



CABINET REPORT

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

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

1. Purpose

1.1 The purpose of this report is:

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

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

2. Recommendations

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work in relation to the savings and efficiencies built into the draft budget proposals, subject to any actions being rescinded should any budget options not be approved by 23 February 2011 Council.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

3. Issues and Choices

3.1 Report Background

Local Preparation

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

Timetable

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

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

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

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

3.2 Overview

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

3.3 Issues

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

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

Economic Environment

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

Government Policy

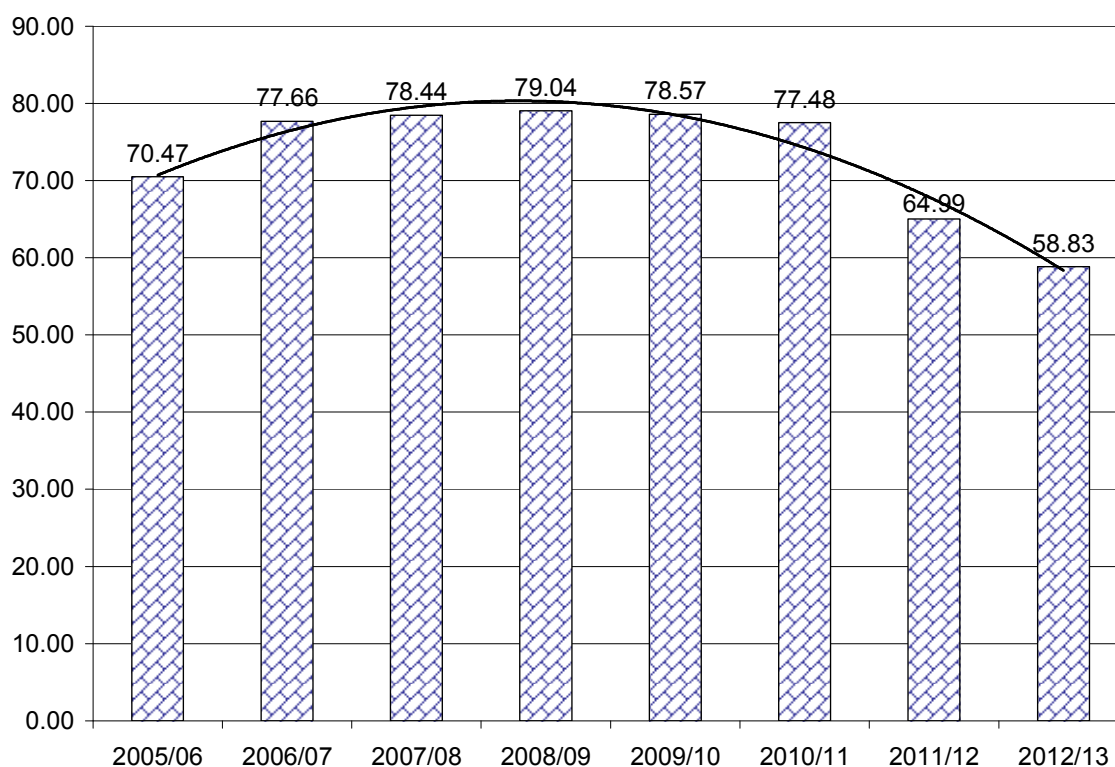
- 3.3.10 There are several areas of Government policy that have influenced the Council in considering the costs of growth and limits placed on Government grant.
- 3.3.11 The Spending Review 2010 announced a real terms reduction in funding for local councils of 28% at a national level. This is 'front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

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

- 3.3.13 The formula grant was set to decrease for local government under the spending review, and indeed, the draft settlement for 2011/12 shows a 14.5% reduction on the comparable figure for 2010/11. This compares to CPI of +3.2% and RPIX of +4.6% as at October 2010 (RPI +4.5%).
- 3.3.14 The effects of the changes are that the formula grant per head of population has started to reduce significantly. Chart 1, below, illustrates the trend in formula grant per head from 2004/05 to the provisional 2012/13 settlement.

Chart 1: Formula Grant per Head

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



- 3.3.15 Note that the grant figures used in the above chart for 2005/06 to 2010/11 have been adjusted for the concessionary fares move to upper tier authorities at the value exemplified in the 2011/12 draft settlement.
- 3.3.16 On 28 October the Government launched its white paper on Local Growth. This includes proposals for a Local Government Resource Review, which will incorporate the consideration of local business rate retention as part of a radical overhaul of local government finance.
- 3.3.17 The review will look at key issues such as:
- how to fund councils where locally raised funding would be insufficient to meet budget requirement and control council tax levels,
 - how to fund upper tier authorities that do not collect business rates,
 - what to do about councils (like NBC) whose business rate yield would be significantly higher than current spending, and

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

Technical Issues

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

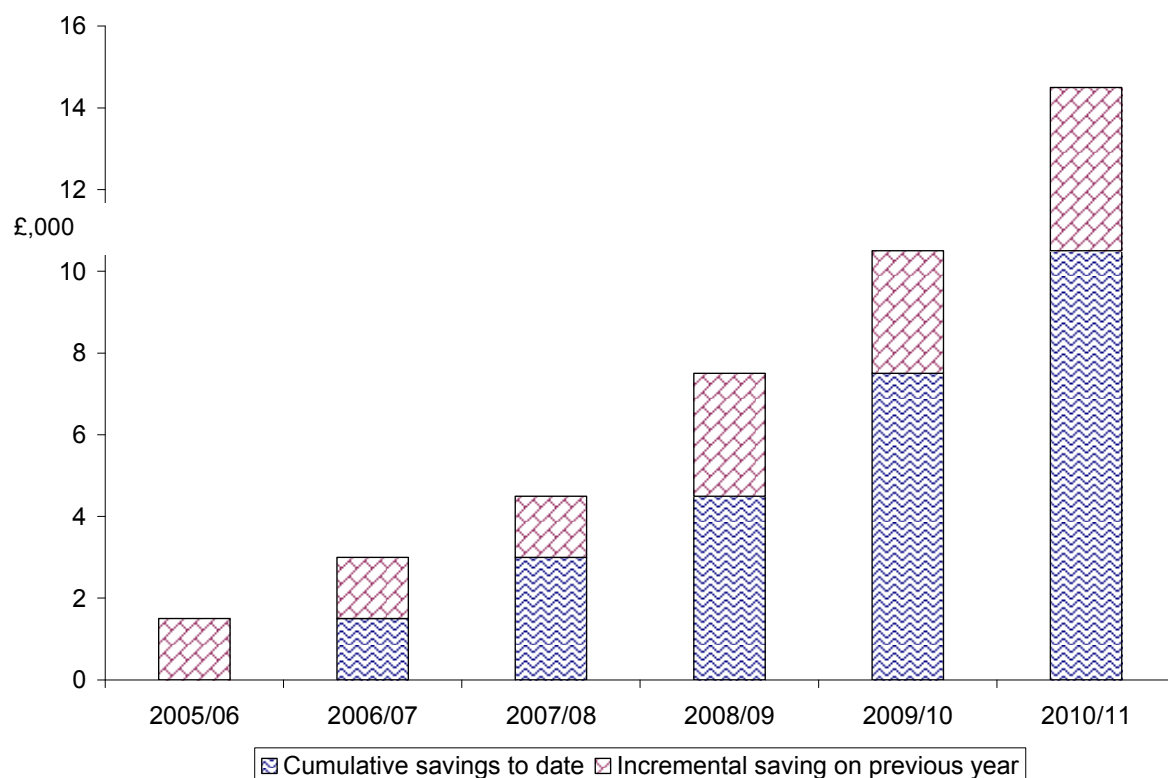
Government Lobbying

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

3.4 Revenue Budget

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

Chart 2: Incremental Government Efficiency Targets met by NBC



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

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

Fees and Charges

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

General Fund Balances

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

Planning Levels of Resources

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

2010/11 Provisional Settlement

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

Proposed 2011/12 Settlement

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

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

Table 1 2011/12 Grant Calculation Summary

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

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

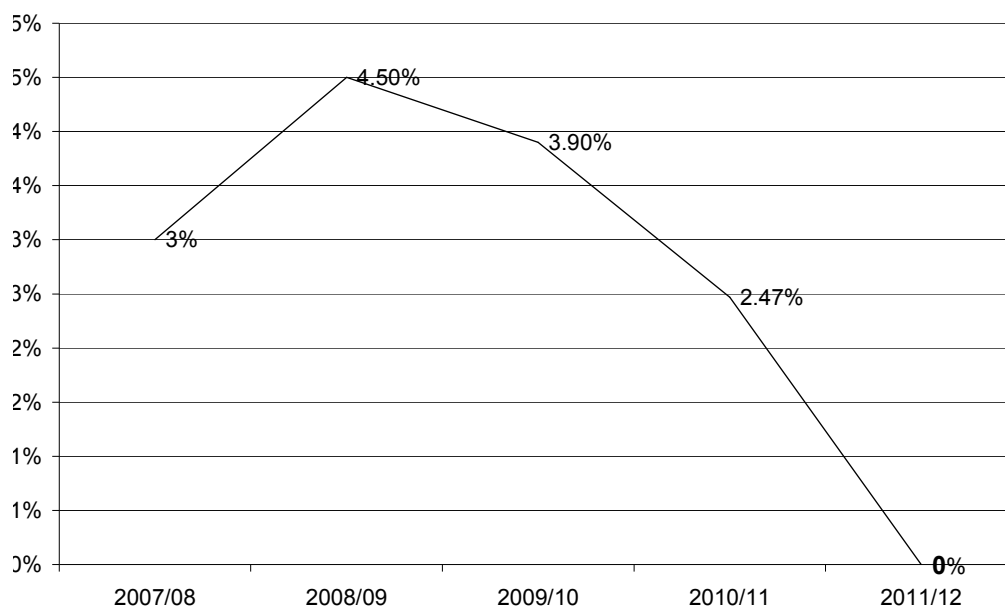
| | | |
|---|-------------------------------------------------------|----------|
| A | Needs Assessed Grant before Floors/Damping | £16.217m |
| B | Floor Grant based on 16.8% reduction | £13.770m |
| C | Needs Assessment above the floor before damping (A-B) | £2.447m |
| D | Scaling Factor for Shire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

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

Council Tax

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

Chart 3: Council Tax Increases since 2007/08



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

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

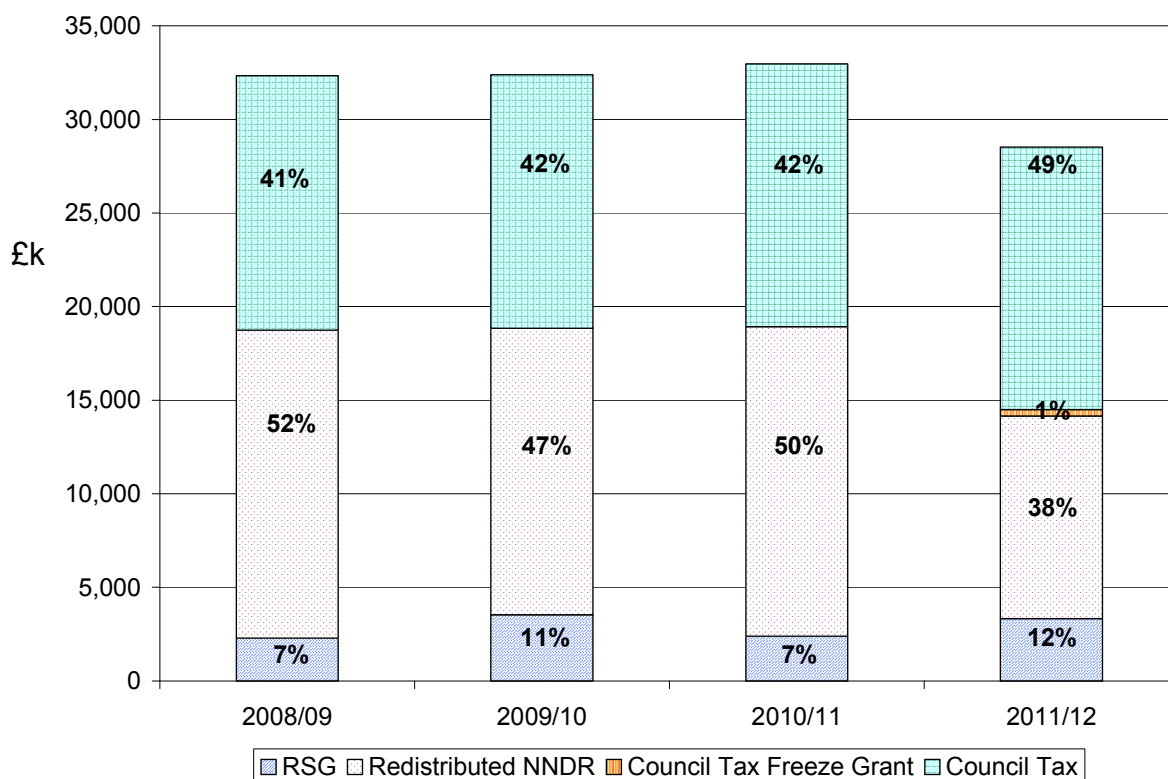
| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|-------|----------|----------|----------|----------|----------|
| | £ | £ | £ | £ | £ |
| NBC | 188.44 | 196.92 | 204.60 | 209.65 | 209.65 |
| NCC | 917.55 | 956.05 | 993.34 | 1,028.11 | 1,028.11 |
| NPA | 170.21 | 178.62 | 186.66 | 193.20 | ? |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

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

Total Resources

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

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



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

3.5 Housing Revenue Account

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

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

Summary of Overall HRA Position

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

3.6 Capital Programme

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

Proposed Capital Programme Funding

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

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

General Fund Capital Programme

- 3.6.5 General Fund schemes have been prioritised within the resources available, i.e. capital receipts that will be received during 2010/11. No new schemes have been included for 2012/13 and 2013/14 pending the delivery of further receipts. As shown in Annex F1, two schemes are dependant on securing significant external funding.
- 3.6.6 There is continuing significant demand for Disabled Facilities Grants. These are mandatory for the Council when the homeowner has made a full application.
- 3.6.7 Overview & Scrutiny in June 2010 and Cabinet in July 2010 considered the Delapre Abbey Options Appraisal Report and concluded that it was a Council priority to seek the restoration of this heritage asset. The capital programme includes £100,000 to assist in the minor works restoration projects. This will be complemented in the General Fund budget by the gradual provision over four years, of the net income generated by the estate into a reserve for the restoration project
- 3.6.8 The introduction of capital funds to enable the acquisition of new property fits closely with the Council's Corporate Asset Management Strategy. The acquisition of new property with an investment return of 7.2% or above would strengthen our property portfolio and assist in balancing the Council's overall suite of investments, which is, currently, primarily through prudent treasury management.

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

HRA Capital Programme

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

Capital Strategy

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

3.7 Corporate Plan priorities and service spending consultation

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

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

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

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

3.7.5 Consultation Headline results were as follows:

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

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

3.8 Choices (Options)

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

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

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

4.3 Legal

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

4.4 Equality

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

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

4.5 Consultees (Internal and External)

- 4.5.1 Internally Heads of Service and Budget Managers have been consulted, and Management Board has carried out a detailed challenge of the budget with members.
- 4.5.2 This paper is to agree to put out a draft capital and revenue budget and council tax to public consultation, which will be undertaken with the general public, partners of the Council and businesses. This is in line with best practice and the statutory requirements of the Local Government Finance Act 1992.
- 4.5.3 See 3.7 above for Difficult Choices programme consultees.

4.6 How the Proposals deliver Priority Outcomes

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

4.7 Other Implications

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

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

5. Background Papers

- 5.1 Cabinet Reports: Budget Monitoring Dashboard reports to Cabinet during the year
- 5.2 Budget Options Information
- 5.3 External documents:
- HM Treasury - 2010 Budget Report – June 2010.
 - HM Treasury - 2010 Spending Review
 - CLG – Provisional Local Government Finance settlement 2011/12-2012/13
 - Local Growth White Paper
- 5.4 Other Papers:

- Budget working papers
- Capital appraisals

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