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work in relation to the savings and efficiencies built into the draft budget proposals, subject to any actions being rescinded should any budget options not be approved at Council on 24 February 2014.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.

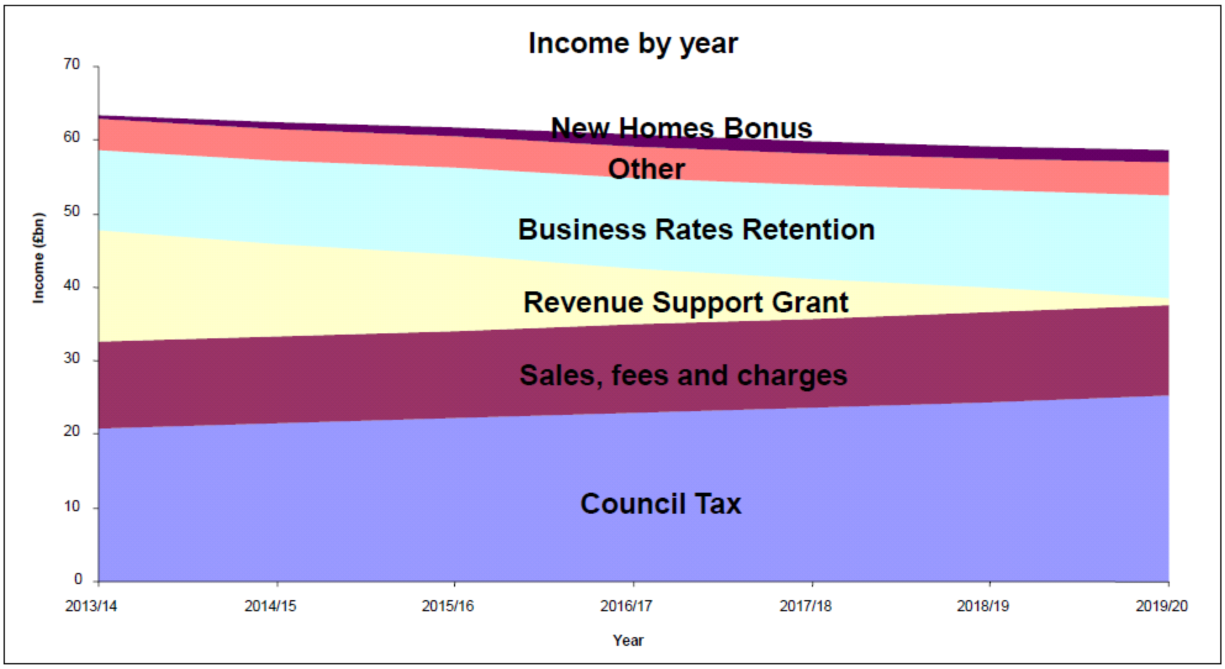
3.1.12 The impact on the property market has had the effect of reducing income levels. Right to Buy receipts have dropped away significantly in recent years but has partly recovered recently.

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.

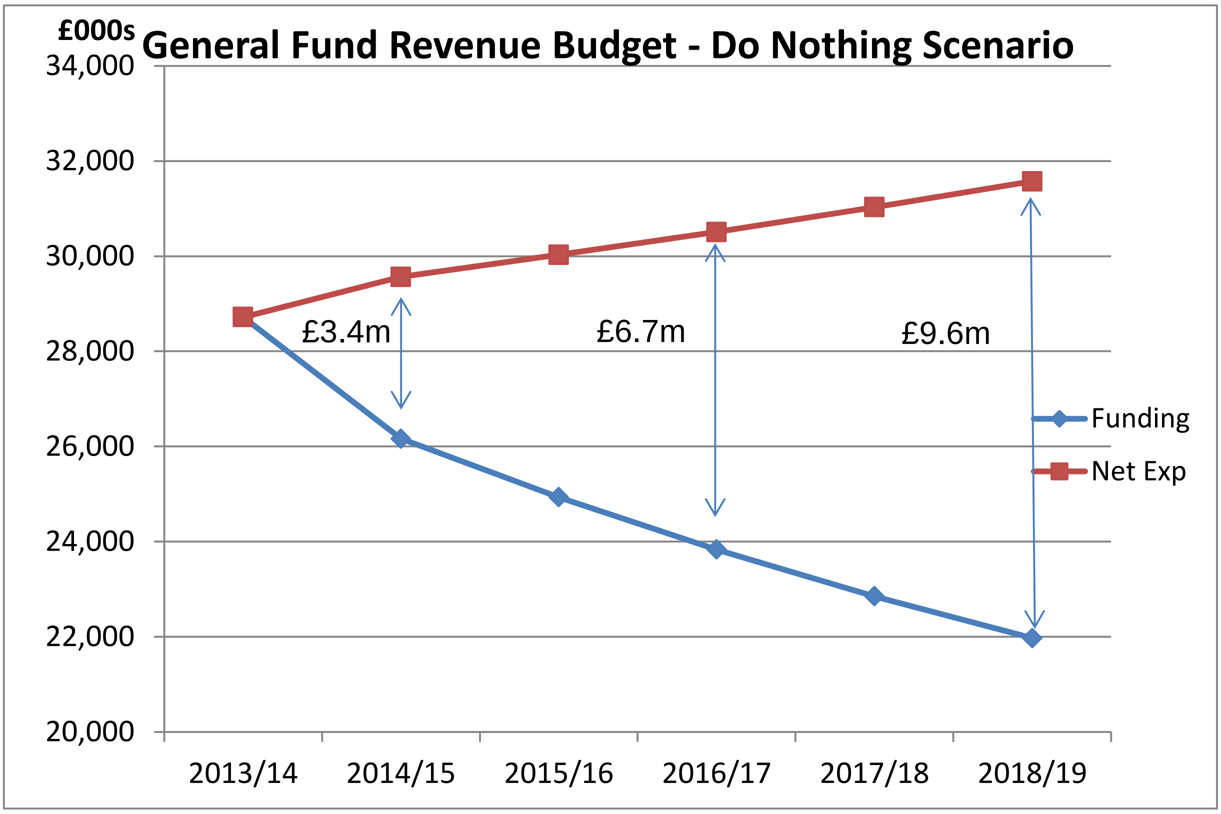
3.2.4 The MTFP includes the Council's capital spend plans as these have a direct and sometimes significant impact on our revenue expenditure.

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.

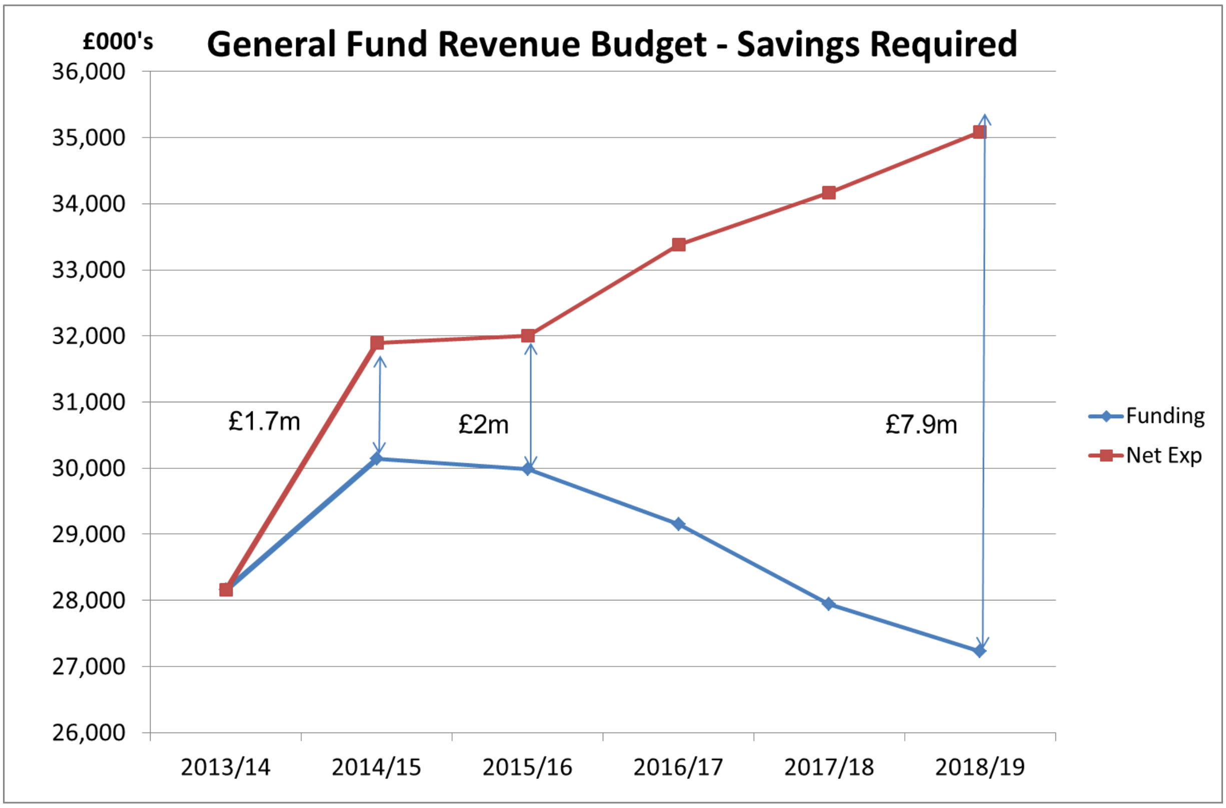


3.2.9 The financial gap reported to Council in February 2013 for 2014/15 was £1.9m. This gap moved out to £3.4m through increased pressures from Pension assumptions, lower interest rates on investments and mainstreaming of budgeted earmarked reserve usage.

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

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