Borough Council should keep funding them.

The Committee heard that two local businesses fund two PCSOs.

In response to the Committee's query that it would have been useful to have a response from the Police Authority, it was advised that the Police Authority had stated that although it would be funding PCSO's that it currently funded it would not be picking up the shortfall created in reductions in funding from other Councils.

Although not a comparable service the Borough Council does fund neighbourhood and park wardens. Some of the work that they do has an overlap.

It was commented that when PCSO's were introduced they were jointly funded from the Police Authority and the Borough and County Councils. It was acknowledged that at this time of austerity all partners were seeking ways of reducing budgets. It was felt that this was not just a Police responsibility but that the Borough Council also had a duty to maintain law and order. Underlying all of this was a matter of how the public perceived community safety.

Members asked whether a proper analysis had been done on the withdrawal of funding. They were advised that the Council did not have sufficient data to do this. It was the responsibility of the Police to measure effective performance.

The benefits of the involvement of other Agencies in future budget scrutiny was suggested.

Reducing the cost of Bed and Breakfast Accommodation through use of Council Housing

The Committee queried how the costs of using bed and breakfast accommodation would be reduced.

The Housing Portfolio Holder, Councillor Mary Markham, addressed the Committee.

She advised that if people who have presented themselves as homeless are rehoused in bed and breakfast accommodation then they are not eligible for housing benefit. If they are housed in accommodation funded through the Housing Revenue Account benefit can be claimed. The proposal is therefore to set aside some properties for use in these situations.

The Committee was advised that there are currently 29 families in temporary emergency accommodation. 16 are in bed and breakfast accommodation. The current proposal is to identify 15 properties.

The Committee welcomed any move that provided an alternative to bed and breakfast accommodation but was concerned as to whether this level of provision would be sufficient. There were concerns that this problem would get worse particularly in the light of welfare reforms.

In response to a query how the proposed saving of £100,000 had been calculated, the Committee heard that this was an estimate, however, a full risk assessment had been undertaken to ensure that there is available finance in the reserves should the risk be greater. The biggest risk is the number of people presenting as homeless.

The Localism Act will introduce changes in how private rented properties can be used and there could be opportunities for the Council to discharge some duties into the private rented sector. It was accepted that it was not possible to get any clear view of the numbers that might present as homeless.

Officers undertook to circulate the criteria for Compulsory Purchase Orders (CPOs) to the Committee.

In response to a question, members of the Committee were assured that officers had tried to identify long-term empty properties and get them back into use, but these were privately owned properties and there were limitations to the Council's powers.

In response to a request for details of the percentage of social housing need that is met by the private sector, the Committee was advised that details of the numbers of people that the Council was offering advice and assistance who take up private sector tenancies could be provided.

Councillors commented that there was a need for partnership working with housing associations, in response; the Committee heard that derails of the current work and proposed work that the Council is currently doing with housing associations could be provided to the Committee.

Appendix 2

Response of Northampton Borough Council on the Provisional Local Government Settlement 2012-2013

1 Introduction

1.1 Northampton Borough Council welcomes the formula grant settlement for 2012/13 for the ability it brings to plan for that period.

1.2 The Borough is by far the largest shire district in England, exceeding the population of the next largest district shire by over 32,000 people and is continuing to grow due to its work on planning, housing and regeneration locally together with its central location and good transport links.

1.3 Due to its size the authority is unique among districts in the scale of problems that it must find the resources to deal with. One example is that the Borough experiences a high number of homeless people to provide services to as they gravitate to this central urban hub from other nearby districts.

1.4 We acknowledge the need to make cuts in the public sector and the efforts that have been made to ease their impact. However, further to the response made to the consultation in January 2011, the authority does have concerns relating to the latest proposals, specifically around the council tax freeze, which it is keen to take up, and the capping proposals.

2 Council Tax Freeze Grant

2.1 The Council welcomes the offer of a further council tax freeze grant to enable council tax for 2012/13 to be frozen, and supports the Government's intentions to help local people during these difficult times. However, we have 2 concerns in respect of the proposals.

2.2 Firstly, the one-off nature of the freeze grant puts further pressures on 2013/14, which is already a year of uncertainty due to the, as yet, unknown impacts of the Local Government Finance reforms. We urge the Government either to rethink the one-off nature of this grant or to take it into account when setting the limits for determining reasonable council tax increases in 2013/14.

2.3 The second issue we are raising is that the limit proposed on council tax increases for those authorities who do not take up the freeze grant seems to give an incentive to authorities to increase council tax. Authorities who shun the freeze grant (reflecting 2.5% on council tax for district authorities) can increase council tax by up to 3.5% and that funding is not one off like the grant, but will recur in future years.

3 Conclusion

3.1 Overall, while the nature of the settlement is hard, it was expected due to early warning signals in the emergency budget and Spending Review.

3.2 We appreciate the assistance offered to enable a further year of council tax freeze, but urge the Government to reconsider the one off nature of the 2012/13 council tax freeze grant. This would also contribute to mitigating the perverse incentive of the 3.5% cap on council tax rises.

Changes since 21 December Cabinet

APPENDIX 3

Description	Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15
GF Revenue Budget Requirement - Dec Cabinet	29,175,524	28,375,867	30,150,353	30,396,385
Enhanced Housing Management Charge		290,000	316,000	355,000
Licensing Officer		35,000	35,000	35,000
Improvement in Car Park income projections		(70,000)	(70,000)	(70,000)
Further Savings from Senior Management review		(285,493)	(293,029)	(292,972)
Reversal of savings from Senior Management built into individual options		117,500	192,500	192,499
Increase in funding for the Enterprise Zone		48,000	48,000	48,000
Parish Precepts		(16,828)	(22,500)	(28,250)
Debt Financing		(315,444)	(131,626)	546,616
Change in use of Reserves		180,427	(148,000)	(148,000)
Revised total	29,175,524	28,359,029	30,076,698	31,034,278

GF Total Funding - Dec Cabinet	(29,175,524)	(28,375,866)	(27,626,683)	(26,944,937)
Parish Precepts		16,828	22,500	28,250
Taxbase Changes		10	10	10
Parish Precepts				
Revised total	(29,175,524)	(28,359,028)	(27,604,173)	(26,916,677)

GF Budget 2012 - 15

APPENDIX 4

Summary

Description	Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15
Summary				
Service Continuation Budget	32,522,090	32,522,090	32,522,090	32,522,090
Service Continuation Budget		(71,158)	1,597,916	2,990,384
Total	32,522,090	32,450,932	34,120,006	35,512,474
Medium Term Planning Options				
Savings & Efficiencies		(1,692,031)	(2,108,667)	(2,368,111)
Growth		1,215,230	970,230	970,230
Total MTP Options		(476,801)	(1,138,437)	(1,397,881)
Corporate Budgets				
Debt Financing	2,207,942	1,810,900	1,746,000	1,543,600
Recharges from General fund to HRA	(4,856,000)	(5,295,364)	(5,295,364)	(5,295,364)
Reduction in recharges to HRA (reflecting 10/11 General fund savings)		464,364	464,364	464,364
Council Tax Freeze Grant	(350,600)	(353,200)	0	0
Parish Grants	(20,766)	(20,766)	(20,766)	(20,766)
Parish Precepts	943,256	978,172	1,007,500	1,037,750
Contribution from Earmarked Reserves	(870,399)	(1,299,209)	(806,605)	(809,899)
Contribution to/from Change and Performance Programme Reserve	(500,000)			
Contribution to General Fund Balances	100,000	100,000		
Total Corporate Budgets	(3,346,567)	(3,615,103)	(2,904,871)	(3,080,315)
Revenue Budget Requirement	29,175,523	28,359,028	30,076,698	31,034,278
Funding				
Revenue Support Grant	(3,354,437)	(252,807)	0	0
NNDR	(10,852,170)	(13,041,537)	(12,460,161)	(11,692,415)
Total Formula Grant	(14,206,607)	(13,294,344)	(12,460,161)	(11,692,415)
Council Tax				
Previous Years	(14,025,031)	(14,025,660)	(14,086,512)	(14,136,512)
Taxbase changes	(629)	(60,852)	(50,000)	(50,000)
Increase	0	0	0	0
Collection Fund Deficit	0	0	0	0
Parish Related Council Tax	(943,256)	(978,172)	(1,007,500)	(1,037,750)
Total Council Tax	(14,968,916)	(15,064,684)	(15,144,012)	(15,224,262)
Total Funding	(29,175,523)	(28,359,028)	(27,604,173)	(26,916,677)
Savings to be Found	0	0	2,472,525	4,117,601

General Fund MTP options

APPENDIX 5

Directorate	MTP Option Description	Value		
		12/13	13/14	14/15
Borough Solicitor	Savings from shared service arrangement	(10,000)	(10,000)	(10,000)
ACE	Senior Management Restructure	(325,493)	(333,029)	(332,973)
	Introduce paperless Committees at the Council	(5,000)	(5,000)	(5,000)
		(340,493)	**(348,029)**	**(347,973)**
Planning & Regen	NNDR Refunds following appeals	(35,000)	(20,000)	(10,000)
	Planning Department Restructure	(47,413)	(47,413)	(47,413)
	Reduction in Joint Planning Unit contribution	(30,700)	(30,700)	(30,700)
	Increase in Planning application fees	(43,425)	(43,425)	(43,425)
	Planning Performance Agreement	(50,000)	(50,000)	(50,000)
		(206,538)	**(191,538)**	**(181,538)**
Finance & Support	Restructure of Finance Service	(95,000)	(95,000)	(95,000)
	Saving on VAT advice expenditure	(15,000)	(15,000)	(15,000)
	Reduction in External Audit Fees	(35,000)	(35,000)	(35,000)
	Increase Debt Management Risk	(60,000)	(60,000)	(60,000)
	Re-organisation of ICT Service	(70,000)	(70,000)	(70,000)
	Cease postage direct to Councillors and have a collection point in Guildhall	(2,000)	(2,000)	(2,000)
	Review of Concessionary National Non Domestic Rates Scheme		(130,000)	(130,000)
	Re-organisation of Revenues and Benefits Service	(80,000)	(80,000)	(80,000)
	Income from external training	(3,000)	(3,000)	(3,000)
	Reduction in print and dispatch of daily and annual bills and letters	(15,000)	(15,000)	(15,000)
	Business Rates Consortium Efficiency	(10,000)	(10,000)	(10,000)
	Reducing the cost of Bed and Breakfast accommodation through use of Council Housing	(100,000)	(100,000)	(100,000)
		(485,000)	**(615,000)**	**(615,000)**
Housing	Introduce Social lettings fee	(43,000)	(62,500)	(82,000)
	Increase Choice based lettings charge	(5,000)	(5,000)	(5,000)
	Enhanced Housing Management Charge	(100,000)	(100,000)	(100,000)
		(148,000)	**(167,500)**	**(187,000)**

General Fund MTP options

APPENDIX 5

Directorate	MTP Option Description	Value		
		12/13	13/14	14/15
Env & Culture	Reduction in management fee to leisure trust	(200,000)	(400,000)	(600,000)
	Review of Westbridge Administration	(100,000)	(120,000)	(120,000)
	Review of Town Centre Operations Administration	(25,000)	(25,000)	(25,000)
	Review of Museum Service	(25,000)	(50,000)	(100,000)
	Restructure of Community Safety & Licensing administrative functions	(35,000)	(35,000)	(35,000)
	Withdrawal of funding of Police Community Support Officers	(100,000)	(100,000)	(100,000)
	Review of Close Circuit Television Operations	(39,000)	(68,600)	(68,600)
	Withdrawal of Daventry from Close Circuit Television Shared Service	12,000	12,000	12,000
		(512,000)	**(786,600)**	**(1,036,600)**
	Savings & EfficenciesTotal	**(1,692,031)**	**(2,108,667)**	**(2,368,111)**
GROWTH				
ACE	Establishment of a Councillor Community Fund	135,000	135,000	135,000
Planning & Regen	Funding for the Cost of the Delivery of the Northampton Waterside Enterprise Zone	478,000	233,000	233,000
	Increase in planned maintenance survey budget to match volume of work	50,000	50,000	50,000
	Neighbourhood Planning Budget for support arising from localism bill	30,000	30,000	30,000
	Impact of transfer of regaining planning powers from WNDC	52,230	52,230	52,230
Env & Culture	Creation of a hardship fund to assist people defray costs of rat control	40,000	40,000	40,000
	Additional Licensing Officer	35,000	35,000	35,000
	VAT increase on parking income (2.5%) Daily tickets	97,000	97,000	97,000
	Car park standardisation	(160,000)	(160,000)	(160,000)
	Free Parking policy change from Oct 2011	458,000	458,000	458,000
	Growth Total	**1,215,230**	**970,230**	**970,230**
	Overall Total	**(476,801)**	**(1,138,437)**	**(1,397,881)**

Key Medium Term Financial Issues 2012/13 – 2014/15 Onwards

Ref	Issue	National Issues/Implications	Effect on Northampton Borough Council
1	Housing Finance Reform	Details of the proposals were published in early 2011	Proposals in relation to NBC are fully incorporated into the 2012/13 budget. The HRA business plan was approved by cabinet in January 2012.
2	Local Government Finance Review	Reform of local government finance to be implemented for the 2013/14 financial year	Details of the changes are now known, but the financial impact is still to be fully understood. The authority actively participated in all consultations both individually and with other authorities as appropriate to make the case for the optimal outcome. The actual financial impact will become apparent as part of the 2013/14 local government settlement.
3	Welfare Reform	Linked to Local Government Finance Review – impacts on benefit claimants	Wide range of risks including impact of council tax benefit reforms and impacts on housing benefits for customers - particularly in the current economic climate. The localisation of Council Tax Benefit may have a significant financial impact on the authority.
4	Economic Climate	Ongoing Global Economic instability since October 2008. Also, continuing impact of recession, and downturn in housing and financial markets. In addition, material fluctuations in inflation since 2009/10	Significant uncertainty in relation to key income streams, such as investment income, planning income, and building control income, as well as future prices, in cost areas where markets and inflation rates are unstable.
5	Formula Grant and Planning of budgets to match Council's projected funding	2011/12 settlement and 2012/13 settlement was challenging for district authorities, with ongoing financial implications for both services and council tax levels.	Challenging settlements materially reducing funding. Through medium term planning processes NBC must examine its net expenditure to meet the limitations of its funding. The local government finance review also adds additional uncertainty to the situation.
6	Medium Term Planning	National push for better planning	Continued development, especially integration of policies, performance, and cost.

Ref	Issue	National Issues/Implications	Effect on Northampton Borough Council
7	Growth	Localism Bill has delayed the Joint Core Strategy progress but housing growth will still be promoted to meet local needs. New timetable agreed. Regeneration impacted by economic climate but with the Enterprise Zone and town centre schemes Northampton's future optimistic. National funding required.	Infrastructure costs exceed resources But local investment is maintaining momentum. Need to link in with regional and national efforts and secure new ways of funding with partners.
8	Decent Homes Standard	Government target to meet the decent homes standard by 2015	Pressure to fund the programme to meet the Government target. Key risk is around not receiving the indicative decent homes grant in 2013/14 and 2014/15.
9	Asset Management Improvements and Asset Disposals	Ties in with ensuring best Value for Money is delivered	Improvements to planning and management of the Council's assets (property and non-property) and planned capital receipts
10	Risks and Reserves	Recognising the financial risks of the potential local government financial and service position	See annex 8
11	Parking Fees	Trend of downturn in parking income year on year, also impacted by economic climate. Impact of the change in parking policy not yet known.	Unpredictability of future income streams means that close monitoring will be essential in 2012/13 and future years. This includes the impact in the change of the carparking policy of offering one hour free parking.
12	Major Projects	Constrained local government finance requiring major projects to review delivery method. EZ will raise profile and provide opportunity for greater investment.	Ensuring that spend to save funds together with prudential borrowing are available to enable such projects to be progressed. Failure to invest will damage future growth prospects.
13	Spending Review	The next spending review is due to take place following the general election. Given the current state of public finances, it is expected that the next three year settlement will also be tight.	Need to participate at a county, regional, and national level to make our case.
14	Termination of West Northampton Development Corporation	WNDC will be wound up in 2014. NBC and NCC are working with WNDC and CLG on successor arrangements.	The major projects being managed by WNDC will need ongoing support and resources, and NBC will need to work with NCC and CLG on transitional arrangements and ensuring that projects are adequately supported in delivery.

Appendix 7

Letter from the Chairman of CIPFA Highlighting the Chief Finance Officer's Legal Duties in Respect of Setting the Budget

CIPFA The Chartered Institute of Public Finance & Accountancy

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21 December 2011

Dear Colleagues,

We continue to work in challenging times, with the economic downturn continuing to place unprecedented pressure on local authority budgets. Chief Finance Officers (CFOs) continue to be in an exceptionally challenging position – supporting their authorities as they make the difficult choices, whilst ensuring that they fulfil their legal and professional responsibilities in the public interest. In such challenging situations it becomes all the more important for CFOs to provide timely, relevant and reliable advice, in accordance with the law and professional standards, and that they use their statutory powers appropriately.

Last year I wrote to CFOs setting out some advice on their responsibilities around the budget setting process, particularly around the application of s.25 of the 2003 Local Government Act which requires the CFO to make a formal report to the Council on the robustness of the budget and adequacy of reserves. I have received a request to repeat this advice and therefore felt it would be helpful to write to CFOs drawing their attention to the legislation and professional guidance which define their responsibilities, as well as to provide links to some additional material they may find helpful. Whilst the 2003 Act does not apply in Scotland and Northern Ireland, the same professional issues may arise and a number of the other specific responsibilities apply.

Relevant requirements and guidance

The attached note highlights the legal requirements and sources of professional guidance relevant to the budget setting process. It is important to view the CFO's responsibilities under the 2003 Act as part of a continuum of professional advice and in the context that the CFO's formal report is the culmination of a budget process in which a lot of detailed work has already taken place with service managers, corporate management teams and Councillors. Many of the concerns CFOs may have about the robustness of budgets will be well rehearsed and hopefully settled before the report is written.

The note also includes a section on S.114 powers. These should clearly be seen as the last resort if concerns over the robustness of the budget are not addressed and warrant action. I would urge any CFOs considering the use of s.114 to consult their Monitoring Officer at an early stage and consider whether additional legal advice is required.

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CIPFA's Statement on the Role of the Chief Financial Officer in Local Government provides more detailed guidance on the responsibilities and roles of the CFO and will be helpful in ensuring that they are effective in their role. The statement also emphasises the key role CFOs play in positively influencing the budget setting process including helping to find sustainable solutions for the future. The statement also provides further advice on the relevant legislation, including detailed advice on the application of powers under s.114.

Critical role of risk management

Given the uncertainties of the economic environment and the scale of the expenditure reductions required, there will inevitably be significant risks involved in delivering balanced budgets. In carrying out their professional responsibilities, it will be critical that CFOs take a risk management approach in their reports, setting out the key risks associated with the proposed budget and how they can be managed. Depending on the level of assessed risk within the proposed budget, it may be necessary to give consideration to contingency plans.

This approach is likely to be particularly important when it comes to the delivery of savings contained within budgets. CFOs should clearly set out the risks associated with their achievement and, the implications and contingency plans which apply if they are not delivered as planned.

In developing their reports, it is important that CFOs can clearly evidence how and on what basis they have reached their conclusions. This may include copies of detailed plans and other information received from service directorates and notes of meetings with other chief officers, corporate management teams and meetings with portfolio holders and key Councillors. CFOs need to be robust in these meetings and prepared to challenge if they have areas of concern.

Prior to formally presenting their assurance statement to the Council, it is expected that CFOs will have shared it with their Chief Executive, service directors, leading Councillors and their own senior finance community to ensure a mutual understanding of the risks and issues identified. In the current climate risks and the assurance statement are particularly important and CFOs are strongly advised to draw special attention to them in their reports and presentations.

CFOs will be fully aware of the need to raise concerns promptly, at an appropriate level, as they arise throughout the financial year and they will have well established mechanisms in place to enable them to do so. These, of course, become more important if the budget is finely balanced and contains a higher level of risk than would normally be the case.

Conclusions

We recognise that this is a difficult time for CFOs and are working hard to ensure we have the support mechanisms in place should Members need them, including one to one support through the Ethics Sounding Board.

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Should any Member need further advice on issues around budget setting, they should initially contact Alison Scott (alison.scott@cipfa.org.uk 01604 889451).

In addition, the Treasurers Societies provide a valuable support network for CFOs and CIPFA will be working closely with them to identify any additional support requirements.

I hope that the guidance sources highlighted in this letter will prove to be of real practical use to CFOs as they face the challenges of the coming months. If you feel there are any further ways in which CIPFA can provide support, please do not hesitate to contact me.

Yours sincerely,

Steve Freer

The Responsibilities of the Chief Financial Officer in Respect of the Budget Setting Process

Context

In drawing up this note, we fully recognise that CFOs do not act in a vacuum. Rather they work within a framework of pre-existing governance and management arrangements and structures, aspects of which will be unique to individual authorities.

Additionally financial management itself takes place within a broader governance code that will include the responsibilities of the CFO as part of a framework for ensuring effective decision making, risk management and operations.

In approving the budget the Council will expect to be able to rely on the professional skills and advice of its Chief Executive and all its key officers, including the CFO, as well as the normal operation of the wider established governance code within the organisation.

Legislative and other safeguards

There are a range of safeguards in place to help prevent local authorities over-committing themselves financially. These include:

- the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992 and section 85 of the Greater London Authority Act 1999)[1]
- chief finance officers' duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirement (England and Wales)
- legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the chief finance officer / proper officer has responsibility for the administration of those affairs (section 151 of the Local Government Act 1972 and section 95 of the Local Government (Scotland) Act 1973
- the requirements of the Prudential Code
- auditors' consideration of whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based, in the context of auditors' statutory responsibility to satisfy themselves that the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

These requirements are reinforced by section 114 of the Local Government Finance Act 1988 which requires the CFO in England and Wales to report to all the authority's councillors, in consultation with the Monitoring Officer, if (in broad terms) there is or is likely to be unlawful expenditure or an unbalanced budget.

Local Government Act 2003

The 2003 Local Government Act places specific responsibilities on Chief Finance Officers in England and Wales. The Act requires the CFO to report on the robustness of the budget and

[1] LAAP Bulletin 77, 2008 .

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the adequacy of proposed financial reserves. The Council is required to have regard to this report when it sets the budget.

Extract from 2003 Local Government Act

25 Budget calculations: report on robustness of estimates etc E+W

(1) Where an authority to which section 32 or 43 of the Local Government Finance Act 1992 (billing or major precepting authority) or section 85 of the Greater London Authority Act 1999 (c. 29) (Greater London Authority) applies is making calculations in accordance with that section, the chief finance officer of the authority must report to it on the following matters—
(a) the robustness of the estimates made for the purposes of the calculations, and
(b) the adequacy of the proposed financial reserves.

(2) An authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made."

In drawing up their reports CFOs will need to clearly identify the risks associated with the proposed decision. These risks will need to be reported along with how they are to be managed and any contingency plans in place to mitigate their impact. The authority's members need to be clear on the risks associated with the budget proposals when making their budget decision. In assessing these risks CFOs will need to consult with service managers to ensure all risks have been identified. Proposals which involve significant changes to current structures, systems and processes, or which have major implications for service design inherently involve higher levels of risk than those which broadly maintain current arrangements. At the most practical level those risks begin with the possibility of slippage and disruption in the transition from old to new arrangements. CFOs should ensure that issues of this type and their potential budgetary implications are appreciated by relevant officers and the Council.

Where savings are included in the budget CFOs must assess their deliverability. CFOs should set out clearly the implications and contingency plans which apply if savings are not delivered as planned.

Robust and timely monitoring of savings delivery plans with ongoing contingency planning will be critically important throughout the year.

LAAP 77 Local Authority Reserves and Balances

In assessing the adequacy of reserves the CFO should have regard to LAAP 77 Local Authority Reserves and Balances. In order to assess the adequacy of unallocated general reserves when setting the budget, CFOs should take account of the strategic, operational and financial risks facing the authority. Account should be taken of the key financial assumptions underpinning the budget and financial strategy within the context of the authority's broader financial management arrangements.

Statement on the Role of the Chief Financial Officer in Local Government

CIPFA's Statement on the Role of the Chief Financial Officer in Local Government provides detailed advice on the CFO's responsibility with regard to financial planning and budgeting. In particular, in assessing both the robustness of the budget and the adequacy of reserves, CFOs should have regard to the overall strategic objectives of the local authority and the medium term financial plan. A strong and well informed Medium Term Financial Plan and clear and transparent policy on reserves will help CFOs take a robust stance in their consideration of the proposed budget. The Statement on the Role of the Chief Finance Officer in Local Government gives additional guidance on this aspect.

Standards of Professional Practice, 2002

In fulfilling their responsibilities, CIPFA Members should also be familiar with and observe the principles of the Institute's Standards of Professional Practice, September 2002, and in particular the relevant principles and guidance in relation to Budgetary Planning and Control and Financial Reporting.

Section 114 of the Local Government Finance Act 1988

Section 114 powers are also available to CFOs. Very careful consideration should be given and appropriate advice taken, before these powers are used. Where a CFO judges that, despite the consideration of risks by the Council, the Council intends to set a budget that is insufficiently robust, it will be necessary to consider whether the position warrants use of s.114 powers relating to insufficiency of funds.

Section 114 of the 1988 Act requires the CFO to report to all the authority's members, in consultation with the Council's Monitoring Officer, if (in broad terms) there is, or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice is a serious step and must not be taken lightly. Not least it has serious operational implications for the Council and its services. Indeed, the authority's full council must meet within 21 days to consider the s114 notice and during that period the authority is prohibited from entering into new agreements involving the incurring of expenditure.

Further detailed guidance on the use of s.114 and s.114(a) powers is included in the appendices of the Statement on the Role of the Finance Director in Local Government.

The position in Scotland and Northern Ireland

In Scotland, the requirement to set a balanced budget is established in section 108(2) of the Local Government (Scotland) Act 1973 and section 93(3) of the Local Government Finance Act 1992.

In Northern Ireland, the equivalent duty – whilst not specified in statute– would rest with the authority's CFO in keeping with the statutory responsibility under section 54 of the Local Government Act (Northern Ireland) 1972.

As a matter of professional responsibility, CIPFA Members are expected to provide timely, relevant and appropriate advice and to comply with the Standards of Professional Practice, September 2002. The Statement on the Role of the Chief Financial Officer in Local Government also applies.

Statement of the Chief Finance Officer Under the Requirements of Section 25 of the Local Government Act 2003

Robustness of Budget Estimates and Adequacy of Reserves

1. Introduction

1.1 This appendix focuses on two responsibilities of the Council's Chief Financial Officer under the Local Government Act 2003, which are:

a) the robustness of the estimates

b) the adequacy of the reserves

1.2 This document will be updated for the Council meeting on 29th February 2012 if necessary.

2. Processes

2.1 Budget estimates are an assessment of future expenditure and income at a point in time. This statement on the robustness of the estimates gives members a reasonable degree of confidence that the budget has been based on the best available information and assumptions at the time it was built. It cannot, however, give any guarantees about the budget.

2.2 In order to meet the requirement on the robustness of estimates, the budget process incorporated a number of key elements, including:

a) Issuing clear guidance to service accountants and budget managers

b) Peer review by finance staff involved in preparing the Continuation Budget

c) A medium term planning process that highlights priority services and identifies efficiency savings

d) Detailed challenge of the budget by Management Board and Cabinet members

e) The Chief Finance Officer providing advice throughout the process on robustness, including vacancy factors, avoiding unallocated savings, reflecting current demand and service standards (unless standards and/or eligibility are to be changed through policy changes).

f) Scrutiny of the robustness of estimates by the Chief Finance Officer, including review of risk on each option, reported to Audit Committee 9th January 2012.

2.3 In addition to these arrangements, which aim to test the budget throughout the various stages of its development, considerable reliance is placed on Directors and Heads of Service having proper arrangements in place to identify issues, project demand data, and consider value for money and efficiency.

3. Robustness of Estimates

General Fund Budget

3.1 In addition to improving efficiency, the Council has two choices:

a) To increase financial resources to meet demand and thereby reduce the risk of overspending in 2012/13; or

b) To reduce (where possible) service levels and standards, frequency of service delivery, eligibility for services and thereby reduce the risk of overspending in 2012/13

3.2 As part of developing the budget, members of the administration have considered these options and the outcomes of these deliberations are reflected in the budget proposed.

3.3 The robustness factors taken into account in developing the draft budget are shown in the tables below.

Review of Risk in the General Fund Budget

3.4 The Chief Finance Officer led a detailed review of the risks in the proposals from each Head of Service, considering deliverability, links to other proposals, and possible impacts on those, risks to partner organisations, risks from the economic climate, and impact on customers, among others.

3.5 As a result of the risk assessment a number of options were modified or removed from the proposed budget.

3.6 In relation to the remainder, the risks inherent in the budget proposals have been factored into the risk assessment of reserves.

3.7 Details of the risk review of the budget was reported to the Audit Committee at its meeting of 10th January 2012.

3.8 Overall the Chief Finance Officer considers the estimates to be robust within the assumptions that have been made. Where risks have been identified, these have been taken into account in the risk assessment of reserves (see below).

3.9 Performance against the budget will be monitored regularly throughout the financial year, and will be reported to Cabinet by means of formal reports.

3.10 If necessary management action will be identified to address any adverse variances to the budget.

3.11 The assumptions and potential changing circumstances mean that forecasts for future years need to be reviewed each financial year.

3.12 The review of robustness is at Tables 1 to 7, appended to this Appendix.

4 Capital Budget

4.1 Directorate project managers put forward project bids for the capital programme with full adherence to the corporate capital project appraisal procedures and Financial Regulations.

4.2 The appropriate Directors and Cabinet Member(s) have been consulted and the proposed programme is fully funded.

4.3 Projects have been costed at current year prices with many being subject to tender processes after inclusion in the programme, which may lead to variances in the final cost.

4.4 The Council has to work within a fixed cash limit, so any under provision must be found from within these limits.

4.5 The risk of the Council being unable to finance variations to the programme is considered to be low due to the phasing of projects. If necessary the Council may freeze parts of the programme within the financial year (where permitted under contractual obligations) to ensure that spend is kept within the agreed limits.

4.6 The main risk in the capital programme is delivery of the projects to time. Carry forward from one year to the next can increase pressure on the programme in the following year.

5 Adequacy of Reserves

5.1 The Secretary of State has reserve powers under the Local Government Act 2003 to set a minimum level of reserves. It is more likely that this power would be exercised where an authority is running down its reserves against the advice of the Chief Financial Officer.

5.2 There is no precise methodology for calculating the adequacy of reserves. It is the Council's safety net for unforeseen circumstances and must last the lifetime of the Council, unless contributions are made from the revenue budget. The minimum level of balances cannot be judged merely against the current risks facing the Council, but must be regularly updated as these risks can and will change over time.

5.3 An appropriate level of reserves is determined by a professional judgement based on local circumstances including overall budget value, risks and robustness of budgets, major initiatives being undertaken, budget assumptions, available earmarked reserves and provisions, and the Council's historic record of effective budget management.

5.4 Not keeping a minimum prudent level of reserves can have serious consequences. In the event of a major problem or series of adverse events, the authority could be forced to cut spending on other areas during the year in a potentially damaging and arbitrary way.

5.5 The Chief Financial Officer has developed a risk management approach to the level of reserves and determined that the minimum level should be £3m.

5.6 In arriving at the recommendation on the minimum prudent level of reserves strategic, operational, and financial risks have been taken into account, as has the robustness of estimates information (above) and guidance from CIPFA and Government on Treasury risk.

5.7 Issues taken into account include:

a) There is always some degree of uncertainty over whether the full effects of any efficiency measures/increased income will be achieved. Heads of Service have been asked to be prudent in their assumptions, particularly in relation to demand led budgets.

b) The Bellwin Scheme Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. The local authority is able to claim assistance with the cost of dealing with an emergency over and above a threshold set by Government. The assistance is usually 85% of eligible costs over the threshold. (Up to the threshold the authority must meet 100% of the costs.) The scheme applies to any incident where conditions occur that are clearly exceptional by local standards and the damage to local authority infrastructure or communities must be exceptional in relation to normal experience. In the first instance these costs would be met from reserves.

c) The risk of major litigation.

d) Unplanned volume increases in major demand led budgets, particularly in the context of a growing town.

e) Potential short term differences between the Council's Insurance Reserve and outstanding liabilities, although these should be remedied by the following financial year.

f) The need to retain a general contingency to provide for any unforeseen circumstances which may arise, including risk of emergency repairs to public buildings.

g) The need to retain reserves for general day to day cash flow management.

h) Specific high-risk service issues that were identified during the 2011/12 financial year.

i) Equal Pay Claims

j) Treasury management risks

5.8 The Chief Financial Officer therefore recommends

a) That a minimum prudent level of reserves be set at £3m for 2012/13 (target for 31 March 2012). This will be reviewed at least annually. This minimum level is designed to cope with unpredictable circumstances, which cannot be addressed by management or policy action within the year.

b) That it be noted that this does not represent a medium-long term safe level of reserves. The level can only accommodate the impact of significant events up to the level set, and would need to be replenished if one or more such events actually occur.

6 General Fund Earmarked Reserves

6.1 The Council holds a level of earmarked reserves for specific financial risks in addition to general fund balances.

Isabell Procter,
Chief Financial Officer

Table 1 – Robustness of Estimates – Environment and Culture

Budget Assumption	Commentary on Robustness
The treatment of inflation and interest rates	0% has been assumed for the 2012/13 pay award, and 1% for the 2013/14 and 2014/15 pay awards. A vacancy factor has been built into the budgets for all 3 years, which should be achieved 'naturally'.
The treatment of demand led pressures	All Heads of Service have reviewed their base budgets, including demand led pressures. Directorates are expected to put forward management and policy actions to manage additional demand within the relevant legislation either within the relevant budget or by reprioritising the Directorate budgets. The budgets for demand led services in the Environment and Culture Directorate were calculated using previous trends and future forecasts of the volatility of expenditure demands and income streams, taking account of the current economic climate.
The treatment of efficiency savings/productivity gains.	All Directors and Heads of Service have a responsibility to ensure the efficient delivery of services, and when efficiency savings are proposed that those savings are realistic in terms of both the level of savings and the timing. The Environment and Culture Directorate has reviewed its services to establish whether services can be delivered more efficiently. Savings have been identified through service restructure and changes in working practices.
Financial Risks inherent in any significant partnerships, major outsourcing or major capital developments	The Directorate will manage financial risks through consistent monitoring of the revenue budget and capital programme, and by identifying and implementing management actions should any overspends arise. Robust arrangements have been put in place to monitor the environmental services contract to ensure it is delivered in accordance with specified standards and corrective action is taken promptly, as necessary, in the event of any service failures Robust arrangements are in place to monitor the performance of the leisure trust in accordance with the management agreement.
The availability of other funds to deal with major contingencies.	This Directorate has a specific earmarked reserve for Arts. The Directorate will continue to undertake effective in-year monitoring of volatile budgets and produce a managed response by means of monitored action plans to any budget pressures arising in the year.
The Directorate's track record in budget and financial management.	The Environment and Culture Directorate's recent track record of budget and financial management is that as at month 10 the Directorate is forecasting an over spend of £383k for 2011/12. The overspend related to the costs incurred in the during the period before the start of the Environmental Services contract and the down turn in car parking income. The later has been taken into account as part of the budget process and a reserve put in place in case of further issues
The Directorate's capacity to manage in-year budget pressures	The Environment and Culture Directorate undertakes regular monthly monitoring to promptly identify budget pressures and savings. It is working to improve its ability to develop and monitor action plans and implement solutions to address such pressures as necessary.

Table 2 – Robustness of Estimates – Finance and Support Services

Budget Assumption	Commentary on Robustness
The treatment of inflation and interest rates	0% has been assumed for the 2012/13 pay award, and 1% for the 2013/14 and 2014/15 pay awards. A vacancy factor has been built into the budgets for all 3 years, which should be achieved 'naturally'.
The treatment of demand led pressures	All Heads of Service have reviewed their base budgets, including demand led pressures. Directorates are expected to put forward management and policy actions to manage additional demand within the relevant legislation either within the relevant budget or by reprioritising the Directorate budgets. The budgets for demand led services in the Finance and Support Directorate were calculated using previous trends and future forecasts of the volatility of expenditure demands and income streams, taking account of the current economic climate. The directorate will continue to review the delivery of its services and take every opportunity to streamline and improve efficiency
The treatment of efficiency savings/productivity gains.	All Directors and Heads of Service have a responsibility to ensure the efficient delivery of services, and when efficiency savings are proposed that those savings are realistic in terms of both the level and timing of savings. The Finance and Support Services Directorate has reviewed its services to establish whether they can be delivered more efficiently. Savings have been identified through changes in working practices, contract changes, and restructuring,
Financial Risks inherent in any significant partnerships, major outsourcing or major capital developments	The Directorate will manage existing financial risks through consistent, evidenced monitoring of the revenue budget and capital programme and by identifying, implementing, and monitoring management actions should any overspends arise. The risks outsourcing of ICT during 2012/13 will be mitigated by ensuring that the contract is robust and delivers value for money.
The availability of other funds to deal with major contingencies.	There are contingency funds specifically available in relation to earmarked reserves for insurance, and core business systems available to this Directorate. The Directorate will continue to monitor volatile budgets in year and produce a managed response to budget pressures.
The Directorate's track record in budget and financial management.	The Finance and Support Services Directorate's recent track record of budget and financial management is that as at month 10 the Directorate has a forecast over spend of £54k for 2011/12, mainly due to subsidy payments.
The Directorate's capacity to manage in-year budget pressures	The Finance and Support Services Directorate undertakes regular monthly monitoring to promptly identify budget pressures and savings. It endeavours to develop and monitor action plans and implement solutions to address pressures as necessary.

Table 3 – Robustness of Estimates – Planning & Regeneration

Budget Assumption	Commentary on Robustness
The treatment of inflation and interest rates	0% has been assumed for the 2012/13 pay award, and 1% for the 2013/14 and 2014/15 pay awards. A vacancy factor has been built into the budgets for all 3 years, which should be achieved 'naturally'.
The treatment of demand led pressures	All Heads of Service have reviewed their base budgets, including demand led pressures. Directorates are expected to put forward management and policy actions to manage additional demand within the relevant legislation either within the relevant budget or by reprioritising the Directorate budgets. The budgets for demand led services in the Planning & Regeneration Directorate have been calculated using previous trends and forecasts of the volatility of expenditure demands and income streams, taking account of the current economic climate. Specific demand led pressures for the Planning & Regeneration Directorate include; Transfer of development management powers from WNDC, major inquiries and complex s.106 Agreements; the impact of the localism bill and increase in development activity particularly with the success of major town centre regeneration schemes. The Enterprise Zone and the preparation of LDO's will create extra pressure on capacity and resource. Neighbourhood planning will impact on capacity/resource.
The treatment of efficiency savings/productivity gains.	All Directors and Heads of Service have a responsibility to ensure the efficient delivery of services, and when efficiency savings are proposed that those savings are realistic in terms of both the level of savings and the timing. The Planning and Regeneration Directorate has reviewed its services to establish whether services can be delivered more efficiently. Savings have been identified through changes in working practices, and restructuring.
Financial Risks inherent in any significant partnerships, major outsourcing or major capital developments	The Directorate will manage existing financial risks through consistent monitoring of the revenue budget and capital programme and by identifying, implementing, and monitoring management actions should any overspends arise.
The availability of other funds to deal with major contingencies.	The Directorate will continue to monitor volatile budgets in year and produce a managed response to budget pressures.
The Directorate's track record in budget and financial management.	The Planning & Regeneration Directorate's recent track record of budget and financial management is that as at month 10 the Directorate is forecasting savings of £491k for 2011/12. This was in part due to the successful outcome from a ground rent review has meant that was a one off saving of £332k due to the backdating of the monies.
The Directorate's capacity to manage in-year budget pressures	The Planning & Regeneration Directorate undertakes regular monthly monitoring to promptly identify budget pressures and savings. It endeavours to develop and monitor appropriate action plans and implement solutions to address such pressures as necessary.

Table 4 – Robustness of Estimates – Assistant Chief Executive

Budget Assumption	Commentary on Robustness
The treatment of inflation and interest rates	0% has been assumed for the 2012/13 pay award, and 1% for the 2013/14 and 2014/15 pay awards. A vacancy factor has been built into the budgets for all 3 years, which should be achieved 'naturally'. A 0% increase has also been assumed for members' allowances in line with the staff pay award assumptions.
The treatment of demand led pressures	All Heads of Service have reviewed their base budgets, including demand led pressures. Directorates are expected to put forward management and policy actions to manage additional demand within the relevant legislation either within the relevant budget or by reprioritising the Directorate budgets. The budgets for demand led services in the Assistant Chief Executive areas have been calculated using previous trends and forecasts of the volatility of expenditure demands and income streams, taking account of the current economic climate.
The treatment of efficiency savings/productivity gains.	All Directors and Heads of Service have a responsibility to ensure the efficient delivery of services, and when efficiency savings are proposed that those savings are realistic in terms of both the level of savings and the timing. The Assistant Chief Executive areas have reviewed their services to establish whether they can be delivered more efficiently. Savings have been identified through restructures. On completion of the senior management restructure the Assistant Chief Executive will no longer exist and the services and responsibilities will be moved into other Directorate areas.
Financial Risks inherent in any significant partnerships, major outsourcing or major capital developments	The Heads of Services who will be responsible for parts of the Assistant Chief Executive area will manage existing financial risks through consistent monitoring of the revenue budget and capital programme and by identifying, implementing, and monitoring management actions should any overspends arise.
The availability of other funds to deal with major contingencies.	The budgets which currently fall under the Assistant Chief Executive area has no specific contingent reserves available to it. The heads of services taking on the responsibilities for the areas will monitor volatile budgets in year and produce a managed response to budget pressures.
The Directorate's track record in budget and financial management.	The Assistant Chief Executive areas' recent track record of budget and financial management is that as at month 10 the Directorate is forecasting a saving of £348k for 2011/12. This is in part due savings arising as a result of the Borough Council Election being held in combination with the UK parliamentary voting system where costs were shared equally between these two areas, with the referendum costs being funded by central government. Therefore the Council's election costs were approximately halved.
The Directorate's capacity to manage in-year budget pressures	The Heads of Service who will take on responsibility for the Assistant Chief Executive areas will undertake regular monthly monitoring to promptly identify budget pressures and savings. They will endeavour to develop and monitor appropriate action plans and implement solutions to address such pressures as necessary.

Table 5 – Robustness of Estimates – Borough Solicitor

Budget Assumption	Commentary on Robustness
The treatment of inflation and interest rates	0% has been assumed for the 2012/13 pay award, and 1% for the 2013/14 and 2014/15 pay awards. A vacancy factor has been built into the budgets for all 3 years, which should be achieved 'naturally'.
The treatment of demand led pressures	All Heads of Service have reviewed their base budgets, including demand led pressures. Directorates are expected to put forward management and policy actions to manage additional demand within the relevant legislation either within the relevant budget or by reprioritising the Directorate budgets. The budgets for demand led services in the Borough Solicitor area have been calculated using previous trends and forecasts of the volatility of expenditure demands and income streams, taking account of the current economic climate.
The treatment of efficiency savings/productivity gains.	All Directors and Heads of Service have a responsibility to ensure the efficient delivery of services, and that efficiency savings proposed are realistic in terms of both the level of savings and the timing. The Borough Solicitor has reviewed the service to establish whether it can be delivered more efficiently. Savings have been identified through service restructure and revised working practices.
Financial Risks inherent in any significant partnerships, major outsourcing or major capital developments	The Borough Solicitor will manage existing financial risks through consistent monitoring of the revenue budget and capital programme and by identifying, implementing, and monitoring management actions should any overspends arise. Managing demand peak and troughs has been challenging given the considerable demands on the service led by large corporate projects. Key roles have had to be supported by Locum cover, pending the recruitment of permanent specialist staff to vacant positions.
The availability of other funds to deal with major contingencies.	The Borough Solicitor has the St Peters Way earmarked reserve available to it. The Borough Solicitor will continue to monitor volatile budgets in year and produce a managed response to budget pressures. Steps have been taken to address the major issues that have been identified through the 2011/12 budget monitoring in the 2012/13 budget where appropriate.
The Directorate's track record in budget and financial management.	The Borough Solicitor area's recent track record of budget and financial management is that as at month 10 the Directorate is forecasting an over spend of £81k for 2011/12, mainly due to the use of a locum solicitor to cover a vacant post.
The Directorate's capacity to manage in-year budget pressures	The Borough Solicitor area undertakes regular monthly monitoring to promptly identify budget pressures and savings. It endeavours to develop and monitor appropriate action plans and implement solutions to address such pressures as necessary.

Table 6 – Robustness of Estimates – Housing General Fund

Budget Assumption	Commentary on Robustness
The treatment of inflation and interest rates	0% has been assumed for the 2012/13 pay award, and 1% for the 2013/14 and 2014/15 pay awards. A vacancy factor has been built into the budgets for all 3 years, which should be achieved 'naturally'.
The treatment of demand led pressures	All Heads of Service have reviewed their base budgets, including demand led pressures. Directorates are expected to put forward management and policy actions to manage additional demand within the relevant legislation either within the relevant budget or by reprioritising the Directorate budgets. The budgets for demand led services in the Housing Directorate have been calculated using previous trends and forecasts of the volatility of expenditure demands and income streams, taking account of the current economic climate. The implementation of the Localism Act and Welfare Reform through out the year are forecast as high risk to the delivery of the budget as numbers of re possession, homeless; use of temporary accommodation and Bed and Breakfast are increasingly volatile.'
The treatment of efficiency savings/productivity gains.	All Directors and Heads of Service have a responsibility to ensure the efficient delivery of services, and that efficiency savings proposed are realistic in terms of both the level of savings and the timing. The Housing Directorate has reviewed the services to establish whether services can be delivered more efficiently. Savings have been identified through service restructure and an increase in fee income within the Housing Solutions Service
Financial Risks inherent in any significant partnerships, major outsourcing or major capital developments	The Housing Directorate will manage existing financial risks through consistent monitoring of the revenue budget and capital programme and by identifying, implementing, and monitoring management actions should any overspends arise.
The availability of other funds to deal with major contingencies.	The Housing Directorate has the Rent Deposit Scheme Reserve available to it. The Housing Directorate will continue to monitor volatile budgets in year and produce a managed response to budget pressures.
The Directorate's track record in budget and financial management.	The Housing Directorate's recent track record of financial management is that as at month 10 the Housing General Fund is forecasting an over spend of £26k for 2011/12.
The Directorate's capacity to manage in-year budget pressures	The Housing Directorate undertakes regular monthly monitoring to identify budget pressures and savings promptly. It endeavours to develop and monitor appropriate action plans and implement solutions to address such pressures as necessary.

Table 7 – Robustness of Estimates – Debt Financing

Budget Assumption	Commentary on Robustness
The treatment of inflation and interest rates	Based on the latest projections from the Council's treasury management advisors, Sector, and taking into account local circumstances, an average interest rate of 0.70% has been assumed for 2012/13 on investments, with the average interest on the Council's long term borrowing budgeted at 5.37%.
Financial Risks inherent in any significant partnerships, major outsourcing or major capital developments	This can be a volatile budget, particularly in the current economic environment, and there are recognised risks to delivering this budget depending on the level of borrowing the authority needs to undertake to fund its capital programme and the interest rates available for both borrowing and investment. The Directorate will manage existing financial risks through adherence to the Council's treasury management strategy, consistent monitoring of the revenue budget, and by identifying, implementing, and monitoring management actions should any overspends arise.
The availability of other funds to deal with major contingencies.	There is a specific earmarked reserve for debt financing to cater for the volatility of interest rates. The Directorate will continue to monitor this volatile budget in year and produce a managed response to budget pressures.
The Directorate's track record in budget and financial management.	The Debt Financing area's recent track record of budget and financial management is that as at month 10 the debt financing budget is forecasting a saving of £507k. This is due to an over achievement of investment income as a result of higher balances during the year due mainly to capital carry forward, so has no impact for 2012/13. There is also a technical financing adjustment which contributes to this one off saving.
The Directorate's capacity to manage in-year budget pressures	Regular monthly monitoring is undertaken on the debt financing budget to promptly identify budget pressures and savings. The Directorate endeavours to develop and monitor appropriate action plans and implement solutions to address pressures as necessary.

Fees & Charges Booklet 2012/13

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
Waste Services				
Bulky Waste Collection	Up to three items	Non - S	26.35	26.35
Note: the VAT status of some trade waste services (below) has changed between 2010/11 and 2011/12				
Skip Collection Service	Non - recyclable waste - per tonne	Non - S	96.04	96.04
(to be confirmed)	Administration fee		53.63	53.63
	Mileage charge - per mile		1.03	1.03
	Waste above one tonne - prices available from Waste Minimisation Team			
Skip Hire	1 - 7 Day Hire	Non - S	POA	POA
Domestic Sacks	per 91	Non - S	4.67	0.00
Charity Sacks	per 25	Non - S	23.91	23.91
Cemetery				
Grant of Right	Adult Grave for 1 - 5'6"	Non - S	400.00	400.00
	Adult Grave for 2 - 6'6"	Non - S	462.00	462.00
	Adult Grave for 3 - 7'6"	Non - S	525.00	525.00
	Child	Non - S	79.00	79.00
	Cremated Remains	Non - S	150.00	150.00
Internment Fee Mon - Friday	Grave depth 7'6"	Non - S	501.00	501.00
	Grave depth 6'6"	Non - S	438.00	438.00
	Grave depth 5'6"	Non - S	400.00	400.00
	Child up to 12 Years	Non - S	63.00	63.00
	Still Born-1 Month Old	Non - S	No Charge	No Charge
	Cremated Remains	Non - S	150.00	150.00
	Scattering of Ashes	Non - S	21.00	21.00
	Mausoleum	Non - S	3,653.00	3,653.00
Vault	Grant of Right and First Interment	Non - S	801.00	801.00
	Second Interment	Non - S	376.00	376.00
Memorial Erection Rights	Headstone - Adult	Non - S	107.00	107.00
	Headstone - Child	Non - S	28.00	28.00
	Vase - Plain	Non - S	No Charge	No Charge
	Vase - Inscribed	Non - S	50.00	50.00
Kerb Sets	Kerb only	Non - S	163.00	163.00
	Kerb and Headstone	Non - S	270.00	270.00
	Memorial Tablet	Non - S	50.00	50.00
	Additional Inscription	Non - S	37.00	37.00
	Grave Number Marker	Non - S	15.00	15.00
	Permanent Grave Number Marker	Non - S	23.00	23.00
	Use of Chapel	Non - S	63.00	63.00
	Use of Chapel - Winter fuel charge	Non - S	7.00	7.00
	Search Fee (Inc VAT) -Small Search	Non - S	No Charge	No Charge
	Search Fee (Inc VAT) - Medium search	Non - S	24.00	24.00
	Search Fee (Inc VAT) - Full search	Non - S	64.00	64.00
Non Resident Fees - families that have resided outside the Borough for more than 5 years are charged at 100% on all the above				

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
Allotments				
Standard Plot	10 Poles	Non - S	31.00	31.00
Half size	5 Poles	Non - S	15.00	15.00
	OAP Discount		50%	0%
Gate Key Fee - either £6 or £4 dependent on type of lock used				
Parks				
Some bookings may require a differing VAT treatment than that assumed below. The actual total fee charged may vary as a result.				
Football	Senior Pitch	Non - S	31.00	31.00
	Junior Pitch	Non - S	9.00	9.00
Rugby	Senior Pitch	Non - S	31.00	31.00
	Junior Pitch	Non - S	16.00	16.00
Hockey	Senior Pitch	Non - S	31.00	31.00
	Junior Pitch	Non - S	16.00	16.00
	Changing facilities for the above			
	Mon - Sat	Non - S	11.00	11.00
	Sunday	Non - S	15.00	15.00
	Sunday - Race course	Non - S	16.00	16.00
Cricket	Day Match	Non - S	43.00	43.00
	Evening Match	Non - S	28.00	28.00
	Junior School Match	Non - S	15.00	15.00
	Junior Practice Wicket	Non - S	15.00	15.00
Bowls	Rink per person , per hour	Non - S	2.30	2.30
	OAP's & Unemployed	Non - S	2.30	2.30
	Matches - 3 rinks per hour	Non - S	20.00	20.00
	Matches - 4 rinks per hour	Non - S	26.00	26.00
	Matches - 5 rinks per hour	Non - S	33.00	33.00
	Hire of Bowls per game	Non - S	1.60	1.60
Tennis	Grass - Per court per hour	Non - S	4.20	4.20
	Hard Court - Per court per hour	Non - S	4.70	4.70
	Per court, per hour with floodlights	Non - S	10.50	10.50
	Children per hour	Non - S	2.10	2.10
	Junior School parties per hour	Non - S	3.20	3.20
Putting	Per round per player	Non - S	1.05	0.00
Mini 5 a Side Football	Returnable Deposit for hire of the goal	Non - S	10.50	10.50
	Hire of pitch	Non - S	5.50	5.50
Call Care				
Non - HRA	Lifelines - Inside Borough Yearly Charge	Non - S	259.91	259.91
	Lifelines - Inside Borough Charge per week	Non - S	4.99	4.99
	Lifelines - Outside Borough Yearly Charge	Non - S	281.82	281.82
	Lifelines - Outside Borough Charge per week	Non - S	5.42	5.42
	Installation Charges - Inside Borough	Non - S	56.72	56.72
	Installation Charges - Outside Borough	Non - S	69.47	69.47
	Monitoring Charges Yearly Charge	Non - S	85.15	85.15
	Monitoring Charges Charge per week	Non - S	1.63	1.63

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
	Environmental Health Yearly Charge	Non - S	60.12	60.12
	Environmental Health Charge per week	Non - S	1.15	1.15
Licensing Fees				
Gambling Act 2005				
New Application				
	Existing Casino	S	N/a	N/a
	New Small Casino	S	8,000.00	8,000.00
	New Large Casino	S	10,000.00	10,000.00
	Regional Casino	S	15,000.00	15,000.00
	Bingo Club	S	3,500.00	3,500.00
	Betting Premises	S	3,000.00	3,000.00
	Tracks	S	2,500.00	2,500.00
	Family Entertainment Centre	S	2,000.00	2,000.00
	Adult Gaming Centre	S	2,000.00	2,000.00
Apply to Vary				
	Existing Casino	S	2,000.00	2,000.00
	New Small Casino	S	4,000.00	4,000.00
	New Large Casino	S	5,000.00	5,000.00
	Regional Casino	S	7,500.00	7,500.00
	Bingo Club	S	1,750.00	1,750.00
	Betting Premises	S	1,500.00	1,500.00
	Tracks	S	1,250.00	1,250.00
	Family Entertainment Centre	S	1,000.00	1,000.00
	Adult Gaming Centre	S	1,000.00	1,000.00
Apply to Transfer				
	Existing Casino	S	1,350.00	1,350.00
	New Small Casino	S	1,800.00	1,800.00
	New Large Casino	S	2,150.00	2,150.00
	Regional Casino	S	6,500.00	6,500.00
	Bingo Club	S	1,200.00	1,200.00
	Betting Premises	S	1,200.00	1,200.00
	Tracks	S	950.00	950.00
	Family Entertainment Centre	S	950.00	950.00
	Adult Gaming Centre	S	1,200.00	1,200.00
Licensing Fees				
Gambling Act 2005				
Apply for Re-instatement				
	Existing Casino	S	1,350.00	1,350.00
	New Small Casino	S	1,800.00	1,800.00
	New Large Casino	S	2,150.00	2,150.00
	Regional Casino	S	6,500.00	6,500.00
	Bingo Club	S	1,200.00	1,200.00
	Betting Premises	S	1,200.00	1,200.00
	Tracks	S	950.00	950.00
	Family Entertainment Centre	S	950.00	950.00
	Adult Gaming Centre	S	1,200.00	1,200.00
	Copy Licence	S	25.00	25.00
Apply for Provisional Statement	Existing Casino	S	N/a	N/a
	New Small Casino	S	8,000.00	8,000.00
	New Large Casino	S	10,000.00	10,000.00
	Regional Casino	S	15,000.00	15,000.00
	Bingo Club	S	3,500.00	3,500.00
	Betting Premises	S	3,000.00	3,000.00
	Tracks	S	2,500.00	2,500.00
	Family Entertainment Centre	S	2,000.00	2,000.00
	Adult Gaming Centre	S	2,000.00	2,000.00
Full Licence Application - Provisional Statement	Existing Casino	S	N/a	N/a

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
	New Small Casino	S	3,000.00	3,000.00
	New Large Casino	S	5,000.00	5,000.00
	Regional Casino	S	8,000.00	8,000.00
	Bingo Club	S	12,000.00	12,000.00
	Betting Premises	S	12,000.00	12,000.00
	Tracks	S	950.00	950.00
	Family Entertainment Centre	S	950.00	950.00
	Adult Gaming Centre	S	1,200.00	1,200.00
Annual Fee				
	Existing Casino	S	3,000.00	3,000.00
	New Small Casino	S	5,000.00	5,000.00
	New Large Casino	S	10,000.00	10,000.00
	Regional Casino	S	15,000.00	15,000.00
	Bingo Club	S	1,000.00	1,000.00
	Betting Premises	S	600.00	600.00
	Tracks	S	1,000.00	1,000.00
	Family Entertainment Centre	S	750.00	750.00
	Adult Gaming Centre	S	1,000.00	1,000.00
Notification of Change				
	Existing Casino	S	50.00	50.00
	New Small Casino	S	50.00	50.00
	New Large Casino	S	50.00	50.00
	Regional Casino	S	50.00	50.00
	Bingo Club	S	50.00	50.00
	Betting Premises	S	50.00	50.00
	Tracks	S	50.00	50.00
	Family Entertainment Centre	S	50.00	50.00
	Adult Gaming Centre	S	25.00	25.00
	Notifications Section 34	S	50.00	50.00
	Machines New	S	100.00	100.00
	Club Permits Pt 2 & 3 New	S	100.00	100.00
Premises Grant & Variation				
	Band A Rateable Property	S	100.00	100.00
	Band B Rateable Property	S	190.00	190.00
	Band C Rateable Property	S	315.00	315.00
	Band D Rateable Property	S	450.00	450.00
	Band E Rateable Property	S	635.00	635.00
Annual Fees				
	Band A Rateable Property	S	70.00	70.00
	Band B Rateable Property	S	180.00	180.00
	Band C Rateable Property	S	295.00	295.00
	Band D Rateable Property	S	320.00	320.00
	Band E Rateable Property	S	350.00	350.00
	Personal (Grant or Renewal)	S	37.00	37.00
	Temporary Event Notice	S	21.00	21.00
	Theft, loss etc. of Premises Licence or Summary	S	10.50	10.50
	Provisional Statement	S	315.00	315.00
	Personal Notification of Change of Address	S	10.50	10.50
	Variation of Specified Person as Premises Supervisor	S	23.00	23.00
	Transfer of Premises Licence	S	23.00	23.00
	Interim Authority Notice	S	23.00	23.00
	Theft, loss etc. of Club Certificate	S	10.50	10.50
	Notification of Change of Name or Rules of a Club	S	10.50	10.50
	Change of Registered Address of a Club	S	10.50	10.50
	Theft, Loss of Temporary Event Notice	S	10.50	10.50
	Theft, Loss of Personal Licence	S	10.50	10.50
	Premises - Duty to Notify a Change of Address	S	10.50	10.50
	Right of Freeholder to be Notified	S	21.00	21.00
	Minor Variation	S	89.00	89.00
Hackney Carriage & Private Hire Fees				

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
Drivers Licence Fees	New Grant/ Renewal	Non - S	45.50	45.50
	Renewal of licence with CRB	Non - S	91.50	91.50
	Failure to attend CRB Appointment	Non - S	10.00	10.00
	Combined New Grant / Renewal	Non - S	57.00	57.00
	Hackney Carriage written Test	Non - S	50.00	50.00
	Replacement HC or PH Badge	Non - S	15.00	15.00
	Replacement HC or PH Licence	Non - S	20.00	20.00
Vehicle Fees	Temporary Private Hire/ Hackney Badge	Non - S	10.00	10.00
	New Private Hire/Hackney Application (inc bracket)	Non - S	90.00	90.00
	Vehicle Licence every 6 months	Non - S	85.00	85.00
	Transfer of vehicle	Non - S	10.00	10.00
	Replacement Vehicle Plate	Non - S	15.00	15.00
	Replacement Vehicle Licence	Non - S	20.00	20.00
	Replacement Platform Plate	Non - S	10.00	10.00
	Replacement Condition Booklet	Non - S	5.00	5.00
	Replacement Fixing Bracket	Non - S	10.00	10.00
Operator renewal	Annual Private Hire Operators Licence	Non - S	300.00	300.00
	Operator Renewal Number of vehicles			
	1	Non - S	200.00	200.00
	2-5	Non - S	300.00	300.00
	6-20	Non - S	400.00	400.00
	20-30	Non - S	500.00	500.00
	30-40	Non - S	600.00	600.00
	40-50	Non - S	700.00	700.00
	50-60	Non - S	800.00	800.00
	60-70	Non - S	900.00	900.00
	70+	Non - S	1,000.00	1,000.00
	Notification of change of named Operator	Non - S	200.00	200.00
	Driver Induction Course	Non - S	350.00	350.00
	Recovery of monies when Cheque not Honoured	Non - S	30.00	30.00
Miscellaneous				
Car Boot	Pitches 1 - 20 Registration Fee	Non - S	10.00	10.00
	Fee per Event	Non - S	No Fee	No Fee
	Pitches 21 - 50 Registration Fee	Non - S	10.00	10.00
	Fee per Event	Non - S	10.00	10.00
	Pitches 51 - 75 Registration Fee	Non - S	20.00	20.00
	Fee per Event	Non - S	15.00	15.00
	Pitches 76 - 100 Registration Fee	Non - S	20.00	20.00
	Fee per Event	Non - S	20.00	20.00
Sex Establishments	Per Year	Non - S	3,000.00	3,000.00
Street Trading Consents	Fee per Day per Year (i.e. Monday - Friday 5 Days x £100.00 + £500.00 per year)	Non - S	100.00	100.00
Election Fees				
	Copy of Electoral Register			
	Electronic Version - Full Register (restricted sales)	S	338.00	359.00
	Electronic Version - Edited	S	228.00	294.50
	Paper copy- Full Register (restricted sales)	S	1,070.00	1,140.00
	Paper version - Edited	S	705.00	925.00
	Confirmation of registration - Individual	Non - S	15.00	15.00
LAND CHARGES				

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
Standard Fees	Official LLC1 + CON29 Part1 Search	Non - S	98.00	98.00
	Official LLC1 Search	Non - S	48.00	48.00
Non Standard Fees	Part II Optional Enq with CON29 - each	Non - S	15.00	15.00
	Part II Optional Enq without an accompanying CON29 plus £15.00 per question	Non - S	13.20	13.89
	Additional Enquiries - each	Non - S	20.00	20.00
Additional Parcel Fees	Additional parcels of land (up to additional 16 parcels) when submitted with an official LLC1 + CON29 Part1 - each	Non - S	11.50	11.50
	LLC1 only Additional Parcel Fee	Non - S	1.00	1.00
Personal Search Fees	Personal Search	Non - S	0.00	0.00
	Personal Search Additional parcels of land (up to additional 16 parcels) - each	Non - S	0.00	0.00
Copies of Documents	Planning Consent	Non - S	10.00	10.00
	Section 106 Agreement	Non - S	15.00	15.00
	Tree Preservation Order	Non - S	10.00	10.00
	Other remaining copy documents	Non - S	15.00	15.00
Planning				
All Outline Applications				
	Sites up to and including 2.5 Hectares	S	335.00 per 0.1 hectare	335.00 per 0.1 hectare
	Site exceeds 2.5 Hectares £8,285 plus £100 per 0.1 Hectares in excess of 2.5 Hectares to a maximum £125,000	S	8,285.00	8,285.00
Householder Applications	Alterations/extensions to a single dwelling, including works within boundary (including flats)	S	150.00	150.00
Full Applications (and first submissions of reserved matters)	Alterations/extensions to two or more dwellings, including works within boundaries	S	295.00	295.00
	New Dwellings (up to and including 50)	S	335.00 per dwelling	335.00 per dwelling
	New Dwellings (for more than 50) £16,565 plus £100 per additional dwelling to a maximum of £250,000	S	16,565.00	16,565.00
	Erection of buildings not dwellings, agricultural, glasshouses, plant nor machinery, no increase in gross floor space or no more than 40m²	S	170.00	170.00
	Erection of buildings not dwellings, agricultural, glasshouses, plant nor machinery, increase of gross floor space of more than 40m² but no more than 75m²	S	335.00	335.00

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
	Erection of buildings not dwellings, agricultural, glasshouses, plant nor machinery, increase of gross floor space of more than 75m² but no more than 3750m²	S	335.00 for each 75m² or part of	335.00 for each 75m² or part of
	Erection of buildings not dwellings, agricultural, glasshouses, plant nor machinery, increase of gross floor space of more than 3750m² - £16,565 plus £100 for each additional 75m^2 to a max of £250,000	S	16,565.00	16,565.00
	The erection of buildings on land used for agriculture purposes with a site area of no more than 465m²	S	70.00	70.00
	The erection of buildings on land used for agriculture purposes with a site area of more than 465m² but not more than 540m²	S	335.00	335.00
	The erection of buildings on land used for agriculture purposes with a site area of more than 540m² but no more than 4,215m² - £335 for first 540m² plus £335 for each 75m² or part thereof	S	335.00	335.00
	The erection of buildings on land used for agriculture purposes with a site area of more than 4,215m² - £16,565 plus £100 for each additional 75m² to a max of £250,000	S	16,565.00	16,565.00
	Erection of glasshouses on land used for the purposes of agriculture with a floor space no more than 465m²	S	70.00	70.00
	Erection of glasshouses on land used for the purposes of agriculture with a floor space more than 465m²	S	1,870.00	1,870.00
	Erection/Alterations/Replacement of plant and machinery on a site no more than 5 hectares	S	335.00 per 0.1 hectare	335.00 per 0.1 hectare
	Erection/Alterations/Replacement of plant and machinery on a site that exceeds 5 Hectares -£16,565 plus £100 per 0.1 Hectares in excess of 5 Hectares to a maximum £250,000	S	16,565.00	16,565.00
Applications other than Building Works				
	Car Parks, Service Roads or Other Accesses for existing uses	S	170.00	170.00
	Waste, Use of land for disposal of refuse or waste materials or deposit of material remaining after extraction or storage of minerals on a site no more than 15 hectares	S	170.00 for each 0.1 hectare or part thereof	170.00 for each 0.1 hectare or part thereof
	Waste, Use of land for disposal of refuse or waste materials or deposit of material remaining after extraction or storage of minerals on a site more than 15 hectares - £25,315 plus £100 per 0.1 hectare in excess of 15 hectares up to a maximum of £65,000	S	25,315.00	25,315.00
	Operations connected with exploratory drilling for oil or natural gas on a site no more than 7.5 hectares	S	335.00 per 0.1 hectare	335.00 per 0.1 hectare
	Operations connected with exploratory drilling for oil or natural gas on a site that exceeds 7.5 Hectares £25,000 plus £100 for each 0.1 Hectare in excess of 7.5 Hectares to a max £250,000	S	25,000.00	25,000.00
	Other operations - Winning and working of a site that does not exceed 15 Hectares	S	170.00 per 0.1 hectare	170.00 per 0.1 hectare
	Other operations - Winning and working of a site that exceeds 15 Hectares - £25,315 plus £100 for each additional 0.1 Hectare in excess of 15 Hectares up to £65,000	S	25,315.00	25,315.00

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
	Other operations not coming within any of the above categories up to a maximum £250,000	S	170.00 per 0.1 hectare	170.00 per 0.1 hectare
Reserved Matters	Application for approval of reserved matters following outline approval - Full Fee due, or if already paid then £335 due	S	Full fee due	Full fee due
Approval/ Variation/ Discharge of condition	Application for removal or variation of a condition following grant of planning permission	S	170.00	170.00
	Request for confirmation that one or more planning conditions have been complied with - £25 per request for householder	S	25.00 per request	25.00 per request
	Request for confirmation that one or more planning conditions have been complied with - others £85 per request		85.00 per request	85.00 per request
Change of use of a building				
	Change of use of a building to use as one or more separate dwelling houses, or other cases, no more than 50 dwelling	S	335.00 for each	335.00 for each
	Change of use of a building to use as one or more separate dwelling houses, or other cases, where change of use exceeds 50 dwelling houses - £16,565 plus £100 for each additional dwelling house up to a maximum of £250,000	S	16,565.00	16,565.00
	Other changes of use, other material change of use of a building or land	S	335.00	335.00
ADVERTISEMENT				
	Advertisement relating to business on the premises	S	95.00	95.00
	Advance signs which are not situated on or visible from the site, directing the public to a business	S	95.00	95.00
	All other advertisements	S	335.00	335.00
Lawful development certificates				
	LDC - Existing use - in breach of a planning condition	S	Same as full	Same as full
	Existing use LDC - lawful not to comply with a particular condition	S	170.00	170.00
	LDC - Proposed Use	S	Half normal planning fee	Half normal planning fee
Prior Approval				
	Agricultural / forestry buildings & operations or demolition of buildings	S	70.00	70.00
	Installation of a radio mast ,radio equipment, housing or public callbox	S	335.00	335.00
Weekly List of Planning applications	£200 per year or £20 per month	Non - S	200.00	200.00
Copy of decision notice		Non - S	10.00	10.00
Copy Tree Preservation order		Non - S	10.00	10.00

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
Copy of Appeal Decision Notice		Non - S	10.00	10.00
Copy of Enforcement Notices		Non - S	10.00	10.00
Copy of Section 106		Non - S	15.00	15.00
Photocopying				
A4	20p a sheet	Non - S	0.20	0.20
A3	40p a sheet	Non - S	0.40	0.40
A2	per sheet	Non - S	3.00	3.00
A1	per sheet	Non - S	4.00	4.00
A0	per sheet	Non - S	5.00	5.00
Ordnance Survey Extracts	Set of 6 A4 extracts of 1:500 scale	Non - S	20.00	20.00
	Set of 6 A4 extracts of 1:1250 scale	Non - S	25.00	25.00
	Set of 6 A4 extracts of 1:2500 scale	Non - S	30.00	30.00
Planning Policy Documents	Consultants' Reports	Non - S	POA	POA
	Central Area Action Area Plan Issues and Options			
	CAAP Background documents			
	CAAP Preferred Option, Submission Draft and all supporting documents	S and Non-S	POA	POA
	West Northamptonshire Joint Planning Unit documentation in connection with the Joint Core Strategy and other DPD's	S and non-S	POA	POA
	Proposed introduction of charges for provision of services as from the 1st May 2009 (subject to Cabinet approval)			
	Commercial Pre-application advice	Non - S	POA	POA
	Major Development 10 -20 dwellings	Non - S	10% of fee	10% of fee
	Major Development 21+ dwellings	Non - S	10% of fee	10% of fee
	Major Development Offices/Research and Development/Light	Non - S	10% of fee	10% of fee
	Major Development Heavy Industry/Storage/Warehousing	Non - S	10% of fee	10% of fee
	Major Development Retail, Distribution and Servicing	Non - S	10% of fee	10% of fee
	All other major development	Non - S	10% of fee	10% of fee
	Minor development 1 dwelling	Non - S	35.00	35.00
	Minor development 2-9 dwellings	Non - S	75.00	75.00
	Minor development Offices/Research and Development/Light industry	Non - S	150.00	150.00
	Minor development Heavy Industry/ Storage/ Warehousing	Non - S	150.00	150.00
	Minor development Retail and Distribution	Non - S	150.00	150.00
	All other minor development	Non - S	10% of fee	10% of fee
	Change of Use	Non - S	10% of fee	10% of fee
	Householder Developments	Non - S	no fee	no fee
	Advertisements	Non - S	15.00	15.00
	Listed Building Consent to alter/extend	Non - S	quote required	quote required
	Listed Building Consent to demolish	Non - S	quote required	quote required
	Conservation Area Consents	Non - S	50.00	50.00
	Other (not included in the above)	Non - S	25.00	25.00
	Meetings and/or Site Visits (per 30 Minutes)	Non - S	£65 per 30 mins	£65 per 30 mins
Request for current use of property	All properties	Non - S	POA	POA
Other Ancillary Charges	Householder Enquiries	Non - S	POA	POA
	Permitted Development Enquiries (other)	Non - S	POA	POA
	History and Investigation	Non - S	50.00	50.00
	Conservation Area Consents	Non - S	POA	POA
	Other (not included in the above)	Non - S	POA	POA
	Meetings and/or Site Visits (per 30 Minutes)	Non - S	POA	POA

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
Building Control				
New Dwellings up to 300 square m				
Number of Dwellings 1 to 5 dwellings as set out				
1	Plan Charge	S	167.36	167.36
1	Inspection Fee	S	502.08	502.08
1	Building Notice Charge	S	736.38	736.38
1	Regularisation Charge	S	870.27	870.27
2	Plan Charge	S	225.88	225.88
2	Inspection Fee	S	677.65	677.65
2	Building Notice Charge	S	993.90	993.90
2	Regularisation Charge	S	1,174.58	1,174.58
3	Plan Charge	S	299.80	299.80
3	Inspection Fee	S	899.43	899.43
3	Building Notice Charge	S	1,319.17	1,319.17
3	Regularisation Charge	S	1,559.00	1,559.00
4	Plan Charge	S	351.14	351.14
4	Inspection Fee	S	1,053.44	1,053.44
4	Building Notice Charge	S	1,545.04	1,545.04
4	Regularisation Charge	S	1,825.95	1,825.95
5	Plan Charge	S	402.49	402.49
5	Inspection Fee	S	1,207.46	1,207.46
5	Building Notice Charge	S	1,770.94	1,770.94
5	Regularisation Charge	S	2,092.93	2,092.93
For each additional dwelling add £5.25 Plan Charge, £78.75 Inspection Charge or £84 Building Notice Charge + VAT				
For six or more dwellings or if the floor area of the dwellings exceeds 300m square the charge is individually determined				
Detached garage of car port up to 40m square	Plan Charge	S	265.20	265.20
	Inspection Fee	S	Included in Plan Charge	Included in Plan Charge
	Building Notice Charge	S	265.20	265.20
	Regularisation Charge	S	287.30	287.30
Detached garage of car port over 40m square to 60m square	Plan Charge	S	n/a	n/a
	Inspection Fee	S	n/a	n/a
	Building Notice Charge	S	n/a	n/a
	Regularisation Charge	S	n/a	n/a
Attached single storey extension of garage or car port up to 40m square	Plan Charge	S	156.00	156.00
	Inspection Fee	S	132.00	132.00
	Building Notice Charge	S	288.00	288.00
	Regularisation Charge	S	312.00	312.00
Domestic extension up to 10m square	Plan Charge	S	156.00	156.00
	Inspection Fee	S	190.80	190.80
	Building Notice Charge	S	346.80	346.80
	Regularisation Charge	S	375.70	375.70
Domestic extension 10m to 40m square	Plan Charge	S	156.00	156.00
	Inspection Fee	S	313.20	313.20
	Building Notice Charge	S	469.20	469.20
	Regularisation Charge	S	508.30	508.30
Domestic extension 40m to 100m square	Plan Charge	S	168.00	168.00
	Inspection Fee	S	464.40	464.40
	Building Notice Charge	S	632.40	632.40
	Regularisation Charge	S	685.10	685.10
A minimum charge for	Plan Charge	S	156.00	156.00

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
rooms in the roof is	Inspection Fee	S	272.40	272.40
	Building Notice Charge	S	428.40	428.40
	Regularisation Charge	S	464.1	464.1
Conversion of garage to a habitable room(s)	Plan Charge	S	66.3	66.3
	Inspection Fee	S	198.9	198.9
	Building Notice Charge	S	265.2	265.2
	Regularisation Charge	S	287.3	287.3
Domestic external window & door replacements (up to 5)	Building Notice Charge	S	163.20	163.20
	Regularisation Charge	S	176.80	176.80
Domestic external window & door replacements (over 5)	Building Notice Charge	S	204.00	204.00
	Regularisation Charge	S	221.00	221.00
Domestic Internal Alterations, installation of fittings and/or structural work				
Estimated Cost of Building Works £				
0 - 2,000	Plan Charge	S	204.00	204.00
	Inspection Fee	S	0.00	0.00
	Building Notice Charge	S	224.40	224.40
	Regularisation Charge	S	221.00	221.00
2,001 - 5,000	Plan Charge	S	244.80	244.80
	Inspection Fee	S	0.00	0.00
	Building Notice Charge	S	268.80	268.80
	Regularisation Charge	S	265.20	265.20
5,001 - 10,000	Plan Charge	S	71.40	71.40
	Inspection Fee	S	214.20	214.20
	Building Notice Charge	S	314.16	314.16
	Regularisation Charge	S	309.40	309.40
10,001 - 20,000	Plan Charge	S	88.71	88.71
	Inspection Fee	S	266.22	266.22
	Building Notice Charge	S	390.42	390.42
	Regularisation Charge	S	384.51	384.51
20,001 - 35,000	Plan Charge	S	104.04	104.04
	Inspection Fee	S	312.00	312.00
	Building Notice Charge	S	457.64	457.64
	Regularisation Charge	S	450.71	450.71
35,001 - 50,000	Plan Charge	S	130.56	130.56
	Inspection Fee	S	391.68	391.68
	Building Notice Charge	S	574.46	574.46
	Regularisation Charge	S	565.76	565.76
Charges for all non domestic building work				
Estimated Cost of Building Works £				
0 - 2,000	Plan Charge	S	153.00	153.00
	Inspection Fee	S	0.00	0.00
	Building Notice Charge	S	153.00	153.00
	Regularisation Charge	S	165.75	165.75
2,001 - 5,000	Plan Charge	S	269.28	269.28
	Inspection Fee	S	0.00	0.00
	Building Notice Charge	S	269.28	269.28
	Regularisation Charge	S	291.72	291.72
5,001 - 10,000	Plan Charge	S	71.40	71.40
	Inspection Fee	S	214.20	214.20
	Building Notice Charge	S	314.16	314.16
	Regularisation Charge	S	309.40	309.40
10,001 - 20,000	Plan Charge	S	88.74	88.74
	Inspection Fee	S	266.22	266.22
	Building Notice Charge	S	390.45	390.45

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
	Regularisation Charge	S	384.54	384.54
20,001 - 30,000	Plan Charge	S	104.04	104.04
	Inspection Fee	S	312.12	312.12
	Building Notice Charge	S	457.77	457.77
	Regularisation Charge	S	450.84	450.84
30,001 - 50,000	Plan Charge	S	130.56	130.56
	Inspection Fee	S	391.68	391.68
	Building Notice Charge	S	574.46	574.46
	Regularisation Charge	S	565.76	565.76
50,001 - 75,000	Plan Charge	S	160.14	160.14
	Inspection Fee	S	480.42	480.42
	Building Notice Charge	S	704.61	704.61
	Regularisation Charge	S	693.94	693.94
75,001 - 100,000	Plan Charge	S	241.74	241.74
	Inspection Fee	S	725.22	725.22
	Building Notice Charge	S	1063.65	1063.65
	Regularisation Charge	S	1047.54	1047.54
100,001 - 150,000	Plan Charge	S	262.14	262.14
	Inspection Fee	S	787.62	787.62
	Building Notice Charge	S	1207.22	1207.22
	Regularisation Charge	S	1137.24	1137.24
150,001 - 200,000	Plan Charge	S	290.70	290.70
	Inspection Fee	S	872.10	872.10
	Building Notice Charge	S	1337.22	1337.22
	Regularisation Charge	S	1259.70	1259.70
200,001 - 250,000	Plan Charge	S	341.70	341.70
	Inspection Fee	S	1025.10	1025.10
	Building Notice Charge	S	1571.82	1571.82
	Regularisation Charge	S	1480.70	1480.70
For schemes exceeding £250,000 estimated contract price the charge is individually determined				
For each additional £1,000 over £35,000 and up to £100,000 add £2.00 Plan Charge, £6.00 Inspection Charge or £8.00 Building Notice Charge + VAT				
100,001 - 101,000	Plan Charge	S		
	Inspection Fee	S		
	Building Notice Charge	S		
For every £1,000 over £101,000 and up to £1,000,000 additional sum of £0.88 Plan Charge, £2.62 Inspection Fee or £3.50 Building Notice charge + VAT.				
£1,000,000 to £10,000,000 - Please contact the Building Control Office for a quotation in this instance.				
Electrical Work - minimum charge when not carried out in conjunction with other controlled building work		Non - S	198.00	198.00
	Regularisation Charge	Non - S	214.50	214.50
Garage conversions minimum charge		Non - S		
Fees for dealing with dangerous structures				
Out of hours call out charge		Non - S	Stand by rate £30. First 2 hours for first call out at plain time. Every hour after at plain time rate.	Stand by rate £30. First 2 hours for first call out at plain time. Every hour after at plain time rate.
Surveyors mileage costs		Non - S	40p per mile	40p per mile
Surveyors time costs		Non - S	Between £14.02 to £25.14 per hour	Between £14.02 to £25.14 per hour
Administration		Non - S	50.00	50.00
Cost of work to make structure safe will depend on the amount and type of work involved				

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
Exempt Building Certificate		S	29.00	29.00
Retrieval of Plans to enable copies of Certificates to be issued		Non - S	30.00	30.00
Copies of Certificates	Per Copy	Non - S	10.00	10.00
To view Historic / Stored files		Non - S	200.00	200.00
Letters of Confirmation of works carried out if files not available		Non - S	40.00	40.00
Planning Performance agreement	Individual cases			negotiable on an individual case
Environmental Health				
Licences				
Animal boarding establishment	Issue of annual licence traditional border	S	140.00	140.00
Animal boarding establishment	Issue of annual licence domestic border	S	115.00	115.00
Dog breeding	Issue of new licence	S	115.00 + vet fee	115.00 + vet fee
Dog breeding	Licence renewal	S	115.00	115.00
Dangerous wild animal	Licence to keep certain animals	S	258.00 + vet fee	258.00 + vet fee
Pet shops	Annual licence	S	115.00	115.00
Riding establishment	Annual licence	S	90.00 + vet fee	90.00 + vet fee
Zoo Licence			500.00 + vet fee	500.00 + vet fee
Motor salvage operator	3 year registration	S	80.00	80.00
Tattooing, Ear piercing, Acupuncturing, Electrolysis	Registration - one off fee	S	118.00	118.00
Tattoo and body art covention	Administration fee (New for 2012/13)(Per exhibitor)	Non - S	N/A	40.00
Fixed Penalties and Fines				
Smoke Free Areas	No notice displayed - Fixed Penalty Notice reduced to £150 if paid in 14 days	S	200.00	200.00
	Maximum fine on conviction £1000			
	Smoke Free Areas - reduced to £30 if paid within 15 days	S	50.00	50.00
	Maximum fine on conviction £200			
	Maximum fine for managers of smoke free areas £2500			
Certificates & Statements				
Health Export Certificate	Within 3 working days of request	Non - S	60.00	60.00
	Urgent rate	Non - S	90.00	90.00
Environmental Searches	Contaminated land etc	Non - S	65.00	65.00
Consultancy	Hourly rate	Non - S	70.00	70.00
Statement and Legal Advice (Private Cases)	Up to 5 pages	Non - S	160.00	160.00
	Additional pages	Non - S	25.00	25.00
Public Health / Environmental Protection Charges				
Funerals	LA funerals - claim to banks / treasury	S	350.00	500.00
Drainage works filthy	Works in default	S	Cost of work + 40.00 or 10% external fee whichever is greater	cost of work + 40.00 or 10% of external fee whichever is greater
Private Drinking Water Supplies	Risk Assessment		up to 500.00	up to 500.00
	Second Visit / Investigation / Authorisation		up to 100.00	up to 100.00
	Analysing a sample - taken under reg 10		up to 25.00	up to 25.00
	Analysing a sample - taken during check monitoring		up to 100.00	up to 100.00
	Analysing a sample - taken during audit monitoring		up to 500.00	up to 500.00

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
Filthy & verminous premises	Works in default	S	Cost of work + 40.00 an hour	cost of work + 40.00 or 10% of external fee whichever is greater
Silencing of alarms	Burglar, car etc	S	Cost of work + 40.00 or 10% external fee whichever is greater	cost of work + 40.00 or 10% of external fee whichever is greater
Domestic noise	Seizure and storage of noise equipment	Non - S	200.00 first 28 days 1.00 / day after	200.00 first 28 days 1.00 per day after
LA Environmental Regulations of Industrial Plant	LAPC / LAPPC / LA-IPPC application for permit / renewal	S	Set by DEFRA	set by DEFRA
Animal Welfare Service				
Stray Dogs	Stray dog release fee	Non - S	48.00 + kennel charges	48.00 + kennel charges
Fixed Penalties - to be approved at Cabinet				
Dogs	Dog fouling (FPN) (discounted amount £50)	S	80.00	80.00
Dogs	Dog control (FPN) new for CN & E Act (discounted amount £50)	S	80.00	80.00
Litter	Depositing Litter (discounted amount £50)	S	80.00	80.00
Litter	Failure to comply with street litter clearing notice (discounted amount £80)	S	110.00	110.00
Litter	Failure to comply with waste receptive notice (discounted amount £60)	S	100.00	100.00
Litter	Unauthorised distribution of litter on designated land (discounted amount £50)	S	80.00	80.00
Litter and Waste	Failure to produce waste transfer note (waster's carriers licence)	S	300.00	300.00
Graffiti / Fly Posting	Graffiti and Fly Posting (discounted amount £50)	S	80.00	80.00
Noise	Failure to nominate key holder (discounted amount £50)	S	80.00	80.00
Noise	Noise from premises - dwelling (discounted amount £80)	S	110.00	110.00
Noise	Noise from premises - licensed premises	S	500.00	500.00
Parking (cars for sale)	Nuisance premises	S	100.00	100.00
Photocopying and Printing				
	First A4 sheet	Non - S	2.50	2.50
	Additional sheets	Non - S	0.25	0.25
	A3	Non - S	3.00	3.00
	Additional sheets	Non - S	0.30	0.30
	Copying Statutory Notices	Non - S	20.00	20.00
General	Copy of taped interview	Non - S	11.75	11.75
HMO Licence	Processing application & granting licence to high risk HMO's	S	£700.00 per new application	£700.00 per new application and per renew of the licence
Student Accreditation		Non - S	25.00	0.00
Immigration	Request for letter confirming property is satisfactory for intended immigrant	Non - S	125.00	0.00
Housing Act - Enforcement	Charging for taking enforcement action including works in default	S	Cost of work + 35.00 admin	0.00
Viewing of Registers	Free office viewing or internet (where applicable) – charge for copy	Non - S	200.00	200.00
RSL Framework	registration	Non - S	0.00	1,000.00

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
Choice Based Lettings	Flat rate charge for advertising a property	Non - S	70.00	75.00
Car Parks				
Charges				
	Up to 1 hour - Premium	Non - S	0.80	0.60
	Up to 1 hour	Non - S	0.60	0.60
	Up to 2 hours - Premium	Non - S	1.60	1.20
	Up to 2 hours	Non - S	1.20	1.20
	Up to 3 hours - Premium	Non - S	2.40	2.40
	Up to 3 hours	Non - S	1.80	2.40
	Up to 4 hours - Premium	Non - S	3.20	3.20
	Up to 4 hours	Non - S	2.40	3.20
	Up to 5 hours - Premium	Non - S	4.00	4.00
	Up to 5 hours	Non - S	3.00	4.00
	All Day - Premium	Non - S	7.00	7.00
	All Day	Non - S	5.00	7.00
	Evening*	Non - S	1.00	1.00
	Overnight*	Non - S	2.50	2.00
	Sunday	Non - S	0.80	0.00
	Coaches - Premium	Non - S	-	0.00
	Coaches	Non - S	8.00	8.00
	* Selected Car Parks Only			
	Monthly - 5 day - Premium Car Parks	Non - S	N/a	
	Monthly - 6 day - Premium Car Parks	Non - S	N/a	
	Monthly - 7 day - Premium Car Parks	Non - S	120.00	120.00
	Monthly - 5 day - Standard Car Parks	Non - S	N/a	
	Monthly - 6 day - Standard Car Parks	Non - S	N/a	
	Monthly - 7 day - Standard Car Parks	Non - S	100.00	120.00
	Annual - 5 day - Premium Car Parks	Non - S	N/a	
	Annual - 6 day - Premium Car Parks	Non - S	N/a	
	Annual - 7 day - Premium Car Parks	Non - S	1,440.00	1,440.00
	Annual - 5 day - Standard Car Parks	Non - S	N/a	
	Annual - 6 day - Standard Car Parks	Non - S	N/a	
	Annual - 7 day - Standard Car Parks	Non - S	1,200.00	1,440.00
Permits	Town Centre Annual Parking Permits	Non - S	350.00	350.00
Community Centres				
Public Rate				
Mon - Friday	Main Hall - per hour	Non - S	6.00	6.00
	Activity or Committee Room - per hour	Non - S	4.00	4.00
Sat - Sun	Main Hall - per hour	Non - S	10.00	10.00
	Activity or Committee Room - per hour	Non - S	7.00	7.00
Commercial Rate				

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
Mon - Sunday	Main Hall - per hour	Non - S	26.00	26.00
	Activity Room - per hour	Non - S	13.00	13.00
	Activity or Committee Room - per hour	Non - S	13.00	13.00
Jumble Sales	Main Hall - per hour	Non - S	13.00	13.00
	Activity or Committee Room - per hour	Non - S	13.00	13.00
Parties				
Child's parties (aged <13) before 7.00pm	Main Hall - per hour	Non - S	13.00	13.00
	Activity Room - per hour	Non - S	13.00	13.00
Child's parties (aged <13) after 7.00pm	Main Hall - per hour	Non - S	26.00	26.00
	Activity Room - per hour	Non - S	15.50	15.50
Other private parties any time	Main Hall - per hour	Non - S	26.00	26.00
	Activity Room - per hour	Non - S	15.50	15.50
* Community Centres exempt from VAT (with option to tax) except for Kingsthorpe Hall & Far Cotton Community Centres which are charged at standard rate.				
Guildhall Room Hire				
Mon - Fri. 8am till 8.30pm per hr	Great Hall	Non - S	60.00	60.00
	Court Room	Non - S	40.00	40.00
	Ceremony Room (Mon-Fri. after 6pm)	Non - S	25.00	25.00
	Dressing Rooms (2) (to be booked with hall only)	Non - S	20.00	20.00
	Gallery Room	Non - S	25.00	25.00
	Godwin Room	Non - S	25.00	25.00
	Council Chambers	Non - S	40.00	40.00
	Jeffery Room	Non - S	40.00	40.00
	Holding Room	Non - S	25.00	25.00
	Courtyard & Cloister (Mon-Fri. after 6pm & Sat)	Non - S	30.00	30.00
	Mezzanine Area (Mon - Fri. after 6pm & Sat)	Non - S	30.00	30.00
Mon - Fri. per hr after 8.30pm	Great Hall	Non - S	90.00	90.00
	Court Room	Non - S	60.00	60.00
	Ceremony Room (Mon-Fri. after 6pm)	Non - S	60.00	60.00
	Dressing Rooms (2) (to be booked with hall only)	Non - S	20.00	20.00
	Gallery Room	Non - S	60.00	60.00
	Godwin Room	Non - S	60.00	60.00
	Council Chambers	Non - S	60.00	60.00
	Jeffery Room	Non - S	60.00	60.00
	Holding Room	Non - S	60.00	60.00
	Courtyard & Cloister (Mon-Fri. after 6pm & Sat)	Non - S	50.00	50.00
	Mezzanine Area (Mon - Fri. after 6pm & Sat)	Non - S	50.00	50.00
Saturdays per hr	Great Hall	Non - S	90.00	90.00
	Court Room	Non - S	60.00	60.00
	Ceremony Room (Mon-Fri. after 6pm)	Non - S	60.00	60.00
	Dressing Rooms (2) (to be booked with hall only)	Non - S	20.00	20.00
	Gallery Room	Non - S	60.00	60.00
	Godwin Room	Non - S	60.00	60.00
	Council Chambers	Non - S	60.00	60.00
	Jeffery Room	Non - S	60.00	60.00
	Holding Room	Non - S	60.00	60.00
	Courtyard & Cloister (Mon-Fri. after 6pm & Sat)	Non - S	50.00	50.00
	Mezzanine Area (Mon - Fri. after 6pm & Sat)	Non - S	50.00	50.00
Sundays & Bank Hols Per hr	Great Hall	Non - S	145.00	145.00
	Court Room	Non - S	100.00	100.00
	Ceremony Room (Mon-Fri. after 6pm)	Non - S	100.00	100.00
	Dressing Rooms (2) (to be booked with hall only)	Non - S	20.00	20.00
	Gallery Room	Non - S	100.00	100.00
	Godwin Room	Non - S	100.00	100.00
	Council Chambers	Non - S	100.00	100.00
	Jeffery Room	Non - S	100.00	100.00
	Holding Room	Non - S	100.00	100.00

Activity / Item	Basis	Statutory / Non-Statutory	2011/12 Value Incl VAT	2012/13 Value Incl VAT
			£	£
	Courtyard & Cloister (Mon-Fri. after 6pm & Sat)	Non - S	100.00	100.00
	Mezzanine Area (Mon - Fri. after 6pm & Sat)	Non - S	100.00	100.00
Wedding Ceremony Rates	Great Hall	Non - S	750.00	750.00
	Court Room	Non - S	500.00	500.00
	Great Hall (Sundays & Bank Holidays)	Non - S	1,500.00	1,500.00
	Court Room (Sundays & Bank Holidays)	Non - S	1,000.00	1,000.00
Surveyors Fees	Applications to assign, sub, let or vary existing commercial leases or to seek consent for alterations (where Council is landlord)	Non -S	price on application, subject to minimum fee of £250	price on application, subject to minimum fee of £250
Surveyors Fees	Applications to purchase low value (non residential) property owned by the Council	Non -S	price on application, subject to minimum fee of £250	price on application, subject to minimum fee of £250
Museum Service				
Room Hire	Meeting Room Hire - Half Day	Non - S	75.00	75.00
	Meeting Room Hire - Full Day	Non - S	150.00	150.00
	Meeting Room Hire - Out of Hours (per hour)	Non - S	£106 + additional staff costs	£106 + additional staff costs
	Refreshments	Non - S	1.50	1.50
Gallery Hire	Downstairs Gallery (flat rate)	Non - S	150.00	150.00
	Upstairs Gallery (per week)	Non - S	15.00	15.00
Talks		Non - S	42.00	42.00

Notes

Non S - Non Statutory
S - Statutory function

Appendices
7

Item No.
[Item number and title as on agenda]

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	Housing Revenue Account (HRA) Budget, Rent Setting 2012/13 and Budget Projections 2013/14 and 2014/15

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	22 February 2012
Key Decision:	Yes
Listed on Forward Plan:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Finance and Support
Accountable Cabinet Member:	Cllr A Bottwood
Ward(s)	N/a

1. Purpose

1.1 To recommend the HRA 2012/13 budget and the HRA forecasts for 2013/14 and 2014/15, rent increases, de-pooled service charges and other charges for 2012/13 to Council on 29 February 2012 (summarised in **Appendix 4**).

1.2 To provide a brief update on the ongoing work on the direction of the HRA.

2. Recommendations

2.1 That Cabinet recommend to Council to approve:

a) An average rent increase of 6.79% per dwelling, in line with the Government's rent restructuring regime, convergence in 2015/16, to take effect from 2 April 2012.

b) The de-pooled service charges listed in **Appendix 6.**

c) The increase in existing service charges listed in **Appendix 6**, which includes Sheltered Accommodation Warden charges (including Eleonore House), Heating service charges, garage charges and Brookside Meadows service charges.

2.2 That the feedback from the Overview and Scrutiny Committee be considered and welcomed (detailed at **Appendix 1**).

2.3 That the Council's representations on the draft HRA Self-financing determination be noted (**Appendix 2**).

2.4 That the changes to the proposed budget (detailed at **Appendix 3**), in light of the consultation responses, equalities issues and the Governments Draft then Final HRA Self-financing Determinations be agreed.

2.5 That the HRA budget for 2012/13 of £50.2m expenditure (including options) be recommended to the Council (detailed in **Appendix 4**) for its own purposes.

2.6 That the Cabinet acknowledges the issues and risks detailed in the Section 151 Officer's statement on the robustness of estimates and the adequacy of the reserves (**Appendix 7**).

2.7 That Council be recommended to delegate authority to the Chief Executive and Director of Finance and Support to implement all budget options and restructures.

2.8 That authority be delegated to the Director of Finance and Support in consultation with the Portfolio Holder for Finance, and where appropriate the relevant Director and Portfolio Holder to:

- transfer monies from earmarked reserves should that become necessary during the financial year.
- update the budget tables and Appendices, prior to Council should any further changes be necessary
- update prudential indicators in both the Prudential Indicators report and Treasury Strategy report, prior to Council for any budget changes that impact on these.

2.9 That the Council be recommended to confirm the reserves strategy of protecting balances wherever possible to allow the option of supporting future years budgets, aiming for a minimum level of unallocated HRA reserves of £5.0m at the end of 2012/13 having regard to the outcome of the financial risk assessment and remaining at this level over the medium term and in line with the 30 year Business Plan.

3. Issues and Choices

3.1 Report Background

3.1.1 The Housing Revenue Account (HRA) is a ring-fenced account that represents the costs of holding the Council housing stock. There are strict rules surrounding the costs and income that can be charged to this account. 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.

3.1.2 The HRA Budget proposed for 2012/13 reflects the changes in Housing Finance legislation from the 1 April 2012, (i.e. the abolition of the HRA subsidy system and the introduction of Self-financing), current service levels in the current service methods of delivery.

3.1.3 On 22 December 2011, Cabinet approved the Draft HRA Budget for consultation. A schedule of all changes since this meeting is included at **Appendix 3** and discussed below in paragraph 3.2.2 to 3.2.6 below**.**

3.2 Issues

Draft budget Position – Cabinet 21 December 2011

3.2.1 Cabinet met on the 21 December 2011 and recommended proposals for consultation. The headlines were:

a) Proposing rent increase in line with government rent restructuring policy of 6.79%
b) A HRA budget for 2012/13 of £49.6m expenditure plus £575k medium term planning options.
c) The abolition of the HRA subsidy system to be replaced by the Self-financing HRA taking on a one off debt figure for the housing stock.

Draft Budget Position - Cabinet 22 February 2012

3.2.2 Further work on the HRA budget has been undertaken to refine the estimates since 21 December 2011 in light of the final HRA Self-financing determination issued by government and the decision to de-pool service charges. This has resulted in a number of adjustments of a technical nature which impact on the draft budget since 21 December.

Housing Stock Transfer Programme

3.2.3 The administrations manifesto included:

"Consulting with tenants regarding a large scale stock transfer to using associations"

Therefore the exploration of a possible stock transfer or alternative has been included as a MTP Option and will be a key programme of work beginning in 2012/13. A programme team will be established to take this work forward. It will require internal and external resource and a sum of £1m has been set-aside for 2012/13 as part of the medium term planning process.

3.2.4 This work will examine under the Self-financing regulations the options open to the Council and tenants on the housing stock to ensure that the most beneficial strategy is pursued to ensure future sustainability. The development of the options and outcome/s of the stock option appraisal will be subject to appropriate consultation with tenants.

3.2.5 A schedule of all changes since the 21 December 2011 proposals is shown at **Appendix 3**. Since the draft budget was proposed the summary HRA position for 2012/13 has changed as follows:

	£
Contribution to (from) reserves 21 Dec Report	**1,691,126**
Income Dwelling Rents	970,400
Income De-pooled Service Charges	-970,400
HRA Subsidy	-14,626,000
Interest and Financing costs	5,955,402
Voluntary Debt Repayment	8,197,624
MTP Options	1,000,000
RCCO	3,147,500
Depreciation/ MRA	16,600
Contribution to (from) reserves 22 Feb Report	**-2,000,000**

3.2.6 The introduction of Self-financing has produced the biggest technical adjustments namely the removal of the HRA Subsidy and take on of debt, resulting in increases in Interest and financing costs and the introduction of a voluntary debt repayment budget.

Rents and Rent Restructuring

3.2.7 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.

3.2.8 The average rent increase and the methodology by which rents on individual properties move towards the calculated (formula) rent is determined by the Government Rent Restructuring formula, which is allocated for 2012/13 in line with the Government's Comprehensive Spending Review and disseminated through the HRA Self-Financing Determination. The determination for rents restructuring for 2012/13 is for one year only) and leaves the convergence date at the same year 2015/16.

3.2.9 The percentage change in rental charges will vary from property to property depending on the formula rent calculation. It is proposed that the Council continues to follow the rent restructuring policies along with the current convergence target date of 2015/16 specified in the Self-financing Determination. This will result in an average rent increase of 6.79% for 2012/13.

3.2.10 Revised rents will take effect from 2 April 2012. The tables below show the range of rent increases for 2012/13 in percentage and pounds per week terms.

Rent Increase/Decrease	No of Properties
Above 9%	3
8% to 9%	210
7% to 8%	3315
6% to 7%	8068
5% to 6%	474
4% to 5%	22
Rent Increase / Decrease £/week	**No of Properties**
Between £7 & £8	664
Between £6 & £7	4448
Between £5 & £6	6114
Between £4 & £5	783
Between £3 & £4	83

De-pooling Service Charges

3.2.11 The rent tenants pay currently covers the costs of all services provided. For example all tenants pay towards the cost of cleaning the communal areas of flats. Tenants pay whether or not they receive such a service. From the 2 April 2012 these charges will be separated out enabling tenants to identify the costs of the service they receive. At the point of de-pooling those dwellings in receipt of the de-pooled service will receive a corresponding reduction in the rent. There is therefore no additional increase in income resulting from de-pooling in the first year. There will be an increase in income to the HRA in subsequent years due to the rent restructuring process. The Cabinet report De-pooling of Council Rents 14 December 2011 provides more background. Cabinet agreed to de-pool service charges from rents from the 2 April 2012 after consulting tenants.

3.2.12 The services de-pooled are Caretaking, CCTV, communal Electricity, (for lighting, security doors), and Grounds Maintenance and is applied to those dwellings that have shared communal services. Approximately 42% of the housing stock has shared communal services.

3.2.13 The de-pooled service charges are listed within the schedule at **Appendix 6**. The listing shows the lowest and highest charges for Caretaking and Electricity communal to show difference in charge reflecting the level of service received. The CCTV and Grounds Maintenance services are standard across dwellings in receipt of the service and therefore attract one standard charge.

3.2.14 As part of the rent restructuring process there is a formula applied to increase the cost of these de-pooled service charges of RPI (for September of each year) plus 0.5%, subject to the Council not over recovering the costs of providing these services.

Rent Rebate Subsidy Limitation

3.2.15 The Government set a 'limit rent' which defines the maximum amount of rent rise on which a Council receives rent rebate subsidy. This was colloquially known as the 'rent cap'. Until the introduction of rent restructuring in the 2001/02 financial year, Councils could raise rents by more than the level set by the Government, an approach adopted by Northampton, but would receive a financial penalty for doing so. This had an impact in the year of the rent rise and continues to have an impact on into future years.

3.2.16 By complying with rent restructuring, the rent levels within the subsidy calculation, the limit rent for rent rebate subsidy purposes, and the actual rent charged to tenants are all being brought into line.

3.2.17 Councils that raised rents by more than the amounts specified by the Government and benefited by doing so are now gradually seeing the corresponding benefit being removed through the rent restructuring process. This will continue to put additional increasing pressure on the HRA until the point at which all rents have been restructured.

HRA Subsidy/ Self-financing

3.2.18 From 1 April 2012 the HRA Subsidy system is abolished and in its place the HRA Self-financing is introduced. This means that the HRA no longer has to pay rents over to the Government but has to instead finance the debt taken on through the introduction of Self-financing of £192.9m. The Cabinet report Draft Response to the Consultation on Self-financing in the Housing Revenue Account 14 December 2011 meeting provides the detailed background to Self-financing. The move to Self–financing HRA's is laid down in the Localism Act which received Royal assent in January 2012.

HRA Budget

3.2.19 The Housing Revenue Account budget includes the effect of proposed rent increases, de-pooling service charges and charge increases as recommended. The budget also includes the changes brought about by the Governments fundamental review of housing finance with the abolition of HRA Subsidy and introduction of Self–financing.

3.2.20 Summary draft budget figures are contained in **Appendix 4**.

Housing Repairs Account

3.2.21 Housing Repairs Account is used to keep a separate record of income and expenditure relating to the repair and maintenance – but not the supervision and management – of an authority's HRA houses or other HRA property. It operates within the HRA ring-fence and, as such, no transfers can be made to or from any accounts other than the HRA. Other key points are:

(i) the account must be kept in accordance with proper practices;
(ii) the account must be kept to **avoid a debit balance** in any year;
(iii) authorities may make **transfers** to the account from the HRA and, in practice, will need to do so to avoid a deficit. They may also transfer some or all of any balance from the account to the HRA;
(iv) the account must cover the **whole** of an authority's HRA stock;

(v) if the account is closed, any balance must be transferred to the HRA.

3.2.22 From 2006/07 Northampton has operated a Housing Repairs Account. The Housing Repairs Account is intended to equalise the effect to the HRA of Housing Repairs and can carry its own balance from one year to another.

Capital Programme

3.2.23 The HRA Capital Programme is subject to a separate report Capital Programme 2012-13 to 2014-15. The budget for 2012/13 includes £8.246m for the Depreciation/Major Repairs Allowance. This can only be used to finance HRA capital expenditure. 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 under Self-financing to be considered together.

3.2.24 The Capital Programme includes sums for the Self-financing take on debt and allows for future Prudential Borrowing from 2012/13. The revenue costs of the borrowing under Self-financing are reflected in the Interest and Financing costs of the HRA below the Net cost of services.

Medium Term Planning (MTP) Position

3.2.25 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 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.

3.2.26 The Council will be conducting a full stock option appraisal as reported in paragraph 3.2.3 above.

HRA Reserves

3.2.27 In previous years, Cabinet has approved the prudent set aside of funds into specific HRA Reserves to finance future capital programmes, a Leaseholder reserve, a Service Improvement reserve, a HRA Reform reserve and a Supporting People reserve. These reserves at 1 April 2011 currently total £12.86m, £1m, £880k, £2m and £500k respectively. These reserves can be drawn down as required, to finance the future strategic requirements of the service, and will be subject to change depending on the approval of MTP options and future funding requirements under the Self-financing regime.

3.2.28 The level of general working balances estimated at £5m for the end of 2012/13 is within what is acceptable under the robustness of estimates assessment shown at **Appendix 7**.

3.3 Choices (Options)

MTP Options

3.3.1 The Cabinet can suggest changes to the budget proposals and adjust the budget proposals accordingly in consultation with the Chief Financial Officer. It would then recommend the amended budget and rents (if applicable) to Council.

3.3.2 The MTP options are summarised at **Appendix 5**. The Cabinet are invited to indicate if they wish any specific services to be considered for inclusion. These MTP options are included in the summary budget figures at **Appendix 4**. Any MTP options not approved will increase budgeted reserves by that amount. All options have been subject to Equalities Impact Screening and Assessments where required.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None

4.2 Resources and Risk

4.2.1 The HRA Self-financing determination sees the end of the HRA subsidy mechanism, and the focus on long term business planning. With it comes initially high level of debt and increased treasury management risks with the onus on the Council to ensure long-term viability of the HRA. In addition to this the Council bares the interest and inflation risks

4.2.2 **Appendix 7** addresses the robustness of estimates and adequacy of the Council's reserves with reference to risks identified.

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 has been completed as part of each medium term planning option submitted.

4.5 Consultees (Internal and External)

4.5.1 Internally, Heads of Service, Budget Managers and the Portfolio Holder have been consulted.

4.5.2 The HRA Capital programme has been consulted on as part of the General Fund and Capital programme consultation process. No consultation is required on rent setting or charges setting (as explained in the report, rents are set by the Government determination). However, the Council is required to consult on matters of Housing Management.

4.5.3 Tenants were consulted on de-pooling of services charges at area tenant panels in September 2011, and further consultation meetings in November 2011. In addition to this all tenants were consulted individually via a consultation booklet with a questionnaire seeking their views. The December De-pooling report provides more details.

4.5.4 Tenants are generally consulted on Housing matters through the Tenant Sounding Board. The quarterly area based tenant meeting of 21 November 2011 gave an overview of the HRA Rent Setting and HRA Self-financing. Tenants were invited to provide feedback on capital work priorities.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Any discretionary proposals considered during the budget process will be assessed against the corporate priorities as set out in the Corporate Plan.

4.7 Other Implications

4.7.1 The Appendices are set out as follows:

1. Consultation responses – Overview and Scrutiny
2. Council's representations on the draft HRA Self –financing Determinations
3. Changes to draft HRA budget since 21 December Cabinet
4. Proposed HRA Budget 2012/13 and forecasts for 2013/14 and 14/15
5. Schedule of HRA Budget Options 2012/13 – 2014/15
6. Schedule of Existing and De-pooled Service charges
7. Robustness of Estimates - Statement of the Section 151 officer under the requirements of section 25 of the Local government Act 2003

5. **Background Papers**

5.1 Cabinet Reports:

- De-pooling Of Council Rents 14 December 2011
- Draft response to the Consultation on Self-financing in the Housing Revenue Account
- Draft Budget 2012-15 21 December 2011
- HRA Business Plan 18 January 2012
- Capital Programme 2012-13 To 2014-15

5.2 Equality Impact Assessments (NBC Internet website)

5.3 External documents:

- CLG – Draft HRA Self-financing Determinations 2012/13
- CLG – Final HRA Self-financing Determinations 2012/13
- Equalities and Human Rights Commission – The Public Sector Equality Duties and Financial Decisions

Phil Morrison, Assistant Head of Finance, ext. 7194
Isabell Procter, Director of Finance & Support, ext 8757

Appendix 1

Extract of the Minutes of the Meeting of the Overview and Scrutiny Committee - 23rd January 2012

Item 5 – Council Wide Budget 2012-15

The Committee considered key areas that the Reporting and Monitoring Working Group had made recommendations for the Overview and Scrutiny to investigate and comment upon.

These were:-

- Restructure of Community Safety and Licensing Administrative Functions
- Reducing the cost of Bed and Breakfast accommodation through the use of Council Housing.
- Enhanced Housing Management Charge
- Withdrawal of Funding of Police Community Support Officers

The main points of comment in relation to housing were:

Enhanced Housing Management Charge

Mr Townsend spoke as an individual who as a vulnerable adult lives in sheltered accommodation. He felt that the wardens did a very good job and was concerned that these proposals may place them under threat.

Mr Townsend conveyed concerns regarding the budget proposal regarding enhanced housing management charges.

He stated that there were problems with anti social behaviour in his area and that vulnerable people felt unsafe. He considered that the Council should be taking more action to ensure that these concerns seriously and that resources should be concentrated on areas of concern.

The Chair thanked the member of the public for his address.

The Committee queried what services this charge would fund and who would be likely to be affected by its introduction.

The Portfolio Holder for Housing, Councillor Mary Markham, addressed the Committee.

The service would be designed to provide support for vulnerable people in matters relating to their tenancy. It might cover matters such as helping them with benefits, repair work reporting, ensuring there are mechanisms to pay their rent. They would also receive regular visits to make sure that they were supported. This group of people are amongst those most at risk of losing their tenancies; this service would be geared to preventing that wherever possible.

Qualifying tenants would be identified via the Gateway process.

The proposed charge was £15 per week and would usually be covered if the tenant were on housing benefit. Approximately 65 / 70 % of tenants are currently receiving benefits.

It was not yet decided on what level of additional staffing might be required. That would be subject to negotiation and also the numbers of people who were eligible for the charge.

The Committee asked for percentages of those presenting as homeless that were classed as vulnerable. Currently it is around 20% of all those presenting as homeless.

Whilst generally supporting the introduction of the service, the Committee raised concerns that there wasn't a corresponding increase in resources allocated to dealing.

There was also concern as to how the Government's proposed cuts to housing benefit would affect the levels of benefit paid.

The Portfolio Holder emphasised that currently many of the concerns that are raised regarding housing tenancies are those surrounding vulnerable tenants.

Officers undertook to circulate figures on the numbers of tenants affected by this proposal.

It was confirmed that the existing service standards would be amended if this proposal were introduced.

The Chair raised concerns whether the proposed budget savings would be achieved.

The Committee heard that the Audit Committee would consider the impact of Welfare benefit reforms at a future meet

Reducing the cost of Bed and Breakfast Accommodation through use of Council Housing

The Committee queried how the costs of using bed and breakfast accommodation would be reduced.

The Housing Portfolio Holder, Councillor Mary Markham, addressed the Committee.

She advised that if people who have presented themselves as homeless are rehoused in bed and breakfast accommodation then they are not eligible for housing benefit. If they are housed in accommodation funded through the Housing Revenue Account benefit can be claimed. The proposal is therefore to set aside some properties for use in these situations.

The Committee was advised that there are currently 29 families in temporary emergency accommodation. 16 are in bed and breakfast accommodation. The current proposal is to identify 15 properties.

The Committee welcomed any move that provided an alternative to bed and breakfast accommodation but was concerned as to whether this level of provision would be sufficient. There were concerns that this problem would get worse particularly in the light of welfare reforms.

In response to a query how the proposed saving of £100,000 had been calculated, the Committee heard that this was an estimate, however, a full risk assessment had been undertaken to ensure that there is available finance in the reserves should the risk be greater. The biggest risk is the number of people presenting as homeless.

The Localism Act will introduce changes in how private rented properties can be used and there could be opportunities for the Council to discharge some duties into the private rented sector. It was accepted that it was not possible to get any clear view of the numbers that might present as homeless.

Officers undertook to circulate the criteria for Compulsory Purchase Orders (CPOs) to the Committee.

In response to a question, members of the Committee were assured that officers had tried to identify long-term empty properties and get them back into use, but these were privately owned properties and there were limitations to the Council's powers.

In response to a request for details of the percentage of social housing need that is met by the private sector, the Committee was advised that details of the numbers of people that the Council was offering advice and assistance who take up private sector tenancies could be provided.

Councillors commented that there was a need for partnership working with housing associations, in response; the Committee heard that derails of the current work and proposed work that the Council is currently doing with housing associations could be provided to the Committee.

Appendix 2

<u>Response to CLG on Self –Financing Determination</u>

The Housing Revenue Account Self-financing Determinations

Consultation Response from Northampton Borough Council

1 General

1.1 Northampton Borough Council welcomes the opportunities and the real ability to properly forward plan that the self financing determinations afford.

2 The Settlement Payments Determination 2012

2.1 The recent self financing valuation increased the payment that this Council will have to make to £194.2m from the £179m in the original proposals; this is equivalent to a level of debt per property of £17,269, compared to £15,880, an increase of nearly 9%.

2.2 This will lead to additional pressures on our HRA business plan which will last for the 30 years of the plan. The primary reason for the increase in the buy-out payment is the use of the same methodology that that rent has been calculated in the subsidy system historically for the buy-out calculation. Whereas it can be understood that the Government wishes to protect its own financial position, *this Council believes that the impact is unequitable*. One of the primary reasons that the HRA subsidy system is being dismantled is because it was removing funds from the national housing stock. Implementing a rise like this exacerbates that situation and impacts on HRAs into the long term.

2.3 In the Government document "Laying the Foundations: A Housing Strategy for England", Chapter 3 paragraph 55, it says "Once self-financing is in place, voluntary transfer of the stock remains an option. The Government will actively encourage voluntary transfers that offer good value for money and can leverage additional investment. We will bring forward proposals for a programme of transfers, clarifying the level of financial support (through writing off housing debt) and the criteria to be applied in prioritising such support. The Government is particularly interested in exploring the scope for transfers that deliver a robust, long-term sustainable future for estates and neighbourhoods." In order to make stock transfer viable for authorities that have taken on substantial debt, the Council would urge the Government to also make provision for writing off any debt redemption premia.

2.4 The national rent rise is calculated using RPI + 1/2 %, based on RPI in September of 5.6%. This indicates a national rent rise of 6.1%. The likely impact after applying the Government's rent restructuring policy is that rents will rise in the region of 7% on average. Initial views of tenants at a recent Tenant's Forum in Northampton indicated strong dissatisfaction with this.

2.5 Any future changes to legislation or regulations deviating from those assumed to apply within the settlement calculation assumptions will not have been reflected in the calculation and so this remains a risk for the Council.

2.6 An example of this is the proposed changes to the Right to Buy regulations. HRA business plans are reliant on the rental stream created by renting out property. Reductions in the number of properties held has an adverse impact on these business plans and any sale proceeds from these properties that are retained by the authority must be used to repay the debt related to that property in order to maintain viability into the long term. As stated above, the base level of debt relating to each property will be £17,269. The Council understands that changes to the Right to Buy regulations will be the subject of a future consultation and that Government have indicated that impacts on Councils will be mitigated, however this still remains a concern to the Council in the context of a self financing HRA.

3 Limits on Indebtedness Determination

3.1 This determination relates to the so-called debt cap. This is a limit on the amount of housing debt that each local housing authority can hold. This determination defines the formula by which this will be calculated.

3.2 The Limit on Indebtedness for Northampton Borough Council is £209.7m. This therefore gives the Council debt headroom of £15.5m at 1st April 2012.

3.3 The proposals within the consultation do not include any increase in the Limit on Indebtedness for inflation. It would therefore be fixed at this level for the 30 years of business plan unless other regulations are passed. In order to achieve an increased supply of social housing, a stated aim of the self-financing regime, and continue to maintain council houses and estates, the Council believes that if there is to be a limit on indebtedness, an inflationary factor should be applied to it.

3.4 Councils have demonstrated, through the successful operation of the prudential system, that debt can be successfully managed by ensuring that future resources are available to repay the debt and that debt is not taken out without the means to repay. The Council believes that there should not be a limit on indebtedness and that removing this requirement would be true to the spirit of the localism agenda.

4 Housing Revenue Account Subsidy (Amendment) Determination 2011-2012

4.1 This determination is amended to allow for a payment of interest, within the subsidy calculations for 2011/12, for the period 28th March 2012 and 31st March 2012. This is because the settlement payment is due to be paid to CLG on 28th March but self financing only starts on 1st April 2012.

4.2 This payment of additional subsidy is welcomed in principle.

4.3 However one issue with this arrangement is that PWLB are only making special rates for the purpose of taking out debt to make the self financing payments available on 26th March 2012. If the money were to be paid to the Council from PWLB on that date, it would therefore mean that the General Fund could be charged with up to two days interest on the loan. At a 4% interest rate, this could cost this Council's General Fund in the region of £40k. If this is the case, w*e would urge consideration to be given to ensuring that* *the whole period of 26th March to 31st March is covered by the Amendment Determination.*

4.4 At a Sector briefing on 16th December, a CLG official stated that the date of 26th March was only to reserve the funds from PWLB and that they would be paid over on the 28th March. This therefore would avoid the issue described in 4.3, however it causes another problem which is described below.

4.5 The Settlement Payments Determination states at paragraph 3.2 that the settlement payment "must be made as cleared funds via electronic banking transfers on or before 28 March 2012".

4.6 The timing of these two events means that the Council cannot guarantee payment on the due date previously announced by CLG. This is because of the electronic banking process:

- The Council cannot make the CHAPS/priority payment to CLG until it has received the monies into its account.
- There are cut off points for same-day CHAPS transfers (3.30pm for our HSBC bank account).
- Electronic banking cannot guarantee the timing of the receipt into the recipients bank account for such transfers and as such the Council may not have the funds available for transfer to CLG on the due date through no fault of its own.

4.7 The only way to be sure that funds are received and paid in time will be for either:

a) The Council to receive the funds from PWLB on 27th March, and make payment to CLG on 28th March, or

b) PWLB to make a direct payment to CLG on 28th March.

4.8 Additionally, *the Council would like assurances that the PWLB will be able to manage the number of transactions that they will potentially have to process on one day.*

5 Item 8 Credit and Debit (General) Determination 2011-2012 Amending Determination [2012]

5.1 This determination is amended to allow for interest to be charged to the Housing Revenue account for the period between the payment being made to the CLG (nominally 28th March 2012) and 31st March 2012. These date restrictions, combined with the restrictions in the Housing Revenue Account Subsidy (Amendment) Determination 2011-2012 above, lead to the potential for costs being borne by the General Fund as indicated.

5.2 In addition to this, *the Council believes that local authorities should be given the freedom to take out debt to make the debt payment at a time that they consider to be most financially beneficial. Therefore this determination should be amended to allow the HRA to be charged with the costs of taking out debt early to gain advantageous interest rates.*

6 Item 8 Credit and Item 8 Debit (General) Determination from April 2012

6.1 This determination leaves the basis of the capital charges to the HRA largely unchanged for the first four years of the self financing regime. Thereafter it will mean that the HRA will be charged with “real depreciation”, calculated using a component approach, and impairment.

6.2 <u>Depreciation</u>

A component approach to asset accounting means that each asset is broken down into a number of components. This approach currently applies to local authorities since the adoption of International Financial Reporting Standards, although local authorities only have to identify “significant” components. Northampton, along with many other authorities, has limited the identification of components; in the case of the housing stock this is limited to two components – land and buildings. The reason for this is that there is no added value to componentisation; it increases the work of finance substantially to add more components and if many components were added to the housing stock this could cause significant resource issues at a time when the Council is seeking to reduce costs and increase efficiency.

The implication in the draft determination is that there would be expected to be more components relating to housing stock – resulting in the staffing resource issues indicated above – which would be likely to mean higher charges being made to the Housing Revenue Account. If this is combined with “real depreciation” i.e. not reversing out the charge, this could result in higher charges to the HRA where they are not needed to support the capital programme. This therefore limits the flexibility to manage the finances of the HRA.

6.3 The Council understands that componentisation would tend to ensure that funding for replacements would be available, however because of the freedoms to use MRA on items other than those components specifically, this will not necessarily be the case without good financial management.

6.4 The effect of componentisation is that each component would need to be revalued. At a time when authorities are seeking efficiencies, this leads to additional work and burden on authorities. Whereas it is accepted that componentisation would increase the depreciation levels because of the age of different elements, Councils would have to fund replacements anyway and the contribution from revenue would vary. This will limit flexibility of the HRA to deal with short-term revenue pressures in one year and then funding capital in a subsequent year.

6.5 The required end result could be achieved through ensuring robust asset management strategies are in place, backed up by sound business plans. A requirement to keep and maintain these could be included as an audit requirement for HRAs.

6.6 <u>Impairment</u>

A more critical situation could occur in the case of impairment. Impairment is where the value of assets are reduced from the value of the assets held in the balance sheet and, in this context, includes reductions in house prices because of the overall market position. The potential impact of this is as follows:

- When house prices rise, the increase in valuation is held in the revaluation reserve
- The revaluation reserve balance currently is negligible following the reductions in house prices over the past few years
- Where house prices reduce (known as impairment), this must be charged to the revaluation reserve up to the value of revaluation balances
- Any impairment over the amount held in the revaluation reserve must be charged to revenue

6.7 For the initial transition period, this charge to revenue can be reversed, however after that point it becomes a real cost to the HRA. This could easily have the effect that a HRA goes into deficit for this reason alone, and not through any financial mis-management.

6.8 There appears to be an assumption of upward valuations before any impairment is made. Economic forecasts do not indicate that this will be the case and indeed the Chancellor in his autumn statement indicated a 1 in 3 chance of recession in 2012. Currently there are only very small balances on the revaluation reserve. Significant house price inflation would be necessary to gain a financial buffer against the risks posed by real impairment and there is currently no indication that this will occur before the transition period is over. Part of the issue is the starting point for the balances in the revaluation reserve; the reserve was set up in 2007/08 at a nil balance because of the general lack of historic records to identify the true level of revaluations. There has therefore been little opportunity to build up proper levels of revaluation reserve balances.

6.9 To put this in context for Northampton, impairment charged to revenue for 2008/09 was £57m and in 2010/11 it was £151.5m

6.10 The implementation of "Real Impairment" and "Real Depreciation" therefore pose significant financial risk to the self financing HRA depending on what happens to house prices in the market.

APPENDIX 3

Changes to Draft HRA Budget Since 21 December 2011 Cabinet

Description	Budget 2012/13	Budget 2013/14	Budget 2014/15
HRA Balanced Budget - December Cabinet	0	0	0
Income Dwelling Rents	970,400	670,800	372,000
Income De-pooled Service charges	(970,400)	(1,001,100)	(1,032,600)
HRA Subsidy	(14,626,000)	(15,993,000)	(17,114,900)
MTP Options	1,000,000	1,000,000	0
Interest and Financing Costs			
- Debt management costs	99,920	111,160	111,860
- Premia	0	0	0
- Interest on balances	(89,018)	(210,567)	(275,580)
- Mortgage interest	0	0	0
- Interest Fixed Rate	5,944,500	5,944,500	5,944,500
RCCO	3,147,500	0	12,211,177
Voluntary Debt Repayment	8,197,624	10,841,549	316,780
Depreciation/MRA	16,600	17,100	17,400
Contribution to (from) Reserves 22/02/2012	(3,691,126)	(1,380,442)	(550,637)
HRA Balanced Budget - February Cabinet	0	0	0

APPENDIX 4

Housing Revenue Account Budget Proposals

Description		2011/2012 Original Budget £'s	2012/2013 Proposed Budget £'s	2013/2014 Proposed Budget £'s	2014/2015 Proposed Budget £'s
INCOME					
Rents - Dwellings Only	(1)	(44,752,791)	(46,571,123)	(48,273,600)	(50,014,488)
Rents - Non Dwellings Only		(1,133,736)	(1,111,836)	(1,125,236)	(1,138,936)
Service Charges		(1,449,777)	(1,483,377)	(1,483,377)	(1,483,377)
Service Charges - De-pooled	(1)	0	(970,400)	(1,001,100)	(1,032,600)
Other Income		(205,000)	(85,000)	(85,000)	(85,000)
Total Income		**(47,541,304)**	**(50,221,736)**	**(51,968,313)**	**(53,754,401)**
EXPENDITURE					
Repairs and Maintenance		10,611,992	10,932,058	10,992,237	11,104,191
General Management		4,988,544	4,935,438	5,102,840	5,296,343
Special Services		2,868,744	3,014,952	3,078,477	3,147,206
Rents, Rates, Taxes & Other Charges		86,839	87,164	87,521	87,913
Increase in Bad Debt Provision		450,000	450,000	450,000	900,000
Rent Rebate Subsidy Deductions		811,000	643,000	439,000	225,000
Housing Revenue Account Subsidy	(2)	12,737,000	0	0	0
Total Expenditure		**32,554,119**	**20,062,612**	**20,150,075**	**20,760,653**
Continuation Budget		**(14,987,185)**	**(30,159,124)**	**(31,818,238)**	**(32,993,748)**
Medium Term Planning Options			1,575,278	1,560,716	582,281
Net Recharges from the General Fund		4,856,000	4,821,000	4,817,000	4,816,000
Interest & Financing Costs					
- Debt management costs		0	99,920	111,160	111,860
- Premia		315,144	301,872	40,803	0
- Interest on balances		(51,580)	(173,090)	(284,670)	(316,780)
- Mortgage interest		(1,142)	(980)	(820)	(670)
- Interest Fixed Rate	(3)	0	5,944,500	5,944,500	5,944,500
Voluntary Debt Repayment	(4)	0	8,197,624	10,841,549	316,780
RCCO	(5)	0	3,147,500	0	12,211,177
Depreciation/MRA		8,161,000	8,245,500	8,457,700	8,668,000
Contribution to / (from) Reserves		1,707,763	(2,000,000)	330,300	660,600
Remaining Deficit / (Surplus)		**0**	**0**	**0**	**0**

Notes

(1) Rent increase - Draft 6.79% in 2012/13 in line with Rent Convergence, Service charges de-pooled .
(2) HRA Subsidy mechanism replaced by Self- financing under the Localism Act from 1 April 2012.
(3) Interest due on Self-financing debt taken out
(4) Funding available to make voluntary debt repayments in year
(5) RCCO - Revenue Contributions to fund the Capital programme

Appendix 5

HRA MTP Growth Options

Directorate	MTP Option Description	Value		
		12/13	13/14	14/15
Housing	Under Occupation Scheme	117,000	149,500	169,000
	Rent Accounting & Systems Support Project Management & Training Officer Posts	66,778	69,216	71,281
	Annual report to tenants, legal requirement, no existing budget	15,000	15,000	15,000
	Revise repairs handbook and new Tenants Handbook	40,000	0	0
	Revenue support for Decent Homes	75,000	75,000	75,000
	Costs to cover the procurement of a new service of cleaning flats	25,000	0	0
	Costs to cover a new service of cleaning flats	390,000	390,000	390,000
	Service charge income to cover the new service of cleaning flats	(390,000)	(390,000)	(390,000)
	Communal area improvements	150,000	150,000	150,000
	Open Mobile ongoing costs	40,000	40,000	40,000
	Increased vehicle leasing costs	46,500	62,000	62,000
	Stock Option Appraisal	1,000,000	1,000,000	0
	Overall Total	**1,575,278**	**1,560,716**	**582,281**

Appendix 6

SCHEDULE OF EXISTING AND DE-POOLED SERVICE CHARGES PROPOSED 2012/13

EXISITNG SERVICE CHARGES (48 week Basis)	Present £	Proposed £
Garages (+VAT in some cases)	7.47	7.98
Commuter Surcharge on Garages (+VAT in some cases)	11.87	12.67
Communal Heating	8.54	9.12
Sheltered Charges per Review		
- Level 1 Low	5.64	5.64
- Level 2 Medium	12.25	12.25
- Level 3 High	17.99	17.99
Eleonore House - Level 4		
- Prior to 31/3/03	8.89	8.89
- After 31/3/03	63.27	63.27
Brookside Meadows New Build - Service Charges		
- Tarmac and Block Paving	3.26	3.44
- Electric Gates	0.91	0.96

DE-POOLED CHARGES (48 week Basis)	Low £	High £	Standard £
Caretaking	1.91	6.70	-
Electricity Communal	0.10	5.90	-
CCTV	-	-	2.80
Grounds Maintenance	-	-	1.85

Notes

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

Statement of the Chief Finance Officer Under the Requirements of Section 25 of the Local Government Act 2003

Robustness of Budget Estimates and Adequacy of Reserves – Housing Revenue Account (HRA)

1. Introduction

1.1 This annex focuses on two responsibilities of the Council's Chief Financial Officer under the Local Government Act 2003, which are:

a) the robustness of the estimates

b) the adequacy of the reserves

1.2 This document will be updated for the Council meeting on 29th February 2012 if necessary.

2. Processes

2.1 Budget estimates are an assessment of future expenditure and income at a point in time. This statement on the robustness of the estimates gives members a reasonable degree of confidence that the budget has been based on the best available information and assumptions at the time it was built. It cannot, however, give any guarantees about the budget.

2.2 In order to meet the requirement on the robustness of estimates, the budget process incorporated a number of key elements, including:

a) Issuing clear guidance to service accountants and budget managers

b) Peer review by finance staff involved in preparing the Continuation Budget

c) A medium term planning process that highlights priority services and identifies efficiency savings

d) Detailed challenge of the budget by Management Board and Cabinet members

e) The Chief Finance Officer providing advice throughout the process on robustness, including vacancy factors, avoiding unallocated savings, reflecting current demand and service standards (unless standards and/or eligibility are to be changed through policy changes).

f) Scrutiny of the robustness of estimates by the Chief Finance Officer, including review of risk on each option, reported to Audit Committee 9th January 2012.

2.3 In addition to these arrangements, which aim to test the budget throughout the various stages of its development, considerable reliance is placed on Directors and Heads of Service having proper arrangements in place to identify issues, project demand data, and consider value for money and efficiency.

3. Robustness of Estimates

Housing Revenue Account Budget

3.1 In addition to improving efficiency, the Council has two choices:

a) To increase financial resources to meet demand and thereby reduce the risk of overspending in 2012/13; or

b) To reduce (where possible) service levels and standards, frequency of service delivery, eligibility for services and thereby reduce the risk of overspending in 2012/13

3.2 As part of developing the budget, members of the administration have considered these options and the outcomes of these deliberations are reflected in the budget proposed.

3.3 The robustness factors taken into account in developing the draft budget are shown in the tables below.

Review of Risk in the Housing Revenue Account Budget

3.4 The Chief Finance Officer led a detailed review of the risks in the proposals from each Head of Service, considering deliverability, links to other proposals, and possible impacts on those, risks to partner organisations, risks from the economic climate, and impact on customers, among others.

3.5 Each proposal was assigned a risk level of Red (for high risk), Amber (for medium risk), and Green (for low risk).

3.6 As a result of the risk assessment a number of options were modified or removed from the proposed budget.

3.7 In relation to the remainder, the risks inherent in the budget proposals have been factored into the risk assessment of reserves.

3.8 Details of the risk review of the budget and a summary of the risk assessment of reserves was reported to the Audit Committee at its meeting of 9th January 2012.

3.9 Overall the Chief Finance Officer considers the estimates to be robust within the assumptions that have been made. Where risks have been identified, these have been taken into account in the risk assessment of reserves (see below).

3.10 Performance against the budget will be monitored regularly throughout the financial year, and will be reported to Cabinet by means of formal reports.

3.11 If necessary management action will be identified to address any adverse variances to the budget.

3.12 The assumptions and potential changing circumstances mean that forecasts for future years need to be reviewed each financial year.

3.13 The review of robustness is at Table 1, appended to this Appendix.

4 Capital Budget

4.1 Directorate project managers put forward project bids for the capital programme with full adherence to the corporate capital project appraisal procedures and Financial Regulations.

4.2 The appropriate Directors and Cabinet Member(s) have been consulted and the proposed programme is fully funded.

4.3 Projects have been costed at current year prices with many being subject to tender processes after inclusion in the programme, which may lead to variances in the final cost.

4.4 The Council has to work within a fixed cash envelope, so any under provision must be found from within these limits.

4.5 The risk of the Council being unable to finance variations to the programme is considered to be low due to the phasing of projects. If necessary the Council may freeze parts of the programme within the financial year (where permitted under contractual obligations) to ensure that spend is kept within the agreed limits.

4.6 The main risk in the capital programme is delivery of the projects to time. Slippage from one year to the next can increase pressure on the programme in the following year.

5 Adequacy of Reserves

5.1 The Secretary of State has reserve powers under the Local Government Act 2003 to set a minimum level of reserves. It is more likely that this power would be exercised where an authority is running down its reserves against the advice of the Chief Financial Officer.

5.2 There is no precise methodology for calculating the adequacy of reserves. It is the Council's safety net for unforeseen circumstances and must last the lifetime of the Council, unless contributions are made from the revenue budget. The minimum level of balances cannot be judged merely against the current risks facing the Council, but must be regularly updated as these risks can and will change over time.

5.3 An appropriate level of reserves is determined by a professional judgement based on local circumstances including overall budget value, risks and robustness of budgets, major initiatives being undertaken, budget assumptions, available earmarked reserves and provisions, and the Council's historic record of effective budget management.

5.4 Not keeping a minimum prudent level of reserves can have serious consequences. In the event of a major problem or series of adverse events, the authority could be forced to cut spending on other areas during the year in a potentially damaging and arbitrary way.

5.5 The Chief Financial Officer has developed a risk management approach to the level of HRA working balances and determined that the minimum level should be set at £5.0m, which is in line with the HRA Business Plan.

5.6 In arriving at the recommendation on the minimum prudent level of reserves strategic, operational, and financial risks have been taken into account, as has the robustness of estimates information (above) and guidance from CIPFA and Government on Treasury risk.

5.7 Issues taken into account include:

a) There is always some degree of uncertainty over whether the full effects of any efficiency measures/increased income will be achieved. Heads of Service have been asked to be prudent in their assumptions, particularly in relation to demand led budgets.

b) The risk of major litigation.

c) Unplanned volume increases in major demand led budgets, particularly in the context of a growing town.

d) Potential short term differences between the Council's Insurance Reserve and outstanding liabilities, although these should be remedied by the following financial year.

e) Specific high-risk service issues that were identified during the 2011/12 financial year.

f) Risks associated with the move to a Self-financing HRA.

g) Current volatility of the Repairs and Maintenance service.

5.8 The Chief Financial Officer therefore recommends

a) That a minimum prudent level of working balance be set at £5.0m for 2012/13 (target for 31 March 2013). This will be reviewed at least annually. This minimum level is designed to cope with unpredictable circumstances, which cannot be addressed by management or policy action within the year.

b) That it be noted that this does not represent a medium-long term safe level of reserves. The level can only accommodate the impact of significant events up to the level set, and would need to be replenished if one or more such events actually occur.

6 Housing Revenue Account Earmarked Reserves

6.1 The table below shows the current forecast balance of all HRA earmarked reserves held by the Council.

Reserve	Balance as at 31/03/11	Additions to Reserves	Use of/ Reductions to Reserves	Forecast Balances as at 31/03/2012
	£000s	£000s	£000s	£000s
Capital Programme	12,860	0	(10,075)	2,785
Leaseholders	1,000	0	0	1,000
Service Improvement	821	0	(288)	533
Supporting People	500	0	0	500
HRA Reform	2,000	0	0	2,000
	17,181	**0**	**(10,363)**	**6,818**

7 Housing Revenue Account (HRA)

7.1 The opening working balance for 2011/12 was £4.893m, and the closing balance is currently (as at the end of January 2012) forecast to be £4.908m by the end of March 2012. It is anticipated that any surplus will be used as an additional contribution to Earmarked Reserves to fund future expenditure service priorities. In addition, the working balance will be increased by £107k to £5.0m (see 5.8a above).

Isabell Procter,
Chief Financial Officer

Table 1 – Robustness of Estimates – HRA

Budget Assumption	Commentary on Robustness
The treatment of inflation and interest rates	0% has been assumed for the 2012/13 pay award, and 1% for the 2013/14 and 2014/15 pay awards.
The treatment of demand led pressures	All Heads of Service have reviewed their base budgets, including demand led pressures. Directorates are expected to put forward management and policy actions to manage additional demand within the relevant legislation either within the relevant budget or by reprioritising the Directorate budgets. The budgets for demand led services in the HRA were calculated using previous trends and future forecasts of the volatility of expenditure demands and income streams, taking account of the current economic climate. Among other items, specific pressures have been identified in relation to the cost of Self-financing, rent pressures through the rent restructuring process and repairs costs through the pressure to meet and maintain the decent homes standard.
The treatment of efficiency savings/productivity gains.	All Directors and Heads of Service have a responsibility to ensure the efficient delivery of services, and when efficiency savings are proposed that those savings are realistic in terms of both the level of savings and the timing. The HRA services have been reviewed to establish whether services can be delivered more efficiently. No specific savings were identified.
Financial Risks inherent in any significant partnerships, major outsourcing or major capital developments	The Directorate will manage financial risks through consistent monitoring of the revenue budget and capital programme, and by identifying and implementing management actions should any overspends arise.
The availability of other funds to deal with major contingencies.	The HRA maintains a prudent level of balances in reserves to deal with any contingencies that arise. The HRA has specific reserves of £17.1m as identified in the table under 6.1 above. The HRA will continue to undertake in-year monitoring of volatile budgets and produce a managed response to budget pressures.
The Directorate's track record in budget and financial management.	The HRA's recent track record of budget and financial management is that as at month 10 the HRA is forecasting a saving of £15k for 2011/12.
The Directorate's capacity to manage in-year budget pressures	The HRA undertakes regular monthly monitoring to promptly identify budget pressures and savings. It is working to improve its ability to develop and monitor action plans and implement solutions to address such pressures as necessary.

Appendices
3

Item No.

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	CAPITAL PROGRAMME 2012-13 TO 2014-15

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	22 February 2012
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	Capital Strategy
Directorate:	Finance & Support
Accountable Cabinet Member:	Alan Bottwood
Ward(s)	Not Applicable

1. Purpose

1.1 The purpose of the report is:

- To present the Council's Capital Strategy for 2012-13 to 2014-15
- To present the proposed capital programme for 2012-13.
- To outline the capital programme funding proposals for 2012-13 and future years.
- To ask the Cabinet to recommend to Council that they approve the recommendations in paragraph 2 below.

2. Recommendations

2.1 That the Cabinet recommend to Council that they approve

a) The Capital Strategy for 2012-13 to 2014-15, as set out in Appendix A.

b) The capital programme for 2012-13, including future year commitments, as set out in Appendix B.

c) The capital financing principles to be applied in 2012-13, as set out in the Capital Strategy (Appendix A) pages 10-11.

d) The proposed financing of the capital programme for 2012-13 and future years, as set out at paragraphs 3.2.16 and Appendix C.

e) That authority be delegated to the Director of Finance and Support in consultation with the Portfolio Holder for Finance, and where appropriate the relevant Director and Portfolio Holder to update prudential indicators in both the Prudential Indicators report and Treasury Strategy report, prior to Council for any capital programme changes that impact on these.

f) That Cabinet be authorised, once the programme has been set, to approve new capital schemes and variations to existing schemes during 2012-13, subject to the funding being available and the schemes being in accordance with the objectives and priorities of the Council.

3. Issues and Choices

3.1 Report Background

The Financial Position

3.1.1 The Council is facing an extremely challenging financial situation in the short to medium term. Reductions in overall revenue funding constrain the ability to undertake borrowing in support of capital expenditure due to its impact on interest and Minimum Revenue Provision (MRP) charges

3.1.2 The national economic situation continues to make it difficult to realise capital receipts. In line with the Capital Strategy, receipts are only utilised to fund capital expenditure when actually received.

3.1.3 Right to Buy sales remain low compared to historic levels (17 to date in 2011/12) due to difficulties in the housing market generally, This has an impact on the availability of capital receipts to fund Housing capital expenditure.

3.1.4 Some grant funding has also been affected where grant-awarding bodies are being forced to tighten their belts. Officers are continually seeking new sources of grant funding, the outcome of which often becomes known during the course of the year. In line with the delegation scheme, capital schemes that are fully funded from external grants and contributions and in accordance with the objectives and priorities of the Council can be added to the programme with the approval of the Director of Finance and Support. This enables such schemes to commence promptly and achieve their objectives in line with grant conditions.

Building the Capital Programme.

3.1.5 Project appraisals have been completed for all 2012-13 capital programme bids.

3.1.6 Each project appraisal demonstrates how the scheme will contribute to:

- The Council's corporate priorities.
- Statutory duties and legal commitments
- Equalities
- Efficiency and Value for Money

3.1.7 These factors are all taken into account in formulating a proposed capital programme that will best target the Council's corporate priorities within the resources available.

3.1.8 Officers maintain a file of all project appraisals and copies of individual appraisals are available on request.

3.2 Issues

The Capital Strategy

3.2.1 The proposed Capital Strategy for 2012-13 to 2014-15 is attached at Appendix A and updates the strategy approved by Council on 28 February 2011. Only minor changes have been made, including some to ensure consistency with the Treasury Management Strategy and Prudential Indicators.

3.2.2 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.

3.2.3 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.

3.2.4 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.

3.2.5 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.

3.2.6 The strategy includes the Council's capital funding strategy for 2012-13.

Capital Programme

3.2.7 The proposed capital programme for 2012-13 to 2014-15 is attached at **Appendix B**. The value of the total proposed capital programme for 2012-13 is £27.179m, split between General Fund (GF) £9.464m and Housing Revenue Account (HRA) £17.715m. A schedule of the individual schemes can be seen in Appendix B.

General Fund Programme

3.2.8 General Fund schemes have been prioritised within the resources available, i.e. capital receipts that will be received during 2011/12. No new schemes have been included for 2013/14 and 2014/15 pending the delivery of further receipts.

3.2.9 There is continuing significant demand for Disabled Facilities Grants. These are mandatory for the Council when the homeowner has made a full application. The proposed programme includes an annual budget of £1.475m, including £1m per annum funded by borrowing.

3.2.10 The £3m funding requirement for the bus interchange will be covered either by capital receipts or prudential borrowing. The Council will seek to apply any relevant capital receipts in line with the capital and asset management strategy. Additionally, dependant upon the final design, there is scope for retail development, which could deliver a source of income to support prudential borrowing should that be required.

3.2.11 Our Property Disposal Strategy is generating new capital receipts and reducing holding costs. A successful programme of asset sales has generated capital receipts of nearly £1.7m during 2011/12 to date. These will be partly utilised to fund the 2012/13 recommended programme and partly set aside in a capital reserve fund. This reserve provides a funding source for future priority schemes and emergencies.

3.2.12 The only changes to the General Fund programme since the December 2011 Cabinet report are the removal of the scheme for Renovation of Commercial Property (GF10 - £230k), which is no longer required and the inclusion of works to Upper Abington Park Toilets (GF28 - £65k).

HRA Programme

3.2.13 The recommended programme and funding for 2012/13 flows from the HRA Business Plan approved by Cabinet on 18th January 2012. It is affordable and directed to the priorities set out within that plan.

3.2.14 The 30-year Business Plan includes provision for funding of new build and regeneration of existing housing stock from 2014/15 onwards. This is included in the programme presented in this report but is still subject to a detailed appraisal.

3.2.15 The funding of the programme includes the provisional allocations of Decent Homes Grant previously notified by CLG. This is £4.54m in 2012/13 and a further £44.76m over the subsequent two years. The programme will need to be revised if these grant levels are not confirmed at these levels.

2011-12 Funding Issues

3.2.16 The table below outlines how it is planned to fund the proposed capital programme in 2012-13.

Funding source	GF	HRA	Total
	£m	£m	£m
Prudential Borrowing	1.279	3.170	4.449
Capital Receipts	2.824	0.125	2.949
Major Repairs Reserve	0	8.229	8.229
Grants & Third Party Contributions	5.361	4.540	9.901
Revenue Contributions	0	1.651	1.651
Total	**9.464**	**17.715**	**27.179**

3.2.17 A more detailed breakdown of the funding assumptions for the next three years is set out at Appendix C.

3.3 Choices (Options)

3.3.1 Cabinet are asked to recommend to Council that they approve the recommendations at paragraph 2.2.

3.3.2 Cabinet may propose changes to the capital programme in consultation with the Chief Financial Officer.

3.3.3 Cabinet may propose changes to the Capital Strategy in consultation with the Chief Financial Officer.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The capital programme is set in the context of the Council's Capital Strategy. The proposed Capital Strategy for 2012-13 to 2014-15 is attached at **Appendix A**.

4.1.2 The approval of the 2012-13 capital programme forms part of the annual budget setting process, and if approved the programme will become a policy document.

4.2 Resources and Risk

4.2.1 Members are required to agree a balanced capital programme. The 2012-13 programme shown in **Appendix B** is fully funded, as set out at **Appendix C**, and will meet this obligation.

4.2.2 The revenue implications of each scheme included in the proposed capital programme for 2012-13 have been included in the revenue budget proposals for 2012-13 and future years. This includes debt financing budget impacts arising from prudential borrowing to support the programme.

It is proposed that unsupported (prudential) borrowing of £1.279m will be used to support the proposed General Fund capital programme in 2012-13. This will create a revenue commitment for interest payments in 2012-13 and a revenue commitment for principal and interest in future years. The value of the principal element will vary in line with the MRP (Minimum Revenue Provision) regulations, and an estimate has been provided for this, and for the interest repayments in the Council's debt-financing budget.

4.2.4 Each scheme will be subject to risk assessment and risk management in respect of both financial and non-financial aspects of the project. This is the responsibility of the project manager. Risks around the financing of the capital programme are monitored by the Finance Manager (Capital) and any emerging issues are reported to the Council's Chief Financial Officer (the Director of Finance and Support).

4.3 Legal

4.3.1 A number of the schemes in the programme are necessary to fulfil the Council's legal or statutory obligations. The legal and statutory issues relating to each scheme are set out in the individual project appraisals and managed by the project manager through the project risk registers.

4.4 Equality

4.4.1 An initial screening has been undertaken for all of the projects included in the recommended programme, and a full screening done were this is deemed necessary. This information has been used in the prioritisation process.

4.4.2 Appropriate completion of the Equalities Impact Assessment process is a condition of approval for each scheme in the capital programme.

4.4.3 The project manager is responsible for ensuring that issues identified in the Equalities Impact Assessment are appropriately addressed in the implementation of the capital scheme.

4.5 Consultees (Internal and External)

4.5.1 Members of the public were consulted on aspects of the draft capital programme through the general consultation on the budget. The outputs of this consultation can be found in an Appendix to the Revenue Budget Report.

4.5.2 Consultations are undertaken in respect of individual schemes within the programme, and these are explained in the project appraisals.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The Capital Appraisal developed in support of each scheme details the schemes contribution to Council priorities and this has informed the prioritisation of the programme.

4.7 **Other Implications**

4.7.1 Other implications may arise in relation to specific capital schemes. These are addressed in the individual project appraisals.

4.7.2 **List of Appendices**

- Appendix A Capital Strategy.
- Appendix B Capital Programme 2012-13 to 2014-15
- Appendix C Forecast of Capital Financing 2012-13 to 2014-15

5. Background Papers

5.1 Cabinet Reports

- 21st December 2011 – Budget and Capital Programme 2012-13 to 2014-15

5.2 Equalities and Human Rights Commission

- The Public Sector Equality Duty and Financial Decisions.

5.3 Other Papers

- Capital Appraisals
- Budget Consultation papers

Paul Hymers, Finance Manager – Capital ext 8416
Rebecca Smith, Assistant Head of Finance, ext 8046
Isabell Procter, Director of Finance and Support, ext 8757

Draft

Appendix A

Northampton Borough Council

Capital Strategy

2012-13 to 2014-15

CONTENTS

SCHEDULE OF ANNEXES

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 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 212,100 at mid 2010 (ONS mid 2010 population estimates published June 2011). 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 benefits, housing and community safety. Environmental Services are now provided under contract by EMS and leisure services are provided by the new leisure trust.

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 £469m at March 2011. The significant reduction in value during 2010/11 is due to a change in the valuation method for Council Dwellings. Council assets 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 service-specific and other NBC 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, including through 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.

Capital investment decisions are made with reference to the Council's priorities, as set out in the Corporate Plan.

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 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 Plan, 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. As part of this consideration will be given to the impact of HRA reform and the potential freedom that it provides to spend on estate improvement and new build.

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, Town Centre Ltd, Northants County Council, SEMLEP, NEP 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 current procurement strategy was approved in April 2008 and is in the process of being updated. 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.

Treasury Management Strategy

Where capital schemes are funded by borrowing they give rise to revenue costs for interest and principal. Capital financing decisions therefore impact directly on the Council's debt financing budget and treasury management operations. The annual Treasury Management Strategy incorporates the Council's capital financing and borrowing strategy for the coming year, including policies on borrowing, debt rescheduling and minimum revenue provision (MRP), views on interest rates and the sensitivity of forecasts, and prudential and treasury indicators.

Draft

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.

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.

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 — Setting of indicators
- November — Mid year monitoring
- July — Outturn position

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

In assessing capital bids the Council first considers whether the proposed capital investment represents the most efficient way of delivering the desired outcomes, i.e. whether there are alternative approaches to resolving the problem that provide greater value for money.

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 2011 the Council’s housing stock stands at 12,175 dwellings, a reduction of 19 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 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 in recent years has been the Major Repairs Allowance (MRA), around £8m per year, provided for the express purpose of improving the condition of the Council's housing stock. From April 2012 the HRA will become self-financing with the ending of the subsidy system. Whilst this will bring an end to the MRA, this will be replaced by revenue funding. The Council was successful in securing grant funding of nearly £50m over the next 3 years from central government to address Decent Homes backlogs.

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.

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 2012-13 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 – Capital receipts generated by asset sales will be partly set aside in a capital reserve fund. This reserve provides a funding source for future priority schemes and emergencies.
- 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.
- 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 is 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 are considered 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 prioritisation process 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 rated 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
- Improvements in performance indicators
- Efficiency savings
- Value for money
- The delivery of service objectives
- Effective Asset Management
- Extent of ring fenced or specific funding
- Levels of financial risk involved
- Impact on the revenue budget and income generation

Prioritisation of 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 2012-13 to 2014-15 - 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 project manager signs the appraisal to confirm that their Head of Service, Director and Portfolio Holder are aware of and support the scheme. Final approval is given by Cabinet or the Director of Finance and Support under delegated authority.

Project appraisals have been completed for all 2012-13 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.

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.
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 Finance 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

The Management Accounts 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 Capital team is 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 Management Board on a monthly basis throughout the year, commencing from period 2 (end of May). Quarterly reporting to Cabinet 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.

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 either be incorporated into the regular Dashboard report to Cabinet, or approved by the Director of Finance and Support under delegated authority.

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.

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 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 overal policy and subject to overall financial constraints.

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- Annex A -

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 2010-11 Statement of Accounts.

Movements in 2010/11	Council Dwellings	Housing Land and Buildings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment
	£000s	£000s	£000s	£000s
Cost or Valuation				
At 1st April 2010	522,041	17,846	89,555	8,956
Additions	11,415	69	739	2,039
Donations	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-16,952	540	1,499	23
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-151,123	-330	-3,294	-541
Derecognition – disposals	-794	-243	-5,225	-44
Derecognition – other	0	0	0	0
Assets reclassified (to) / from Held for sale	0	-146	0	0
Other movements in cost or valuation	0	0	0	44
At 31 March 2011	**364,587**	**17,736**	**83,274**	**10,477**
Accumulated Depreciation and Impairment				
At 1 April 2010	-4,949	-408	-6,365	-6,308
Depreciation Charge	-4,070	-312	-2,309	-777
Depreciation written out to the revaluation reserve	4,949	288	1,203	6
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	110	623	506
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	-1
Derecognition – Disposals	5	1	225	25
Derecognition – other	0	0	0	0
Other Movements	0	0	0	-15
At 31 March 2011	**-4,065**	**-321**	**-6,623**	**-6,564**
Net Book Value				
At 31 March 2010	**517,092**	**17,438**	**83,190**	**2,648**
At 31 March 2011	**360,522**	**17,415**	**76,651**	**3,913**

Movements in 2010/11	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construct -ion	Total Property, Plant and Equipment
	£000s	£000s	£000s	£000s	£000s
Cost or Valuation					
At 1st April 2010	1,402	6,025	1,717	1,624	**649,166**
Additions	0	29	0	1,614	**15,905**
Donations	0	0	0	0	**0**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	4	474	0	**-14,412**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	-278	0	**-155,566**
Derecognition – disposals	0	0	0	0	**-6,306**
Derecognition – other	0	0	0	0	**0**
Assets reclassified (to) / from Held for sale	0	0	-523	0	**-669**
Other movements in cost or valuation	0	-28	0	-1,624	**-1,608**
At 31 March 2011	**1,402**	**6,030**	**1,390**	**1,614**	**486,510**
Accumulated Depreciation and Impairment					
At 1 April 2010	-227	-69	-62	0	**-18,388**
Depreciation Charge	-13	-16	-44	0	**-7,541**
Depreciation written out to the revaluation reserve	0	49	3	0	**6,498**
Depreciation written out to the Surplus/Deficit on the Provision of Services	1	0	13	0	**1,253**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	**-1**
Derecognition – Disposals	0	0	0	0	**256**
Derecognition – other	0	0	0	0	**0**
Other Movements	0	0	0	0	**-15**
At 31 March 2011	**-239**	**-36**	**-90**	**0**	**-17,938**
Net Book Value					
At 31 March 2010	**1,175**	**5,956**	**1,655**	**1,624**	**630,778**
At 31 March 2011	**1,163**	**5,994**	**1,300**	**1,614**	**468,572**

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Analysis of Fixed Assets by Category

31/03/2010		31/03/2011
Number		Number
12,194	**Council Dwellings**	12,175
	Other Land and Buildings	
27	Council Houses not used as dwellings	27
91	Shared Ownership Properties	90
3,002	Council Garages	3,002
16	Other Housing Properties	16
68	Operational Shops	68
0	Other Garages	0
1	Guildhall	1
62.88ha	Allotments	62.88ha
5	Sports & Leisure Centres	5
26	Community Centres	26
2	Museums, Art Galleries	2
1	Open Markets	1
13	Public Conveniences	13
5	Multi-Storey Pay & Display Car Parks	5
3	Local Area Offices	3
4	Central Administrative Offices	3
1	Gypsy Site	1
1	Bus Station	1
19	Surface Pay & Display Car Parks	19
1	Depots	1
13	Sub-Depots	13
73	**Infrastructure**	73
171	**Vehicles, Plant, Furniture and Equipment**	223
	Community Assets	
887.45ha	Parks and Open Spaces	887.45ha
4	Historical Buildings	4
34	Monuments/Memorials/Exhibitions	34
6	Pavilions	6
8	Cemeteries	8
1	Civic/Mayoral Regalia	1
	Non-operational Assets	
290	Commercial Property (Units)	290
65.97ha	Agricultural Land	65.97ha
1	Golf Course	1
1	Theatres	1
1	Indoor Market/Arts Venue	1
52	**Intangible Assets**	50

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- Annex B -

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
GF	General Fund
HCA	Homes & Communities Agency
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standards
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

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.

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 or 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 it's 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 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).

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
Guildhall
St Giles Square
Northampton
NN1 1DE

Appendix B1

Capital Programme 2012-13 to 2014-15 - General Fund

Reference Number	Project Title	Note	2012-13 £	2013-14 £	2014-15 £	Scheme Total £
Self-funded (will only go ahead if savings proven)						
2012-13/GF02	Technology Refresh (technical transfer from leasing)	1	162,000			162,000
2012-13/GF31	Central Museum - Boiler Replacement	2	35,000			35,000
2012-13/GF30	Water Hygiene - Monitoring Improvements	2	82,000			82,000
			279,000	**0**	**0**	**279,000**
Other Schemes						
2012-13/GF03	Disabled Facilities Grant	3	1,475,000	1,475,000	1,475,000	4,425,000
2012-13/GF05	Bus Interchange, including enabling works	4	6,386,000	1,500,000		7,886,000
2012-13/GF19	Delapre Abbey Restoration - Phase 2		100,000			100,000
2012-13/GF20-22	Urgent Lift renewals		181,500			181,500
2012-13/GF01	Microsoft Office 2010 Upgrade/Rollout		195,200			195,200
2012-13/GF10	Corporate Property - Improvements & renewals		200,000			200,000
2012-13/GF13 (1)	Guildhall Renewals - Phase 2 - Stonework Facia		68,000			68,000
2012-13/GF13 (2)	Guildhall Renewals - Phase 2 - Rooflights Replacement		5,000			5,000
2012-13/GF13 (3)	Guildhall Renewals - Phase 2 - Roof - Mayor's Parlour/Court room		59,000			59,000
2012-13/GF17 (1)	Community Centres - Standens Barn Structure		15,000			15,000
2012-13/GF12 (1)	Water Management Works - Abington Park Brook		35,000			35,000
2012-13/GF27 (1)	Investment Property - Hazelwood Road Window renewals		15,000			15,000
2012-13/GF27 (2)	Investment Property - Home Farm Window renewals		20,000			20,000
2012-13/GF27 (3)	Investment Property - Dychurch Lane restaurant roof		40,000			40,000
2012-13/GF27 (4)	Investment Property - External Joinery/roof elements		25,000			25,000
2012-13/GF15	Mounts Baths roof covering renewal		150,200			150,200
2012-13/GF35	Allotment Provision		100,000			100,000
2012-13/GF12 (2)	Water Management Works - Shelfleys Lake outlets		25,000			25,000
2012-13/GF12 (3)	Water Management Works - August Drive culvert		15,000			15,000
2012-13/GF12 (4)	Water Management Works - Duston Mill Reservoir		10,000			10,000
2012-13/GF28	Parks Infrastructure - Upper Abington Park Toilets		65,000			65,000
			9,184,900	**2,975,000**	**1,475,000**	**13,634,900**
Total Proposed Programme			**9,463,900**	**2,975,000**	**1,475,000**	**13,913,900**

Notes:
1) Borrowing costs funded by existing leasing budgets - where borrowing is more cost effective
2) Schemes generate revenue savings, energy costs for boilers and staff in relation to water hygiene monitoring.
3) Funded partly by government grants (£475k), remainder by borrowing.
4) Funded from WNDC grant and NCC (£4.886m), remainder by capital receipts or borrowing funded by anticipated income from associated retail developments. Up to £3m approved by Cabinet 23/11/11.

Appendix B2

Capital Programme 2012-13 to 2014-15 - HRA

Reference Number	Project Title	2012-13	2013-14	2014-15	3-Year Total
		£	£	£	£
2012-13 HRA001	Decent Homes	10,000,000	18,000,000	35,000,000	63,000,000
2012-13 HRA002	CESP	750,000	0	0	750,000
2012-13 HRA003	Structural Improvements	400,000	400,000	400,000	1,200,000
2012-13 HRA004	Heating replacements (responsive)	500,000	500,000	300,000	1,300,000
2012-13 HRA005	Asbestos removal remedial action	100,000	100,000	100,000	300,000
2012-13 HRA006	Voids	1,000,000	1,000,000	750,000	2,750,000
2012-13 HRA007	Door entry replacement	90,000	100,000	200,000	390,000
2012-13 HRA008	Kitchens	200,000	200,000	100,000	500,000
2012-13 HRA009	Planned Heating Replacements	700,000	500,000	400,000	1,600,000
2012-13 HRA010	Reroofing	400,000	200,000	200,000	800,000
2012-13 HRA011	Windows and doors replacement (outside Decent Homes programme)	30,000	30,000	30,000	90,000
2012-13 HRA012	Electrical periodic works	125,000	125,000	125,000	375,000
2012-13 HRA013	Capital Improvements (fencing, frozen pipe prevention)	300,000	100,000	75,000	475,000
2012-13 HRA014	Garage roofs, doors and forecourts	40,000	40,000	100,000	180,000
2012-13 HRA015	Minor adaptations	140,000	140,000	140,000	420,000
2012-13 HRA016	Environmental enhancements	140,000	200,000	200,000	540,000
2012-13 HRA018	Estate regeneration (paths, boundary walls, parking areas and other similar projects)	150,000	150,000	1,000,000	1,300,000
2012-13 HRA019	Fire safety in communal areas	150,000	75,000	75,000	300,000
2012-13 HRA020	Disabled adaptations	1,000,000	1,000,000	1,000,000	3,000,000
2012-13 HRA021	Sheltered housing improvements	1,000,000	1,000,000	1,000,000	3,000,000
2012-13 HRA022	IT capital	200,000	200,000	200,000	600,000
2012-13 HRA023	Walkways	100,000	100,000	100,000	300,000
2012-13 HRA024	Communal area upgrade	200,000	200,000	200,000	600,000
2012-13 HRA025	Green deal contribution & energy efficiency	0	100,000	100,000	200,000
	New Build/Regeneration			10,350,000	10,350,000
	Total	**17,715,000**	**24,460,000**	**52,145,000**	**94,320,000**

Annex C

Capital Programmme 2012-13 to 2014-15 - Forecast of Capital Financing

GENERAL FUND

	2012-13 £	2013-14 £	2014-15 £
Capital Receipts	2,823,900	1,500,000	
Unsupported Borrowing (DFGs)	1,000,000	1,000,000	1,000,000
Self-funded Borrowing	279,000		
External Funding - DFGs	475,000	475,000	475,000
External Funding - Bus Interchange	4,886,000		
Total Financing - GF	**9,463,900**	**2,975,000**	**1,475,000**

HOUSING REVENUE ACCOUNT

	2012-13 £	2013-14 £	2014-15 £
Decent Homes Backlog Grant (provisio	4,540,000	14,760,000	30,000,000
Unsupported Borrowing	0	0	898,445
Major Repairs Reserve/Depreciation	8,245,500	8,457,700	8,668,000
Capital Receipts - Right to Buy	125,000	125,000	357,000
Revenue - Earmarked Reserve	1,657,000	1,134,400	10,378
Revenue - in Year Contribution	3,147,500	0	12,211,177
Total Financing - HRA	**17,715,000**	**24,477,100**	**52,145,000**

Appendices
2

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	PRUDENTIAL INDICATORS FOR CAPITAL FINANCE 2012-13 to 2014-15

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	22 February 2012
Key Decision:	NO
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	YES
Directorate:	Finance & Support
Accountable Cabinet Member:	Alan Bottwood
Ward(s)	Not Applicable

1. Purpose

1.1 The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) requires that prudential indicators, other than actuals that are taken from information in the local authority's Statement of Accounts, are set for the forthcoming and following years through the processes established for the setting and revising of the budget for the local authority – that is, by the full Council.

1.2 This report sets out:

- The background to the prudential indicators
- Proposed prudential indicators for 2012-13 and the following two years
- The executive summary from the Prudential Code (2011 Edition) (Appendix A)
- A commentary to support the individual prudential indicators (Appendix B)

2. Recommendations

2.1 That Cabinet recommend to Council that they approve the prudential indicators required under the CIPFA Prudential Code for Capital Finance in Local Authorities (2011 edition) as set out at paragraph 3.2.3 below.

2.2 That Cabinet recommend to Council that they approve the delegation of authority to the Section 151 Officer to make adjustments between the “borrowing” and “other long term liabilities” categories within the overall total of the indicators for the operational boundary and the authorised limit for external debt set out at paragraphs 3.2.3 (g) and (h) below.

3. Issues and Choices

3.1 Report Background

3.1.1 The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) is a professional code of practice. Local authorities have a statutory requirement to comply with the Prudential Code when making capital investment decisions and carrying out their duties under Part 1 of the Local Government Act 2003 (Capital Finance etc and Accounts).

3.1.2 A new edition of the Prudential Code was published in 2011. This includes revisions to incorporate the impacts of HRA reform under the Localism Act 2011.

3.1.3 The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal.

3.1.4 The objectives of the Prudential Code are to provide a framework for local authority capital finance that will ensure for individual local authorities that:

- Capital expenditure plans are affordable
- All external borrowing and other long-term liabilities are within prudent and sustainable levels
- Treasury management decisions are taken in accordance with professional good practice

And, that in taking decisions in relation to these factors, the local authority is accountable, by providing a clear and transparent framework.

3.1.5 In exceptional circumstances the objective of the Prudential Code is to provide a framework that will demonstrate that there is a danger of not ensuring the above, so that the authority can take timely remedial action.

3.1.6 The framework in the Prudential Code includes a set of prudential indicators, designed to support and record local decision-making. These should be taken together, integrated into a coherent entity, rather than individually.

3.1.7 The Prudential Code requires that prudential indicators, other than actuals that are taken from information in the local authority's Statement of Accounts, are set for the forthcoming and following years through the processes established for the setting and revising of the budget for the local authority – that is, by the full Council. Any revisions required to the prudential indicators must follow the same approval process.

3.1.8 The Chief Finance Officer is required to establish procedures to monitor both performance against all forward-looking prudential indicators and the requirement to adopt and adhere to the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. He or she is also expected to establish a measurement and reporting process that highlights significant deviations from expectations.

3.1.9 The Prudential Code requires the following matters to be taken into account when setting or revising the prudential indicators:

a) Service objectives - e.g. strategic planning for the authority
b) Stewardship of assets - e.g. asset management planning
c) Value for money - e.g. option appraisal
d) Prudence & sustainability - e.g. implications for external borrowing and whole life costing
e) Affordability - e.g. implications for Council Tax
f) Practicality – e.g. achievability of the forward plan

Matters of affordability and prudence are primary roles for the Prudential Code.

3.1.10 The executive summary from the Prudential Code (2011 edition) is attached for information at Appendix A.

3.2 Issues

Prudential Indicators

3.2.1 In total there are fourteen prudential indicators, covering between them the areas of affordability, prudence, capital expenditure, external debt, and treasury management, as set out below.

Those shown in italics relate to actuals for the previous year to be taken from information in the local authority's Statement of Accounts.

Affordability

- Estimate of the ratio of financing to net revenue stream
- *Actual ratio of financing to net revenue stream*
- Estimate of the incremental impact of capital investment decisions on the council tax

- Estimate of the incremental impact of capital investment decisions on the housing rents

Prudence

- Net debt and the capital financing requirement

Capital Expenditure

- Estimates of capital expenditure
- *Actual capital expenditure*
- Estimates of capital financing requirement
- *Actual capital financing requirement*

External Debt

- Authorised limit for external debt
- Operational boundary for external debt
- *Actual external debt*
- HRA Limit on Indebtedness

Treasury Management

- Adoption of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes

3.2.2 In respect of the indicators for affordability and those for capital expenditure, separate figures are required to be reported for the General Fund and HRA.

3.2.1 The Localism Act incorporates statutory changes to housing finance, with a move from the present housing subsidy system to the self-financing of the HRA. The reforms have a significant impact on the Council's treasury management position and prudential indicators, primarily in terms of the authority's CFR and external borrowing, which will rise by around £193m and £184m respectively before the end of the 2011-12 financial year. The prudential indicators in this report have been set with regard to the impacts of these changes.

3.2.3 The proposed prudential indicators for 2012-13 to 2014-15 are set out below. These exclude those indicators that are actuals for the previous year taken from information in the local authority's Statement of Accounts (as shown in italics in the paragraph above). The 2011-12 outturn figures for these indicators will be reported to Cabinet and Council following the closure of the 2011-12 accounts.

The proposed prudential indicators below are also shown again in the attached Appendix B with a commentary that explains each of the indicators in more detail.

Affordability

a) Estimate of the ratio of financing costs to net revenue stream

Ratio of financing costs to net revenue stream				
		2012-13	2013-14	2014-15
		Estimate %	Estimate %	Estimate %
General Fund		6.98	6.98	6.40
HRA		28.51	27.42	26.92

b) Estimate of the incremental impact of capital investment decisions on the council tax

Estimates of incremental impact of new capital investment decisions on the Council Tax	
	General Fund
	£ p
2012-13	0.21
2013-14	0.77
2014-15	0.95

c) Estimate of the incremental impact of capital investment decisions on the housing rents

Estimates of incremental impact of new capital investment decisions on weekly housing rents	
	HRA
	£ p
2012-13	5.08
2013-14	0.20
2014-15	19.88

Prudence

d) Net borrowing and the capital financing requirement (CFR)

Net external debt less than CFR	
	2012-13 £000
Borrowing	215,809
Less investments	81,970
Net external debt	133,839
2011-12 Closing CFR (Forecast)	221,726
Changes to CFR:	
2012-13	(7,658)
2013-14	(10,974)
2014-15	528
Adjusted CFR	203,622
Net external debt less than adjusted CFR	Yes

Capital Expenditure

e) Estimate of capital expenditure

Capital Expenditure				
		2012-13	2013-14	2014-15
		Estimate £000	Estimate £000	Estimate £000
General Fund		12,753	2,975	1,475
HRA		17,830	24,460	52,145
Total		30,583	27,435	53,260

f) Estimates of capital financing requirement (CFR)

Capital Financing Requirement (Closing CFR)			
	2012-13	2013-14	2014-15
	31 March 2012 Estimate £000	31 March 2013 Estimate £000	31 March 2014 Estimate £000
General Fund	31,686	31,554	31,499
HRA	182,382	171,540	172,122
	214,068	203,094	203,621

External Debt

g) Authorised limit for external debt

Authorised limit for external debt			
	2012-13	2013-14	2014-15
	Limit £000	Limit £000	Limit £000
Borrowing	245,000	245,000	245,000
Other long-term liabilities	5,000	5,000	5,000
TOTAL	250,000	250,000	250,000

h) Operational boundary for external debt

Operational boundary for external debt			
	2012-13	2013-14	2014-15
	Boundary £000	Boundary £000	Boundary £000
Borrowing	240,000	240,000	240,000
Other long-term liabilities	5,000	5,000	5,000
TOTAL	245,000	245,000	245,000

i) HRA Limit on Indebtedness

The HRA limit on indebtedness is £208.401m. This is the HRA debt cap imposed by the Department for Communities and local Government at the implementation of HRA self-financing.

Treasury Management

j) Adoption of the CIPFA code of Practice for Treasury Management in the Public Services

This Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Code). The latest adoption of the Code was formalised at the Council meeting of 25 February 2010, and is included in the Council's Financial Regulations

3.2.4 There are also four treasury management indicators required by the Prudential Code but not treated as prudential indicators. These are included in the Council's Treasury Management Strategy Report elsewhere on this agenda:

- Upper limit on the proportion of net debt compared to gross debt
- Upper limits on fixed interest and variable interest rate exposures
- Upper and lower limits to the maturity structure of borrowing
- Upper limits to the total of principal sums invested for periods longer than 364 days

3.3 Choices (Options)

3.3.1 Cabinet are asked to recommend to Council that they approve the prudential indicators set out at paragraph 3.2.3 above.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The setting of the prudential indicators for 2012-13 to 2014-15 is undertaken in the context of the Council's Medium Term Financial Strategy, Capital Strategy and Treasury Strategy, and sets the Council's prudential indicators for the coming year, and subsequent two years.

4.2 Resources and Risk

4.2.1 The Prudential Code requires that risk analysis and risk management strategies should be taken into account in respect of all capital financing, treasury management and related activities.

4.2.2 Treasury management has the same definition as in the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes: The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

4.2.3 The prudential indicators will provide a framework in 2012-13 in which the Council conducts its capital financing activities, consistent with good risk management, and alongside its treasury strategy. Officers will monitor the indicators throughout the year. Monitoring information will be reported to Cabinet and Council in the treasury management mid year report, and the outturn figures in the treasury management outturn report. In addition any significant changes to overall affordability and/or any breaches of authorised limits will be reported on an exception basis.

4.2.4 The proposed prudential indicators have taken account of the existing structure of borrowing and all reasonable restructuring activity that might occur. They are consistent with the Council's capital programme, Capital Strategy, and Treasury Management Strategy for 2012-13 to 2014-15, which are all brought to this Cabinet for recommendation for approval by Council on 29 February 2011.

4.2.5 Officers have considered whether there are any significant risks that could potentially prevent the Council from achieving its plans at the desired levels of affordability and prudence. These are considered at Appendix B at individual indicator level.

4.3 Legal

4.3.1 The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) is a professional code of practice. Local authorities have a statutory requirement to comply with the Prudential Code when making capital investment decisions and carrying out their duties under Part 1 of the Local Government Act 2003 (Capital Finance etc and Accounts) and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

4.3.2 This includes the requirement that prudential indicators, other than actuals that are taken from information in the local authority's Statement of Accounts, are required to be set and where they are revised, revised through the processes established for the setting and revising of the budget for the local authority.

4.4 Equality

4.4.1 Capital expenditure schemes, the costs of which impact on some of the prudential indicators in this report, are all subject to equalities impact assessments. Further details are contained in the Capital Programme 2012-13 to 2014-15 report to this Cabinet meeting.

4.4.2 In respect of the other prudential indicators in this report, no equalities issues have been identified.

4.5 Consultees (Internal and External)

4.5.1 The capital investment plans that drive much of the capital finance activity that underpins the prudential indicators are subject to consultation, as follows:

- The capital project appraisals and project variations for the schemes in the capital programme are put together by project managers, in consultation with officers and members.
- Consultation with stakeholders is undertaken as appropriate on individual capital schemes.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The proposals support the Council's priority of providing quality services.

4.7 Other Implications

4.7.1 There are no other specific implications arising from this report.

5. Background Papers

Current Statute, Regulation and Guidance

Local Government Act 2003

Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

CIPFA Prudential Code for Capital Finance in Local Authorities – Fully Revised Guidance Notes for Practitioners 2007

The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008

CIPFA Prudential Code for Capital Finance in Local Authorities – 2011 Edition

CIPFA Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes - 2011 Edition

CIPFA Treasury Management in the Public Services - Guidance Notes for Local Authorities including Police Authorities and Fire Authorities – 2011 Edition

CLG Guidance on Minimum Revenue Provision (11 March 2010)

CLG Guidance on Local Authority Investments (11 March 2010)

Localism Act 2011

Cabinet/Council Reports

Treasury Strategy 2010-11 to 2012-13 - Report to Council 25 February 2010 (Contains formal adoption of the CIPFA Code of Practice for Treasury Management)

Capital Programme 2012-13 to 2014-15 - Report to Cabinet 22 February 2012

Council Wide General Fund Revenue Budget 2012-13 to 2014-15 - Report to Cabinet 22 February 2012.

Housing Revenue Account (HRA) Budget, Rent Setting 2012-13 and Budget Projections 2013-14 and 2014-15 - Report to Cabinet 22 February 2012.

Treasury Management Strategy 2012-13 to 2014-15 - Report to Cabinet 22 February 2012

Bev Dixon, Finance Manager – Treasury, ext 7401

The Prudential Code for Capital Finance in Local Authorities 2011 Edition

EXECUTIVE SUMMARY

INTRODUCTION

E1 The Prudential Code plays a key role in capital finance in local authorities. Local authorities determine their own programmes for capital investment in fixed assets that are central to the delivery of quality public services. The Prudential Code was developed by CIPFA, the Chartered Institute of Public Finance and Accountancy, as a professional code of practice to support local authorities in taking their decisions. Local authorities are required by Regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003 and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

OBJECTIVES

E2 The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. In exceptional cases the Prudential Code should provide a framework which will demonstrate that there is a danger of not ensuring this, so that the local authority concerned can take timely remedial action.

E3 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account. The Prudential Code does not include suggested indicative limits or ratios. These will be for the local authority to set itself, subject only to any controls under section 4 of the Local Government Act 2003 (England and Wales), section 36 of the Local Government in Scotland Act 2003 (Scotland) and section 14 of the Local Government Finance Act (Northern Ireland) 2011.

E4 The prudential indicators required by the Prudential Code are designed to support and record local decision making in a manner that is publicly accountable. They are not designed to be comparative performance indicators. They should be considered in parallel with the treasury management indicators required by the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*.

SCOPE

E5 The Prudential Code applies to all local authorities, including police, fire and other authorities.

PROCESS AND GOVERNANCE ISSUES

E6 The Prudential Code sets out a clear governance procedure for the setting and revising of prudential indicators. This will be done by the same body that takes the decisions for the local authority's budget – ie usually it will be the full council for the authority concerned. The chief finance officer will be responsible for ensuring that all matters required to be taken into account are reported to the decision-making body for consideration, and for establishing procedures to monitor performance.

E7 Prudential indicators for previous years will be taken directly from information in local authorities' Statements of Accounts. If any item within a local authority's Statement of Accounts that is relied on for a prudential indicator is the subject of audit qualification, this must be highlighted when the prudential indicators are set or revised.

MATTERS REQUIRED TO BE TAKEN INTO ACCOUNT

E8 In setting or revising their prudential indicators, the local authority is required to have regard to the following matters:

- Service objectives, eg strategic planning for the authority
- Stewardship of assets, eg asset management planning
- Value for money, eg option appraisal
- Prudence and sustainability, eg implications for external debt and whole life costing
- Affordability, eg implications for council tax/district rates
- Practicality, eg achievability of the forward plan.

E9 The Local Government Act 2003 and the Local Government Finance Act (Northern Ireland) 2011 refer to affordability and the requirement that local authorities in England, Wales and Northern Ireland determine and keep under review the amount of money they can afford to borrow for capital investment. The Local Government in Scotland Act 2003 requires Scottish local authorities to keep under review the maximum amount they can afford to allocate to capital expenditure. In order to carry out their duties under legislation in respect of affordability, local authorities are required to have regard to all those aspects of the Prudential Code that relate to affordability, sustainability and prudence.

DECISION MAKING ON CAPITAL INVESTMENT

E10 A soundly formulated capital programme must be driven by the desire to provide high quality, value for money public services. The Prudential Code recognises that in making its capital investment decisions the authority must have explicit regard to option appraisal, asset management planning, strategic planning for the authority and achievability of the forward plan.

E11 The Prudential Code does not specify how the local authority should have regard to these factors. All of them represent elements of good practice for which guidance has already been provided by CIPFA and other authoritative sources. The Prudential Code instead concentrates on the means by which the authority will demonstrate that its proposals are affordable, prudent and sustainable.

AFFORDABILITY

E12 The fundamental objective in the consideration of the affordability of the authority's capital plans is to ensure that the total capital investment of the authority remains within sustainable limits, and in particular to consider its impact on the local authority's 'bottom line' and hence council tax or district rates (Northern Ireland). Affordability is ultimately determined by a judgement about acceptable council tax or rates levels.

E13 In considering the affordability of its capital plans, the authority is required to consider all of the resources currently available to it/estimated for the future, together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the following two years. The authority is also required to consider known significant variations beyond this timeframe. This requires the development of three-year revenue forecasts as well as three-year capital expenditure plans. These are rolling scenarios, *not* fixed for three years.

E14 When considering affordability, the authority needs to pay due regard to risk and uncertainty. Risk analysis and risk management strategies should be taken into account.

E15 The following prudential indicators are key indicators of affordability:

Looking ahead for a three-year period:

- Estimates of the ratio of financing costs to net revenue stream
- Estimates of the incremental impact of capital investment decisions on the council tax

After the year end:

- Actual ratio of financing costs to net revenue stream.

E16 Other prudential indicators that relate to affordability are:

Looking ahead for a three-year period:

- Estimates of capital expenditure
- Estimates of capital financing requirement (underlying need to finance capital expenditure)
- Authorised limit for external debt (see paragraph E17)
- Operational boundary for external debt (see paragraph E17).

After the year end:

- Actual capital expenditure
- Actual capital financing requirement
- Actual external debt.

E17 Both the authorised limit and the operational boundary for external debt need to be consistent with the authority's plans for capital expenditure and financing; and with its treasury management policy statement and practices. Risk analysis and risk management strategies should be taken into account. The operational boundary should be based on the authority's estimate of most likely, ie prudent, but not worst-case scenario and should equate to the maximum level of external debt projected by this estimate. The operational boundary is a key management tool for in-year monitoring. It will probably not be significant if the operational boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary would be significant and should lead to further investigation and action as appropriate. The authorised limit will in addition need to provide headroom over and above the operational boundary, sufficient for example for unusual cash movements.

PRUDENCE

E18 By virtue of the requirements already listed above, the prudential indicators in respect of external debt must be set and revised taking into account their affordability. It is through this means that the objectives of sustainability and prudence are addressed year on year.

E19 In order to ensure that over the medium term net debt will only be for a capital purpose, the local authority should ensure that net external debt does 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 is a key indicator of prudence. Where there is a significant difference between the net and the gross debt position, the risks and benefits associated with this strategy should be clearly stated in the annual treasury management strategy.

E20 It is also prudent that treasury management is carried out in accordance with good professional practice. The Prudential Code requires local authorities to adopt the CIPFA *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*.

THE PRUDENTIAL INDICATORS

E21 The Prudential Code promotes transparency in decision making by using information contained within the published Statements of Accounts of the local authority and by having definitions for prudential indicators that are consistent with the definitions used within the Statements of Accounts.

E22 The prudential indicators specified in the Prudential Code are the minimum required. Local authorities are encouraged to set further prudential indicators where this would assist their own management processes. However, any additional prudential indicators set locally should not, unless required to do so by legislation or official guidance, associate any part of the authority's external borrowing with particular items, categories or purposes of expenditure. The authority should have an integrated treasury management strategy within which its borrowing and investments are managed in accordance with best professional practice.

CONCLUSION

E23 The Prudential Code supports the system of capital investment in local authorities. It is integrated within the wider statutory and management processes of local government. Key elements of the system continue to be determined through legislation, in particular the amount required to be charged to taxation by local authorities in respect of capital investment and the amount and method of government support for capital investment. These will be significant considerations when local government takes decisions on capital investment. However, the level of capital investment that can be supported will, subject to affordability and sustainability, be a matter for local decision.

Prudential Indicators 2012-13 to 2014-15

Affordability

a) Estimates of ratio of financing costs to net revenue stream

The indicator has been calculated as the estimated net financing costs for the year divided by the amounts to be met from government grants and local taxpayers for the non-HRA element, and by total HRA income for the HRA element. The objective is to enable trends to be identified.

The figures for both HRA and General Fund are forecast to remain fairly stable across the three years. This is due in part to the interest rate forecasts used in the projections, which have been set at the same level (0.70%) in each year, and in part to the stability of external debt assumptions over the period.

The gentle increase in the HRA indicator arises from the expectation of increasing level of cash balances available for investment or the write down of debt over the three years.

The relatively high ratio for the HRA across all years (compared to General Fund) reflects the requirement to include depreciation in the financing costs, as represented by the value of the Major Repairs Allowance (MRA). This is not required in the General Fund figures.

The figures used for the net revenue stream for 2012-13 and onwards are dependent upon the General Fund and HRA revenue budgets to be agreed by Council and are therefore subject to change. If applicable, updated figures will be provided to Cabinet and Council at the earliest opportunity.

Ratio of financing costs to net revenue stream				
		2012-13	2013-14	2014-15
		Estimate %	Estimate %	Estimate %
General Fund		6.98	6.98	6.40
HRA		28.51	27.42	26.92

Risk – Debt financing costs relating to past and current capital programmes have been estimated in accordance with proper practices. Actual costs will be dependant on the phasing of capital expenditure and prevailing interest rates, and will be closely managed and monitored on an ongoing basis. Carry forwards in the capital programme, whether planned or unplanned, will delay the impacts of debt financing costs to future years.

b) Estimates of the incremental impact of new capital investment decisions on the Council Tax

This indicator represents an estimate of the incremental impact of new capital investment decisions on the annual Council Tax (Band D). It is intended to show the effect on the Council Tax of approving additional capital expenditure.

Revenue budget impacts may arise from the following:

- Direct revenue contributions
- Lost interest on use of revenue contributions
- Lost interest on use of capital receipts
- Lost interest on use of internal borrowing
- Lost interest on use of earmarked reserves
- Interest on use of external borrowing
- Revenue running costs or savings

The costs shown below represent the incremental impact on Council Tax from capital expenditure schemes starting in 2012-13 and planned for 2013-14 and 2014-15.

Estimates of incremental impact of new capital investment decisions on the council tax	
	General Fund
	£ p
2012-13	0.21
2013-14	0.77
2014-15	0.95

These are notional figures. In practice the incremental costs of borrowing for the capital programme are incorporated into the calculations for the revenue budget build along with all other proposed budget increases and savings, and are considered as part of an overall package of affordability.

The rising trend is normal and is primarily a result of two factors. Firstly the cumulative effect of the expenditure, which is spread over the three year period, and secondly the delay in the charging of MRP, whereby annual charges start the year after expenditure is incurred.

c) Estimate of incremental impact of new capital investment decisions on average weekly housing rent

This indicator represents an estimate of the incremental impact of new capital investment decisions on average weekly housing rents.

Revenue budget impacts may arise from the following:

- Direct revenue contributions
- Lost interest on use of revenue contributions
- Lost interest on use of capital receipts
- Lost interest on use of internal borrowing
- Lost interest on use of earmarked reserves
- Lost interest on use of Major Repairs Allowance (MRA)
- Interest on use of external borrowing
- Revenue running costs or savings

The costs shown below represent the incremental impact on weekly housing rents from capital expenditure schemes starting in 2012-13 and planned for 2013-14 and 2014-15.

Estimates of incremental impact of new capital investment decisions on weekly housing rents	
	HRA
	£ p
2012-13	5.08
2013-14	0.20
2014-15	19.88

These are notional figures. In practice the incremental costs of revenue impacts from the HRA capital programme are incorporated into the calculations for the HRA budget build along with all other proposed budget increases and savings, and are considered as part of an overall package of affordability and impacts on rents.

HRA capital expenditure is planned to increase each year over the three-year period. The significant variation in figures in the three years correlates to the level of direct revenue contribution planned in each year - £3m in 2012-13, zero in 2013-14 and £12m in 2014-15. The availability of additional revenue funds to support capital expenditure is linked to the HRA self financing reforms; the abolition of subsidy payments to government (replaced by debt financing costs) are expected to allow significant capital investment, initially to meet decent homes standards, and subsequently, from 2014-15, to maintain those standards and to invest in estate regeneration and/or new homes build. Actual rent rises will remain in line with the government rent restructuring policy.

Prudence

d) Net borrowing and capital financing requirement

This is the key indicator of prudence. It is intended to show that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital requirement for the current and new two financial years.

Forecast net external debt for 2012-13 falls below the adjusted Capital Financing Requirement.

Net external debt less than CFR	
	2012-13 £000
Borrowing	215,809
Less investments	81,970
Net external debt	133,839
2011-12 Closing CFR (Forecast)	221,726
Changes to CFR:	
2012-13	(7,658)
2013-14	(10,974)
2014-15	528
Adjusted CFR	203,622
Net external debt less than adjusted CFR	Yes

Risk – Where there is a significant difference between the net and the gross borrowing position the prudential code requires that the risks and benefits should be clearly stated in the annual strategy. This is covered in the Council's Treasury Strategy (Appendix F; Section 9)

<u>Capital Expenditure</u>

e) Estimate of capital expenditure

This indicator requires reasonable estimates of the total of capital expenditure to be incurred during the forthcoming financial year and at least the following two financial years.

The draft capital programme for 2012-13 to 2014-15 is included elsewhere on this agenda and the figures below are based on that report, adjusted for known carry forwards from the 2011-12 agreed programme.

Estimates include continuation schemes and known carry forwards from previous years, where applicable. Outline proposals for new bids starting in 2013-14 and 2014-15 are not included for General Fund schemes at this stage. The programme will be adjusted as necessary in line with the actual bids submitted and the resources available when the annual programmes for the two years are agreed.

Capital Expenditure				
		2012-13	2013-14	2014-15
		Estimate £000	Estimate £000	Estimate £000
General Fund		12,753	2,975	1,475
HRA		17,830	24,460	52,145
Total		30,583	27,435	53,260

Risk – There is a real risk of cost variations to planned expenditure against the capital programme, arising for a variety of reasons, including tenders coming in over or under budget, changes to specifications, and slowdown or acceleration of project phasing. There is also the possibility of needing to bring urgent and unplanned capital works into the capital programme. The risks are managed by officers on an ongoing basis, by means of active financial and project monitoring, with monthly dashboard reporting to Cabinet.

The availability of financing from capital receipts, grants and external contributions also carries significant risk. This can be particularly true of capital receipts, where market conditions are a key driver to the flow of funds, causing particular problems in a depressed or fluctuating economic environment. A prudent approach has been taken to these funding streams in the proposed capital programme for 2012-13 to 2014-15.

The financing position of the capital programme is closely monitored by officers on an ongoing basis and reported to Cabinet.

f) Estimate of capital financing requirement (CFR)

External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. The CFR can be understood as the Council's underlying need to borrow money long term for a capital purpose – that is, after allowing for capital funding from capital receipts, grants, third party contributions and revenue contributions.

The Council is required to make reasonable estimates of the total CFR at the end of the forthcoming financial year and the following two years thereafter. A local authority that has an HRA must identify separately estimates of the HRA and General Fund CFR.

The CFR has been calculated in line with the methodology required by the relevant statutory instrument and the guidance to the Prudential Code. It incorporates the actual and forecast borrowing impacts of the Council's previous, current and future capital programmes.

Capital Financing Requirement (Closing CFR)			
	2012-13	2013-14	2014-15
	31 March 2013 Estimate £000	31 March 2014 Estimate £000	31 March 2015 Estimate £000
General Fund	31,686	31,554	31,499
HRA	182,382	171,540	172,122
Total	214,068	203,094	203,621

The forecast trend for the General Fund CFR is a very gentle decrease over the forthcoming three-year period, as the amount of proposed borrowing is offset by annual repayments of principal (Minimum Revenue Provision).

The HRA CFR shows the significant impacts of the new debt taken on in 2011-12 to meet the requirements of HRA self financing reforms. The CFR is shown as reducing year on year, reflecting annual write down of HRA debt from HRA revenue resources.

The changes to CFR for future years (2013-14 and 2014-15) are subject to future Council decisions in respect of the capital programme for those years

External Debt

g) Authorised limit for total external debt

For the purposes of this indicator the authorised limit for external debt is defined as the authorised limit for borrowing plus the authorised limit for other long term liabilities for years 1, 2 and 3.

This requires the setting for the forthcoming financial year and the following two financial years of an authorised limit for total external debt (including temporary borrowing for cash flow purposes), gross of investments, separately identifying borrowing from other long term liabilities.

The authorised limit represents the maximum amount the Council may borrow at any point in time in the year. It has to be set at a level the Council considers is "prudent" and be consistent with plans for capital expenditure and financing. It contains a provision for forward funding of future years capital programmes, which may be utilised if current interest rates reduce significantly but are predicted to rise in the following year.

This limit is based on the estimate of the most likely but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements.

The Council is asked to approve these limits and to confirm the existing delegated authority to the S.151 Officer, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for money for the Council. Any such changes will be reported to the Council at its next meeting following the change.

Authorised limit for external debt			
	2012-13	2013-14	2014-15
	Limit £000	Limit £000	Limit £000
Borrowing	245,000	245,000	245,000
Other long-term liabilities	5,000	5,000	5,000
TOTAL	250,000	250,000	250,000

The authorised limit is set at an amount that allows a contingency for any additional unanticipated or short-term borrowing requirements over and above the operational boundary during the period (see (h) below).

Other long-term liabilities relate to finance leases and credit arrangements.

Risk – Risk analysis and risk management strategies have been taken into account in setting this indicator, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of the Council's cash flow requirements.

h) Operational Boundary for total external debt

The proposed operational boundary is based on the same estimates as the authorised limit. However it excludes the additional headroom included within the authorised limit to allow for unusual cash movements.

The operational boundary represents a key management tool for in year monitoring by the S.151 Officer. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

The Council is also asked to confirm the existing delegated authority to the S.151 Officer, within the same operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the authorised limit. Any such changes will be reported to the Council at the next meeting following the change.

Operational boundary for external debt			
	2012-13	2013-14	2014-15
	Boundary £000	Boundary £000	Boundary £000
Borrowing	240,000	240,000	240,000
Other long-term liabilities	5,000	5,000	5,000
TOTAL	245,000	245,000	245,000

The borrowing element of the operational boundary has been set with reference to the maximum Capital Financing Requirement (CFR) over the coming three years.

Other long-term liabilities relate to finance leases and credit arrangements.

Risk – Risk analysis and risk management strategies have been taken into account in setting this indicator, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of the Council's cash flow requirements.

i) **HRA Limit on Indebtedness**

The local authority is required to report the level of the limit imposed (or subsequently amended) at the time of implementation of self-financing by the Department for Communities and local Government. It is the HRA capital financing requirement that will be compared to this limit.

The HRA limit on indebtedness is £208.401m.

Risk – The HRA business plan has been modelled with full regard to the CLG debt cap requirements. The risk assessment of the business plan does not identify the breach of the debt cap as a risk. However there is an identified risk that inflation levels may change more than expected, resulting in the financial assumptions in the business plan proving to be inaccurate, leading to reduced headroom for borrowing. In this instance borrowing may reach (but not breach) the debt cap.

Treasury Management

j) Adoption of the CIPFA Code of Practice for Treasury Management

The Prudential Code requires that the local authority has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. The aim is to ensure that treasury management is led by a clear and integrated forward looking treasury management strategy, and a recognition of the pre-existing structure of the authority's borrowing and investment portfolios.

This Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Code). The latest adoption of the Code was formalised at the Council meeting of 25 February 2010, and is included in the Council's Financial Regulations.

Risk – Effective risk management is a fundamental requirement for the treasury management function, and this theme runs explicitly through the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

The prime policy objectives of the Council's investment activities are the security and liquidity of funds, and return on investments will be considered only once these two primary objectives have been met. The Council will thereby avoid exposing public funds to unnecessary or unquantified risk.

The Council's Treasury Management Strategy Report for 2011-12 to 2013-14 (including appendices) discusses the ways in which treasury management risk will be determined, managed and controlled.