NORTHAMPTON
BOROUGH COUNCIL

CABINET AGENDA

Wednesday, 18 December 2013

The Jeffrey Room, St. Giles Square, Northampton, NN1 1DE.

6:00 pm

Members of the Cabinet:

Councillor:	David Mackintosh (Leader of the Council)
Councillor:	Mary Markham (Deputy Leader)
Councillors:	Alan Bottwood, Tim Hadland, Mike Hallam, 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	TITLE
Councillor D Mackintosh	Leader
Councillor M Markham	Deputy Leader Housing
Councillor A Bottwood	Finance
Councillor T Hadland	Regeneration, Enterprise and Planning
Councillor M Hallam	Environment
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. A maximum of thirty minutes in total will be allowed for addresses by Members 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 Jeffrey Room, St. Giles Square, Northampton, NN1 1DE.

on Wednesday, 18 December 2013

at 6:00 pm**.**

D Kennedy
Chief Executive

AGENDA

1. APOLOGIES

2. INTENTION TO HOLD PART OF THE MEETING IN PRIVATE

3. DEPUTATIONS/PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

5. ISSUES ARISING FROM OVERVIEW AND SCRUTINY COMMITTEES

6. COUNCIL WIDE BUDGET 2014-19

Report of Chief Exectuive and Chief Financial Officer (LGSS)
(Copy herewith)

7. LOCAL COUNCIL TAX REDUCTION SCHEME - YEAR 2, PROPOSED CHANGES

Report of the Chief Executive and the Chief Finance Officer (LGGS)
(Copy herewith)

8. EXCLUSION OF PUBLIC AND PRESS

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

SUPPLEMENTARY AGENDA

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

Appendices
8

NORTHAMPTON BOROUGH COUNCIL

CABINET REPORT

Report Title	DRAFT MEDIUM TERM FINANCIAL PLAN 2014/15 – 2018/19 AND DRAFT BUDGET 2014/15

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	18 December 2013
Key Decision:	NO
Within Policy:	YES
Policy Document:	NO
Directorate:	Management Board
Accountable Cabinet Member:	Cllr A Bottwood
Ward(s)	N/A

1. Purpose

1.1 The purpose of this report is to present for consultation the Cabinet's draft budget proposals for 2014/15 and the forecast budgets for 2015/16 to 2018/19 for:

- The General Fund (Revenue), as attached in Appendices A, B and C and proposed Council Tax levels for public consultation.
- The draft General Fund Capital Programme and financing proposals.
- The draft Housing Revenue Account (HRA).
- The draft HRA Capital Programme and financing proposals.
- The Council's Treasury Management Strategy.

2. Recommendations

2.1 That Cabinet's General Fund draft budget proposals for 2014/15, and indicative budgets for 2015/16 to 2018/19, as summarised in Appendices A, B and C, including changes to car parking charges, additional Neighbourhood Warden support and additional Park Ranger hours, be approved for public consultation.

2.2 That the proposed Council Tax freeze for 2014/15 be approved for public consultation.

2.3 That Cabinet's draft General fund Capital Programme, including Greyfriars Bus Station demolition, Abington Street and Guildhall Road Improvements, as detailed in Appendix D, be approved for public consultation.

2.4 That Cabinet approve the draft Housing Revenue Account (HRA) budget including charges and rents, as detailed in Appendices E and F for public consultation.

2.5 That Cabinet's draft HRA Capital Programme and financing, including bringing the housing stock up to the Northampton Standard, as detailed in Appendix G, be approved for public consultation.

2.6 That Cabinet's draft Treasury Management Strategy 2014/15 is approved for consultation.

2.7 That the Chief Executive and Management Board, in consultation with the relevant Cabinet members, undertake the preparatory work in relation to the savings and efficiencies built into the draft budget proposals, subject to any actions being rescinded should any budget options not be approved at Council on 24 February 2014.

3. Issues and Choices

3.1 Report Background

National Position

3.1.1 The Coalition Government has based its economic policy on deficit reduction and has driven this through by the twin fiscal measures of increased taxation and reduced public expenditure. In contrast to the accustomed increases in public funding in line with growth in Gross Domestic Product local government has seen in year reductions in 2010/11 and then a four year programme amounting to a 28%, front loaded, funding reduction announced in the Spending Review 2010 of October of that year.

3.1.2 The Government announced a single year Spending Round in June of this year for 2015-16. Similar levels of reduction to the previous Spending Review were anticipated but there is a further 1% reduction for 2014-15 as well as a 13% reduction for 2015-16. The initial headline figure for 2015-16 was 8% but £1bn is held back nationally to fund future new burdens including the cost of the Care Bill.

3.1.3 Although positive signs are emerging from various data and intelligence surrounding the UK economy, there remains some uncertainty over the outlook for the UK and this will continue to put pressure on Local Government finances over the medium term. This was emphasised in the Autumn Statement announced on 5th December 2013 with clear expectations that public sector funding would continue to be reduced in the next spending review period in line with those seen in the current spending review. This would indicate local government could see its funding reduce by 10% per annum until at least 2018, possibly longer.

Government Funding and Policy Changes

3.1.4 In addition to funding reductions local government has seen significant changes to the way it receives its funding and new policy initiatives. A number of these changes are set out below.

Business Rates Retention Scheme

3.1.5 The previous grant regime was replaced with a Business Rate Retention scheme in April 2013. The key aim of this is to incentivise local business growth. Following extensive lobbying from local government, it was announced that at least 25% of business rates growth will be retained locally. The Council is working with other councils across Northamptonshire to continue the pooling arrangement across the county. These arrangements seek to retain a large proportion of the growth, up to 40%. The Split is 80:20 between district and county councils.

Local Council Tax Support Scheme

3.1.6 The Council Tax Benefit system ceased at the end of March 2013 as a result of the Welfare Reform Act, and was replaced with the localised scheme administered by the Council. The Government included the funding for Council Tax Support in its funding for local government which is being reduced by around 10% per annum. The expectation is that this would be offset by reductions in expenditure to those receiving Council Tax Support. Council approved the CTRS scheme in February 2013. The proposals for 2014/15 are subject to a separate report to Cabinet.

Welfare Reform

3.1.7 Over the medium term planning period more information and details will be released about universal credit and other welfare reform initiatives which will have an impact upon the current service provision of the Council. It is currently anticipated universal credit will be in operation in councils in 2016.

New Homes Bonus

3.1.8 During the summer of 2013, the Government announced a consultation where a large proportion of NHB funding (around 40%) would be top sliced and allocated to Local Enterprise Partnerships (LEPs). Local government viewed this as a disincentive for housing growth. Following consultation, and extensive feedback from councils, this proposal has now been has been reviewed and will not be implemented.

Local Position

3.1.9 The National economic position has had and continues to have specific repercussions locally. In addition to significant reductions in government funding since 2010 the following impacts have been felt locally:

3.1.10 Investment interest levels remain low, and are expected to do so for at least the next few years before rising gradually.

3.1.11 Funding for capital expenditure is linked both to revenue funding in relation to borrowing costs and the Council's ability to generate capital receipts.

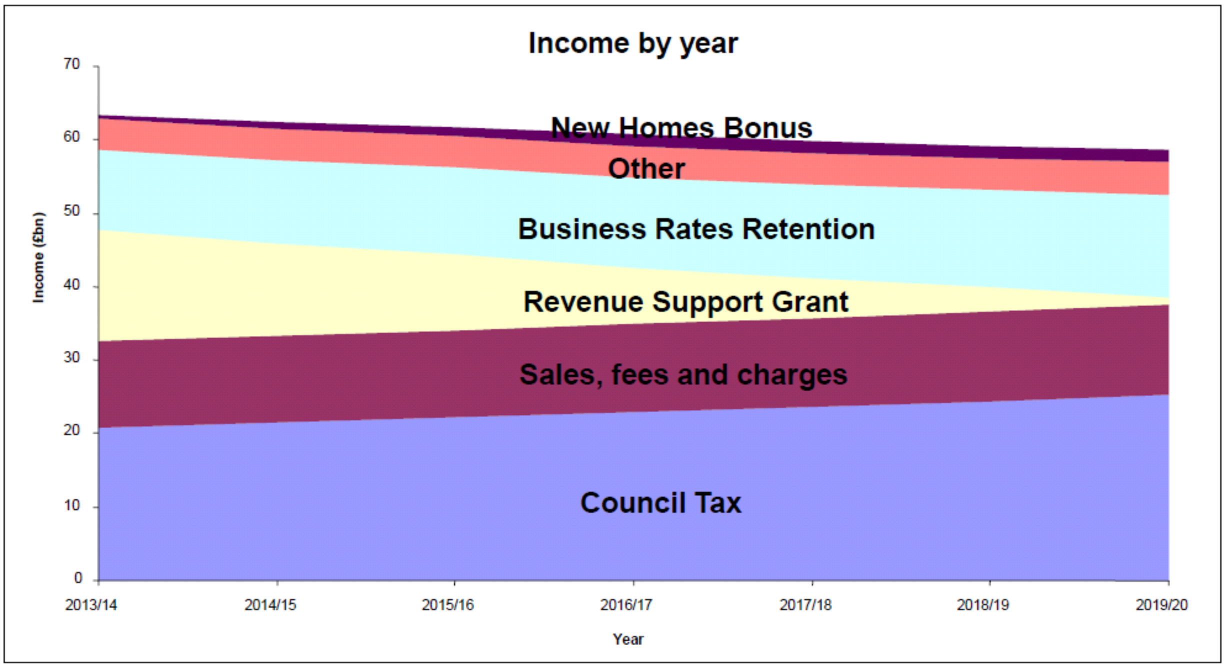
3.1.12 The impact on the property market has had the effect of reducing income levels. Right to Buy receipts have dropped away significantly in recent years but has partly recovered recently.

3.1.13 The differential between investment and borrowing rates remains high. The cost of borrowing, having already been increased by Government in relation to the Public Works Loan Board as part of the Spending Review, is expected to remain high in comparison to investment rates.

3.1.14 Overall the effects of the economic downturn on local citizens and businesses are such that there is likely to be a continued high call on certain services, such as Housing Needs, Homelessness and Benefits, which in turn draw on the Council's resources.

3.1.15 There remains some short term uncertainty, but the biggest risks facing the Council are in assessing the financial implications of our continuing to provide services at current levels and the proposed changes to Local Government funding over the longer term.

3.1.16 These projected changes to local government funding are starkly presented in the graph produced by the Department for Communities & Local Government (DCLG) below. The graph clearly shows the total level of funding for local government is forecast to reduce over the next few years. However, within this the Revenue Support Grant element of the framework for funding local government effectively drops away to nil over the period. This represents a dramatic shift in the historical funding position of local authorities and the inevitable conclusion is one of greater dependence on local self-determination.



Autumn Statement – 5th December 2013

3.1.17 On the 5th December the Chancellor made his Autumn Statement essentially setting out a fiscally neutral judgement reflecting the Governments commitment to deficit reduction and returning public finances to a sustainable position. The key points coming out of the Statement for local authorities are:

- Proposal not to top slice NHB funding to LEPs.
- Welfare Reform – proposed introduction of controls on overall amount that is spent on welfare.
- Asset Sales – proposal to further incentivise the selling of local authority assets.
- Business Rate increases – proposal to cap rises to 2%.
- Housing Revenue Account – proposal to increase the debt cap via competition through application.

3.1.18 Due to the timing of the Chancellors Autumn Statement the implication on the Council's budget plans are not yet fully understood. These will be fully reviewed and implications for the Council identified. The implications will be incorporated into the final budget proposals to be considered by Cabinet and Council in February 2014.

3.1.19 The Government is likely to announce the provisional Local Government Finance Settlement for 2014/15, which is also likely to include indicative allocations for 2015/16, prior to the Christmas 2013 break, with a confirmation of the final settlement in late January 2014.

3.1.20 At this stage it must be noted that the funding projections from 2014/15 onwards in the MTFP are estimates due to the pending issuing of the provisional settlement information.

Local Preparation

3.1.20 The Management Board approved the timetable and process for the Medium Term Financial Plan and budgets in the summer. The report set out the financial parameters for budget projections 2014/15 to 2018/19.

3.1.21 The budget process was closely linked to the Corporate Plan and the objectives set out in it, which are also reflected in the Medium Term Financial Plan.

3.1.22 This report sets out the issues facing decision makers, with the aim of allowing as much information as possible to be in the public domain, as early as possible.

Timetable

3.1.23 The provisional Local Government Finance Settlement for 2014/15 is expected to be announced prior to the Christmas 2013 break and the timetable following this and the draft budget report is as follows:

- January 2014 – main public consultation on budget and proposed level of Council Tax.
- End January 2014– final Local Government Finance Settlement announcement is received from Government.
- February 2014 – Cabinet recommends budget to Council. Council agrees budget and Council Tax.

3.2 Medium Term Financial Plan (MTFP)

3.2.1 The overall purpose of the MTFP is to enable the Council to manage its future finances and ensure that its plans are sustainable. This is becoming increasingly difficult because of the severity of government spending reductions, government policy changes, high levels of inflation and some significant uncertainties over future costs and income.

3.2.2 The budget is being set at a time when recent data suggests the economy is starting to grow. In the Autumn Statement the Chancellor announced increased annual Gross Domestic Product (GDP) growth forecasts for 2013/14 and 2014/15 to 1.8% and 2.4%, respectively, and stated "this reflects the upward momentum in the economy". Alongside the Autumn Statement the Office for Budget Responsibility (OBR) published its Economic and Fiscal Outlook, containing its forecasts for the economy and the public finances, and an assessment of whether the Government is likely to achieve its fiscal mandate and supplementary target. The OBR now expects the 'underlying deficit' to be £73bn lower over the forecast period than projected at Budget 2013. However, although the structural deficit continues to fall year on year, the OBR believes that this reflects the improvement in the economic outlook since Budget 2013 rather than an improvement in growth potential. The Cabinet remains clear in its determination to continue towards its ambition to be amongst the best Councils in terms of public service, providing value for money services to the community. The Council will not be deflected from this aim by external factors. However, it does recognise that they make it more challenging to accomplish, particularly in an environment where funding is reducing.

3.2.3 Each year the Council reviews, considers and refreshes its financial position. The assumptions, pressures and risks are assessed, and developed into a model for forecasting the most likely financial position over the medium term. Historically this forecasting has taken place over a 3 year time horizon, to cover next years budget and 2 subsequent years. This year the Medium term financial position is to be considered over 5 years to reflect the indications from Government that the current pressures on public sector funding are likely to continue until at least 2018. This is an important part of the framework for future budget-setting decisions. The process identifies the cost of providing existing services as well as any additional services or enhancements the Council deems as priorities. From these forecasts, the affordability of these plans can be assessed with reference to the likely impact they will have on taxation levels and the level of reserves and balances.

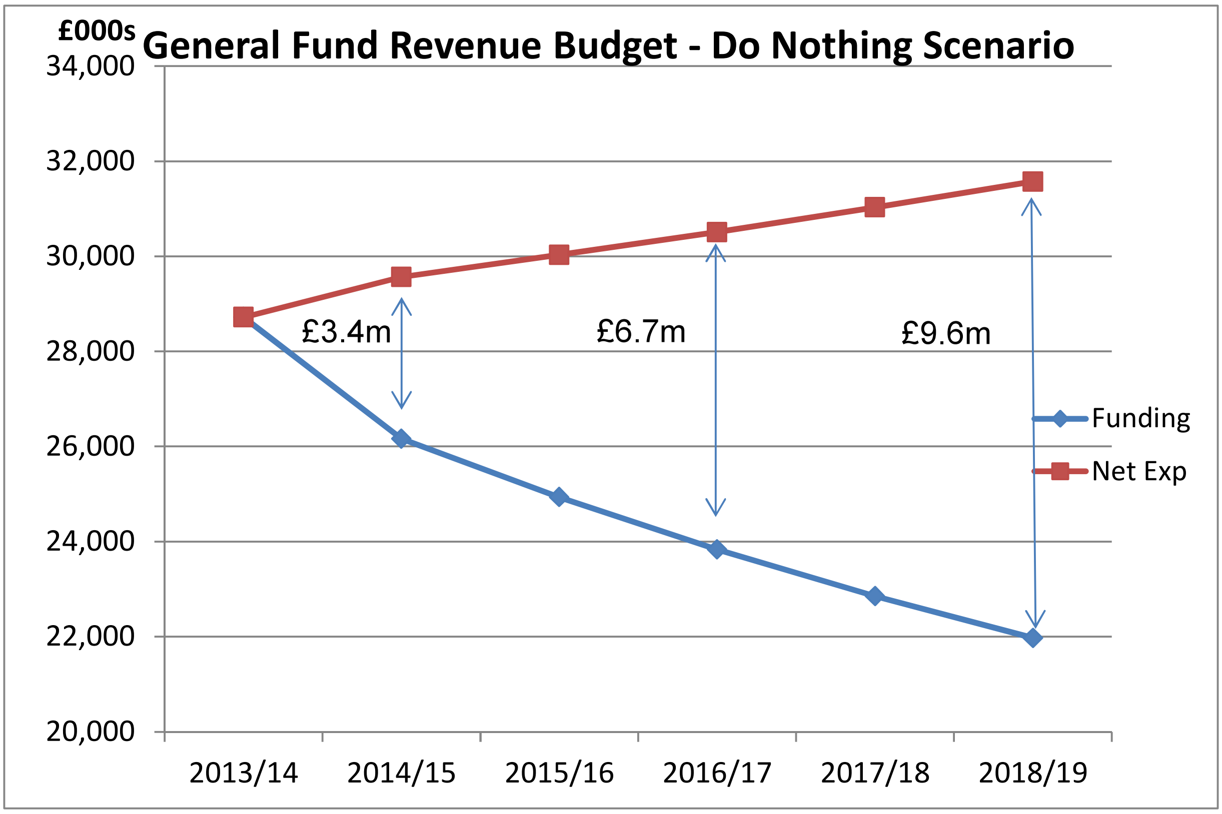
3.2.4 The MTFP includes the Council's capital spend plans as these have a direct and sometimes significant impact on our revenue expenditure.

3.2.5 The Council has made fundamental changes over the last three years in the way it delivers value for money services. These changes are as a direct result of the reductions in funding and policy change in local government. This has stood the authority in a better position than it would otherwise have been in for the further austerity measures announced in addition to those announced in the Spending Review 2010. However, the Council has to implement further change over the period of the MTFP to ensure it remains financially sustainable and still delivers value for money services.

3.2.6 The Council aims to deliver as much of its savings requirements as possible through efficiencies before considering other options to balance its budget.

3.2.7 The Council over the last few years has significantly reduced its cost base, by establishing a more mixed economy of service delivery. This has included the externalisation of Environmental services, the creation of the Leisure Trust and more recently the partnership with LGSS to deliver back office services. Despite the changes the funding pressures have increased and the Council still needs to drive forward change and deliver more savings whilst maintaining services.

3.2.8 The graph below demonstrates the potential funding gap over the medium term if the Council continues to deliver the same level of services as it currently provides, continues with its current risk appetite and does not take any mitigating action.

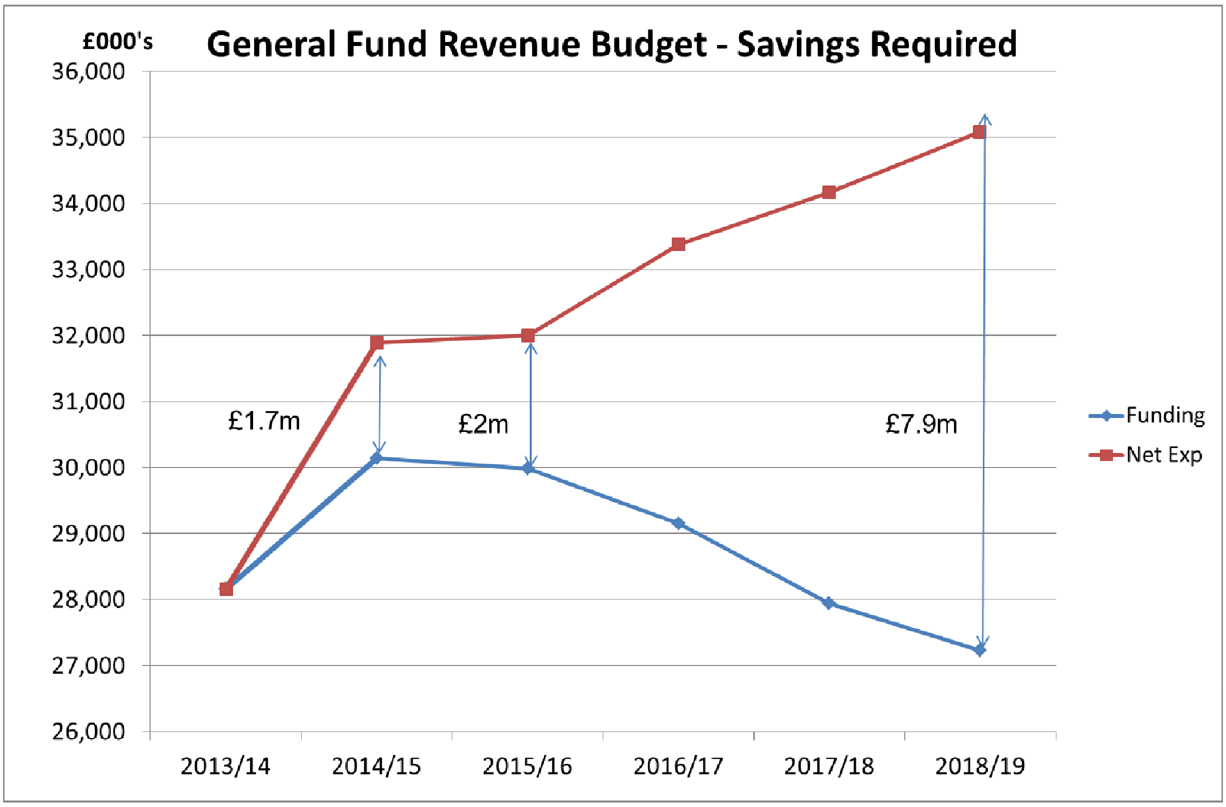


3.2.9 The financial gap reported to Council in February 2013 for 2014/15 was £1.9m. This gap moved out to £3.4m through increased pressures from Pension assumptions, lower interest rates on investments and mainstreaming of budgeted earmarked reserve usage.

3.2.10 The financial position set out in the graph above is not financially sustainable and if the Council did not take mitigating action to address this it would need to fund the gap by using its general fund balances. The level of general fund balances, also referred to as the minimum level of reserves, are currently set at a risk assessed level of £3.1m. If these were used to fund the gap the Council would run out of general fund balances during next financial year.

3.2.11 As part of the review of the MTFP the Council has assessed its appetite for risk. A clear outcome from this review is with regards to the timing of the recognition of government funding streams in the budget and over the MTFP period. Following the recent fundamental changes to the way in which councils are funded from government and also the uncertainty arising from public sector funding reductions a conscious part of the Council's financial strategy has been to only recognise funding in the budget when they are certain and sustainable.

3.2.12 If the Council were to continue with this extremely prudent approach it could make reductions to services in the short term which may not be needed over the longer term. It should also be noted that the major changes to the way in which local government is funded are now operational. New Homes Bonus has been running for 3 years and is now an integral part of the Council's funding sources. The Business Rates Retention system has been operational since April 2013. As such the income streams from Government are now more certain and it is considered prudent to incorporate these into the proposed draft Budget 2014/15 and the MTFP. The impact of this reduces the forecast gap between spending and funding. This is shown in the graph below:



3.2.13 The MTFP and Budget 2014/15 set out in this report at Appendix A have been developed to address the financial challenges identified above. The MTFP that is presented in this report ensures that the financial position of the Council over the medium term is both stable and sustainable, with its resources focussed on priorities.

3.3 General Fund Revenue Budget 2014/15

3.3.1 The overall summary budget can be found at Appendix A to this report.

3.3.2 The Council's programme for delivering efficient cost effective services has effectively closed the 2014/15 budget/funding gap, by looking at efficiency improvements and considering the balance between using reductions in service levels in some areas and increasing income in others. The table following shows a summary of the budget 2014/15 position.

Description	**Budget 2014/15 £000s**
Service Base Budget	32,471
Savings	(1,747)
Growth	1,259
Gross Revenue Budget	31,983
Corporate Budgets	(1,840)
Net Budget	**30,143**
Revenue Support Grant	(6,757)
Business Rates	(6,847)
Council Tax	(13,860)
New Homes Bonus	(2,679)
Total Funding	**(30,143)**

Bridging the Funding Gap

3.3.4 Over the medium term the Council will need to increase income or deliver savings to meet the funding gap. It is not possible to bridge the gap over the medium term solely by continuing the approach that has previously been applied. It is almost inevitable that, before the end of the current MTFP period, more radical options for cost reduction will need to be considered.

The funding gap in 2014/15 is £1.7m and has been closed by the putting forward of a number of saving options (listed at Appendix B and summarised in Appendix A).

Council Tax

3.3.5 In line with previous years, the Secretary of State has proposed that a 2% referendum trigger will apply for all principal local authorities in 2014/15. At present this is not proposed to apply to local precepting authorities (Town and Parish Councils) for 2014/15.

3.3.6 The draft Budget 2014/15 and MTFP currently assumes a 0% increase in Council Tax for each of the 5 years.

3.3.7 The Council on a 0% Council tax rise would be eligible for a Council Tax Freeze grant, which is anticipated to be the equivalent of 1% of Council Tax, to mitigate the cost. This equates to approximately £140k per year and is currently anticipated for two years. If funding does not continue beyond that, the loss of funding would have to be compensated for through additional savings, or higher increases to council tax in the future.

3.3.8 Cabinet is looking to consult with the public on taking up the government offer of assistance to enable it to propose a 0% increase for 2014/15.

3.3.9 The Borough Council's 2013/14 Band D Council Tax is £209.57, excluding amounts raised for parish precepts. In 2014/15, the Band D at the resource illustration is the same, representing a 0% increase in Council Tax.

3.3.10 The Band D level of council tax (excluding parishes) for the last 5 years is shown in the table below:

	2009/10 £	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 Estimate
NBC	204.60	209.65	209.62	209.57	209.57	209.57
NCC	993.34	1,028.11	1,028.11	1,028.11	1,028.11	TBC
NPCC	186.66	193.20	193.20	193.20	193.20	TBC
Total	1,384.60	1,430.96	1,430.93	1,430.88	1,430.88	TBC

Capital Strategy

3.3.11 The Capital Strategy for 2012/13 to 2014/15 was approved by Council on 29th February 2012 and remains current. The aim of the Capital Strategy is to provide a clear framework for capital funding and expenditure decisions in the context of the Council's vision, values, objectives and priorities, financial resources and spending plans. The strategy will be reviewed and updated as part of the next update of medium term financial plans during 2014.

General Fund Capital Programme

3.3.12 The Draft General Fund Capital programme for 2014/15 to 2018/19 is attached at Appendix D. All proposed schemes have been reviewed and challenged by the Director of Regeneration, Enterprise and Planning and the Chief Finance Officer. The value of the total proposed General Fund Capital Programme for 2014/15 is £13,663k. The table below shows the proposed funding.

Draft General Fund Capital Programme Funding 2014/15

Description	Budget 2014/15
	£000s
Capital programme 2014-15	
Housing General Fund	2,707
IT Improvements	119
Town Centre Improvements	8,350
Heritage and Culture	1,297
Block Programmes	1,190
Total GF Capital Programme	**13,663**
Funding Source:	
Borrowing	8,956
Capital Receipts	767
Grants & Third Party Contributions	2,170
Revenue/Earmarked Reserves	1,770
Total Funding	**13,663**

3.3.13 A more detailed breakdown of the funding assumptions for the next five years is set out at Appendix D

3.3.14 General Fund schemes have been prioritised within the resources available; i.e. capital receipts due to be received in 2013/14, grants and contributions and borrowing funded within existing revenue budgets or utilising New Homes Bonus. Contributions from earmarked reserves and any costs of borrowing are recognised in the General Fund Revenue Budget, as well as any revenue costs arising from capital schemes.

3.3.15 The proposed draft programme for 2014/15 includes significant schemes supporting Council priorities in relation to heritage, regeneration and town centre improvements, as well as meeting the Council's statutory responsibilities.

3.3.16 In addition, there are block programme schemes proposed for consultation. These will provide funding for individual schemes to improve and enhance the Council's assets and meet its responsibilities as a landlord. Individual schemes will be subject to appraisal and approval by the Capital Programme Board (see paragraph 3.3.19) prior to commencement.

3.3.17 The draft programme and funding for 2015/16 to 2018/19 will be subject to further review and refinement as part of future budget processes.

3.3.18 As part of the further review and refinement specific focus will be provided to identifying land in the borough that may require remediation and investment to facilitate future development. Any Council funding for such remediation works would be subject to a business case identifying sources of funding, which could include repayment via uplift in Business Rates, Council Tax and/or New Homes Bonus.

Capital Programme Board

3.3.19 In order to improve governance, ensure accountability and strengthen controls in relation to the capital programme, a new Capital Programme Board has been created, to be chaired by the Director of Regeneration, Enterprise and Planning. All new proposals for capital expenditure and variations to existing schemes will require approval by this Board prior to inclusion in the Capital Programme. Those with a value above delegated limits will continue to be reported to Cabinet for final approval.

3.3.20 The Capital Programme Board will also approve individual schemes within the block allocations set out in Appendix D.

Earmarked Reserves

3.3.21 Earmarked reserves are held against specific risks (contractual or with a high degree of certainty), and also for regulatory reasons in terms of grants. These are reviewed three times annually, twice for budget setting, in November and January, and once at the closure of accounts in June. It is likely that the level of projected reserve use will change prior to the final budget being produced.

3.3.22 The budget has been set recognising that NHB funding is more certain and adopting the principle that it should be used on schemes to encourage growth in Northampton. To this effect it has been used to fund parts of the capital programme and revenue budget.

3.3.23 A prudent level of General Fund balances, along with appropriate application of reserves, should be part of the overall budget. An annual risk assessment will be undertaken to ascertain the minimum level of General Fund balances the authority should hold. The current level being assumed is £3.1m.

3.3.24 This is in line with what the authority currently holds and is a similar level to that recommended for 2013/14 and covers key areas such as:

- Tighter requirements to plan to mitigate Treasury risks such as counterparty risk in investment.
- Partnership and outsourcing risks.
- Emergency Planning and Business Continuity
- General increased risk levels due to the unstable economic climate nationally.

3.4 Housing Revenue Account

3.4.1 The Housing Revenue Account (HRA) is a ring-fenced account that represents the costs of holding the Council's housing stock. There are strict rules surrounding the costs and income that can be charged to this account.

3.4.2 Much of the income and expenditure is dictated by legislation and regulation leaving the Council with direct control over a limited number of these budgets. Rental income, by far the largest single budget within the HRA, has historically been calculated by applying the rent restructuring formula as defined by the government. Under the self-financing rules the rent setting policy is set locally and will be subject to a separate report, however, an explanation of the approach to calculating HRA rents within the draft HRA budget is below.

3.4.3 Current national rent policy includes provisions to increase rents by RPI + ½% (based on RPI at the September prior to the rent increase year). Each property held by the Council has a target rent associated with it which is based on a formula provided by central government. This formula takes account of average national rent, relative county earnings, number of bedrooms, and relative property value.

3.4.4 Social housing providers, as well as applying the inflation-based increase, apply a convergence formula to the rents to bring actual rents into line, over time, with the target rent (subject to a maximum increase of +£2 in each year). Under existing rent calculations, there were two years of convergence left (2014/15 and 2015/16).

3.4.5 Following announcements in the Spending Round 2013, the Government is intending to change national rent policy and has published a consultation on this. These changes would apply from 2015/16 for a period of at least ten years. For 2014/15 this affects the number of years left to converge rents since there will now be no provision for convergence in 2015/16; according to the consultation, from 1 April 2015 onwards, there will no longer be provision to increase weekly social rents each year by up to an additional £2, to move the rents towards the target rent.

3.4.6 The HRA dwelling rental income for 2014/15 contained within the draft HRA budget is calculated based on one year remaining of convergence to target rent and on an inflation rate of 3.7% (RPI + ½% based on the September RPI figures. For 2015/16 onwards, the rents are calculated at an inflationary rise of CPI + 1%, assuming a CPI rate of 2.5%.

3.4.7 These calculations will be refined prior to setting the final budget and full implications of the rent rise will be considered in the rent setting report to be taken to Cabinet and Full Council in February 2014

3.4.8 A summary of the draft HRA budget figures is contained in Appendix E**,** which includes medium term planning growth options, detailed in Appendix F.

HRA Capital Programme

3.4.9 The draft HRA Capital Programme for 2014/15 to 2018/19 is attached as Appendix G. All proposals have been reviewed and challenged by the Director of Regeneration, Enterprise and Planning and the Chief Finance Officer. The value of the total proposed HRA Capital Programme for 2014/15 is £54.70m. The table below shows the proposed funding.

Draft HRA Capital Programme Funding 2014-15

	HRA
	£000s
Capital programme 2014-15	
Decent Homes	39,305
Major regeneration repurchase and New Build	10,000
Disabled Adaptations	1,140
Sheltered Housing Improvements	1,000
Other	3,255
Total HRA Capital Programme	**54,700**
Funding Source:	
Borrowing	3,135
Capital Receipts	1,392
Major Repairs Reserve	15,857
Grants & Third Party Contributions	15,355
Revenue/Earmarked Reserves	18,961
Total Funding	**54,700**

3.4.10 A more detailed breakdown of the funding assumptions for the next five years is set out at Appendix G.

3.4.11 The HRA Capital Programme has been developed within the context of the 30-year Business Plan and the latest stock condition survey. The capital programme has a direct impact on the revenue position of the HRA.

3.4.12 The main focus is the achievement and maintenance of the Decent Homes standard, partly supported in 2014/15 by the final phase of government grant, and the shift towards the implementation of a higher Northampton Standard.

3.4.13 The detail of the HRA capital programme for 2015/16 and beyond will be refined in line with the transition to proposed new management arrangements.

HRA Reserves and Working Balances

3.4.14 HRA working balances are planned to be maintained at £5m. HRA earmarked reserves are predominately used to balance the varying levels of capital financing requirements.

3.5 Treasury Management

3.5.1 The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. It is a requirement under the Treasury Code of Practice to produce an annual strategy report on proposed treasury management activities for the year. The Council's Treasury Management Strategy (TMS) for 2014-15 is attached at Appendix H.

3.5.2 The TMS takes into account the impact of the Council's Medium Term Financial Plan, its revenue budget and capital programme, the balance sheet position and the outlook for interest rates. It includes, inter alia:

- The Affordable Borrowing Limit for 2014-15
- The Council's policy on the Minimum Revenue Provision (MRP) for the repayment of debt
- The Investment Strategy for 2014-15
- The Prudential and Treasury Indicators for 2014-15 to 2018-19
- The Council's policy on borrowing in advance of need
- The Council's counterparty creditworthiness policy

3.5.3 The main changes from the TMS adopted in 2013-14 are:

- A change to the format of the report to make it more concise
- Incorporation of the Prudential Indicators into the report
- Updates to Prudential and Treasury Indicators
- Updates to interest rate forecasts
- Updates to debt financing budget forecasts
- Inclusion of provisions for loans to third parties
- Updates to the MRP policy

3.6 Consultation

3.6.1 Formal consultation with the public and local businesses will be launched in December 2013 and will continue until the budget is formally adopted in February 2014.

3.6.2 Budget reports and equality impact assessments for budget proposals are published on the internet.

3.7 Choices (Options)

3.7.1 Cabinet can agree that the budget proposals for 2014/15, for General Fund Revenue and Capital, Housing Revenue Account and Capital, and indicative budgets for 2015/16, to 2018/19, as summarised in the appendices to this report can be approved for public consultation.

3.7.2 Cabinet can agree the proposed Council Tax increase of 0% for 2014/15.

3.7.3 Cabinet can choose to make changes to the budget proposals and the proposed Council Tax levels prior to agreeing the budget to consult on, subject to the advice of the Chief Financial Officer.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The revenue and capital budgets are set in support of the Council's priorities.

4.1.2 The General Fund Revenue Budget is set in the overall context of the Medium Term Financial Plan.

4.1.3 The Capital Programme for both General fund and HRA is set in the context of the Council's Capital Strategy.

4.2 Resources and Risk

4.2.1 In addition to the Borough Council's own Council Tax, there are separate Council Taxes for Northamptonshire County Council, the Parish Areas and the Police Authority.

4.2.2 The provisional Local Government Finance Settlement is expected to be announced prior to the Christmas 2013 break, but is subject to change and will be updated when the final settlement is announced usually towards the end of January 2014.

4.2.3 HRA budgets will need to be updated to reflect the Councils decision to move to an Arms Length Management Organisation (ALMO). This will be carried out between now and the ALMO going live in January 2015. In addition to this, further service reviews are currently being undertaken including a review of the recharges between the HRA and GF.

4.2.4 Information will be included in the report to the Council meeting in February 2014 on the level of the council tax to be raised for the County Council, parishes, and the Police and Crime Commissioner, and the final Formula Funding settlement.

4.3 Legal

4.3.1 The Council has a legal duty to set a balanced budget each year, bearing in mind its fiduciary duties to the taxpayer. The Council also has a legal duty to set a council tax each year. In exercising these duties the Council has to comply with various legislation and administrative duties.

4.4 Equality

4.4.1 The Public Sector Equality Duty (PSED) requires requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out its activities. Failure to comply with this duty would be challengeable in the courts. In order to comply with these duties the following was done.

4.4.2 Equality and diversity were considered as a part of the budget build process, and an Equalities Impact Assessment is completed as part of each medium term planning option submitted.

4.4.3 Equalities assessments for the draft revenue budget are published on the internet and will be updated to take account of feedback from the public consultation and re-published with the final budget proposals in February 2014.

4.4.4 The impact assessments are 'living' documents and will updated to take into account relevant feedback from the consultation process. Where these documents identify mitigating action, this will be undertaken in implementing the relevant option should it be taken forward and approved in February 2014.

4.4.5 Each completed capital project appraisal includes responses to the following questions:

- State specifically the equalities issues that have been identified that this project will address?
- How will this project address the equalities issues that have been identified?

4.4.6 The project manager for each scheme in the agreed capital programme will complete the Equalities Impact Assessment process as a condition of approval.

4.4.7 The Capital Strategy underwent an Equalities Impact Assessment screening. There are no direct impacts on individuals or groups arising from the Capital Strategy itself.

4.5 Consultees (Internal and External)

4.5.1 Internally heads of service and budget managers have been consulted, and Management Board has carried out a detailed challenge of the budget with Members.

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

4.6 How the Proposals Deliver Priority Outcomes

4.6.1 Consulting on the draft budget is a key ingredient of effective financial governance, which contributes to the priority of making every pound go further.

4.7 Other Implications

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

A General Fund Summary

B General Fund Medium Term Planning Savings Options

C General Fund Medium Term Planning Growth Options

D Proposed General Fund Capital Programme and Financing 2014/15

E HRA Revenue Budget Summary

F HRA Medium Term Planning Growth Options

G Proposed HRA Capital Programme and Financing 2014/15

H Treasury Management Strategy

5. Background Papers

5.1 Capital Strategy 2012 - 2015

5.2 Medium Term Planning Savings Options list GF

5.3 Medium Term Planning Growth Options list GF

5.4 Medium Term Planning Savings Options list HRA

5.5 Medium Term Planning Growth Options list HRA

5.6 Equality Screening and Analysis for MTP Options GF and HRA

David Kennedy, Chief Executive, ext. 7726

Glenn Hammons, Section 151 Officer, 01604 366521

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General Fund Budget Summary 2014 - 2019

NORTHAMPTON BOROUGH COUNCIL

Description	Budget 2014/15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19
Summary	£	£	£	£	£
Service Base Budget	32,470,856	33,238,948	33,843,370	34,687,619	35,361,723
Medium Term Planning Options					
Savings and Efficiencies					
- Borough Secretary	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)
- Customers and Communities	(544,000)	(864,000)	(1,064,000)	(1,179,901)	(1,179,901)
- Housing	(114,000)	(114,000)	(114,000)	(114,000)	(114,000)
- Regeneration Enterprise and Planning	(384,267)	(325,400)	(327,025)	(328,711)	(330,419)
- Corporate	(585,000)	(598,000)	(598,000)	(598,000)	(598,000)
Total Savings	(1,747,267)	(2,021,400)	(2,223,025)	(2,340,612)	(2,342,320)
Growth					
- Customers and Communities	1,009,407	908,273	897,034	900,827	904,593
- Regeneration Enterprise and Planning	250,000	0	0	0	0
Total Growth	1,259,407	908,273	897,034	900,827	904,593
Total MTP Options	(487,860)	(1,113,127)	(1,325,991)	(1,439,785)	(1,437,727)
Gross Revenue Budget	31,982,996	32,125,821	32,517,379	33,247,834	33,923,996
Corporate Budgets					
Debt Financing	2,377,000	2,632,000	2,502,000	2,531,000	2,759,000
Recharges from General Fund to HRA	(5,642,673)	(5,642,673)	(5,642,673)	(5,642,673)	(5,642,673)
Parish Grants	(28,392)	(28,392)	(28,392)	(28,392)	(28,392)
Parish Precepts	1,021,864	1,021,864	1,021,864	1,021,864	1,021,864
Contribution to/(from) Earmarked Reserves	432,222	(119,884)	791,797	694,089	708,756
Total Corporate Budgets	(1,839,979)	(2,137,085)	(1,355,404)	(1,424,112)	(1,181,445)
Net Budget	30,143,017	29,988,736	31,161,975	31,823,722	32,742,551
Funding					
Revenue Support Grant	(6,756,975)	(5,282,116)	(3,994,085)	(2,819,662)	(1,747,181)
Locally Retained Business Rates	(6,847,398)	(7,331,820)	(7,458,457)	(7,587,626)	(7,719,378)
Total Formula Grant	(13,604,373)	(12,613,936)	(11,452,542)	(10,407,288)	(9,466,559)
Council Tax					
Band D Council Tax	209.57	209.57	209.57	209.57	209.57
Tax Base	60,190	60,491	60,793	61,097	61,403
NBC Council Tax	(12,509,152)	(12,572,222)	(12,635,609)	(12,699,310)	(12,763,329)
Parish-related Council Tax	(1,021,864)	(1,021,864)	(1,021,864)	(1,021,864)	(1,021,864)
Total Council Tax	(13,531,016)	(13,594,086)	(13,657,473)	(13,721,174)	(13,785,193)
Council Tax Freeze Grant 13/14	(141,561)	(141,561)	0	0	0
Council Tax Freeze Grant 14/15	(140,000)	(140,000)	0	0	0
Council Tax Freeze Grant 15/16	0	(140,000)	0	0	0
New Homes Bonus	(2,679,018)	(3,359,153)	(4,041,685)	(3,814,328)	(3,972,999)
Surplus on Collection Fund	(47,049)	0	0	0	0
Total Funding	(30,143,017)	(29,988,736)	(29,151,700)	(27,942,790)	(27,224,751)
Savings to be identified	0	0	2,010,275	3,880,933	5,517,800

NORTHAMPTON BOROUGH COUNCIL

General Fund MTP Savings Options

MTP Reference	MTP Option Description	2014/2015 £	2015/2016 £	2016/2017 £	2017/2018 £	2018/2019 £
Borough Secretary						
GF01	Review of Administration support - Borough Secretary	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)
GF02	Borough Secretary Review structure	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)
	TOTAL Borough Secretary	**(120,000)**	**(120,000)**	**(120,000)**	**(120,000)**	**(120,000)**
Customers & Communities						
GF03	Facilities Management - Comprehensive Review	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
GF04	Print Review	(150,000)	(250,000)	(250,000)	(250,000)	(250,000)
GF05	Northampton Leisure Trustreduction of support	0	(200,000)	(400,000)	(515,901)	(515,901)
GF06	Income from Sponsorship	(20,000)	(40,000)	(40,000)	(40,000)	(40,000)
GF07	Customer and Cultural services restructure	(121,000)	(121,000)	(121,000)	(121,000)	(121,000)
GF08	Customer Services - Software savings	(29,000)	(29,000)	(29,000)	(29,000)	(29,000)
GF09	Communities & Environment - Review Staff Structure	(84,000)	(84,000)	(84,000)	(84,000)	(84,000)
GF10	Car Parking - Reduced NNDR costs	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
	TOTAL Customers and Communities	**(544,000)**	**(864,000)**	**(1,064,000)**	**(1,179,901)**	**(1,179,901)**
Housing						
GF11	Review Staff Structure	(114,000)	(114,000)	(114,000)	(114,000)	(114,000)
	TOTAL Housing	**(114,000)**	**(114,000)**	**(114,000)**	**(114,000)**	**(114,000)**

General Fund MTP Savings Options

MTP Reference	MTP Option Description	2014/2015 £	2015/2016 £	2016/2017 £	2017/2018 £	2018/2019 £
Regeneration, Enterprise & Planning						
GF12	Regen, Enterprise and Planning - review structure	(186,657)	(188,490)	(190,115)	(191,801)	(193,509)
GF13	Asset Management - Increase in NNDR Relief and Appeal Refunds	(85,000)	0	0	0	0
GF14	Reduction in Corporate Repairs and Maintenance Budget	(38,450)	(62,750)	(62,750)	(62,750)	(62,750)
GF15	Joint Planning Unit	(27,660)	(27,660)	(27,660)	(27,660)	(27,660)
GF16	Charging for Street Naming and Numbering	(14,500)	(14,500)	(14,500)	(14,500)	(14,500)
GF17	Fees and Charges review	(32,000)	(32,000)	(32,000)	(32,000)	(32,000)
	TOTAL Regeneration Enterprise and Planning	**(384,267)**	**(325,400)**	**(327,025)**	**(328,711)**	**(330,419)**
Corporate						
GF18	Volunteers expansion	(20,000)	(33,000)	(33,000)	(33,000)	(33,000)
GF19	Changes in Terms & Conditions/Employment Costs	(365,000)	(365,000)	(365,000)	(365,000)	(365,000)
GF20	Review of GF /HRA Recharge	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
	TOTAL Corporate	**(585,000)**	**(598,000)**	**(598,000)**	**(598,000)**	**(598,000)**
	SAVINGS AND EFFICIENCIES TOTAL	**(1,747,267)**	**(2,021,400)**	**(2,223,025)**	**(2,340,612)**	**(2,342,320)**

NORTHAMPTON BOROUGH COUNCIL

General Fund MTP Growth Options

MTP Reference	MTP Option Description	2014/2015 £	2015/2016 £	2016/2017 £	2017/2018 £	2018/2019 £
Customers & Communities						
GF50	Antisocial Behaviour Liaison Officer	11,874	12,740	13,501	14,244	14,960
GF51	Provision of Additional Park Ranger Vehicle	5,750	6,150	6,550	7,000	7,450
GF52	Supplies and Services for Britain in Bloom and Green Flag	25,000	15,000	0	0	0
GF53	Additional Neighbourhood Warden and additional Park Ranger hours	96,000	98,600	101,200	103,800	106,400
GF54	Events - additional	50,000	0	0	0	0
GF55	Investment in Northampton Tourism Strategy	45,000	0	0	0	0
GF56	Town Centre Ranger	20,000	20,000	20,000	20,000	20,000
GF57	Small Community Grants fund	50,000	50,000	50,000	50,000	50,000
GF58	Car Parking - Additional Free Saturdays	282,348	282,348	282,348	282,348	282,348
GF59	Car Parking - Additional first 2 hours free MSCP car parks only	382,435	382,435	382,435	382,435	382,435
GF60	Museum Service Extended Opening Hours	41,000	41,000	41,000	41,000	41,000
	TOTAL Customers and Communities	**1,009,407**	**908,273**	**897,034**	**900,827**	**904,593**
Regeneration, Enterprise & Planning						
GF61	Business Incentive Scheme	250,000	0	0	0	0
	TOTAL Regeneration Enterprise and Planning	**250,000**	**0**	**0**	**0**	**0**
	OVERALL GROWTH TOTAL	**1,259,407**	**908,273**	**897,034**	**900,827**	**904,593**

Appendix D

NORTHAMPTON BOROUGH COUNCIL

Proposed Capital Programme 2014-15 to 2018-19 - General Fund

Project Title	2013-14 £	2014-15 £	2015-16 £	2016-17 £	2017-18 £	2018-19 £	Total £
Housing - General Fund							
Disabled Facilities Grant		2,075,000	1,475,000	1,475,000	1,475,000	1,475,000	7,975,000
Empty Homes Programme		632,090					632,090
Self-funding							
IT Infrastructure		119,000					119,000
Town Centre Improvements							
Greyfriars Demolition	500,000	3,500,000					4,000,000
Abington Street - Re Introduction of Traffic - Public Realm	150,000	2,850,000					3,000,000
Guildhall Road Public Realm Enhancement		2,000,000					2,000,000
Public Realm Enhancements			750,000				750,000
Swan Street Public Realm Enhancement (Funded from Development)			150,000				150,000
Heritage & Culture							
Delapre Abbey Restoration	179,715	997,477	3,877,450	595,031			5,649,673
Delapre Abbey Roof	348,972	200,000					548,972
Heritage Gateway		100,000	500,000				600,000
Block Programmes - specific schemes to be agreed							
Capital Improvements - Regeneration Areas		250,000	250,000	100,000	100,000	100,000	800,000
Parks/Allotments/Cemeteries Enhancements		270,000	270,000	250,000	250,000	250,000	1,290,000
Operational Buildings - Enhancements		400,000	400,000	400,000	400,000	400,000	2,000,000
Commercial Landlord Responsibilities		270,000	270,000	50,000	50,000	50,000	690,000
Total General Fund Capital Programme	**1,178,687**	**13,663,567**	**7,942,450**	**2,870,031**	**2,275,000**	**2,275,000**	**30,204,735**

NORTHAMPTON

Proposed Capital Programme 2014-15 to 2018-19 - General Fund

Proposed General Fund Capital Funding	2013-14 £	2014-15 £	2015-16 £	2016-17 £	2017-18 £	2018-19 £	Total £
Grants & Contributions:							
Empty Homes Grant		632,090					632,090
Disabled Faccilities Grant - External Funding		475,000	475,000	475,000	475,000	475,000	2,375,000
Heritage Lottery Funding - Delapre Abbey	102,438	568,562	2,210,147	339,168			3,220,315
Delapre Abbey Contributions - Secured	2,000	95,000	70,000	70,000			237,000
Delapre Abbey Fundraising Target (unsecured)		200,000	420,000	180,000			800,000
English Heritage - Delapre Abbey Roof	149,250	50,000					199,250
Contribution to Swan Street Public Ream		150,000					150,000
Sub-total Grants & Contributions	253,688	2,170,652	3,175,147	1,064,168	475,000	475,000	7,613,655
NBC Earmarked Reserves - Delapre Abbey	75,277	133,915	630,808				840,000
New Homes Bonus	150,000	1,635,800					1,785,800
Capital Receipts	199,722	767,250	4,258,995	2,866,863			8,092,830
Borrowing Taken Out/(Repaid)	500,000	8,955,950	(122,500)	(1,061,000)	1,800,000	1,800,000	11,872,450
Total Funding	**1,178,687**	**13,663,567**	**7,942,450**	**2,870,031**	**2,275,000**	**2,275,000**	**30,204,735**

Housing Revenue Account Budget Summary 2014-2019

NORTHAMPTON BOROUGH COUNCIL

Description	Note	Budget 2014/15	Budget 2015/16	Budget 2016/17	Budget 2017/18	Budget 2018/19
INCOME		£	£	£	£	£
Rents - Dwellings Only	(1)	(50,634,944)	(52,105,886)	(53,576,829)	(55,047,771)	(56,518,714)
Rents - Non Dwellings Only	(1)	(1,116,900)	(1,143,700)	(1,189,448)	(1,237,026)	(1,286,507)
Service Charges	(2)	(2,062,795)	(2,064,270)	(2,065,725)	(2,067,179)	(2,068,603)
Other Income		(85,000)	(85,000)	(85,000)	(85,000)	(85,000)
Total Income		**(53,899,639)**	**(55,398,856)**	**(56,917,002)**	**(58,436,976)**	**(59,958,824)**
EXPENDITURE						
Repairs and Maintenance	(3)	14,357,081	13,990,415	13,102,408	12,709,960	12,810,553
General Management		4,677,817	4,776,918	4,981,310	5,189,190	5,398,176
Special Services		3,771,210	3,864,797	3,951,801	4,047,350	4,136,832
Rents, Rates, Taxes & Other Charges		78,308	78,767	79,152	79,544	79,953
Increase in Bad Debt Provision	(4)	750,000	750,000	750,000	750,000	750,000
Rent Rebate Subsidy Deductions	(5)	0	0	0	0	0
Total Expenditure		**23,634,416**	**23,460,899**	**22,864,674**	**22,776,048**	**23,175,519**
Continuation Budget		**(30,265,223)**	**(31,937,957)**	**(34,052,328)**	**(35,660,929)**	**(36,783,305)**
Medium Term Planning Options		**1,382,000**	**1,350,000**	**1,350,000**	**1,350,000**	**1,350,000**
Net Recharges from the General Fund	(6)	5,642,673	5,642,673	5,642,673	5,642,673	5,642,673
Interest & Financing Costs						
- Premia		0	0	0	0	0
- Interest on balances		(106,000)	(58,000)	(99,000)	(188,000)	(316,000)
- Mortgage interest		(670)	0	0	0	0
- Interest Fixed Rate		6,352,300	6,351,100	6,349,360	6,499,110	6,503,380
RCCO		18,960,686	6,042,190	7,789,457	8,914,313	8,927,672
Depreciation/MRA	(7)	12,211,047	12,609,994	13,019,838	13,442,833	13,879,149
Contribution to / (from) Reserves		(14,176,813)	0	0	0	796,431
Remaining Deficit / (Surplus)		**0**	**(0)**	**(0)**	**0**	**0**

Notes

(1) February 2013 rent increase applied to 16/17 onwards (approx 4%)
(2) Reduction in income due to reduced SP funding.
(3) Introduction of Northampton Standard will be considered in year, and provision made accordingly
(4) Estimated value will need to be revised
(5) Subject to announcements from DWP on limit rents
(6) Estimated Recharge Figure
(7) Estimated Depreciation/MRA figure from 16/17 onwards

Housing Revenue Account MTP Growth Options

MTP Reference	MTP Option Description	2014/2015 £	2015/2016 £	2016/2017 £	2017/2018 £	2018/2019 £
HRA01	Housing Choice Recharge (transfer to HRA)	200,000	200,000	200,000	200,000	200,000
HRA02	Tenant Communication (MyHome & Annual Tenant Report)	150,000	150,000	150,000	150,000	150,000
HRA03	Estate Service - Deep Cleaning team/Removal of Standby	22,000	22,000	22,000	22,000	22,000
HRA04	Increase to service charges due to increase costs in Estate Services MTP above	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)
HRA05	Decanting tenants out of Little Cross Street	32,000	0	0	0	0
HRA06	Service enhancements	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
		1,382,000	**1,350,000**	**1,350,000**	**1,350,000**	**1,350,000**

Appendix G

NORTHAMPTON BOROUGH COUNCIL

Proposed Capital Programme 2014-15 to 2018-19 - HRA

Reference Number	Project Title	2014-15 £	2015-16 £	2016-17 £	2017-18 £	2018-19 £	Total £
BH317	Decent Homes	39,305,000	24,326,345	21,025,821	21,025,821	21,025,821	126,708,808
BH305	Structural Improvements	200,000					200,000
new	Heating Replacements	900,000					900,000
BH329	Asbestos removal remedial action	100,000	100,000	100,000	100,000	100,000	500,000
BH351	Door entry replacement	150,000					150,000
new	Property Improvements outside Decent Homes	230,000					230,000
BH020	Electrical periodic works	125,000					125,000
BH003	Garage roofs, doors and forecourts	100,000					100,000
BH013	Digital Aerials	10,000					10,000
new	SCATE	640,000	250,000	250,000	250,000	250,000	1,640,000
BH009	Fire safety in communal areas	150,000					150,000
new	Disabled adaptations	1,140,000	1,132,000	1,132,000	1,132,000	1,132,000	5,668,000
BH366	Sheltered housing improvements	1,000,000					1,000,000
BH367	IT capital	200,000					200,000
BH365	Walkways	100,000					100,000
BH372	Green deal contribution & energy efficiency	50,000					50,000
BH370	Major Regeneration, Repurchase and New Build, including provision for 'Northampton Standard'	10,000,000					10,000,000
BH373	Change of Use	250,000					250,000
BH374	CCTV	50,000					50,000
new	Garages and Related assets		200,000	200,000	200,000	200,000	800,000
new	Fire Risk Work		600,000	600,000	600,000	600,000	2,400,000
	Total	**54,700,000**	**26,608,345**	**23,307,821**	**23,307,821**	**23,307,821**	**151,231,808**

Proposed Capital Programme 2014-15 to 2018-19 - HRA

Reference Number	Project Title	2014-15 £	2015-16 £	2016-17 £	2017-18 £	2018-19 £	Total £

Proposed Funding - HRA Capital

	Decent Homes Backlog Grant	15,355,000					15,355,000
	Major Repairs Reserve/Depreciation	15,857,199	12,609,994	13,019,838	13,442,833	13,879,149	68,809,013
	Capital Receipts - Right to Buy	1,392,330	472,000	481,000	491,000	501,000	3,337,330
	Revenue/Earmarked Reserve	18,960,686	6,042,190	7,789,457	8,914,313	8,927,672	50,634,318
	Borrowing	3,134,785	7,484,161	2,017,526	459,675	0	13,096,147
	Total Financing - HRA	**54,700,000**	**26,608,345**	**23,307,821**	**23,307,821**	**23,307,821**	**151,231,808**

Northampton Borough Council Treasury Management Strategy 2014-15

Contents

1 Introduction

CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes

1.1 CIPFA has defined treasury management 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.”

1.2 The Council has adopted CIPFA’s Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Treasury Code). The adoption is included in the Council’s Constitution (Feb 2013) at paragraph 6.10 of the Financial Regulations.

CIPFA Prudential Code for Capital Finance in Local Authorities

1.3 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).

1.4 The CIPFA 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.

1.5 Councils are required to set and monitor a range of prudential indicators for capital finance, covering affordability, prudence, capital expenditure, external debt and treasury management, as well as a range of treasury indicators.

Treasury Management Policy Statement

1.6 The Council’s Treasury Management Policy Statement was approved by Council at their meeting of 25 February 2013. The policy statement follows the wording recommended by the latest edition of the CIPFA Treasury Code.

Treasury Management Practices

1.7 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. The TMPs are split as follows:

- Main Principles
- Schedules

1.8 The Council's TMP Main Principles were approved by Council at their meeting of 25 February 2013. They follow the wording recommended by the latest edition of the CIPFA Treasury Code.

1.9 The Council's TMPs Schedules cover the detail of how the Council will apply the TMP Main Principles in carrying out its operational treasury activities. They are reviewed annually and approved by the Council's Chief Finance Officer

The Treasury Management Strategy

1.10 It is a requirement under the Treasury Code to produce an annual strategy report on proposed treasury management activities for the year.

1.11 The Council's Treasury Management Strategy is drafted in the context of the key principles of the Treasury Code, as follows:

- 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.

1.12 The purpose of the Treasury Management 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.

1.13 The Treasury Management Strategy incorporates:

- The Council's capital financing and borrowing strategy for the coming year
- 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.
- The Annual Investment Strategy for the coming year as required by the CLG revised Guidance on Local Government Investments issued in 2010.

1.14 The strategy takes into account the impact of the Council's Medium Term Financial Plan, its revenue budget and capital programme, the balance sheet position and the outlook for interest rates.

1.15 The Treasury Management Strategy for 2014-15 also includes the Council's:

- Policy on borrowing in advance of need
- Counterparty creditworthiness policies

1.16 The main changes from the Treasury Management Strategy adopted in 2013-14 are

- A change to the format of the report to make it more concise
- Inclusion of the Treasury Management Scheme of Delegation
- Incorporation of the Prudential Indicators into the report
- Updates to Prudential and Treasury Indicators
- Updates to interest rate forecasts
- Updates to debt financing budget forecasts
- Inclusion of provisions for loans to third parties
- Updates to the MRP policy

Scheme of Delegation

1.17 The Treasury Management Scheme of Delegation at Appendix 1 sets out the delegated treasury management responsibilities of Council, Cabinet, Audit Committee and the Section 151 Officer. This is included in the strategy for the first time, in line with LGSS best practice. The text of the draft appendix will be reviewed during the consultation period to ensure consistency with the Council's Constitution before the final version is submitted to Council for approval in February 2014.

General Fund and HRA

1.18 The Council is required to have a clearly agreed policy for attributing income and expenditure and risks between the General Fund and the HRA. This is set out at Appendix 2

Equalities Statement

1.19 Equalities Impact Assessment (EIA) screening has been carried out on the Council's Treasury Strategy for 2014-15, and the associated Treasury Management Practices (Main Principles and Schedules).

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

2 Current Treasury Management position

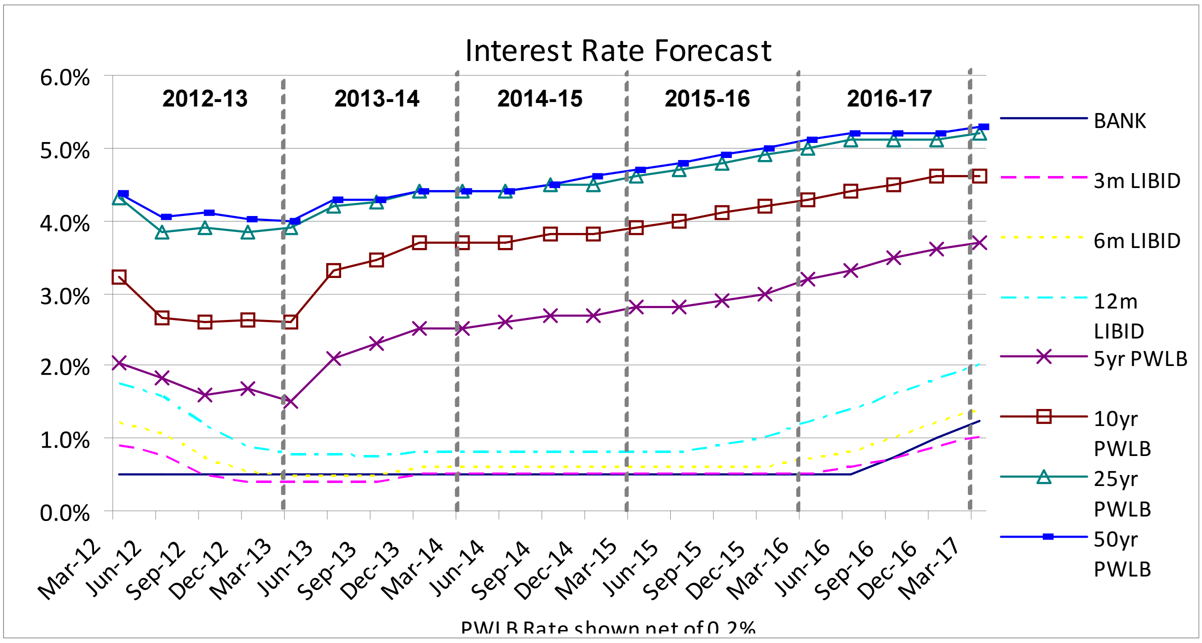
2.1 The Council's projected treasury portfolio position at 31 March 2014, with forward estimates is summarised below. The table shows the external borrowing, against the Capital Financing Requirement (CFR), which is a measure of the need to borrow for capital expenditure purposes, highlighting any forecast over or under borrowing.

2.2 For the sake of clarity the figures exclude any borrowing undertaken or planned for third party loans

£m	2013-14 Projected	2014-15 Estimate	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate
External borrowing						
Borrowing at 1 April	216	216	224	224	224	224
Expected change in borrowing	0	8	0	0	0	0
Borrowing at 31 March	**216**	**224**	**224**	**224**	**224**	**224**
CFR at 31 March	**222**	**230**	**229**	**226**	**227**	**227**
Under/(over) borrowing	**6**	**6**	**5**	**2**	**3**	**3**
Investments						
Investments at 1 April	52	52	53	55	56	55
Expected change in investments	0	1	2	1	(1)	0
Investments at 31 March	**52**	**53**	**55**	**56**	**55**	**55**
Net borrowing	**164**	**171**	**169**	**168**	**169**	**169**

3 Prospects for interest rates

3.1 The Council has appointed Capita Asset Services (CAS) as its treasury advisors. Part of their service is to assist the Council to formulate a view on interest rates. The following graph gives the CAS central view for short term (Bank Rate) and longer fixed interest rates.



3.2 Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded in quarters 1 and 2 of 2013 to surpass all expectations. Growth prospects remain strong looking forward, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. One downside is that wage inflation continues to remain significantly below CPI inflation so disposbale income and living standards are under pressure, although income tax cuts have ameliorated this to some extent.

3.3 A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

3.4 This challenging and uncertain economic outlook has several key treasury management implications:

- Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of government debt, in some countries, continue to rise to levels that compound already existing concerns. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods.

- Investment returns are likely to remain low during 2014-15 and beyond.

- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by utilising cash balances has served well over the last few years. However, with the prospect of a rising interest rate environment drawing closer, this will be kept under review to avoid incurring higher borrowing costs to finance new capital expenditure and/or to refinance maturing debt in the future.

- Any new external borrowing will incur a cost of carry due to the differential between borrowing and investment rates.

4 Borrowing strategy

Capital Financing

4.1 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.

4.2 Where borrowing is used to finance the Council's capital expenditure this is done under the prudential borrowing regime, with the Council funding the full costs of borrowing from its own revenue resources. This method of funding, sometimes referred to as unsupported borrowing, 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 be used for other essential capital schemes where no other resources can be identified. As the repayment of principal is spread over the life of the asset it is most suitable for financing capital assets with long useful economic lives.

4.3 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.

4.4 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. Changes to accounting regulations mean that leases are increasingly being classified as finance leases.

Borrowing

4.5 The Council as a whole is currently maintaining an under borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt. Instead, cash supporting the Council's reserves, balances and cash flow has been used to fund borrowing. This strategy has served the Council well in the current economic climate as investment returns are low and counterparty risk is relatively high.

4.6 Against this background and the risks within the economic forecast, caution will be adopted with the 2014-15 treasury operations. The S151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

4.7 The Council may use a mix of its own cash balances and long term borrowing to finance further capital expenditure. This strategy maximises short term savings. However, the decision to maintain internal borrowing to generate short term savings will be evaluated against the potential for incurring additional long term borrowing costs in later years, when long term interest rates are forecast to be significantly higher.

4.8 The Council has access to Public Works Loan Board (PWLB) loans for its long term external borrowing needs at the 'certainty rate', which is 20 basis points below the standard PWLB rate. 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.

4.9 Other forms of borrowing such as bonds or private placements, either acting alone or through a collective agency, may be considered if available and appropriate.

4.10 Decisions on the timing and type of borrowing are taken in consultation with the Council's external treasury management advisors. All long-term external borrowing requires the express approval of the Chief Finance Officer, who has the delegated authority to take the most appropriate form of borrowing from approved sources.

4.11 A number of loans are due for repayment in the next five years, including LOBO loans of £15.6m due for repayment in February 2015. Having regard to prudence, repayment at maturity for all maturing loans is budgeted to be funded by the taking out of new loans. However interest rate conditions will be assessed at the time on a case by case basis to decide whether to pursue this policy or to fund from internal borrowing, or a combination of both.

Loans to Third Parties

4.12 The Council may make grants or 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). This will usually be to support local economic development, and may be funded by external borrowing.

4.13 Three key projects in this respect are under way or in the pipeline. These are:

- Northampton Town Football Club – Cabinet approved in principle the granting of loan finance of up to £12m to support stadia expansion and associated development. The first tranches of the loan were drawn down in 2013-14.
- University of Northampton – A loan to support the creation of a waterside campus. The Council has worked with the South East Midlands Local Enterprise Partnership (SEMLEP) to secure the LEP project rate from PWLB for a loan facility of £46 million for this purpose. Alongside this Northamptonshire Enterprise Partnership (NEP) has worked with Northamptonshire County Council to secure a further £14m at the LEP project rate from PWLB for the same project.
- Northampton Saints – Cabinet have approved in principle the granting of loan finance of up to £5m to support stadia expansion and associated development.

4.14 The loans above planned for 2014-15 and future years have not been included in the Council's own capital programme, but where possible the Council's Treasury Strategy incorporates the limits and permissions required to allow the borrowing to go ahead.

Prudential & Treasury Indicators

4.15 The Council's prudential and treasury indicators for 2014-15 to 2018-19 are set out at Appendix 3.

Policy on borrowing in advance of need

4.16 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.

4.17 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.

Debt rescheduling

4.18 The debt portfolio will be kept under review, with debt rescheduling opportunities being investigated for potential cash savings and / or discounted cash flow savings or to enhance the balance of the portfolio.

4.19 As short term borrowing rates tend to be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). Furthermore, changes to accounting regulations and to the structure of PWLB rates in recent years mean that rescheduling opportunities for the Council's PWLB loans are very much more limited than in the past. Decisions will be based on appropriate advice from the Council's external treasury management advisers.

4.20 The reasons for any rescheduling to take place will include:

- The generation of cash savings and or discounted cash flow savings.
- Helping to fulfil the treasury strategy.
- Enhancing the balance of the portfolio (by amending the maturity profile and/or the balance of volatility).

4.21 Any debt rescheduling undertaken will subsequently be reported to Cabinet in the next treasury report following the decision.

Affordable Borrowing Limit

4.22 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 treasury indicator for the authorised limit.

4.23 The Council's affordable borrowing limit for 2014-15 is £320m, and it is anticipated that this limit will prevail over the coming five year horizon. The table below shows the breakdown between the limit required for the Council's own capital expenditure purposes and that required for the provision of loans to third parties.

Affordable Borrowing Limit					
	2014-15	2015-16	2016-17	2017-18	2018-19
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
NBC CFR plus headroom	251	247	247	247	247
To support loans to third parties	39	63	63	63	63
Affordable Borrowing Limit	290	310	310	310	310

Temporary Borrowing

4.24 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.

4.25 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

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

Overdraft Facilities

4.27 The Council has a £200k overdraft facility with its bankers, HSBC Bank, for which an annual fee of £2k applies. The overdraft rate applicable to use of the agreed facility is 2.5% above the prevailing Bank of England base rate.

4.28 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 against a performance target.

5 Minimum Revenue Provision

5.1 The Council is required to repay an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP). The Housing Revenue Account is not subject to a mandatory MRP charge.

5.2 CLG Regulations have been issued which require full Council to approve an MRP Policy Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

5.3 The Council's policy statement on MRP for 2014-15 is set out at Appendix 4. . The policy is considered by the Section 151 Officer to provide for the prudent repayment of debt.

6 Investment strategy

6.1 Government Guidance on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set. The Guidance permits the Treasury Management Strategy Statement (TMSS) and the AIS to be combined into one document.

6.2 The Council's general policy objective is to invest its surplus funds prudently. Due to the ongoing uncertainty in the banking sector which has seen institutions fold, it is now felt more appropriate to focus on the safe return of the sum invested. As such the Council's investment priorities in priority order are

- the security of the invested capital
- the liquidity of the invested capital
- the yield received from the investment

6.3 The Council's Annual Investment Strategy for 2014-15 is set out at Appendix 5.

7 Sensitivity of the forecast and risk analysis

Risk Management

7.1 The 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. Treasury management risks are identified in the Council's approved Treasury Management Practices. The main risks to the treasury activities are:

- Credit and counterparty risk (security of investments)
- Liquidity risk (adequacy of cash resources)
- Interest rate risk (fluctuations in interest rate levels)
- Exchange rate risk (fluctuations in exchange rates)
- Refinancing risks (impact of debt maturing in future years)
- Legal and regulatory risk (non-compliance with statutory and regulatory requirements)
- Fraud, error and corruption, and contingency management (in normal and business continuity situations)
- Market risk (fluctuations in the value of principal sums)

7.2 The TMP Schedules set out the ways in which the Council seeks to mitigate these risks. Examples are the segregation of duties (to counter fraud, error and corruption), and the use of creditworthiness criteria and counterparty limits (to minimise credit and counterparty risk).Council officers, in conjunction with the treasury advisers, will monitor these risks closely.

Sensitivity of the Forecast

7.3 The sensitivity of the forecast is linked primarily to movements in interest rates and in cash balances, both of which can be volatile. Interest rates in particular are subject to global external influences over which the Council has no control. In terms of interest rates, taking an average forecast investment portfolio of £52m, each 0.1% increase or decrease in investment rates equates to £52k, the revenue impact of which is shared between the HRA and the General Fund.

7.4 Both interest rates and cash balances will be monitored closely throughout the year and potential impacts on the Council's debt financing budget will be assessed. Action will be taken as appropriate, within the limits of the TMP Schedules and the treasury strategy, and in line with the Council's risk appetite, to keep negative variations to a minimum. Any significant variations will be reported to Cabinet as part of the Council's regular budget monitoring arrangements.

8 Reporting arrangements

8.1 In line with best practice full Council is required to receive and approve, as a minimum, three main treasury management reports each year, as follows.

- Annual Treasury Management Strategy
- Treasury Management Mid Year Report
- Treasury Management Outturn Report

8.2 The reports include the Council's treasury and prudential indicators.

8.3 Full details of the Council's treasury management reporting arrangements are contained in the Council's Schedules to the Treasury Management Practices

(TMP 6 – Reporting Requirements and Management Information Arrangements)

9 Debt financing budget

9.1 The following table sets out the Council's debt financing budget for 2014-15 to 2018-19. This excludes interest payable and reimbursements in respect of loans to third parties.

Debt Financing Budget – NBC					
	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000
Interest payable	1,474	1,517	1,545	1,567	1,581
Interest Receivable	(261)	(264)	(444)	(461)	(454)
MRP	1,058	1,321	1,302	1,237	1,316
Recharges to/(from) the HRA	106	58	99	188	316
Total	**2,377**	**2,632**	**2,502**	**2,531**	**2,759**

9.2 The following table sets out estimates of the additional expenditure and income impacts of existing and proposed loans to third parties. The figures are based on broad estimates of the timing of loan drawdowns and interest rate and are subject to change once actual details are firmed up. There will be an overall net nil impact to the Council.

Debt Financing Budget – Loans to third parties					
	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000
Interest payable	1,134	2,484	3,058	3,058	2,957
Re-imbursements	(1,134)	(2,484)	(3,058)	(3,058)	(2,957)
Total	**0**	**0**	**0**	**0**	**0**

9.3 The interest rate assumptions behind the budgeted figures are as follows:

Interest Rate Assumptions					
	2014-15 %	2015-16 %	2016-17 %	2017-18 %	2018-19 %
Investments	0.5	0.5	0.8	1.3	1.8
New and replacement borrowing	5.0	5.0	5.0	5.0	5.0

9.4 MRP charges are in line with the Council's MRP policy at Appendix 4.

10 Policy on the use of external service providers

10.1 Treasury management consultants are used to support the Council's treasury management activities by providing expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, creditworthiness of counterparties etc

10.2 From June 2013 the costs of the service have been met by LGSS. The current supplier of service is Capital Asset Services. The contract expires at 31 March 2014. It is anticipated that Capita Asset Services will continue to supply this service to NBC under their framework contract with LGSS.

10.3 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the external service providers. However it also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will 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.

11 Current and future developments

11.1 Local Authorities have to consider innovative strategies towards improving service provision to their communities. This approach to innovation also applies to councils' treasury management activities. The Government is introducing new statutory powers and policy change which will have an impact on treasury management approaches in the future. Examples of such changes are:

Localism Act 2011

11.2 A key element of the Act is the "General Power of Competence": "A local authority has power to do anything that individuals generally may do." The Act opens up the possibility that a local authority may be able to use derivatives as part of their treasury management operations. However the legality of this has not yet been tested in the courts. The Council has no plans to use financial derivatives under the powers contained in this Act.

Tax Incremental Financing

11.3 The Government has outlined its plans to give local authorities the tools to promote growth, including giving more freedom for local authorities to make use of additional revenues to drive forward economic growth in their areas. infrastructure projects

11.4 To this aim they are looking to introduce new borrowing powers to enable authorities to carry out Tax Incremental Financing (TIF) for infrastructure projects. This will require new legislation and will be closely linked to another Government initiative concerning the localisation of business rates i.e. local retention of business rate income.

11.5 In determining the affordability of borrowing for capital purposes, local authorities take account of their current income streams and forecast future income. Currently this does not factor in the full benefit of growth in local business rate income. TIF will enable local authorities to borrow against a future additional uplift to their business rates base. It will be important to manage the costs and risks of this borrowing alongside wider borrowing under the Prudential Code.

11.6 The Council will explore these new opportunities and assess their impact on the Treasury Management Strategy, particularly in terms of risk to the sustainability, prudence and affordability to the Council's finances.

Local Impact Funding

11.7 The Council is working with other agencies to put together an application for Northamptonshire to become one of the pilot areas for a Local Impact Fund (LIF). The LIFs will be led by local public sector bodies to bring together local and national partners and investors to provide tailored investment support for charities and social enterprises. The LIF model exploits the economic and employment benefits of supporting the local sector, in addition to the social impact benefits. It works on the basis that locally led solutions to social investment will target resources where they are needed most. Investments can be matched against EU funding and could give Northamptonshire the opportunity of transforming significant areas of service delivery.

11.8 As an investor the Council will receive a rate of interest on its investment into the LIF. The details of the LIF investment arrangements will be examined by officers to understand their treasury management implications. This will include an assessment of any treasury management risks. However as the investment is an integral part of the LIF policy initiative, driven by service considerations, it will fall outside of the Council's stated investment strategy and counterparty criteria.

12 Training

12.1 A key outcome of investigations into local authority investments following the credit crisis has been an emphasis on the need to ensure appropriate training and knowledge in relation to treasury management activities, for officers employed by the Council, in particular treasury management staff, and for members charged with governance of the treasury management function

12.2 Policies for reviewing and addressing treasury management training needs are out in the TMP Schedules (TMP10 – Training and Qualifications)

13 List of appendices

Appendix 1:	Treasury Management Scheme of Delegation and Role of Section 151 Officer
Appendix 2	Policy for attributing income and expenditure and risks between the General Fund and the HRA
Appendix 3:	Prudential and Treasury Indicators
Appendix 4:	Minimum Revenue Provision (MRP) Policy Statement
Appendix 5:	Annual Investment Strategy

Appendix 1

Treasury Management Scheme of Delegation and role of the Section 151 Officer

Treasury Management Scheme of Delegation

Council

The Council is responsible for the following:

- Adoption of the CIPFA Code of Practice on Treasury Management in the Public Services
- Approval of the Treasury Management Policy Statement
- Approval of the Treasury Management Practices (TMPs)
- Approval of the annual Treasury Management Strategy
- Setting and monitoring of the prudential and treasury indicators.
- Approval of reports on treasury management policies, practices and activities.
- Approval of the debt financing budget as part of the annual budget setting process

Cabinet

The Cabinet is responsible for the following:

- Consideration of the all of the above and recommendation to Council
- Receiving monitoring information on the debt financing budget as part of the in year budget monitoring process.
- 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

Audit Committee

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

Treasury management role of the Section 151 Officer

The Council's Chief Finance Officer is 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 Council's Constitution, has statutory duties in relation to the financial administration and stewardship of the authority. These statutory duties are set out in more detail in the Council's Financial Regulations. This statutory responsibility cannot be overridden.
.
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 TMP Schedules 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
- 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.

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.

Appendix 2

Policy for attributing income and expenditure and risks between the General Fund and the HRA

1.1 The Council is required to have a clearly agreed policy for attributing income and expenditure and risks between the General Fund and the HRA. This is set out at Appendix 5.

1.2 The Council uses a two pool approach to splitting debt between the HRA and General Fund, whereby loans are assigned to either the HRA or the General Fund.

1.3 The Council applies 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 are 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 GF 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

1.4 For the purpose of calculating interest rates:

- HRA cash balances are based on the average of opening and closing HRA cash balances.
- HRA CFR external debt is based on actual external debt
- Other HRA CFR balances is based on the mid year position

1.5 Debt management costs are charged to the HRA on an apportioned basis that takes into account the weighting of time spent on managing debt and investments respectively.

1.6 Risk associated with external loans 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.

1.7 Similarly, risk associated with any external investment of earmarked medium term HRA reserves sits with the HRA. This will include the risk of impairment, in the event of the failure of a counterparty.

1.8 Where risk cannot be earmarked specifically to either the General Fund or HRA, it is 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.

Appendix 3

Prudential and Treasury Indicators

The prudential indicators for 2014-15 to 2018-19 are set out below, each one with a commentary and risk analysis.

Affordability

a) Estimate of the ratio of financing costs to net revenue stream

Commentary

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 estimates for 2014-15 and onwards are dependent upon base figures to be agreed by Council and are therefore not available at this stage. They will be included in the report submitted to Council in February 2014.

Estimate of the ratio of financing costs to net revenue stream					
	2014-15	2015-16	2016-17	2017-18	2018-19
	Estimate %	Estimate %	Estimate %	Estimate %	Estimate %
General Fund					
HRA					

Risk Analysis

Debt financing costs relating to past and current capital programmes have been estimated in accordance with proper practices. Actual costs will be dependent 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) Estimate of the incremental impact of capital investment decisions on the council tax

Commentary

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 figure represents the incremental impact on Council Tax from capital expenditure schemes starting in 2014-15 and planned for 2015-16 to 2018-19. For this reason continuation schemes that have already been agreed are excluded from the calculation, except where they are ongoing work programmes with discretion to vary expenditure from year to year.

The estimates for 2014-15 and onwards are dependent upon base figures to be agreed by Council and are therefore not available at this stage. They will be included in the report submitted to Council in February 2014.

Estimates of incremental impact of new capital investment decisions on the Council Tax	
	General Fund
	£ p
2014-15	
2015-16	
2016-17	
2017-18	
2018-19	

Risk Analysis

The calculation of this indicator produces a notional figure. In practice the incremental costs of capital programme expenditure, including borrowing costs, 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.

Capital appraisals are completed for all new capital programme bids, and these should include any additional revenue costs associated with a scheme.

These procedures are designed to ensure that capital expenditure schemes are not included in the planned programme unless they have been demonstrated to be affordable, as well as prudent and sustainable.

c) Estimate of the incremental impact of capital investment decisions on the housing rents

Commentary

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 figures represent the incremental impact on weekly housing rents from capital expenditure schemes starting in 2014-15 and planned for 2015-16 to 2018-19. For this reason continuation schemes that have already been agreed are excluded from the calculation, except where they are ongoing work programmes with discretion to vary expenditure from year to year.

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 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.

The estimates for 2014-15 and onwards are dependent upon base figures to be agreed by Council and are therefore not available at this stage. They will be included in the report submitted to Council in February 2014.

Estimates of incremental impact of new capital investment decisions on weekly housing rents	
	HRA
	£ p
2014-15	
2015-16	
2016-17	
2017-18	
2018-19	

Risk Analysis

The calculation of this indicator produces a notional figure. In practice the incremental costs of capital programme expenditure, including borrowing costs, are incorporated into the calculations for the HRA revenue budget build along with all other proposed budget increases and savings, and are considered as part of an overall package of affordability.

Capital appraisals are completed for all new HRA capital programme bids, and these should include any additional revenue costs associated with a scheme.

These procedures are designed to ensure that HRA capital expenditure schemes are not included in the planned programme unless they have been demonstrated to be affordable, as well as prudent and sustainable.

Prudence

d) Gross debt and the capital financing requirement (CFR)

Commentary

This is a key indicator of prudence. It is intended to show that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and new two financial years. This demonstrates that the Council's borrowing has only been undertaken for a capital purpose.

Gross debt and the capital financing requirement		
	2014-15 £000 Excluding Third Party Loans	2014-15 £000 Including Third Party Loans
Gross external debt	**216,355**	**222,855**
2013-14 Closing CFR (forecast)	222,446	228,946
Increases to CFR*:		
2014-15	7,916	40,416
2015-16	-	22,497
2016-17	-	-
2017-18	498	498
2018-19	481	481
Adjusted CFR	231,341	292,838
Gross external debt greater than adjusted CFR	**No**	**No**

* Where the change in CFR is a reduction this is treated as zero for the purposes of this calculation

Risk Analysis

Where the gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual strategy.

Capital Expenditure

e) Estimates of capital expenditure

Commentary

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 2014-15 to 2018-19 is included elsewhere on this agenda and the prudential indicator figures are based on that report.

Estimates include continuation schemes from previous years, new bids for the coming year, and block programmes for the coming and future years. The programme is agreed annually and will be adjusted in the context of future bids submitted and available resources when the annual programmes for the future years are agreed. Variations to the existing programme may also be agreed during the year.

Capital Expenditure					
	2014-15	2015-16	2016-17	2017-18	2018-19
	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
General Fund	13,739	7,942	2,870	2,275	2,275
HRA	54,700	26,608	23,308	23,308	23,308
Total	**68,439**	**34,550**	**26,178**	**25,583**	**25,583**
Loans to third parties	32,500	24,000	0	0	0
Total	**100,939**	**58,550**	**26,178**	**25,583**	**25,583**

Risk Analysis

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. Any significant issues are reported to Cabinet as part of the finance and performance reporting cycle.

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 2014-15 to 2018-19. New capital schemes funded by receipts will not commence until receipts are actually realised. The five year programme and financing is reviewed annually.

The financing position of the capital programme is closely monitored by officers on an ongoing basis and any significant issues are reported to Cabinet as part of the finance and performance reporting cycle.

f) Estimates of capital financing requirement (CFR)

Commentary

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.

The table below splits out the impacts of proposed loans to third party organisations funded by borrowing.

The forecast trend for the General Fund CFR (excluding third party loans is relatively stable with an overall inclination to a reduction over the forthcoming five-year period, as the amount of proposed borrowing is offset by annual repayments of principal (Minimum Revenue Provision).

The HRA CFR is forecast to remain static for the five year period as no new borrowing is planned to support the HRA capital programme.

The changes to CFR for future years (2015-16 to 2018-19) are subject to future Council decisions in respect of the capital programme for those years

Capital Financing Requirement (Closing CFR)					
	2014-15	2015-16	2016-17	2017-18	2018-19
	31 March 2015 Estimate £000	31 March 2016 Estimate £000	31 March 2017 Estimate £000	31 March 2018 Estimate £000	31 March 2019 Estimate £000
General Fund	43,559	42,056	39,631	40,128	40,610
HRA	186,803	186,803	186,803	186,803	186,803
Total	**230,362**	**228,859**	**226,434**	**226,931**	**227,413**
Loans to third parties (GF)	39,000	63,000	63,000	63,000	63,000
Total	**269,362**	**291,859**	**289,434**	**289,931**	**290,413**

Risk Analysis

The capital financing requirement will vary from the estimates if there are changes to capital programme plans that result in reduced or increased borrowing to support expenditure. This will include adjustments between years as a result of carry forwards in the capital programme, which can impact on the profile of capital expenditure and the profile of the minimum revenue provision.

All borrowing plans must be affordable in revenue terms and to this end additional borrowing to fund capital expenditure will only be approved through the normal capital project approval process and where it has been demonstrated to be prudent affordable and sustainable.

External Debt

g) Authorised limit for external debt

Commentary

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.

This requires the setting for the forthcoming financial year and the following four 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. It includes headroom for any planned loans to third party organisations.

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.

The Council's S.151 Officer will have delegated authority to effect movement between the separately agreed figures for borrowing and other long-term liabilities. Any such changes will be reported to the Council at the next meeting following the change.

Authorised limit for external debt					
	2014-15	2015-16	2016-17	2017-18	2018-19
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
Borrowing	285	305	305	305	305
Other long-term liabilities	5	5	5	5	5
Total	**290**	**310**	**310**	**310**	**310**

Risk Analysis

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 external debt

Commentary

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 borrowing element of the operational boundary has been set with reference to the maximum Capital Financing Requirement (CFR) over the coming three years. It includes headroom for any planned loans to third party organisations.

Other long-term liabilities relate to finance leases and credit arrangements.

The Council's S.151 Officer will have delegated authority to effect movement between the separately agreed figures for borrowing and other long-term liabilities. Any such changes will be reported to the Council at the next meeting following the change.

Operational boundary for external debt					
	2014-15	2015-16	2016-17	2017-18	2018-19
	Limit £000	Limit £m	Limit £m	Limit £m	Limit £m
Borrowing	275	295	295	295	295
Other long-term liabilities	5	5	5	5	5
Total	**280**	**300**	**300**	**300**	**300**

Risk Analysis

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

Commentary

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.

Indicator

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.

Risk Analysis

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 in the Public Services

Commentary

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 recognition of the pre-existing structure of the authority's borrowing and investment portfolios.

Indicator

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. The adoption is included in the Council's Constitution (Feb 2013) at paragraph 6.10 of the Financial Regulations.

Risk Analysis

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 2014-15 to 2018-19 discusses the ways in which treasury management risk will be determined, managed and controlled.

Treasury Indicators

k) Maturity structure of borrowing

This indicator sets both upper and lower limits with respect to the maturity structure of the Council's borrowing.

The indicator 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.

The Treasury Management Code of Practice Guidance Notes requires that the maturity is determined by the earliest date on which the lender can require payment, which in the case of LOBO loans is the next break period. 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%	20%
Between 1 and 2 years	0%	20%
Between 2 and 5 years	0%	20%
Between 5 and 10 years	0%	20%
Between 10 and 20 years	0%	40%
Between 20 and 30 years	0%	60%
Between 30 and 40 years	0%	80%
Over 40 years	0%	100%

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.

The limits for the early periods (up to 10 years) have been set to allow for up to 20% of Council borrowing to be in the form of LOBO loans, which are treated as if maturing at the first break clause date.

l) 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, these indicators have been set as percentages rather than absolute values. Separate indicators are 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
2014-15	100%	100%
2015-16	100%	100%
2016-17	100%	100%
2017-18	100%	100%
2018-19	100%	100%

Upper limits on interest rate exposures - investments		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2014-15	100%	100%
2015-16	100%	100%
2016-17	100%	100%
2017-18	100%	100%
2018-19	100%	100%

The interest rate exposures for net borrowing are distorted when debt and investment are combined. However, 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. Actual percentages on net borrowing may sometimes be in excess of 100% or below zero (ie negative percentages).

Upper limits on interest rate exposures – net borrowing		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2014-15	150%	150%
2015-16	150%	150%
2016-17	150%	150%
2017-18	150%	150%
2018-19	150%	150%

m) 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 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 four financial years are as follows.

Upper limit on investments for periods longer than 364 days					
	2014-15	2015-16	2016-17	2017-18	2018-19
	Upper Limit £m	Upper Limit £m	Upper Limit £m	Upper Limit £m	Upper Limit £m
Investments < 364 days	7	7	8	8	8

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 investment under the new HRA self financing regime.

Appendix 4

Minimum Revenue Provision Policy Statement

1.1 The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008, which came into force in February 2008, require 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).

1.2 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.

1.3 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.

1.4 The authority is required, under the 2008 regulations, to prepare an annual statement of their policy on making MRP for submission to Council.

1.5 The Council’s policy statement on MRP for 2014-15 is set out below. The policy is considered by the Section 151 Officer to provide for the prudent repayment of debt.

1.5.1 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.

1.5.2 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”.

1.5.3 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.

1.5.4 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.

1.5.5 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.

1.5.6 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.

1.5.7 MRP will be charged from the financial year after the asset comes into use.

1.5.8 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.

1.5.9 No MRP will be charged in respect of capital expenditure funded by borrowing where the expectation is that a future capital receipt will be applied to the CFR as a voluntary debt repayment for the borrowing. Examples are:

- Capital expenditure on preparing assets for sale.
- Loans advanced to housebuyers under the Local Authority Mortgage Scheme (LAMS), should the Council decide to participate in this initiative

1.5.10 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.

1.5.11 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.

1.5.12 In respect of loans to third parties supported by borrowing, where these are treated as capital expenditure, and contractual terms are in place to secure repayment over a period not exceeding the life of the asset, the Council will not charge MRP on the related expenditure.

Appendix 5

Annual Investment Strategy

1 Investment policy

1.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

1.2 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 of the agreed parameters. These principles are carried out by strict adherence to the risk management and control strategies set out in the TMP Schedules and the Treasury Management Strategy.

Responsibility for risk management and control lies within the Council and cannot be delegated to an outside organisation.

2 Creditworthiness policy

2.1 The Council's counterparty and credit risk management policies and its approved instruments for investments are set out in the TMP Schedules (TMP 1 Risk Management: Credit and counterparty risk management and TMP 4 Approved Instruments, Methods and Techniques). These, taken together, form the fundamental parameters of the Council's Investment Strategy

2.2 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

3 Sovereign limits

3.1 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA from Fitch Ratings (or equivalent).

3.2 The exception will be the UK which is currently AA+ rated.

3.3 The list of countries that qualify using these credit criteria as at the date of this report are shown below. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Australia	Finland	Norway	Switzerland
Canada	Germany	Singapore	UK
Denmark	Luxembourg	Sweden	

4 Investment position and use of Council's resources

4.1 The application of resources, such as capital receipts, reserves etc., to either finance capital expenditure or for other budget decisions to support the revenue budget will have an ongoing impact on investments balances and returns unless resources are supplemented each year from new sources such as asset sales. Detailed below are estimates of the Council's year end balances.

Year End Resources £m	2013-14 Projected	2014-15 Estimate	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate
Fund balances/reserves						
Capital receipts						
Provisions						
Other						
Total core funds						
Working capital surplus						
Under/(over) borrowing						
Expected investments	**57**	**52**	**53**	**55**	**57**	**57**

4.2 The breakdown of figures making up the detail of the table will be incorporated into the final report to Council in February 2014.

4.3 Investment decisions will be made with reference to the core balance and cash flow requirements and the outlook for interest rates.

5 Specified investments

5.1 Under the Local Government Act 2003 the Council is required to have regard to the CLG Guidance on Local Government Investments. This 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.

5.2 The detailed conditions attached to each of these categories are set out in the TMP Schedules (TMP4 Approved Instruments, Methods and Techniques).

5.3 The majority of the Council's investments in 2014-15 will fall into the category of specified investments.

6 Non-specified investments

6.1 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.

6.2 The officer recommendation for 2014-15 is that the following non specified investments may be entered into:

6.2.1 Long-term investments (those for periods exceeding 364 days), which could prudently be used where interest rates are favourable and funds are not required for short-term cashflow management.

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.

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 £8m.

6.2.2 The following items, being non-specified only by virtue of unfamiliarity on the part of the Council's treasury management staff:

- Certificates of Deposit traded in the secondary market
- Gilts

- Treasury Bills

Before proceeding with any of the above treasury management staff will ensure that they fully understand the product and put in place procedures and limits for controlling exposure.

All non-specified investments are subject to an evaluation of counterparty and other risk. Advice will be taken from the Council's external treasury advisors as appropriate

7 Counterparties

7.1 Over-arching policies for the management of counterparty and credit risk are set out in the TMP Schedules (TMP 1 Risk Management). The Council's approach to counterparties for 2014-15 is set out below:

7.2 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.

7.3 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

7.4 The following table sets out the Council's counterparty criteria for 2014-15.

Investments may be placed with counterparties recommended by the Council's external treasury advisors, and which meet the following criteria		
Counterparty Type	**NBC Additional Limits - Value**	**NBC Additional Limits - Duration**
(1) UK counterparties	£15m per individual counterparty or banking group	2 years (729 days)
(2) UK nationalised or part nationalised banking institutions	£20m per individual counterparty or banking group	2 years (729 days)
(3) Non UK counterparties having a sovereign rating of AAA	£15m per individual counterparty or banking group	2 years (729 days)
(4) Money Market Funds (CNAV) having a credit rating of AAA	£15m per individual counterparty or banking group	N/A Liquid deposits
(5) Other Local Authorities	£20m in total	2 years (729 days)
(6) UK Government (including UK Debt Management Office, Treasury Bills and Gilts)	£20m in total	2 years (729 days)

7.5 Maximum counterparty limits may be temporarily exceeded by small amounts and for very short periods where interest is added by the counterparty to the principal investment amount, for example in the case of some call and deposit accounts. In such instances the interest amounts will be withdrawn back to the Council's main bank account as soon as reasonably practicable.

7.6 The maximum percentage of the portfolio that may be placed with overseas counterparties at any one time is 50%.

7.7 Any types of investments that fall within the category of specified investments as set out in the TMP Schedules (TMP 4 Approved instruments, methods and techniques), and any types of non-specified investments approved as part of this document may be made, within the bounds of the counterparty policies.

7.8 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.

7.9 The Council may enter into forward agreements up to 3 months in advance of the investment commencing. If forward deposits are to be made, the forward period plus the deal period should not exceed the limits above.

7.10 The Chief Finance 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 in the TMP Schedules (TMP 1 Risk Management), will be met.

8 Liquidity of Investments

8.1 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.

8.2 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. 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 and the treasury indicator for investments over 364 days.

8.3 For short term and overnight investment the Council makes full use of triple A rated Money Market Funds and appropriate bank call and deposit accounts offering competitive rates and, in most instances, instant access to funds.

8.4 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.

9 Investments defined as capital expenditure

9.1 The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1) (d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded from capital or revenue resources and will be classified as 'non-specified investments'.

9.2 Investments in "money market funds" which are collective investment schemes and bonds issued by "multilateral development banks" – both defined in SI 2004 No 534 – will not be treated as capital expenditure.

9.3 A loan or grant or financial assistance by this Council to another body for capital expenditure by that body will be treated as capital expenditure.

10 Lending to third parties

10.1 Officers will ensure that any loans to or investments in third parties comply with legislative requirements. This would normally, but not necessarily, be under one of the following Acts of Parliament:

- The Localism Act 2011 gives local authorities a general power of competence to act in the same manner as any other legal person, except where those powers are specifically limited by statute.

- The Local Government Act 2000 contains wellbeing powers for local government that allow local authorities to do anything, including to give financial assistance to any person, which they believe is likely to promote or improve the economic, social or environmental well being of their area. Certain conditions, including consultation requirements, must be complied with in order to meet the requirements allowing the local authority to use the wellbeing powers.

10.2 Loans of this nature will be under exceptional circumstances and must be approved by Cabinet.

10.3 The primary aims of the Investment Strategy, in order of priority, are the security of its capital, liquidity of its capital and to obtain a return on its capital commensurate with levels of security and liquidity. These aims are crucial in determining whether to proceed with a potential loan to a third party.

10.4 Recipients of this type of investment are unlikely to be a financial institution and therefore unlikely to be subject to a credit rating. In order to ensure security of the Authority's capital, extensive financial due diligence must be completed prior to any loan or investment being agreed. The Council will use specialist advisors to complete financial checks to ascertain the creditworthiness of the third party. Where deemed necessary, additional guarantees will be sought. This will be via security against assets and/or through guarantees from a parent company.

11 Provisions for credit related losses

11.1 If any of the Council's investments appears at risk of loss due to default (i.e. this is a credit related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

12 Local Authority Mortgage Scheme

12.1 In the event that the Council makes a decision to participate in the (cash backed) Local Authority Mortgage Scheme (LAMS), which requires the Council to place a matching five year deposit to the life of the mortgage indemnity, this investment is an integral part of the policy initiative and is outside the Council’s stated investment strategy and counterparty criteria.

13 Local Impact Funds

13.1 In the event that the Council decides to invest in a Local Impact Fund, any such investment being an integral part of the LIF policy initiative, driven by service considerations, will fall outside of the Council’s stated investment strategy and counterparty criteria.

14 Banking services

14.1 HSBC currently provide banking services for the Council. The contract expires during 2014-15 and will be re-tendered during the year. It is the Council’s intention that even if the credit rating of the provider of its banking services falls below the minimum criteria the bank will continue to be used for short term liquidity requirements.

15 End of year investment report

15.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

Appendices:
3

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	LOCAL COUNCIL TAX SUPPORT SCHEME

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	18th December 2013
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Finance
Accountable Cabinet Member:	Alan Bottwood
Ward(s)	All

1. Purpose

1.1 This report recommends the Council Tax reduction scheme for 2014/15, including amendments.

1.2 The report follows a period of consultation and provides the recommended scheme for approval at Council.

2. Recommendations

2.1 That Cabinet approve the proposed amendment to the scheme from an 8.5% reduction in Council Tax Support (CTS) in 2013/14 to a 15% reduction in 2014/15.

2.2 That Cabinet recommends the CTS scheme amendment for approval at Council on the 20th January 2014.

3. Issues and Choices

3.1 Report Background

3.1.1 In April 2013 the CTS scheme was implemented by Northampton Borough Council. The funding for CTS was incorporated into the Council's funding allocations from Government. The amount transferred was based on historic levels of council tax benefit grants less 10% to reflect the reducing government resources. As the funding for CTS is included within the Council's general funding allocation it is reducing annually at the same rate as the rest of the Council's funding, which is forecast to be 10% per annum until at least 2018, possibly longer. To ensure the CTS scheme is not subsidised by the borough's council tax payers or by reduced service levels the Council would need to approve a CTS scheme which is self-funding. The scheme approved by Council in 2013/14 was self-funding through the sources set out in the following paragraphs.

3.1.2 Under management from the Department for Communities and Local Government (DCLG), using devolved power under the Local Government Finance Act 1992 (as amended); Northampton Borough Council has been operating a means tested local reduction. This came into effect on the 1st April 2013 and saw an 8.5% reduction in the support available to working age customers.

3.1.3 Central Government's funding arrangements for 2013/14 were at a lower amount than received for the previous Council Tax Benefit scheme. A further reduction in funding is anticipated in 2014/15 and 2015/16 as the funding for CTS starts to be included as part of the Council's annual settlement.

3.1.4 Local Authorities are expected to ensure their CTS Scheme is suitable for its local community and promotes the Governments position on Welfare Reform, by protecting the vulnerable and encouraging work for those of working age.

3.1.5 A further review of a chosen scheme will be undertaken for 2015/16. This could recommend no change to the scheme, be a completely new scheme or a further refined version of the 2014/15 scheme.

3.1.6 Pensioners will not be affected by the proposed changes to our CTS Scheme and will remain fully protected.

3.1.7 A full income disregard of War Widows Pension and War Disablement Pension will continue. This was originally adopted as part of the 2013/14 CTS Scheme in Northampton.

3.1.8 Additional protection will continue for those in receipt of disablement benefits and **Appendix A** provides the groups afforded additional support under the scheme. The scheme will also continue to support people back into work through a 4-week run on period of support.

3.2 Issues

3.2.1 DCLG provided funding for an additional transitional grant to help fund CTS Schemes in their first year (2013/14). However, no such grant will be made available for subsequent years. This means the Council is required to consider how to meet this further reduction.

3.2.2 Central Government suggested that in 2013/14 Local Authorities could meet the funding deficit by implementing other changes, to ensure that Local Authorities maximise their opportunities to be financially efficient with the current budgetary pressures. As part of the implementation of the CTS Scheme from 1st April 2013. NBC has already:

- Reconfigured funding, in particular its transfer of services to Local Government Shared Services (LGSS)
- Used the new flexibility over Council Tax to remove the reliefs in respect of second homes and some empty properties; and other reforms of the council tax system, including the use of an electronic leaflet and removal of expensive printing costs traditionally associated with the annual billing process.

3.2.3 Pensioners remain protected as part of the 2014/15 scheme. Therefore NBC will continue to administer protection for year 2014/15 for approximately 7,074 residents.

3.2.4 Claimant's aged between 18 and 62 are classed as working Age (not of pensionable age) and are subject to the CTS Scheme. Approximately 11,588 accounts fall into this group and will be affected for collection and financial purposes by a reduction of their existing award. The reduction is applied by a reduction in benefit after all calculations have been made.

3.3 Choices (Options)

3.3.1.1 There are two proposed options for amending the CTS Scheme which were consulted upon. These would reduce or mitigate the impact of the reduced funding for the CTS Scheme over the next two years. The options consulted upon are shown in section 3.3.2.

3.3.1.2 Positive responses from the consultation centred on the concept of 'fairness' and everyone having to contribute and that the scheme does help support people in paying their Council Tax bills.

3.3.1.3 Some acceptance of the current economic climate was also expressed, as was a view that if these changes were implemented it would prompt better budgeting and would give a push to find rewarding work and therefore regain self-respect and pride.

3.3.1.4 Negative responses included concerns about being able to afford increasing contributions toward Council Tax bills, because this amounted to a large proportion of an already limited income.

3.3.1.5 Questions were raised about how those already on a low income being able to afford additional money and the impact on their ability to afford necessities such as food, fuel or clothing for children.

3.3.1.6 It was also raised that the proposed increases are well above inflation and that benefits would not increase in line with increases. This is compounded by rising prices (e.g. food and utilities) and the impact of other welfare reforms. An increased reduction to 36% was seen as unaffordable.

3.3.1.7 Anxieties were expressed about how these changes will affect tenants' ability to sustain their tenancy and the implications if these people were made homeless due to arrears.

3.3.1.8 It was highlighted that reduced support could cause increased hardship, poverty and misery across the Borough

3.3.1.9 It was highlighted that these changes could impact vulnerable people and jeopardise mental health recovery and independent living. Causing health problems e.g. stress and worry and potentially cause existing health conditions to deteriorate.

3.3.1.10 This will impact on other local services that support those with mental health problems, disabilities, social services, troubled families unit etc. This will cost more than these proposed changes will save.

3.3.1.11 Neutral responses resulted from the respondent not being affected by the changes, either because they were of pension age or were not receiving CTS.

3.3.2 Local Council Tax Reduction Options

3.3.2.1 **Maintain the existing CTR Scheme**

The option to maintain the 8.5% reduction made in 2013/14, alongside meeting the loss of the transitional grant in 2014/15 was considered as the Council calculated the budgetary pressures in 2014/15. Unfortunately the tough economic situation nationally meant that this option was not viable.

3.3.2.2 Therefore as part of consultation two options have been consulted upon. These are:

3.3.2.3 **Option 1 Increase Percentage Reduction for 2014/15**

This option proposed a 15% reduction in awards across working age customers for 2014/15.

3.3.2.4 **Option 2: Increase Percentage Reduction for 2015/16**

This option proposed a reduction of up to 36% in awards across working age customers for 2015/16.

3.4 Choices – Northampton Local Council Tax Reduction Scheme

3.4.1 The Council has undertaken a four week consultation in order to obtain the views of citizens and stakeholders.

3.4.2 Following the consultation a full impact assessment has been carried out encompassing the views expressed by those that responded to ensure the impact to existing and future citizens in need of financial support is minimised.

3.4.3 The impact of retaining the existing 2013/14 scheme would see a financial cost to the Council. This would be an additional cost to NBC and its major preceptors and represent a pressure on the Councils general fund in 2014/15.

3.4.4 In order to address the impact of this increased pressure an additional reduction in support has been considered. This option increases the reduction in CTS award to 15% from 8.5%.

3.4.5 The pressure facing the council in future years to retain a self-balancing CTS scheme will remain as Government funding continues to reduce. In order to balance the Councils budget in future years it may be necessary to reduce the level of support further. As a result the Council have also consulted on a range of reduction in 2015/16 of up to 36%.

3.4.6 The Council has existing policies and procedures that aim to balance the need for maximising income to pay for services, with the need to protect tax payers from homelessness or additional charges. These policies and procedures were put in place over the last 3 years as a direct result of welfare reform announcements. They are reviewed regularly.

3.4.7 **Recommended Option (Chosen CTR Scheme)**

3.4.8 A reduction of 15% in CTS support from working age recipients from 1st April 2014. This option balances the financial position in 2014/15 and contributes to the expected shortfall in CTS funding in 2015/16.

3.4.9 Protection as set out in **Appendix A** will be continue to be afforded to ensure the Council protects disabled and vulnerable citizens, whilst ensuring there remains an incentive to work.

3.4.10 Alongside this the Council will continue to provide protection for recipients of war widows and war disablement pension. Therefore income and capital disregards for this group will be retained.

3.4.11 A four–week period of extended payments will continue to be provided. This period will mean that benefit rates are retained for 4 weeks before any reduction is made.

3.4.12 Any further amendments to the CTS scheme, if required, from the 1st April 2015 will need to be considered during 2014/15. Any change will need to be agreed by full Council no later than the 31st January 2015.

3.4.13 Regulations also require the Council to consult on any further proposed changes to the scheme from 1st April 2015.

3.4.14 The Council will review carefully any proposed increase in 2015/16. Alongside this it will ensure its policies and procedures to support those in hardship meet the needs of our citizens in providing or referring for financial advice.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The report outlines options for a Local Council Tax scheme, which if chosen, will set policy.

4.2 Resources and Risk

4.2.1 There are significant financial implications to the Council and the two other major precepting authorities as a result of the requirement to run a local council tax scheme with a reduction in funding, whilst protecting pensioners.

4.2.2 If the Council maintains the existing scheme there would be a funding gap across the Council, County and Police Authority.

4.2.3 The current financial modelling undertaken on the recommended CTS scheme for 2014/15 is based on the latest intelligence around collection rates and government funding forecasts and is considered to be self-funding. However, the position would need to be closely monitored during the financial year and the position re-assessed for 2015/16.

4.2.4 Increased recovery and associated court costs could see increased resource requirements within the revenues team. The impact of other welfare reforms could also contribute to reduced collection on Council Tax and wider corporate debts. The Council has taken full account of pressures across corporate income and debt in calculating the impact of the recommended CTS Scheme.

4.2.5 If the Council fails to agree and implement an amended scheme by 31st January 2014 we will need to retain our current scheme. The cost of the 2013/14 scheme would not be affordable to the Council and therefore have a financial impact on the Council in 2014/15.

4.3 Legal

4.3.1 As part of the process of amending the CTS Scheme, legal advice will be obtained in order to ensure that processes and procedures that underpin the CTS Scheme are compliant.

4.4 Equality

4.4.1 Northampton Borough Council must demonstrate to DCLG, that in order to amend the CTS Scheme, a full stakeholder review has taken place and these people have been consulted, to ensure that the scheme reflects the needs of the community as a whole. **This can be found at Appendix B.**

4.4.2 A full equality impact assessment has been completed - this can be found at **Appendix C.**

4.4.3 The equality impact assessment recognises that the amendment to the CTS Scheme will place an additional financial burden on working age customers in 2014/15. Included within this group will be individuals and families with vulnerable characteristics.

4.4.4 In order to mitigate against the impact on this group and in particular those vulnerable citizens the Council has continued to afford protection within the more generous means-tested element of the CTS Scheme. This can be found at **Appendix A.** Alongside this the Council will continue to consider fair debt collection principles and provide or refer those under financial pressure for debt advice.

4.5 Consultees (Internal and External)

4.5.1 Local Authorities are obligated to carry out a thorough consultation in order to reduce the opportunity for the scheme not to reflect the needs of the local population. The Cabinet Office Code of Practice for Consultation in 2004, defined consultation in five principles, which Northampton Borough Council will adopt;

- Proportional
- Inclusive
- Genuine
- Consistent
- Transparent

4.5.2 Consideration required that any consultation that occurred be proportional to the needs of the community and time barred in line with good practice.

4.5.3 Care must be given to ensure that all members of the community have access to this consultation to ensure that everyone is given a right to be heard on the CTS Scheme.

4.5.4 A four week consultation was undertaken and included:

- Members
- Forums including:
  - Northampton Pensioner
  - Northampton LGBT and Q
  - Northampton Disabled People Forum
- Members of the Public via web & a number of drop-in sessions

4.5.6 A total of 35 responses were received by 1st December 2013, and 7 people attended the drop-in sessions.

4.5.6 Nationally, the response to Local Authority engagement on local Council Tax schemes has been low. Benchmarking with other Local Authorities has established that this is the case.

4.5.7 The methodology and results of the consultation is attached at **Appendix B.**

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The CTS Scheme is a statutory requirement as a result of national austerity measures and wider reforms of the benefit system.

4.7 Other Implications

None

5. Background Papers

5.1 Appendix A – Specific Protection
5.2 Appendix B – Consultation
5.3 Appendix C – Equalities Impact Assessment

Glenn Hammons, Section 151 Officer, Northampton Borough Council
Robin Bates, LGSS Head of Revenues & Benefits

Appendix A

Northampton Borough Council's Council Tax Reduction Scheme

Northampton Borough Council's current Council Tax Reduction (CTR) scheme provides for a means-tested reduction. This reduction takes the form of a discount and reduces the amount of Council Tax the person remains liable to pay.

This document provides an explanation of how the means-testing process incorporates specific protection for working age customers who may be considered vulnerable.

Applicable Amounts:

The means-testing process for our CTR scheme begins with an applicable amount, which specifies the amount of income that someone needs to have before their discount decreases – prior to the application of any reduction. An applicable amount is made up of a personal allowance with additional premiums and it is individual to the applicant and their family. Applicable amounts are more generous for disabled people, carers and couples or lone parents with children in order to recognise the additional costs incurred with raising children, managing a disability or health problem.

Dependants' Allowance

A customer's applicable amount is increased by a dependant's allowance for each dependent child. This ensures that the applicable amount reflects the additional costs of raising children.

Family Premium

This is awarded in the applicable amount if the applicant or their partner has at least one dependent child or young person.

Disability Premium

This premium is awarded in the applicable amount if the applicant or their partner is in receipt of either:

- Attendance Allowance
- Disability Living Allowance
- Personal Independence Payment
- The disability element or the severe disability element of working tax credit,
- Incapacity Benefit

Severe Disability Premium

This is awarded in the applicable amount if the applicant or their partner has no non-dependents aged 18 or over and no-one receives Carer's Allowance for looking after them. Either the applicant and/or the partner also have to be in receipt of either:

- Attendance Allowance
- Disability Living Allowance - care component at the middle or higher rate
- Personal Independence Payment – daily living component

Enhanced Disability Premium

This premium is awarded in the applicable amount if the applicant, partner or dependent child is receiving:

- Disability Living Allowance - care component at the highest rate
- Personal Independence Payments – daily living component at the enhanced rate.

Disabled Child Premium

This premium is awarded in the applicable amount for each dependent child receiving:

- Disability Living Allowance
- Personal Independence Payments
- Or is registered blind.

Carer premium

This premium is awarded in the applicable amount where the applicant or his partner is entitled to Carer's Allowance.

Council Tax Reduction Scheme – Weekly Applicable Amount Rates

These rates are based on the figures for 2013/14. These figures will increase in-line with the Housing Benefit annual up-rating due to be released by the Department of Work and Pensions by the end of January 2014. We are also expecting the applicable amounts for pensioners to be increased by the Department of Communities and Local Government.

Applicable Amount Rates (Working Age)	**April 2013 Rates**
Personal Allowances	
Single	
16 to 24	£56.80
25 or over	£71.70
Any age – entitled to main phase Employment & Support Allowance	£71.70
Lone Parent	
Under 18	£56.80
18 or over	£71.70
Any age – entitled to main phase Employment & Support Allowance	£71.70
Couple	
Both under 18	£85.80
One or both over 18	£112.55
Any age – entitled to main phase Employment & Support Allowance	£112.55
Dependent Children (for each child)	£65.62
Premiums	
Family Premium	£17.40
Disability Premium	
Single	£31.00
Couple	£44.20
Severe Disability Premium	
Single Rate	£59.50
Couple Rate – One member qualifies	£59.50
Couple Rate – Both members qualify	£119.00
Enhanced Disability Premium	
Single Rate	£15.15
Disabled Child Rate	£23.45
Couple Rate	£21.75

Disabled Child Premium	£57.89
Carer Premium	£33.30

Treatment of Income:

Increased Earnings Disregards

Net income from part-time or full-time work is taken into account when our CTR scheme discount is calculated. However, a small amount of earned income is then disregarded, which helps incentivise people to move into work.

A higher earnings disregard applies for those who qualify for the disability premium or severe disability premium (or either component of the Employment and Support Allowance) in our CTR scheme. This means that less of the disabled customer's net earnings are taken into account when calculating the amount of discount they receive. This is also the case for lone parents and carers.

Earnings Disregards	April 2013 Weekly Rates
Single person	£5.00
Couple	£10.00
Disability or Severe Disability Premium	£20.00
Carer Premium	£20.00
Lone parent	£25.00

A further £17.10 a week is also disregarded for:

- Lone parents working 16 hours or more a week; or
- Couples where either/or member are working 24 hours a week, with at least one member working at least 16 hours a week
- Their applicable amount includes a disability premium and they work 16 hours or more a week.

Disregard of Disability Benefits

The following income is ignored in the means-test of our CTR Scheme:

- Disability Living Allowance
- Personal Independence Payments
- Attendance Allowance
- Severe Disablement Allowance
- War Disablement Pension
  War Widows Payment

Non-Dependant Deductions:

For certain disabled customers non-dependant deductions are not applied to the means test of their discount, regardless of the number of non-dependants that they may be living with them. This applies if the applicant or their partner is registered blind or if either of them are receiving:

- Attendance Allowance; or
- Disability Living Allowance – care component; or
- Personal Independence Payments – daily living component

Non-Dependent Deductions	April 2013 Weekly Rates
In receipt of state Pension Credit or in receipt of IS, JSA(IB), or ESA(IR)	Nil
Aged 18 or over and in remunerative work	
-gross income greater than £401.00	£10.95
-gross income not less than £322.00 but less than £400.99	£9.15
-gross income not less than £186.00 but less than £321.99	£7.25
-gross income less than £186.00	£3.65
Others aged 18 or over	£3.65

Childcare:

The cost of eligible childcare (for a child up to the age of 15, or 16 (if they are disabled) can be disregarded up to £175 a week for one child or £300 a week for two or more children. This is providing that the applicant and/or their partner are:

- A lone parent working 16 hours or more a week ; or
- A couple where both of them are working 16 hours or more a week; or
- A couple where one of them is working 16 hours or more and the other is incapacitated

This provision is also aimed at incentivising people to move into work.

Council Tax Reduction Scheme Consultation

Author	Beccy Salmon
Version	3.0
Status	Draft Report

INTRODUCTION:

On the 1st April 2013 Northampton Borough Council introduced its own local discount scheme to help people on low incomes pay their Council Tax.

Under the Local Government Finance Act 2012, Northampton Borough Council is required to publically consult on proposed changes to our local Council Tax Reduction (CTR) scheme.

The consultation had two aims:

1) To find out what people thought of the scheme in the first year.
2) To understand the impact on those who rely on this support if the proposed changes are implemented.

This consultation took place between Monday 4th November 2013 and Sunday 1st December 2013.

This document details the methodology, which underpinned the consultation, plus a full analysis of the results.

METHODOLOGY:

The consultation included the following:

- On-line survey
- News release
- Social media (Facebook, Twitter, etc.)
- Northampton Borough Council's internet and intranet pages
- All e-mail communication from the Benefit, Council Tax and Customer Services mailboxes included an invitation link to take-part in the consultation
- Display screens in the One Stop Shop
- Details of the consultation were emailed to the Multi Agency Forum and our welfare partners, including registered social landlords.
- Invitations to participate was sent to key stakeholders, including Precepting Authorities, parishes, local Councilors and Member of Parliaments
- Engagement with housing associations and voluntary and community sectors via their various networks
- Council's proposals raised at various Community Forums:
    - Disabled People Forum - 19.11.2013
    - Northampton LGBT and Q Forum – 12.11.2013
    - Northampton Pensioner Forum - 29.10.2013
- 1,500 email invitations were issued to email addresses held on the Benefit and Council Tax database
- Letters were issued to a random sample of 200 CTR recipients.
- Letters were issued to a random sample of 200 local Council Tax payers.

To help support the public the following was also made available and advertised in-line with the above:

- Dedicated email address for enquiries from the public
- Our Customer Service teams were made available to help the public complete the on-line form to mitigate any accessibility issues. In addition we carried out a home visit to support a request made to overcome specific accessibility issues.
- 4 drop in-sessions were run, aimed at providing those affected with a personal illustration on what the proposed changes would mean to them – ensuring they were able to provide a fully informed response.

RESULTS:

A total of 35 responses to our on-line survey were received by the end of the consultation and 7 members of the public attended one of the drop-in sessions.

Whilst we had taken the additional steps of sending 1500 email and 400 written invitations to take part, the response rate remained low.

The website was viewed 487 times during the consultation period. This demonstrates that media coverage of the consultation was active, however members of the public, did not complete the form to air their views.

SUMMARY OF FINDINGS:

Due to the type of questions asked in the on-line survey, in-line with the number of responses received, the results are mainly qualitative. The data has provided an in-depth look at what the proposed changes mean to the respondents and how it will impact them.

KEY RESULTS:

Question 1 focused on collecting personal data and will therefore not be summarised in this report.

Question 2 established whether the respondent was currently receiving a CTR discount and whether they were responding on behalf of an organization.

- 14 respondents are currently receiving a CTR discount
- 6 respondents were responding on behalf of an organization:
    - Citizen's Advice Bureau
    - Community Law Service
    - Mental Health Group
    - Richmond Fellowship (supported housing for people with mental health issues).
    - Nottingham Community Housing Association
    - Financial support and advice service
    - Northampton Borough Council's One Stop Shop

Question 3:

As from 1 April 2013 the maximum amount of discount a person can receive against their Council Tax bill is limited to 91.5% of their total annual Council Tax bill.

If during this period you have applied for or are receiving any support through our CTR scheme, please use the box below to tell us how the scheme worked for you, including any ideas you may have on how we can improve it.

24 respondents skipped question 3, the responses we did receive are summarised as follows:

- 4 respondents felt that the current CTR scheme worked well for them and helped them to pay their Council Tax.
- 5 respondents provided a response which indicated that the current scheme was placing a financial burden on them since the level of support reduced since the replacement of Council Tax Benefit.
- 1 respondent stated they had only just applied for CTR
- 1 respondent stated they felt the scheme was fair by ensuring everyone has to contribute.

Question 4:

From 1 April 2014, we are proposing that the maximum amount of discount a working age person can receive may be limited to 85% of their total annual Council Tax bill in order to help the Council bridge the gap in funding it receives from Central Government.

13 respondents skipped question 4, the responses we did receive are summarised as follows:

- 16 respondents stated that decreasing the amount of support available to them will mean they can no longer afford their expenses or place an increased financial burden on them.
- 2 respondents felt the proposed change would either help them to budget better or move into work.
- 1 respondent felt it was a fair increase when considering the current economic climate
- 6 respondents indicated they would not be impacted by the change.

Question 5:

From 1 April 2015, we are proposing that the maximum amount of discount a working age person can receive may be limited up to 64% of their total annual Council Tax bill in order to help the Council bridge the further reduction in funding it receives from Central Government.

12 respondents skipped question 5, the responses we did receive are summarised as follows:

- 15 responses stemmed from concerns that the proposed change would have a detrimental effect on their finances or that an increase of up to 36% would be too high. The concerns related to the inability to afford necessities such as food, water or fuel. There were also concerns raised about increasing debt on an individual level, the wider impact this would have on the community and the increased pressures this would place on other services e.g. social care or temporary accommodation.
- 3 responses were from disabled customers who stated the proposed change would have a detrimental effect on their quality of life or negatively impact their health.
- 2 respondents stated they felt this would encourage them to return to work or improve their circumstances.
- 3 respondents advised the proposed changes would not impact them.

INDIVIDUAL RESPONSES:

For Questions 3 - 5 there are a number of trends to the types of responses that were being received, summarised below.

Positive responses were limited but centered on the concept of 'fairness' and everyone having to contribute and that the scheme does help support people in paying their Council Tax bills. Some acceptance of the current economic climate was also expressed. One respondent did state they had no problem with a slight increase in the reduction but an increase up to 36% would be too much. Another respondent did indicate that if these changes were implemented it would prompt them to budget better and would give them the push to find rewarding work and therefore regain their self-respect and pride.

Negative responses can be categorised as follows:

- Affordability:
    - Concerns about being able to afford increasing contributions towards Council Tax bills, because this amounted to a large proportion of an already limited income.
    - Questions were raised about how those already on a low income cannot afford to find additional money and it would therefore affect their ability to afford necessities such as food, fuel or clothing for children.
    - One respondent stated their family would only be able to afford the increase by using their son's Disability Living Allowance currently used to pay for swimming lessons as part of his physiotherapy. Another

respondent stated they are disabled and due to the rising costs of heating she is living in just one room to keep warm.
    - A increased reduction to 36% would be unaffordable
    - Proposed increases are well above inflation and the amount of benefits will not increase in line with these changes, this is compounded by rising prices (e.g. food and utilities) and the impact of other welfare reforms.
    - Sharp increase in the amount of Food Bank vouchers being issued, which is related to these changes and wider welfare reform.

- Debt/Arrears:
    - Expressed anxiety about how these changes will affect tenants' ability to sustain their tenancy and the implications if these people were made homeless due to arrears.
    - Increased costs to Northampton Borough Council in attempting to recover arrears and obtaining Liability Orders to recover unpaid Council Tax
    - Increased stress and worry that accompanies debt/arrears
    - Increased hardship, poverty and misery across the Borough

- Impact on the vulnerable:
    - One respondent felt this would impact vulnerable people and could jeopardise mental health recovery and independent living.
    - These changes would cause health problems e.g. stress and worry and potentially cause existing health conditions to deteriorate.
    - This will impact on other local services that support those with mental health problems, disabilities, social services, troubled families unit etc. This will cost more than these proposed changes will save.
    - Another respondent who is blind stated that if these changes are implemented he will find it difficult to manage and will have to decide between paying for the care he receives or his other bills. If he has to reduce the amount of care he receives it will mean he will not have a proper meal because of the support his carer gives him. In addition he is concerned how he will be able to afford the bills associated with his Guide Dog, which is no longer funded by the Blind Association because of their reduced budgets. The result of this is will be a detrimental effect on his health and the ability to live independently - which will be more costly to the tax payer.

Neutral responses resulted from the respondent not being affected by the changes, either because they were of pension age or were not receiving a CTR discount.

ALTERNATIVE SUGGESTIONS:

Question 6:

The cost to the Council for running the scheme is expected to be £14million in 2014/15

The Government currently pays around £13m (Approximately 93% of the total cost).

The remaining £1m must be paid for by the Council Tax payers in Northampton.

The level of Government subsidy in the future may change and, unless the scheme is changed as proposed this may put further strain on the finances of the Council which could take money from other Council services.

10 respondents skipped question 6, the majority of responses that were received suggested alternative ways in which the funding gap can be bridged:

1) Charge £1.00 for each pensioner bus pass issued.
2) Remove protection from pensioners
3) Spread the cost across all tax payers
4) Increase Council Tax
5) Utilise Income generated from car parking charges
6) Central Government should adequately finance essential local services
7) Increased staff productivity at Northampton Borough Council
8) Find further ways to reduce Council waste
9) The distribution of the CTR grant should not be paid to local parishes who did not reduce their precepts last year (Billing, Collingtree, Duston & Hardingstone)
10) The financial burden should fall on those that have the most, not the least

FULL RESPONSE:

All responses in full are detailed in the attached spreadsheet:

CTRSII -
Consultation Respons

Or at the following:

http://www.northampton.gov.uk/downloads/file/6827/ctrsii-consultation-responses-xls

EQUALITIES:

Of the respondents who completed the equalities questions, relating to gender, age, disability or ethnic origin.

- 51.7% of respondents were female, 48.3% were male.
- In terms of age:
  - 0% were aged under 20
  - 3.3% were aged 20-29
  - 36.7% were aged 30-49
  - 46.7% were aged 50-64
  - 13.3% were aged 65-74
  - 0% were aged over 75
- 16.7% of respondents stated they considered themselves to have a disability.
- In terms of ethnic origin:
  - 75.9% described themselves as English White
  - 3.4% described themselves as Welsh White
  - 3.4% described themselves as White Irish
  - 6.9% described themselves as Other white background
  - 3.4% described themselves as Mixed – White and Black African
  - 3.4% described themselves as Asian or Asian British-Indian
  - 3.4% described themselves as Other black background

Equality Impact Assessment

Council Tax Reduction (CTR) Scheme

This assessment looks at actual or possible impacts of a change to our CTR scheme in relation to equalities and human rights – to make sure it works fairly for people.

The first part of this form is to demonstrate the extent (or 'scope') of what this assessment covers:

Name of policy/activity/project/practice	**This is:**
Council Tax Reduction (CTR) Scheme	A change to existing policy/activity/practice

Screening undertaken by: (please complete as appropriate)	
Director or Head of Service	Robin Bates (LGSS)
Lead Officer for developing the policy/activity/practice	Robin Bates (LGSS)
Other people involved in the screening (this may be people who work for NBC or a related service or people outside NBC)	Revenues & Benefits Management Team (LGSS) Finance

Brief description of policy/activity/project/practice:

Northampton Borough Council is proposing an amendment to the Council Tax Reduction (CTR) scheme from the 1st April 2014. If agreed, the amendment will see the amount of financial support available for all working age applicants' decrease.

On the 1st April 2013 Northampton Borough Council replaced the abolished Council Tax Benefit (CTB) scheme with a local CTR scheme. The CTR scheme was introduced with a reduction in support of 8.5% for all working age customers to ensure a 10% funding gap was bridged. The funding gap stemmed from a reduction in the grant received from central Government to pay for the scheme, which was mitigated to some extent by a transitional grant, which will no longer be available from 2014/15.

Due to the ongoing funding gap a further reduction in the amount of support available to working age customers is being considered.

The policy still provides for a means-tested discount to provide financial support to low income families towards their Council Tax bill.

The main issues that we have consider in relation to the proposed changes to this policy in relation to equality and diversity issues are:

Northampton Borough Council has a statutory duty to have and administer a CTR scheme, although once in place there is no statutory requirement to amend the scheme.

The requirement to amend our scheme stems from the need to bridge a funding gap, to achieve a saving while managing spending within lower limits.

If the proposed change to our CTR scheme is agreed it will mean that all working age CTR recipients will see the amount of discount they receive from the scheme reduce from the 1st April 2014.

Groups who are protected from the proposed change are:

1) Pension age recipients
2) Working age recipients in receipt of either of the following:
    a. War Widows Pension
    b. War Disablement Pension

The protection afforded to pensioners is a statutory requirement and we have no authority at a local level to change this. However, the decision to protect working age customers in receipt of the benefits listed above was a local decision made for the implementation of our CTR scheme from the 1st April 2013.

All decisions made in relation to the assessment of their applications will be subject to an independent appeals process.

Evidence Base for Screening

The table below summarises the information or evidence that we have used in relation to each equality group.

<table>
<tr><td>Equality Group</td><td rowspan="12">The following relates to each of the groups listed on the left:
CLG Localising Council Tax Equality Impact Assessment and update
Northampton Council tax database
Council Tax Benefit database
EIA’s from other NBC departments that are relevant for this assessment.
Consultation responses
Unemployment by Constituency Research Paper (October 2013)
Local Government Association Report – The Local Impacts of Welfare Reform (August 2013)
Public Health England - Health Profile 2013
Minutes for the local forums attended.</td></tr>
<tr><td>Age</td></tr>
<tr><td>Disability</td></tr>
<tr><td>Carers (for elderly, disabled or minors)</td></tr>
<tr><td>Sex</td></tr>
<tr><td>Gender Reassignment</td></tr>
<tr><td>Pregnancy and Maternity (incl. breastfeeding)</td></tr>
<tr><td>Race</td></tr>
<tr><td>Religion or Belief</td></tr>
<tr><td>Sexual Orientation</td></tr>
<tr><td>Human Rights</td></tr>
<tr><td>Marriage and Civil Partnership</td></tr>
</table>

NB: Currently the Benefit data available only includes details of age, gender, receipt of disability award/benefit and relevant household composition.

Step 2: Involvement and Consultation

Outlined below is the previous consultation exercise that was conducted in relation to this policy in 2012:

<table>
<tr><td>Equality Group</td><td rowspan="12">A similar consultation was carried out in 2012, as part of the implementation of our year 1 CTR scheme.

The links below show the previous consultation methodology, results and EIA

CTRSI - Consultation Methodology (2012).(CTRSI - Consultation Results (2012).docx CTRSI - EIA (2012).docx
Or at the following:
http://www.northampton.gov.uk/downloads/file/6828/1-ctrsi-consultation-methodology-2012-pdf
http://www.northampton.gov.uk/downloads/file/6829/ctrsi-consultation-results
http://www.northampton.gov.uk/downloads/file/6830/3-ctrsi-eia</td></tr>
<tr><td>Age</td></tr>
<tr><td>Disability</td></tr>
<tr><td>Carers (for elderly, disabled or minors)</td></tr>
<tr><td>Sex</td></tr>
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<tr><td>Sexual Orientation</td></tr>
<tr><td>Human Rights</td></tr>
<tr><td>Marriage and Civil Partnership</td></tr>
</table>

Our previous consultations demonstrated the following in terms of resulting activities or services:

Our CTR scheme is a statutory service and is available for all residents of Northampton who wish to apply. Take up of the service is governed by a number of personal circumstances e.g. breakdown of a partnership or job loss and often goes hand-in-hand with applications for Housing Benefit made directly to the Jobcentre or Pension Service.

Our scheme is published on the Northampton Borough Council website with an on-line application form.

Step 3: Data Collection and Evidence

The current data and evidence that we hold provides the following baseline position for those who rely on the Council Tax Reduction scheme:

A full consultation has been carried out and ran from the 4th November 2013 to the 1st December 2013.

The consultation included the following:

- On-line survey
- News release
- Social media (Facebook, Twitter, etc.)
- Northampton Borough Council's internet and intranet pages
- All e-mail communication from the Benefit, Council Tax and Customer Services mailboxes included an invitation link to take-part in the consultation
- Display screens in the One Stop Shop
- Details of the consultation were emailed to the Multi Agency Forum and our welfare partners, including registered social landlords.
- Invitations to participate was sent to key stakeholders, including Precepting Authorities, parishes, local Councilors and Member of Parliaments
- Engagement with housing associations and voluntary and community sectors via their various networks
- Council's proposals raised at various Community Forums:
    - Disabled People Forum - 19.11.2013
    - Northampton LGBT and Q Forum – 12.11.2013
    - Northampton Pensioner Forum - 29.10.2013
- 1,500 email invitations were issued to email addresses held on the Benefit and Council Tax database
- Letters were issued to a random sample of 200 CTR recipients.
- Letters were issued to a random sample of 200 local Council Tax payers.

For full details on the methodology used and the results of the consultation please refer to: Cabinet Report (Appendix B – Consultation).

Data available in addition to our consultation results shows that many claimants will also be managing the impact of other welfare reforms e.g.

- Changes to Tax Credits
- Changes to Local Housing Allowance
- Social sector size criteria reductions to Housing Benefit
- 52 week restriction on Employment Support Allowance (Contributions Based)
- Replacement of Disability Living Allowance with Personal Independence Payments
- National benefit cap
- Increased non-dependent deduction rates
- Reduced uprating percentage for benefits and tax credits.

Implementing a change to the CTR scheme which will result in increased financial hardship (in addition to the other welfare reforms stated above) could also impact on health. In Northampton deprivation is higher than the national average with about 9,200 children living in poverty. In addition life expectancy is 10.5 years lower for men and 6.4 years lower for women in the most deprived areas of Northampton.

Step 4: Assessing impact and strengthening the policy

The following table highlights what evidence we have on how the proposed changes will affect different groups and communities in relation to equality and human rights:

All working age claimants will face a reduction in the amount of Council Tax support they receive from the 1st April 2014, irrespective of any protected characteristics:

Equality Group	Risks (Negative)	Opportunities (Positive)
Age	The impact of this policy will disproportionately affect working age people. In addition, there may be an adverse effect on those under 25 as they receive reduced amounts of benefit based on their age. Children of low income families may also be adversely affected if their parent(s) have to find additional money to cover a reduced CTR discount. **Specific Consultation Responses:** 1) Concern was expressed by one respondent that the proposed changes only apply to working age customers and that pension age customers should also have to contribute. 2) Low income families will have to make difficult decisions over heating, food and clothing for children. 3) The change will seriously affect tenants' ability to sustain their tenancy, particularly those under 25 in receipt of benefits.	The Government has recognised that low-income pensioners cannot be expected to increase their income through paid work and therefore are to be protected from any reduction in their entitlements. Our CTR scheme will continue to provide a more generous means-test for those with dependent children or young persons.

Disability	The impact of this policy will affect all working age customers, even those where either they or a member of their household have a disability. It will place an additional strain on their finances. This will be further impacted as the increased reduction is not linked to the increase of benefit rates. **Specific Consultation Responses:** 1) A respondent in receipt of Employment & Support Allowance, in the support group, stated his condition would deteriorate because of the worry associated with these changes. 2) Another respondent stated that to afford the changes she would need to use the money currently allocated to pay for her disabled son's swimming lessons as part of his physiotherapy. 3) Could lead to vulnerable people getting into debt which will have a detrimental effect on their mental health recovery and their ability to live independent lives. 4) A respondent who is on disability benefits stated that with the rising cost of heating her home she is having to live in one room just to keep warm. 5) Another respondent who is blind stated he cannot afford to find the additional money to pay his Council Tax this year and will have to make decisions between affording the additional care he has to pay for and his other bills. He went on to say that because the Blind Association no longer pays for the support of his guide dog, due to their reducing budgets, so he now has to pay these costs himself. He is concerned these proposed changes will affect his health and his ability to live independently – which will be more costly to the tax payer.	Working age customers who are in receipt of War Disablement or Widows Pension will be protected from this change. Our CTR scheme will continue to provide a more generous means-test for those receiving Disability Living Allowance or Personal Independence Payments.

Carers (for elderly, disabled or minors)	The impact of this policy will mean that all working age carers are affected regardless of who they are caring for. **Specific Consultation Responses:** There were no specific consultation responses regarding this protected characteristic.	The means-test also allows for a higher applicable amount and an increased earnings disregard for carers.
Sex	None identified so far through this review. **Specific Consultation Responses:** There were no specific consultation responses regarding this protected characteristic.	None identified so far through this review
Gender Reassignment	None identified so far through this review. **Specific Consultation Responses:** There were no specific consultation responses regarding this protected characteristic.	None identified so far through this review
Pregnancy and Maternity (incl. breastfeeding)	None identified so far through this review. **Specific Consultation Responses:** There were no specific consultation responses regarding this protected characteristic.	None identified so far through this review
Race	It is not intended that this policy will disproportionately affect any particular ethnicity. Consideration should be given to how the scheme is communicated in relation to potential language barriers. **Specific Consultation Responses:** There were no specific consultation responses regarding this protected characteristic.	We manage the current CTR & Housing Benefit schemes and are used to working with customer's whose first language is not English. We often work with the Language Line to help support these customers.

Religion or Belief	None identified so far through this review. **Specific Consultation Responses:** There were no specific consultation responses regarding this protected characteristic.	None identified so far through this review
Sexual Orientation	None identified so far through this review. **Specific Consultation Responses:** There were no specific consultation responses regarding this protected characteristic.	None identified so far through this review
Human Rights	None identified so far through this review and Northampton Borough Council has not been subject to any Judicial Reviews for our current scheme. **Specific Consultation Responses:** There were no specific consultation responses regarding this protected characteristic.	None identified so far through this review
Marriage and Civil Partnership	This may impact on lone parent households, where there is only one parent able to secure work which can also be hampered by child care concerns. **Specific Consultation Responses:** 1) There are widows and children suffering because of this, this stems from the pressures causing the family unit to breakdown	The means-test process for the discount allows for increased earnings disregards for lone parents. In addition, the means-test also includes disregards for child care costs.

All responses to the consultation are included as an appendix to the document entitled Cabinet Report (Appendix B – Consultation)

Proportionality

The scale and likelihood of these risks and opportunities are shown below:

Based on Northampton Borough Council's caseload data from October 2013 we have 18,662 applicants in receipt of a CTR discount. Of these 7,074 are of pension age and are protected from these proposed changes.

This leaves 11,588 CTR recipients who will be impacted and if the proposed changes are adopted will receive less financial support as of 1st April 2014 than they are currently receiving under the scheme this year. This equates to 62% of our caseload.

Data in relation to Jobseekers Allowance across Northampton for September 2013 does show a fall in claimants from the previous year. There will be many reasons why the number of jobseekers has fallen e.g. the claimants have moved into work. However, this alone does not indicate a downward trend in CTR applicants, especially if those Jobseekers move into low paid work and still require some level of financial support through the CTR scheme.

Many claimants will also be managing the impact of other welfare reforms e.g.

- Changes to Tax Credits
- Changes to Local Housing Allowance
- Social sector size criteria reductions to Housing Benefit
- 52 week restriction on Employment Support Allowance (Contributions Based)
- Replacement of Disability Living Allowance with Personal Independence Payments
- National benefit cap
- Increased non-dependent deduction rates
- Reduced uprating percentage for benefits and tax credits.

What measures does, or could, the policy include helping promote equality of opportunity?

As a means-tested discount the policy would be applied equally to all applicants.

What measures does, or could, the policy include addressing existing patterns of discrimination, harassment or disproportionality?

There is a statutory requirement to ensure that all pensioners are protected from these changes, the results is that the proposed reductions will affect all working age customers.

What impact will the policy have on promoting good relations and wider community cohesion?

This is not within the remit of the policy, which is aimed at ensuring a balanced budget to prevent the impact on other vital local services.

If the policy is likely to have a negative effect ('adverse impact'), what are the reasons for this?

The policy will have a negative impact on those in Northampton who are working age and on low incomes. The reason for this is that the proposed change will reduce the amount of financial support they receive which could adversely affect their ability to afford their household expenses. It could also lead to decisions over which necessities may need to be sacrificed e.g. the choice between food or heating.

What practical changes will help reduce any adverse impact on particular groups?

Please see table above and Step 6 below

Have you considered including treating disabled people more favourably where necessary?

Yes – Cabinet Report (Appendix A – Specific Protection)

What evidence is there that actions to address any negative effects on one area of equality may affect other areas of equality or human rights?

The means-test element of our CTR scheme is largely based on the legislation for the previous CTB scheme, from which there were no outstanding legal challenges.

What will be done to improve access to, and take-up of, services or understandings of the policy?

- All information about the scheme, including an electronic application form will be published on our website, along with other national websites.

- We provide a range of methods by which the service can be accessed:
  - On-Line
  - By telephone
  - In person at the One Stop Shop
  - Home visits
  - Use of Language Line and interpreters.

- The service is also promoted by the Jobcentre and the Pension Service along with a wide range of other welfare partners.

- Training and briefing sessions will be arranged for all affected internal staff, plus external welfare partners to ensure everyone is aware of the scheme and the changes.

Step 5: Procurement and partnerships

Consideration of external contractor obligations and partnership working:

Northampton Borough Council has a statutory requirement to operate a local CTR scheme. The scheme is currently being administered under a 'shared service agreement' by LGSS on behalf of Northampton Borough Council.

The Revenues & Benefits team that provides this service for LGSS on behalf of Northampton Borough Council are the same team that administers the current CTR scheme. The team is also responsible for the administration of both Council Tax and Housing Benefit.

The wealth of knowledge and experience within the Revenues & Benefits team, along with a strong focus on performance management ensures that there are no concerns stemming from this arrangement.

Step 6- Making a Decision

Our findings in relation to whether the policy will meet the council's responsibilities in relation to equality and human rights are summarised below:

We have identified the potential for these proposed changes to have an adverse impact on some groups with protected characteristics.

As this change will impact all working age customers there may be a disproportionate impact on groups with the following protected characteristics:

- Working age customers, including those with dependent children.
- Customers where either they or a member of their household is disabled.
- Carers
- Lone parents
- Families or lone parents where income is reduced to Statutory Maternity Pay or Maternity Allowance

However, our CTR scheme will continue to operate as a means-tested discount, which will take into consideration applicants on a low income. In addition, the means-test is still more generous for applicants where there is a disabled household member, for those with dependent children or are carers.

This is detailed in Cabinet Report (Appendix A – Specific Protection)

We have also developed a new recovery approach for customers in receipt of a CTR discount who also have Council Tax arrears:

- Recovery action commences after three months of arrears as opposed to two months for non CTR recipients.

- Small debts may not be summonsed, which means court costs are not added. These debts are reviewed regularly and will continue to be reviewed in-line with the impact if the proposed changes are implemented.

- Prior to a summons being sought for debts over £80.00 the account is passed to our Customer Service team to attempt to make contact by phone. The purpose of the call is to explain the changes from CTB to CTR then discuss the outstanding balance and then make an arrangement with the customer to pay.

- If we are unable to contact the customer by phone a voicemail message is left and an additional letter issued asking the customer to contact us.

- In the event that the debt still needs to be passed for bailiff recovery these are sent as a specialist welfare case, so that a more lenient approach is taken.

- We also have a write off policy which enables us to consider exceptional requests of hardship.

Other Considerations:

  - Where the Council identifies groups/circumstances that require additional protection or support, these will be either be dealt with on an individual basis or incorporated into future schemes as appropriate.

Step 7 – Monitoring, evaluating and reviewing

How will you monitor the impact and effectiveness of the policy or activity?

How will the recommendations of this assessment be built into wider planning and review processes?

The proposed changes to our CTR scheme, and their impact on groups with protected characteristics, will be monitored, evaluating and reviewed through a number of mechanisms:

1) **Impact on the Council Tax collection rate:**

   The collection rate of Council Tax is monitored regularly and provides an accurate figure of the amount of Council Tax collected as a percentage of the total tax expected to be collected. This data is reviewed and discussed monthly, with comparisons drawn to previous years – this allows any changes in the collection rate can be identified. This will provide a broad view of how people are responding to the repayment of an increased amount of Council Tax.

2) **Review of Council Tax recovery action:**

   A review of Council Tax recovery action in relation to customers receiving a CTR discount will also provide an overview of the impact this change may have.

3) **Monitoring Debt Levels:**

   In 2013/14 customers with ‘small debts’ (those under £80.00) were not subject to any further recovery action. However, there will be an accumulative effect from arrears in 2014/15, which will see these debts becoming subject to a liability order. These debts will be ring-fenced and processed separately to ensure we can monitor repayments and customer behaviour.

4) **Feedback from other partners:**

   Liaison with our financial inclusion, housing and customer service teams will provide evidence on specific issues encountered by those impacted by any change to CTR. Further liaison will allow take place with Community Law Service and the Citizens Advice Bureau.

Step 8 –Action Plan

Actions	Target date	Responsible post holder and Directorate	Monitoring post holder and Directorate
Publish EIA	December 2013	Robin Bates/Glenn Hammons	Beccy Salmon
Liaison with Northampton Borough Council's financial inclusion service to establish what scope they have to support affected customers who require advice and budgeting support.	December 2013	Robin Bates/Glenn Hammons	Beccy Salmon
Consider communication to working age CTR recipients prior to annual billing to promote Northampton Borough Council's financial inclusion service.	December 2013	Robin Bates/Glenn Hammons	Beccy Salmon
External review - Consider the creation of a cross department register, where staff can log issues raised by the public which have stemmed from any change to CTR.	January 2014	Robin Bates/Glenn Hammons	Beccy Salmon
Review the Council Tax recovery process for those receiving CTR	January 2014	Robin Bates/Glenn Hammons	Beccy Salmon
Offer training and/or support to other services (both internal/external) so they are aware of changes to CTR and the impact on their clients.	February 2014	Robin Bates/Glenn Hammons	Beccy Salmon
Full training to be provided to all Revenues & Benefits staff so they are aware of the changes and can ensure customers can be sign-posted to Northampton Borough Council's financial inclusion service.	February 2014	Robin Bates/Glenn Hammons	Beccy Salmon
Internal Review by reporting and analysing the public response to annual billing.	March 2014	Robin Bates/Glenn Hammons	Beccy Salmon
Review of CTR Year 2 project as a 'lessons-learned' exercise to identify other potential avenues to increase response to any future CTR consultations – particularly areas that focus on groups with protected characteristics.	April 2014	Robin Bates/Glenn Hammons	Beccy Salmon

Review the impact of summons action on accumulated date from 2013/14	July 2014	Robin Bates/	Beccy Salmon

For the record

The equality impact assessment should be signed off at Head of Service level before publication. Signing off means that the Head of Service will need to satisfy themselves that:

- **You have consulted and involved stakeholders from each group**
- **You have gathered all relevant evidence**
- **You have an action plan**

Date of sign off by Head of Service:

Name of Head of Service signing off this EIA:

Equality Duties to be taken into account include:

Prohibited Conduct under the Equality Act 2010 including:
Direct discrimination (including by association and perception e.g. carers); Indirect discrimination; Pregnancy and maternity discrimination; Harassment; discrimination arising from disability.

Public Sector Duties (Section 149) of the Equality Act 2010 for NBC and services provided on its behalf:
NBC and services providing public functions must in providing services have due regard to the need to: **eliminate unlawful discrimination, harassment and victimisation; advance equality of opportunity and foster good relations between different groups.** 'Positive action' permits proportionate action to overcome disadvantage, meet needs and tackle under-representation.

Rights apply to people in terms of their "Protected Characteristics":
Age; Gender; Gender Assignment; Sexual Orientation; Disability; Race; Religion and Belief; Pregnancy; Maternity. But Marriage and Civil Partnership do not apply to the public sector duties.

Duty to "advance equality of opportunity":
The need, when reviewing, planning or providing services/policies/practices to assess the impacts of services on people in relation to their 'protected characteristics', take steps to remove/minimise any negative impacts identified and help everyone to participate in our services and public life. **Equality Impact Assessments** remain best practice to be used. Sometimes **people have particular needs** e.g. due to gender, race, faith or disability that need to be addressed, not ignored. NBC must have due regard to the **duty to make reasonable adjustments** for people with disabilities. NBC must **encourage people who share a protected characteristic to participate in public life** or any other activity in which their participation is too low.

Duty to 'foster good relations between people'
This means having due regard to the need to **tackle prejudice** (e.g. where people are picked on or stereotyped by customers or colleagues because of their ethnicity, disability, sexual orientation, etc.) and **promote understanding**.

Lawful Exceptions to general rules: can happen where action is proportionate to achieve a legitimate aim and not otherwise prohibited by anything under the Equality Act 2010. There are some special situations (see Ch 12 and 13 of the Equality Act 2010 Statutory Code of Practice – Services, Public Functions and Associations).

National Adult Autism Strategy (Autism Act 2009; statutory guidelines)

Human Rights – under the Human Rights Act 1998 which gives effect to the European convention: right not to be subjected to degrading treatment**;** right to a fair trial **(civil and criminal issues);** right to privacy **(subject to certain**

exceptions e.g. national security/public safety, or certain other specific situations); freedom of conscience **(including religion and belief and rights to manifest these limited only by law and as necessary for public safety, public order, protection of rights of others and other specified situations);** freedom of expression; freedom of peaceful assembly and to join trade unions**;** right not to be subject to unlawful discrimination**;** right to peaceful enjoyment of own possessions **(subject to certain exceptions e.g. to secure payment of taxes or other contributions or penalties);** right to an education**;** right to hold free elections by secret ballot**. The European Convention is given effect in UK law by the Human Rights Act 1998.**