NORTHAMPTON
BOROUGH COUNCIL

CABINET AGENDA

Wednesday, 20 December 2017

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

6:00 pm

Members of the Cabinet:

Councillor:	Jonathan Nunn (Leader of the Council)
Councillor:	Phil Larratt (Deputy Leader)
Councillors:	Mike Hallam, Tim Hadland, Stephen Hibbert, Brandon Eldred and Anna King.

Interim Chief Executive **Simon Bovey**

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 J Nunn	Leader
Councillor P Larratt	Deputy Leader
Councillor M Hallam	Environment
Councillor B Eldred	Finance
Councillor T Hadland	Regeneration, Enterprise and Planning
Councillor S Hibbert	Housing and Wellbeing
Councillor A King	Community Engagement and Safety

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
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For the attention of the Democratic Services Officer

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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, 20 December 2017

at 6:00 pm.

S Bovey
Interim Chief Executive

AGENDA

1. APOLOGIES

2. MINUTES

3. INTENTION TO HOLD PART OF THE MEETING IN PRIVATE

4. DEPUTATIONS/PUBLIC ADDRESSES

5. DECLARATIONS OF INTEREST

6. ISSUES ARISING FROM OVERVIEW AND SCRUTINY COMMITTEES

7. COUNCIL TAX BASE 2018- 2019

(Copy herewith)

8. DRAFT GENERAL FUND MEDIUM TERM FINANCIAL PLAN 2018/19 - 2022/23 AND DRAFT BUDGET 2018/19

(Copy herewith)

9. HOUSING REVENUE ACCOUNT (HRA) BUDGET, RENT SETTING - 2018/19 AND BUDGET PROJECTIONS 2019/20 TO 2022/23

(Copy herewith)

10. 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.”

NORTHAMPTON BOROUGH COUNCIL

CABINET

Wednesday, 6 December 2017

PRESENT: Councillor Nunn (Chair); Councillor Larratt (Deputy Chair); Councillors Eldred, Hallam, Hibbert and King

1. APOLOGIES

Apologies were received from Councillor Hadland.

2. MINUTES

The minutes of the meeting held on the 15th November 2017 were agreed and signed by the Leader.

3. INTENTION TO HOLD PART OF THE MEETING IN PRIVATE

The Leader explained that Item 10 – 'The Vulcan Works, Northampton'– had 2 private appendices which would be discussed in private and Item 11 – 'Disposal of Northampton Borough Council's land at the former Greyfriars' also had a private appendix which would be discussed in the private part of the meeting.

4. DEPUTATIONS/PUBLIC ADDRESSES

Mr Miller addressed Cabinet in respect of Item 9 – Low Emission Strategy and noted the importance of reducing air pollution and improving the air quality. He thanked Cabinet for the opportunity to take part in the scrutiny panel and commented that he would continue to monitor the progress and air quality in the Town Centre. He referred to the outcome of a recent High Court hearing between a development company and the Secretary of State for Communities and Local Government which ruled on the adverse impact of poor air quality. He asked that Cabinet adopt the strategy with no further delay.

Councillor Hallam thanked Mr Miller for his participation and input into the Scrutiny Panel.

Mr Sawyer addressed Cabinet in respect of Item 9 also, and referred to section 4.5 of the report and noted that there had been no mention of consulting with community groups or campaigners. He questioned why there was still no Air Quality Management Report for 2016 and noted the poor air quality around the Bus Station. He questioned the Councils record on the transparency of collated date but congratulated the Council on the recent appointment of another Environmental Health Officer.

Mr Seamark addressed Cabinet in respect of Item 7- 'Disposal of Land ad Lancaster Way, and stated that the report did not adequately address the concerns of the local residents. He noted that once the land was sold off it would no longer be under the control of the Council and questioned the length of time that the developers had been given in order to complete the legal documentation. He further suggested that corporate asset management fell under the remit of the Cabinet Member for Environment and questioned the validity of the decision making.

The Monitoring Officer explained that the decision making was being carried out collectively and transparently and in accordance with the regulations contained within the Constitution.

Ms Percival addressed Cabinet in respect of Item 7 and explained that residents had become aware of land being cleared alongside trees and shrubs and potential disruption to badger sets. She commented that during this time, residents were advised by the Police that there was nothing that could be done to prevent this; she further argued that if the Council were to dispose of the land, they would no longer have any control over it and commented that the open space had been used by children, public meetings and dog walkers and urged Cabinet not to sell the land.

Ms Gravett also addressed Cabinet in respect of Item 7 and questioned why the Council were proposing to sell off the open space and why sell it to the developer. She questioned the reasons why she had recently witness a traffic counter in the area and explained that for anyone who had driven along that road, would be aware that it was both busy and somewhat congested at times. She further questioned whether the Council had considered the impact the disposal of land would have on the young children and dog walkers. She noted that the sale would inevitably lead to further housing developments which would increase traffic and pollution in the area and urged the Council to reconsider.

Mr Gadson also spoke in respect of Item 7 – and commented that as a resident of Far Cotton, he was disappointed that only 2 options for consideration were presented in the report and suggested that there were further option that could be considered. He commented that Leah Bank Road had been built with full services and reported that 3 acres of green space had been given to Delapre Primary School on the proviso that green area would be kept and noted that residents and the allotment owners had offered to enhance and improve the green space as it was a local amenity.

5. DECLARATIONS OF INTEREST

Councillor Nunn declared a Disclosable Pecuniary Interest - Item 7 - Disposal of land at Lancaster Way as he had stood as a Councillor alongside Barry Howard and had also undertaken training with Mr Howard through his training company.

6. ISSUES ARISING FROM OVERVIEW AND SCRUTINY COMMITTEES

There were none.

7. DISPOSAL OF LAND AT LANCASTER WAY

Having declared a disclosable pecuniary interest in the item, Councillor Nunn left the room.

Councillor Davenport commented that did not consider that the Cabinet could agree to the sale of green spaces and questioned whether there were further options that could be considered. She noted that she as concerned about the disposal and stated that it seemed evident that the needs of the developers were given more weight than the needs or the residents and urged Cabinet to consider adopting the open space.

Councillor Hill addressed Cabinet and stated that whilst he understood the concerns of the residents, on balance he favoured the recommendation to dispose of the land and there was a massive housing shortage in Northampton and noted that the S106 agreement had already made provisions for open green spaces and that any delays to the development would not be welcomed.

Councillor Stone commented that the Council needed to listen to the views of the residents as they were often considered to be the experts and commented that they were no against new developments per se, but that they were opposed to the sale of green space. She suggested that a T Junction be installed instead to allow the green space to be kept so that children could continue to play on it and questioned what the impact of the development on the already congested Towcester Road.

Councillor Larratt commented that he considered the planning application and development to be poor and noted that he felt it was unfortunate that the planning application had been agreed.

Councillor Hallam submitted the report on behalf of Councillor Hadland and commented that the report was not about seeking planning permission but that it was a decision about the disposal of land. He commented that the S106 agreement secured two areas of public open space with a combined area of 2,194 square metres; the existing green space provision being 1,270 square metres.

Councillor Larratt stated that he did not support the recommendations, specifically with regards to the disposal of public open space. He further reported that he was not keen on management companies and did not consider them adequate in providing residents with the standards required.

Councillor King echoed the views of Councillor Larratt and commented that she could not support the recommendations.

Councillor Hibbert noted whilst he recognised the concerns raised by residents, planning permission on the site would allow for new homes to be built and the provision of 35% of those being affordable housing went some way in providing much needed houses.

Councillor Eldred reported that Cabinet were only being asked to make a decision on the disposal of land and not on the granted planning permission.

Upon a vote, Councillors Larratt and King abstained.

Councillors Eldred, Hallam and Hibbert voted in favour.

RESOLVED:

(i) That the objections received in response to the statutory advertisement of the proposed disposal of public open space at Lancaster Way as shown coloured red on the Plan attached at Appendix 1 of the report be considered.

(ii) That the disposal of the public open space at Lancaster Way as detailed within the previous report considered by Cabinet on 21 June 2017 be approved.

(iii) That authority be delegated to the Director of Regeneration, Enterprise and Planning, in consultation with the Chief Finance Officer and the Cabinet Member for Regeneration Enterprise and Planning, to conclude terms of the disposal of the public open space.

At this juncture of the meeting, Councillor Nunn re-entered the room.

8. COUNCIL TAX REDUCTION SCHEME

Councillor Ashraf addressed Cabinet and commented that she was pleased to see that CTRS was being frozen which was very much welcomed. She suggested that consideration be given to Corby Borough Council charge of 8% but believed that the 35% went some way in the right direction in helping less well-off residents tolerate the austerity measures.

Councillor Eldred, as the relevant Cabinet Member submitted his report and explained that CTRS would assist those needing the most support. He commented that this was a demonstration of sharing amongst the many and not the few and welcomed the recommendations.

RESOLVED:

That the recommendation contained in the Cabinet report be endorsed by Council no later than the 31st January 2018.

9. LOW EMISSION STRATEGY

Councillor Stone commented that people, especially children were suffering as a direct effect of air pollution and noted that people of Black and Minority Ethnicity were disproportionately affected. She noted that there was a need for much bigger ideas to be put into the strategy and suggested that inclusion of road closures and enforcement of idling cars. She spoke of her concerns about the level of pollution around schools and the maternity units and noted that she would have liked to have seen the report as being bolder and more dynamic in its approach to tackling air pollution.

Councillor Hallam, as the relevant Cabinet Member, elaborated on the report and stated that the Low Emissions Strategy was a starting point and that it would be an ongoing piece of work. In response to questions asked, Councillor Hallam commented that it would not be plausible to close roads. He suggested that further collaborative work could be undertaken with large businesses to encourage the use of electric cars and explore the provisions of electric charging points.

The Leader commented that the work that had been carried out was excellent and noted that there was partnership working with the County Council on reducing emission in Northamptonshire such as the provision of electric vehicle charging points.
Councillor Larratt commented that consideration should be given to the feasibility of installing an electric charging point in the Guildhall car-park.

RESOLVED:

That the adoption of the Northampton Low Emission Strategy as outlined in Appendix 1 of the report be approved.

10. THE VULCAN WORKS NORTHAMPTON

Councillor Birch commented that the project to provide managed workspaces was first envisaged in 2014 and noted that the involvement of the University of Northampton had been very positive. She commented that the proposal to include a Creative Leather Technology and Leather Conservation Centre within the scheme had raised some concerns. She asked that more information relating to the business plan be produced and questioned where future funding would be coming from.

In the absence of the relevant Cabinet Member, the Interim Director of Regeneration, Enterprise and Planning elaborated on the report and explained that the report was seeking a 'in principle' agreement for a modified approach to the redevelopment of the former Vulcan Works.

RESOLVED:

2.1 That the action taken by the Director of Regeneration Enterprise & Planning to determine the existing procurement arrangements that had been made through the SCAPE framework be noted and endorsed.

2.2 That the revised approach to advancing the project as set out in the report be approved.

2.3 That the appointment of Ridge Property and Construction to provide project management, procurement and cost consultancy support to the project be endorsed, as may be appropriate;

2.4 That the appointment of Amion Consulting to review the business case and financial model for the project and to support the Council's bid for capital funding from the European Structural Investment Fund be endorsed;

2.5 That the Director of Regeneration Enterprise & Planning, be authorised to obtain the services of a design team, to help advance the proposed revised project;

2.6 That the financial position set out at exempt Appendix A of the report, including the resources spent to date and those needed to complete the next phase of the project, approximately £372,000, be noted and agreed to reflect this in the Council's Capital Programme;

2.7 That the submission of an application to European Structural and Investment Fund for capital funding be endorsed but noted that it would take some time for the application to be determined;

2.8 That it be authorised, when appropriate, that the Director of Regeneration Enterprise & Planning, acting in consultation with the Chief Finance Officer, to re-tender a scheme in an OJEU compliant way with a view to testing the market and obtaining the most competitive tender price possible

2.9 That the potential involvement of the University of Northampton in the project as a potential tenant and that being so, invited them to enter into an appropriate Agreement for Lease and Lease by February 2018 be welcomed;

2.10 That the Director of Regeneration Enterprise & Planning be authorised to further explore the procurement of a suitable operator to manage the completed scheme, via soft market testing and other appropriate means;

2.11 That the Director of Regeneration Enterprise & Planning be instructed to submit a further report to Cabinet once the result of the ESIF application, OJEU compliant tender exercise and final financial model/business case, are known.

11. DISPOSAL OF NORTHAMPTON BOROUGH COUNCIL'S LAND AT THE FORMER GREYFRIARS

Councillor B Markham addressed Cabinet and thanked the Leader for the time that he had spent in discussions with a local resident, explaining the difficulties surrounding the provision of covered seats and shelters near to the Greyfriars site. He urged Cabinet to look again at the facilities in Victoria Street and noted that there was an opportunity to examine what the Town and residents wanted rather than what the developers wanted to offer. He further requested that consideration be given to the provision of social housing on the site.

The Leader noted that there were new benches that were to be installed within the next week and that the delay had been caused by a number of issues relating to disabled access within shelters.

Councillor Hill commented that he was somewhat frustrated by the delays but noted that it was a key development site and was pleased that it could be re-examined and the provision of housing further explored. He commented that it was a prime location and suggested that the original plan could have potentially had a detrimental impact on other local business should the development have gone ahead.

Councillor Stone noted that lessons had to be learned from the development and noted that it had been 2 years since the site had been cleared for development. She reported that residents of the town had not fully been behind the proposed development and emphasised the importance of the needs of the town.

The Leader explained that there had been a long consultation process carried out and that many residents of the town had fed into the process.

In the absence of the relevant Cabinet Member, the Interim Director of Regeneration, Enterprise and Planning elaborated on the report and explained that they were unable to continue to proceed in negotiation with the developer as they could not fulfil the original bid.

Councillor Larratt commented that he considered it a shame that there had been a delay but reported that it now presented a great opportunity for the Council, in consultation with residents, to explore different concepts which would include the infrastructure of the site and also at the potential leisure opportunities and openings to enhance the night-time economy.

RESOLVED:

1. That the progress of negotiations with the preferred developer and the received partial proposal be noted.

2. That the cessation of negotiations with the preferred developer be approved.

3. That the Director of Regeneration, Enterprise and Planning be invited to update Cabinet at the appropriate time and approve the work required to reassess the disposal options and restart the disposal process.

12. EXCLUSION OF PUBLIC AND PRESS

The Chair moved that the public and Press be excluded from the remainder of the meeting on the grounds that there was 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.

The Motion was Carried.

13. THE VULCAN WORKS NORTHAMPTON - APPENDICES 1 & 2

14. DISPOSAL OF NORTHAMPTON BOROUGH COUNCIL'S LAND AT THE FORMER GREYFRIARS - APPENDIX 1

The meeting concluded at 7.28pm

Appendices: 2

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	COUNCIL TAX BASE 2018 -2019

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	13th December 2017
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Finance & Resources
Accountable Cabinet Member:	Brandon Eldred
Ward(s)	All

1. Purpose

1.1 The report sets out the calculation of Northampton Borough Council's Tax Base for the year 2018/19 under the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) regulations 2003 (SI 2003/3012) and amendments made in the Local Government Act 2012.

2. Recommendations

2.1 That Cabinet recommend to Council to approve the tax base for 2018/19 at 66,873.95 Band D equivalent properties and associated parish tax bases within this report.

	2017/18	2018/19	Change
Billing	2,678.57	2,761.23	82.66
Collingtree	513.75	522.77	9.02
Duston	5,471.83	5,521.83	50.00
Great Houghton	288.21	290.30	2.10
Hardingstone	795.44	804.99	9.55
Upton	2,993.14	3,015.72	22.59
Wootton, Wootton Fields & Simpson Manor	2,940.72	2,958.24	17.51
East Hunsbury	3,408.98	3,462.75	53.77
West Hunsbury	1,645.76	1,650.38	4.61
Hunsbury Meadow	501.41	505.45	4.05
Northampton (Unparished)	44,471.48	45,380.28	908.81
Total tax base	**65,709.29**	**66,873.95**	**1,164.66**

2.2 That Cabinet delegate to the Section 151 Officer in consultation with the Cabinet member for Finance to make any technical adjustments necessary arising out of the Local Government draft settlement which impacts on the tax base, and to confirm, and inform the relevant authorities, the estimated surplus/deficit on the Collection Fund and how much would be attributable to each council, including NBC, after the statutory date of the 15th January 2018.

2.3 The detailed breakdown of how the tax base and the associated parish tax bases are calculated is shown as a band D equivalent in appendix 1.

3. Issues and Choices

3.1 Report Background

3.1.1 The tax base changes each year due to the movement in property type and how they are used. The key areas to review when making the estimate for next year are:

- The actual growth in the tax base as compared to the planning assumptions from the previous year.
- The planning assumptions for the rest of the current year and the next financial year
- The estimated movement in exemptions and discounts
- The estimated movement in the Council Tax Reduction Scheme
- The estimated non-collection in the tax base as a whole.

3.1.2 A summary of movement in the tax base is summarised below.

2017/18		2018/19
73,671.15	Tax Base (Band "D" equivalent)	74,486.26
156.62	Growth in tax base (note 1)	-204.83
740.05	Planning Assumptions (note 2)	535.33
-81.56	Exemptions & Discounts (note 3)	-165.40
-6,744.73	Council Tax Reduction Scheme (note 4)	-6,273.09
-2,032.25	Non-Collection (note 5)	-1,504.32
65,709.29	**Tax base for Council Tax**	**66,873.95**

3.1.3 Note 1 – Fewer properties have been completed by the builders than they estimated in October 2016. However any properties which have not been completed to date, but will be by the end of the financial year are included in the 18/19 Planning Assumptions. There has been an increase of 612 properties from the 2017/18 tax base to the 2018/19 tax base.

3.1.4 Note 2 – This is an estimate of the properties that the builders expect to complete in the next financial year, plus any that are due to be completed between the 1st December 2017 and the 31st March 2018. There is currently a reduction of 50% of the potential banding applied to the estimated new build figures to allow for part year liability.

3.1.5 Note 3 – The main changes to exemptions, discounts and disregards are increases in awards for Severe Mental Impairment and Carer cases. This is primarily due to a greater awareness, more customers remaining in their homes for longer and the reduction in awards for CTRS. There has also been an increase in Single Person Discount awards, in the past NCC has funded a countywide review, which has resulted in a significant reduction in claims. Please see appendix 2 for a list of all breakdown of all exemptions, discounts and disregards, as at the 30th November, used for the 2017/18 and 2018/19 tax bases.

3.1.6 Note 4 – The current Council tax Reduction Scheme is due to stay at the same level, but there is expected to be a reduction in caseload, therefore the expenditure will reduce.

3.1.7 Note 5 - The collection rate of council tax has been increased from 97.1% to 97.8% for the 2018/19 tax base setting. Collection rates have improved in recent years, especially against arrears, to a level where a surplus has been declared in the Collection Fund. The collection rate is reviewed each year as part of the tax base setting process.

3.1.8 There is an estimated surplus to be apportioned on the Collection Fund, as detailed in the draft budget report to the December Cabinet, of £351,944 for NBC (which would equate to £1,790,688 for NCC and £320,871 for NPCC).

3.2 Issues

3.2.1 The report represents the application of a prescribed process.

3.3 Choices (Options)

3.3.1 To not set a tax base would render the authority unable to set a council tax.

3.3.2 The methodology used to calculate the tax base, has taken into account the previous decision by Council in 2013/14 in relation to the level of reductions awarded for Exemptions and Discounts.

3.3.3 The methodology used to calculate the tax base, has taken into account the recommendation to Council with respect to the Local Council Tax Reduction Scheme.

3.3.4 Each of these previous decisions, either individually or as a whole, could be reconsidered by Full Council and the discounts reinstated. Any decision to change the current position would have a negative financial impact on the budget report and tax base.

3.3.5 To approve the recommendations in the report

4. Implications (including financial implications)

4.1 Policy

4.1.1 None

4.2 Resources and Risk

4.2.1 No resource required. The base has to be determined by the 31st January 2018 by Full Council

4.2.2 That the above policy position in respect of the Local Council Tax Reduction Scheme be kept under review in respect of future years

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

4.3 Legal

4.3.1 These are covered within the body of the report.

4.4 Equality

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

4.5 Consultees (Internal and External)

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

4.5.2 External: None

4.6 How the Proposals deliver Priority Outcomes

4.6.1 None

4.7 Other Implications

4.7.1 None

5. Background Papers

None

Ian Tyrer, Revenues & Benefits Technical Manager Financial
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Appendix 1

Northampton	17/18		18/19
BAND	Total		Total
Number on list	95,963.00		96,575.00
less exemption	1,862.00		1,932.00
plus disabled from higher band	418.00		424.00
less disabled going into lower band	418.00		424.00
less number of one adult resident household x25%	7,935.63		8,078.25
less number of properties with no residents but not exempt x50%	-20.88		- 32.25
less number of second home properties with no residents but not exempt x10%	174.00		162.00
long-term empties x no discount	1,231.00		1,398.00
less CTRS	-9,061.84		- 8,429.63
plus f y e for new properties	809.00		589.00
Total	77,933.41		78,756.37
conversion to band d equivalent			
band d equivalent	67,741.53		68,378.27
Assume 97.1% collection	**65,709.29**	**Assume 97.8% collection**	**66,873.95**

Duston	17/18		18/19
BAND	Total		Total
Number on list	7289.00		7,292.00
less exemption	69.00		73.00
plus disabled from higher band	41.00		39.00
less disabled going into lower band	41.00		39.00
less number of one adult resident household x25%	551.75		562.25
less number of properties with no residents but not exempt x50%	1.50		- 0.50
less number of second home properties with no residents but not exempt x10%	4.00		4.00
long-term empties x no discount	76.00		70.00
less CTRS	-413.87		- 393.70
plus f y e for new properties	3.50		-
Total	6256.38		6,263.55
conversion to band d equivalent			
band d equivalent	5641.06		5,646.05
Assume 97.1% collection	**5,471.83**	**Assume 97.8% collection**	**5,521.83**

Collingtree	**17/18**		**18/19**
BAND	Total		Total
Number on list	431.00		434.00
less exemption	3.00		3.00
plus disabled from higher band	5.00		7.00
less disabled going into lower band	5.00		7.00
less number of one adult resident household x25%	20.88		21.00
less number of properties with no residents but not exempt x50%	-2.50		- 4.00
less number of second home properties with no residents but not exempt x10%	1.00		1.00
long-term empties x no discount	10.00		4.00
less CTRS	-11.02		- 10.69
plus f y e for new properties	0.00		-
Total	398.60		403.31
conversion to band d equivalent			
band d equivalent	529.64		534.53
Assume 97.1% collection	**513.75**	**Assume 97.8% collection**	**522.77**

Billing	17/18		18/19
BAND	Total		Total
Number on list	3,823.00		3,866.00
less exemption	27.00		29.00
plus disabled from higher band	29.00		29.00
less disabled going into lower band	29.00		29.00
less number of one adult resident household x25%	296.75		303.75
less number of properties with no residents but not exempt x50%	2.50		3.00
less number of second home properties with no residents but not exempt x10%	2.00		2.00
long-term empties x no discount	34.00		31.00
less CTRS	-455.49		- 431.29
plus f y e for new properties	25.00		41.50
Total	3,066.26		3,140.46
conversion to band d equivalent			
band d equivalent	2,761.42		2,823.35
Assume 97.1% collection	**2,678.57**	**Assume 97.8% collection**	**2,761.23**

Great Houghton	17/18		18/19
BAND	Total		Total
Number on list	285.00		284.00
less exemption	2.00		-
plus disabled from higher band	1.00		1.00
less disabled going into lower band	1.00		1.00
less number of one adult resident household x25%	16.00		17.25
less number of properties with no residents but not exempt x50%	-0.50		- 0.50
less number of second home properties with no residents but not exempt x10%	1.00		-
long-term empties x no discount	3.00		3.00
less CTRS	-9.99		- 10.69
plus f y e for new properties	0.00		-
Total	257.51		256.56
conversion to band d equivalent			
band d equivalent	297.12		296.83
Assume 97.1% collection	**288.21**	**Assume 97.8% collection**	**290.30**

Hardingstone	**17/18**		**18/19**
BAND	Total		Total
Number on list	1,000.00		1,001.00
less exemption	7.00		6.00
plus disabled from higher band	11.00		11.00
less disabled going into lower band	11.00		11.00
less number of one adult resident household x25%	74.75		77.00
less number of properties with no residents but not exempt x50%	0.00		-
less number of second home properties with no residents but not exempt x10%	5.00		3.00
long-term empties x no discount	10.00		7.00
less CTRS	-67.22		- 61.34
plus f y e for new properties	1.00		-
Total	852.03		856.66
conversion to band d equivalent			
band d equivalent	820.04		823.10
Assume 97.1% collection	**795.44**	**Assume 97.8% collection**	**804.99**

Upton	**17/18**		**18/19**
BAND	Total		Total
Number on list	3,154.00		3,355.00
less exemption	41.00		54.00
plus disabled from higher band	17.00		17.00
less disabled going into lower band	17.00		17.00
less number of one adult resident household x25%	267.00		283.00
less number of properties with no residents but not exempt x50%	1.50		-
less number of second home properties with no residents but not exempt x10%	10.00		12.00
long-term empties x no discount	39.00		54.00
less CTRS	-258.73		- 254.80
plus f y e for new properties	484.50		307.50
Total	3,070.27		3,070.70
conversion to band d equivalent			
band d equivalent	3,085.71		3,083.56
Assume 97.1% collection	**2,993.14**	**Assume 97.8% collection**	**3,015.72**

Hunsbury Meadow	**17/18**		**18/19**
BAND	Total		Total
Number on list	498.00		498.00
less exemption	5.00		3.00
plus disabled from higher band	2.00		2.00
less disabled going into lower band	2.00		2.00
less number of one adult resident household x25%	30.25		30.75
less number of properties with no residents but not exempt x50%	0.00		-
less number of second home properties with no residents but not exempt x10%	0.00		-
long-term empties x no discount	1.00		2.00
less CTRS	-15.65		- 16.92
plus f y e for new properties	0.00		-
Total	447.10		447.33
conversion to band d equivalent			
band d equivalent	516.91		516.82
Assume 97.1% collection	**501.41**	**Assume 97.8% collection**	**505.45**

West Hunsbury	17/18		18/19
BAND	Total		Total
Number on list	1,868.00		1,868.00
less exemption	11.00		14.00
plus disabled from higher band	16.00		14.00
less disabled going into lower band	16.00		14.00
less number of one adult resident household x25%	117.13		121.50
less number of properties with no residents but not exempt x50%	-0.50		- 1.50
less number of second home properties with no residents but not exempt x10%	2.00		3.00
long-term empties x no discount	9.00		9.00
less CTRS	-88.66		- 97.92
plus f y e for new properties	0.00		-
Total	1,651.72		1,636.08
conversion to band d equivalent			
band d equivalent	1,696.66		1,687.50
Assume 97.1% collection	**1,645.76**	**Assume 97.8% collection**	**1,650.38**

Wootton, Wootton Fields & Simpson Manor	17/18		18/19
BAND	Total		Total
Number on list	3,012.00		3,013.00
less exemption	8.00		20.00
plus disabled from higher band	16.00		15.00
less disabled going into lower band	16.00		15.00
less number of one adult resident household x25%	170.75		170.00
less number of properties with no residents but not exempt x50%	1.00		1.00
less number of second home properties with no residents but not exempt x10%	4.00		4.00
long-term empties x no discount	21.00		29.00
less CTRS	-97.48		- 88.13
plus f y e for new properties	5.50		-
Total	2,740.27		2,733.87
conversion to band d equivalent			
band d equivalent	3,031.67		3,024.78
Assume 97.1% collection	**2,940.72**	**Assume 97.8% collection**	**2,958.24**

East Husbury	**17/18**		**18/19**
BAND	Total		Total
Number on list	4,134.00		4,135.00
less exemption	31.00		29.00
plus disabled from higher band	16.00		18.00
less disabled going into lower band	16.00		18.00
less number of one adult resident household x25%	295.75		293.00
less number of properties with no residents but not exempt x50%	0.75		0.38
less number of second home properties with no residents but not exempt x10%	3.00		4.00
long-term empties x no discount	48.00		72.00
less CTRS	-163.06		- 138.08
plus f y e for new properties	0.00		-
Total	3,643.44		3,674.55
conversion to band d equivalent			
band d equivalent	3,514.41		3,540.64
Assume 97.1% collection	**3,408.98**	**Assume 97.8% collection**	**3,462.75**

Unparished	17/18		18/19
BAND	Total		Total
Number on list	70,469.00		70,829.00
less exemption	1,658.00		1,701.00
plus disabled from higher band	264.00		271.00
less disabled going into lower band	264.00		271.00
less number of one adult resident household x25%	6,094.63		6,198.75
less number of properties with no residents but not exempt x50%	-24.63		- 30.13
less number of second home properties with no residents but not exempt x10%	142.00		129.00
long-term empties x no discount	980.00		1,117.00
less CTRS	-7,480.68		- 6,926.08
plus f y e for new properties	289.50		240.00
Total	55,549.82		56,273.30
conversion to band d equivalent			
band d equivalent	45,846.88		46,401.11
Assume 97.1% collection	**44,471.48**	**Assume 97.8% collection**	**45,380.28**

Appendix 2

EXEMPTIONS	17/18	18/19
Charity	11	12
Liable Person detained	18	21
In hospital / residential care	88	89
Awaiting Probate	237	224
Probate < 6 months	25	41
Occupation prohibited	6	5
Religious occupation	2	1
Receiving personal care	3	8
Student	1	0
Mortgagee	16	10
Student Hall of Residence	22	22
Student household	1141	1144
Visiting forces	2	2
Bankrupt	16	13
Under 18 years	21	28
Difficult to let	2	5
Severe Mental Impairment	240	294
Foreign Diplomat	1	1
Granny annex	10	12
	1862	1932

DISCOUNTS		
Single Person Households	31046	31589
Job related Second Homes	3	3
Second homes or Furnished unoccupied*	174	162
Empty unfurnished*	1231	1398
*These classes are currently awarded 0% discount (pay full charge)	32454	33152

DISREGARDS		
Person in Detention	12	7
Mentally Impaired	198	230
Child Benefit Payable	34	25
Student	433	446
Student Nurse	6	11
Apprentice	20	12
Hospital Patient	5	5
Patient in Home	53	52
Carer	42	51
Hostel Resident	4	4
Religious Community	3	3
School Leaver Under 20	4	0
	814	846

End of Report

Appendices
6

NORTHAMPTON BOROUGH COUNCIL

CABINET REPORT

Report Title	DRAFT GENERAL FUND MEDIUM TERM FINANCIAL PLAN 2018/19 – 2022/23 AND DRAFT BUDGET 2018/19

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	20 December 2017
Key Decision:	NO
Within Policy:	YES
Policy Document:	NO
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	NA

1. Purpose

1.1 To present for consultation draft budget proposals for 2018/19 and forecast budgets for 2019/20 to 2022/23, covering both General Fund Revenue (as set out in Appendix 1) and Capital (Appendix 4).

1.2 The report also presents for approval the Council's draft Capital Strategy (Appendix 3) and Treasury Management Strategy (Appendix 5).

2. Recommendations

2.1 That the draft General Fund Revenue budget 2018/19, as summarised in Appendix 1, be approved for public consultation.

2.2 That the proposed growth and savings options set out in Appendix 2 be approved for public consultation.

2.3 That the proposed Council Tax increase for 2018/19 of £5 a year per Band D property be approved for public consultation.

2.4 That the draft General Fund Capital Programme and Financing 2018/19 to 2022/23, as detailed in Appendix 4, be approved for public consultation.

2.5 That Cabinet approve the proposed set aside of £10m of corporate earmarked reserves to fund Environmental Services vehicle provision.

2.6 That the draft Capital Strategy as set out in Appendix 3 be approved for consultation.

2.7 That the draft Treasury Management Strategy is approved for consultation.

3. Issues and Choices

3.1 Report Background

3.1.1 The Council is required to set a balanced budget and it's Council Tax for 2018/19 by 1 March 2018. The proposals in this report have been developed by officers in consultation with Cabinet Members. Management Board has reviewed and endorsed the draft budget.

3.1.2 The draft budget proposals and options presented in this report will be subject to a period of public consultation prior to final recommendations being made to Council by Cabinet in February 2018.

3.2 Issues

Economic Context

3.2.1 The national and global economic outlook has shifted over the last 12 months, due to the outcome of the referendum in June 2016 leading to the UKs proposed withdrawal from the European Union. The position remains uncertain whilst negotiations on the terms of withdrawal and future trading relationships are negotiated. The impact on the Borough Council's budget and medium term financial plan are:

- Reductions in GDP growth forecasts, which are likely to reduce the level of any growth in business rates income.
- Demand for housing currently remains strong and this is of benefit to Northampton's growth strategy.
- Inflation, as measured by the Consumer Price Index, has risen to 3% and is expected to stay at this sort of level for a while. This will potentially lead to inflationary pressures within the Council's budget.
- Interest rates are forecast to rise slightly over the medium term. The Bank of England base rate was increased to 0.5% in November and is expected to rise gradually further over the next 12 to 18 months. This has a positive impact on the Council's income from interest on cash balances and forecasts have been updated accordingly. PWLB borrowing rates remain low by historical standards, making longer-term borrowing to fund investments more attractive.

Budget 2017

3.2.2 The Chancellor delivered his autumn budget report on 22nd November. The key headlines of relevance to Northampton Borough Council were:

- The Office of Budget Responsibility has downgraded its forecasts for economic growth over the next five years, largely driven by poor productivity improvements. This has potential impact on business rate growth within the Borough. The forecasts in the MTFP therefore remain prudent.

- Inflation, as measured by CPI, is expected to stay at around 2%, and this is reflected in MTFP forecasts.

- The budget was strongly focussed on delivering growth in housing supply, with a target nationally of 300,000 new homes per year. There are proposed changes to the planning regime to help facilitate this.

- Significant investment in infrastructure is proposed to support growth and productivity improvements and the Council will seek to ensure that Northampton sees its fair share of this investment.

- The Chancellor announced that the government will lift the HRA borrowing cap for local authorities who can demonstrate the need through a bidding process. This is covered in greater detail in the HRA budget report.

3.2.3 The draft Local Government Financial Settlement is expected in mid-December and will provide details of funding for 2018/19. The main area where we await confirmation of figures is the New Homes Bonus.

Efficiency and Medium Term Financial Strategy (EMTFS)

3.2.4 Cabinet in October 2017 approved the EMTFS, which provides the framework and context for the development of the detailed budget and Medium Term Financial Plan (MTFP).

3.2.5 The EMTFS included the following strategic principles:

- The Council will, within available resources, seek to maximise delivery of services and levels of performance and ensure that resources are targeted to meeting its objectives and priorities

- The Council will set a balanced budget, which is stable and sustainable and fully represents the cost of providing the levels of service and performance set out in the Corporate Plan and Service Plans

- Income streams will be maximised through the delivery of high quality, cost effective services.

- Council Tax will be increased up to the maximum allowed without requiring a referendum.

- Investment decisions will take into account both revenue and capital implications.

- Where requirements to undertake borrowing are identified, the costs and benefits of doing so will be assessed as required in line with CIPFA's Prudential Code.

- Financial implications will be underpinned by a robust risk assessment.

- Decision making will be business case lead. There will be a focus on the short, medium and long-term financial implications of decisions.

- Reserves will be utilised to fund investments that will deliver a long-term sustainable financial position.

- Further efficiencies will be sought in back office functions. No options that would result in increased costs of these functions will be considered.

3.2.6 The EMTFS incorporates the key principles of the Capital Strategy, which is being fully updated in line with the new requirements of CIPFA's Prudential Code.

3.2.7 In order to ensure that the Council's financial position is sustainable, not just for the next year, but over the medium term, we have made ourselves more efficient and are also making tough choices and putting forward proposals for savings and additional income generation. These proposals are set out in more detail below.

Medium Term Financial Plan and Efficiency Savings

3.2.8 The Medium Term Financial Plan provides a forecast of the Council's expenditure and income over the next five years. The forecasts, detailed in Appendix 1, include efficiency and other savings as well as growth requirements.

3.2.9 Cabinet has listened to public feedback in relation to the existing Environmental Services contract and is proposing to invest and prioritise resources to make sure that our town is clean. The new Environmental Services contract, to commence in June 2018, will see a significant improvement in quality standards for street cleaning, grounds maintenance and the collection of refuse and recycling. The quality standards and service specification for the new contract have been informed by the consultation undertaken earlier this year. These improvements come at a cost, with a significant increase in budget required. The final figures will be known when contract negotiations are completed in December, but the draft budget includes a prudent allowance for the increased net cost of Environmental Services and related activities of £3.4m per annum, plus an additional one-off cost of £1m in 2018/19 to rectify current problems.

3.2.10 In order to mitigate the increased costs of Environmental Services, the Council proposes to purchase the vehicles and other equipment required for delivery of these services, and lease these to the successful contractor. This approach was approved in principle by Cabinet in November, and utilises the lower borrowing costs available to the Council. The cost of repaying this borrowing will be met from an earmarked reserve set aside for the purpose, although the Council may utilise capital receipts for this purpose if they become available in the future. This utilisation of an earmarked reserve reduces the net cost of the new contract by an estimated £1m per annum.

3.2.11 Other budgetary growth requirements are set out in Appendix 2 and include provision for an enhanced client function to monitor the new contract and funding to extend opening hours at Abington Park museum. Most significantly, funding of £150k is earmarked to fund a reduction is working hours from 40 to 37 per week. This is a reversal of the increase implemented a few years ago which has had an adverse impact on staff morale and on recruitment and retention in part leading to the need to cover more vacancies with interim staff.

3.2.12 The MTFP has forecast significant increases in the cost of Environmental Services for several years, and this has meant that compensating savings and efficiencies have been delivered through the workstreams of the Efficiency Plan. Efficiency savings of around £3.5m have been delivered over the last 4 years, and further efficiencies of over £800k are built into the base budgets for 2018/19. Examples include reducing paper usage through the implementation of a digital strategy and investment in technology, and maximising income generated from the Council's property assets.

3.2.13 Further efficiencies, budget savings and income increases totalling £1.56m are set out in Appendix 2 for public consultation. These include significant savings in management and staffing costs through a process of redesigning the organisational structure to ensure that it meets the needs of the Borough and provides value for money. Additional income of over £1m will be generated, most notably through the introduction of a charge of £2 for all-day parking on Saturdays and Sundays in the Council's multi-storey car parks. Visitors to the town will benefit from improved town centre cleanliness delivered through the new Environmental Services contract.

3.2.14 By focussing on these areas of savings, the Council will protect services to the most vulnerable residents of the Borough, both those provided directly and those provided through partner organisations. Core grants to the voluntary sector have been protected.

3.2.15 Implementation of the proposed savings listed in Appendix 2 will enable the Council to set a balanced budget for 2018/19 and 2019/20.

3.2.16 The MTFP shows a forecast further savings requirement of £1.2m from 2020/21 onwards. The exact figure is subject to any changes to government funding and other forecast changes to budgets. These further savings can be achieved through the strands set out in the approved Efficiency and Medium Term Financial Strategy, i.e.

- Growth – realising the benefits of growth through the generation of additional business rate income, Council Tax and New Homes Bonus.

- Partnerships – working with other local authorities, private sector and community partners to deliver high quality and cost effective front-line and support services.

- Use of IT/Digital channels – to reduce transaction costs and increase staff productivity through the use of technology.

- Maximise income generation – ensure that income is maximised by setting charges at an appropriate level, as well as increasing demand through effective marketing.

- Review service and staffing structures – to ensure that these are fit for purpose and are appropriate to the Council's changing needs and priorities.

- Investment/commercial opportunities – realising opportunities to undertake appropriate investments that will generate a commercial return.

- Realise opportunities from new Environmental Services contract – the new contract will provide significantly improved quality and provide opportunities to reduce the costs involved in rectifying shortfalls in current service provision.

Sources of Funding

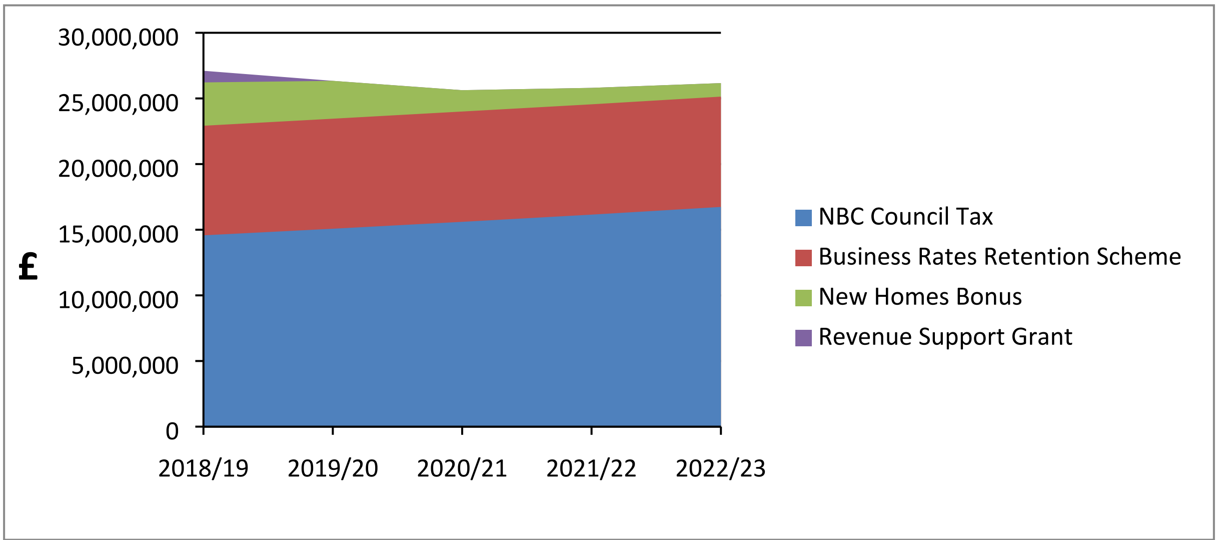
3.2.17 The main sources of funding for the Council's net General Fund revenue budget are Council Tax, Business Rates, New Homes Bonus and Revenue Support Grant. The balance between these is expected to change significantly over the 5 year period of the Medium Term Plan, with Revenue Support Grant falling to zero by 2019/20. The current four-year funding settlement ends in 2019/20 and therefore funding forecasts beyond that period becoming increasingly uncertain. These will be impacted by changes to the overall level of government funding and the distribution between areas and tiers of local authorities in light of the fair funding review.

3.2.18 Council Tax – The Band D Council Tax for Northampton Borough Council was frozen or reduced for 4 years until 2016/17, supported initially by a Council Tax Freeze Grant. This grant no longer exists and the government funding settlement assumes that Council Tax is increased by the maximum allowable without triggering a referendum, which for the Council is £5 per year. This increase was agreed for 2017/18 and has been built into the Medium Term Financial Plan.

3.2.19 Business Rates – following the introduction of the Business Rate Retention Scheme in April 2013, the Council now benefits from growth in the rateable value in the Borough. On the flipside, the Council also bears the risk of volatility, including successful appeals by business against their rateable value. The five-year forecasts reflect an average inflationary increase in business rates income of 1.2% per year. The government's policy is to move to 100% local business rates retention in the medium term, further details are required in order to model the impact. To gather intelligence on how the 100% retention scheme would work, DCLG announced a one year pilot scheme to operate in 2018/19 for two-tier authority areas. The Council has submitted a bid as part of the Northamptonshire Business Rates Pool to be part of this pilot, which if successful could generate significant additional funding for both the County as a whole and for NBC. The decision on which councils will be part of this pilot is expected in December (but has not been confirmed by DCLG) and if the Northamptonshire Pool is selected, revised forecasts to the General Fund budget will be reported in the final budget in February.

3.2.20 New Homes Bonus (NHB) – this has been a significant source of funding in recent years, peaking at £4.9m in 2016/17. The revamp of the scheme announced in the 2015 Spending Review and designed to divert resources towards Social Care will lead to a significant reduction in this source of income for the Borough Council over the next few years. The changes reduced the payment period from 6 to 4 years and introduced a baseline level of growth which has to be achieved before any NHB is paid. The amounts may also reduce if there is any economic downturn and a consequent slowdown in housebuilding. The MTFP is therefore prudent in forecasts for the last three years.

3.2.21 The graph below shows how the balance between these sources of funding is expected to change for the Borough Council over the next five years, based on the latest MTFP forecasts. The total falls initially before picking up in later years, and also shows a significant shift from central to local funding. Revenue Support Grant is set to fall to zero in 2019/20.



3.2.22 The current assumptions will be updated following the announcement of the Local Government funding settlement in mid to late December 2017.

Enterprise Zone

3.2.23 The Waterside Enterprise Zone is composed of more than 20 sites along the River Nene, stretching from Sixfields in the west, right across the town centre. It incorporates a range of brownfield development opportunities, growing industrial estates and expanding sports stadium sites. The Council is working closely with stakeholders and businesses to ensure that investment is targeted in the right location and at the right level to ensure growth happens.

3.2.24 The Council is contributing towards this investment by providing advance funding to enable the Enterprise Zone to grow. The up-front contributions will be returned to the Council in the future as business growth increases. The risks surrounding the advance funding of this investment are being closely monitored. This advance funding is forecast to fully be repaid to NBC between 2020 and 2030, depending on the pace of business rate growth. There are commitments to repay the bridging loan if growth does not materialise at the pace assumed. NBC is working with SEMLEP to mitigate and manage risks and ensure that the taxpayers of Northampton are not adversely affected.

3.2.25 The SEMLEP board in November 2016 approved the principle of a £10m local infrastructure funding facility (LIF). This will enable further upfront investment to bring EZ sites forward for development to generate business and job growth, and an increase in business rates. Any proposals to utilise the LIF facility will be subject to detailed business cases approved by the Council and EZ Board demonstrating that increased future business rates within the EZ funding period will cover the initial investment. It is likely that the Council may need to facilitate this through bridging finance in the form of short/medium term borrowing.

General Fund Revenue Budget 2018/19

3.2.26 The proposed net budget for 2018/19 is shown in Appendix 1 and summarised in the table below. A balanced budget has been achieved through the Council's prudent financial management and continued commitment to delivering efficiency savings.

Description	2018/19 £000s
Service Base Budget	27,475
Proposed Growth	3,207
Proposed Savings	(1,562)
Corporate Budgets	(33)
Contribution from Reserves	(554)
Net Budget	**28,533**
Revenue Support Grant	(886)
Business Rates	(8,346)
New Homes Bonus	(3,302)
Council Tax	(15,648)
Collection Fund Surplus	(351)
Total Funding	**(28,533)**
Savings to be identified	**(0)**

As part of setting its General Fund Revenue Budget the Council has undertaken a rigorous review of its Service Base Budget. This process has identified £0.8m of efficiency savings and realistic income targets which are included as part of the Service Base Budget.

Fees and Charges

3.2.27 Fees and Charges are being reviewed as part of the process of finalising the budget. In line with the Efficiency Plan, charges will increase by above the rate of inflation, where this is feasible and taking into account market factors.

Council Tax

3.2.28 The draft budget for 2018/19 assumes an increase in the annual Council Tax of £5 per average band D property. This is the maximum increase allowed without triggering a referendum and is consistent with Central Government assumptions in the funding settlement.

3.2.29 The Band D Council Tax (excluding parishes) for the last 5 years is shown in the table below:

	2014/15 £	**2015/16 £**	**2016/17 £**	**2017/18 £**	**2018/19 £**
Northampton Borough Council	207.91	207.91	207.91	212.91	217.91
Northamptonshire County Council	1,048.57	1,069.02	1,111.25	1,166.59	TBC
Northamptonshire Police & Crime Commissioner	197.04	200.96	204.96	209.04	TBC
Total	1,453.52	1,477.89	1,524.12	1,588.54	TBC

Special Expenses

3.2.30 The Council charges special expenses to its residents as part of its Council Tax charge. Special expenses relate to expenditure deemed solely to apply to a part of the Borough where precepting authorities in other parts of the Borough have chosen to precept and supply the same service separately. These are known as concurrent services.

3.2.31 Northampton Borough Council charges special expenses for the maintenance of its smaller parks and open spaces as this service is also carried out by Parish Councils in some areas. Because these smaller parks and opens spaces are not evenly distributed across the borough, the special expense charge (unlike the main council tax element) differs across the parishes of the Borough.

3.2.32 The basic mechanism is to deduct the relevant expenditure from the total Council Tax applying to the total tax base, and then re-apply that expenditure over the parishes affected. This means that residents in different parts of the Borough will pay different amounts according to the distribution of parks and open spaces across the Borough.

3.2.33 Special expenses do not affect the overall amount raised by Council Tax and do not affect the average council tax for the Borough as a whole. As a general rule, special expenses seek to reflect the cost of the services that relate to specific areas.

3.2.34 Some Parish Councils have expressed an interest in taking ownership of some of these areas of open space in order to manage and maintain them locally. The responsibility for maintaining these areas, and the funding of that maintenance, would be transferred to the Parish Councils. This may require increases in the Parish Precept unless that can be accommodated within their existing budgets. NBC would no longer have the responsibility for management and maintenance and would no longer charge special expenses for these areas.

3.2.35 See Appendix 6 for further details and explanation.

Capital Strategy

3.2.36 The draft Capital Strategy is attached as Appendix 3. It has been updated to take account of the proposed changes to CIPFAs Prudential Code and in the context of the approved Efficiency and Medium Term Financial Strategy. The proposed changes to the Prudential Code include a requirement for the CFO to report explicitly on the deliverability, affordability and risks associated with the Capital Strategy.

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

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

3.2.38 The strategy also details the governance arrangements that have been put in place to ensure that capital expenditure is closely monitored and controlled.

General Fund Capital Programme 2018/19 to 2022/23

3.2.39 The draft General Fund Capital Programme and Funding for the next 5 years is detailed in Appendix 3 and summarised in the table below. The value of the proposed programme for 2018/19 is just under £26m. Proposed new schemes include the procurement of vehicles for the delivery of the Environmental Services contract, the construction of new offices (Horizon House) to be let to Northampton Partnership Homes as their headquarters, improvements to leisure centres and additional town centre car parking capacity.

3.2.40 The proposed capital programme would require funding from a variety of sources. The revenue impact of borrowing is reflected in the debt financing budget and the Treasury Management Strategy and prudential indicators.

3.2.41 Further significant schemes supporting the achievement of the Efficiency Plan may be brought into the capital programme over the next 12 months, supported by robust capital appraisals and business cases.

Description	Budget 2018/19
	£000s
Disabled Facilities Grants	1,475
IT Improvements	150
Block Programmes	800
Development Pool	7,937
New Proposals	15,509
Total GF Capital Programme	**25,871**
Funding Source:	
Borrowing (incl. self-funded)	17,810
Growing Places Fund/ Local Infrastructure Fund	400
Capital Receipts	5,211
Grants & Developer Contributions	2,450
Total Funding	**25,871**

Earmarked Reserves

3.2.42 As part of the budget process the Council determines a prudent minimum level of General Fund balances to hold against general risks. This is informed by a risk assessment, which has been refreshed in the development of the draft budget and currently suggests that £5.5m remains a prudent level of general reserves. This may change as the budget is finalised and any change in the Council's exposure to risk is identified.

3.2.43 General Fund Reserves as at 1st April 2017 stood at a total of £28.5m. A breakdown is shown in the table below.

	Balance 1st April 2017	Purpose
Service Specific Earmarked Reserves	£2.7m	To cover specific known spending commitments
Corporate Earmarked Reserves	£17.1m	Held to mitigate against corporate risks and to fund future budget pressures

Technical Reserves	£3.2m	To deal with technical accounting differences across financial years
Minimum Level of General Reserves	£5.5m	To cover general unquantified risks
Total General Fund Reserves	**£28.5m**	

3.2.44 Earmarked Reserves are held to mitigate against specific risks as well as for regulatory reasons, such as grant conditions. They were thoroughly reviewed and realigned by Cabinet in September 2016 in order to ensure that they were focussed on the achievement of the Efficiency Plan.

3.2.45 The unallocated balance as at 31st March 2018 on the Delivering the Efficiency Plan/MTFP Cashflow/Strategic Investment Reserves is forecast to be around £15m. It is proposed as part of the proposals to balance the MTFP that £10m of this is set aside to fund the annual cost of Environmental Services vehicle provision over the next 10 years. The remaining balances of £3m for Delivering the Efficiency Plan and £2m for MTFP Cashflow are sufficient to cover future needs and known/anticipated risks.

Treasury Management Strategy

3.2.46 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 2018/19 is attached at Appendix 5.

3.2.47 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 2018-19
- The Council's policy on the Minimum Revenue Provision (MRP) for the repayment of debt
- The Investment Strategy for 2018-19
- The Prudential and Treasury Indicators for 2018-19 to 2022-23
- The Council's policy on borrowing in advance of need
- The Council's counterparty creditworthiness policy

Consultation

3.2.48 Formal consultation with the public and stakeholders including local businesses will be launched in December 2017 and will continue until the budget is formally adopted in February 2018 in line with an agreed consultation programme. An online questionnaire will be available until 28 January 2018.

3.3 Choices (Options)

3.3.1 Cabinet can agree the revenue and capital budget proposals and proposed Council Tax increase detailed in this report or propose changes, subject to the advice of the Chief Finance 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 and within the context of the Efficiency and Medium Term Financial Strategy and Capital Strategy.

4.2 Resources and Risk

4.2.1 The provisional Local Government Finance Settlement is expected to be announced prior to the Christmas 2017 break, but is subject to change and will be updated when the final settlement is announced in January 2018.

4.2.2 In addition to the Borough Council's own Council Tax, there are separate Council Taxes for Northamptonshire County Council, the Police and Crime Commissioner and Parish Areas. Information on these will be included in the report to the Council meeting in February 2018.

4.2.3 The Audit Committee on 5th December 2016 agreed a Governance Action Plan part which is designed to deliver improvements directly affecting financial governance, risk management and project management. All of these improvements will reduce the risks associated with the Council's revenue and capital budgets.

4.3 Legal

4.3.1 The Council has a legal duty to set a balanced budget, bearing in mind its fiduciary duties to the taxpayer, and to set a Council Tax for the coming year.

4.4 Equality and Health

4.4.1 The Public Sector Equality Duty (PSED) 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.

4.4.2 Equality and diversity is considered as part of budget construction and an Equality and Community Impact Assessment is published as part of the budget consultation documents. Equality and diversity were considered as part of each of the medium term planning options submitted. Equality impact assessments are ‘living’ documents and will be 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 2018.

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. As options developed relevant stakeholders were engaged as appropriate.

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

4.7.1 None not already covered above.

5. Background Papers

5.1 None

5.2 Appendices

1. Proposed General Fund Revenue Summary
2. Proposed Growth and Savings
3. Capital Strategy
4. Proposed General Fund Capital Programme and Financing
5. Treasury Management Strategy
6. Special Expenses

Glenn Hammons, Chief Finance Officer, 01604 366521

General Fund Budget Summary 2018 - 2023

NORTHAMPTON
BOROUGH COUNCIL

Description	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
	£	£	£	£	£
Service Base Budget	27,474,793	27,576,953	27,894,471	28,094,317	28,439,914
Medium Term Planning Options					
Savings and Efficiencies	(1,562,000)	(2,137,000)	(2,316,000)	(2,537,000)	(2,647,000)
Total Savings	(1,562,000)	(2,137,000)	(2,316,000)	(2,537,000)	(2,647,000)
Growth					
Environmental Services - Net Budget Increase	2,977,000	2,400,000	2,400,000	2,400,000	2,400,000
Other Growth	230,000	230,000	230,000	230,000	230,000
Total Growth	3,207,000	2,630,000	2,630,000	2,630,000	2,630,000
Total MTP Options	1,645,000	493,000	314,000	93,000	(17,000)
Gross Revenue Budget	29,119,793	28,069,953	28,208,471	28,187,317	28,422,914
Corporate Budgets					
Debt Financing	1,409,000	1,379,000	1,531,000	1,732,000	1,863,000
Recharges from General Fund to HRA	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Parish Grants	(18,584)	(18,584)	(18,584)	(18,584)	(18,584)
Parish Precepts	1,076,092	1,076,092	1,076,092	1,076,092	1,076,092
Contribution to/(from) Earmarked Reserves	(553,792)	(591,000)	(393,000)	(396,000)	(400,000)
Total Corporate Budgets	(587,284)	(654,492)	(304,492)	(106,492)	20,508
Net Budget	28,532,509	27,415,461	27,903,979	28,080,825	28,443,422
Funding					
Revenue Support Grant	(886,014)	0	0	0	0
Business Rates Retention Scheme	(8,345,727)	(8,380,600)	(8,401,824)	(8,401,824)	(8,401,824)
New Homes Bonus	(3,301,627)	(2,883,845)	(1,625,190)	(1,253,563)	(1,029,679)
Total Government Funding	(12,533,368)	(11,264,445)	(10,027,014)	(9,655,387)	(9,431,503)
Council Tax					
Band D Council Tax	217.91	222.91	227.91	232.91	237.91
Tax Base	66,874	67,628	68,452	69,337	70,345
NBC Council Tax	(14,572,449)	(15,074,924)	(15,600,873)	(16,149,347)	(16,735,826)
Parish-related Council Tax	(1,076,092)	(1,076,092)	(1,076,092)	(1,076,092)	(1,076,092)
Total Council Tax	(15,648,541)	(16,151,016)	(16,676,965)	(17,225,439)	(17,811,918)
Surplus on Collection Fund	(350,600)	0	0	0	0
Total Funding	(28,532,509)	(27,415,461)	(26,703,979)	(26,880,825)	(27,243,422)
Budget Gap	0	0	1,200,000	1,200,000	1,200,000

MTP Savings and Growth Options

MTP Ref.		2018/19	2019/20	2020/21	2021/22	2022/23
		Forecast Savings				
		£	**£**	**£**	**£**	**£**
	Savings Options					
E003BS	Support Service Savings - GF Share		-310,000	-438,000	-659,000	-769,000
	Organisation Redesign	-370,000	-510,000	-561,000	-561,000	-561,000
	Increased Income:					
S036CC	Increase Daily Parking to £8	-100,000	-100,000	-100,000	-100,000	-100,000
S037CC	Car Parking - £2 charge Saturday & Sunday	-700,000	-700,000	-700,000	-700,000	-700,000
S024CC	Staff Parking Charges	-40,000	-40,000	-40,000	-40,000	-40,000
S017CC	Market Rubbish Collection - charging	-10,000	-10,000	-10,000	-10,000	-10,000
E006REP	Planning Fee Income	-200,000	-200,000	-200,000	-200,000	-200,000
E007CC	Guildhall Accomodation Strategy	0	-50,000	-50,000	-50,000	-50,000
E019CC	Increase car park capacity in town centre	0	-75,000	-75,000	-75,000	-75,000
	Service funding reductions					
S015CC	Cost Saving on Bloom	-18,000	-18,000	-18,000	-18,000	-18,000
S018CC	Reduction in Events Programme	-30,000	-30,000	-30,000	-30,000	-30,000
S021CC	Reduction in Total Voluntary/Community Funding to £1.07m	-94,000	-94,000	-94,000	-94,000	-94,000
		-1,562,000	-2,137,000	-2,316,000	-2,537,000	-2,647,000
	Growth Proposals					
G001CC	Client Support - ES Contract	60,000	60,000	60,000	60,000	60,000
G002CC	Abington Museum - Extended Opening Hours	20,000	20,000	20,000	20,000	20,000
G006CX	Reduce Working hours to 37	150,000	150,000	150,000	150,000	150,000
		230,000	230,000	230,000	230,000	230,000

Northampton Borough Council

Capital Strategy 2018 to 2023

Contents

INTRODUCTION AND CONTEXT

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

The aim of the capital strategy is to provide a clear framework for capital funding and expenditure decisions. This is in the context of the Council's vision, values, objectives and priorities, financial resources, and spending plans. The Capital Programme is designed to support the delivery of the Council's priorities as set out in the Corporate Plan. It takes into account proposed changes to CIPFA's prudential code and latest MRP guidance from central government.

The high level strategic objectives of the capital strategy are included in the Efficiency and Medium Term Financial Strategy, approved by Cabinet in October 2017, in order to reinforce the links and overlaps between capital and revenue, and the need to have a mind to both in decision making.

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.

OVERARCHING STRATEGY

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

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

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

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

CAPITAL FUNDING STRATEGY

Under the Council's capital funding strategy, funding streams are allocated in the following order. Sources of funding are risk assessed as part of this allocation. Cabinet may make changes to the funding strategy where necessary to deliver capital schemes that are key to delivering the Council's agreed priorities:

<u>Hypothecated funding</u>

Funding linked directly to a specific scheme, such as grants, third party contributions (including Section 106 contributions) and revenue contributions, is allocated 100% to the relevant scheme. Schemes funded by external grants and contributions will not commence until such funding is definitely secured. The conditions attached to grants and contributions vary according to the particular grant. Some will fund the full cost of the scheme, others just a percentage, with the local authority having to fund the balance. Most, but not all, grants are time-limited. Government grants tend to be focused towards central government priorities.

<u>Self-funded borrowing</u>

Where the capital investment itself will produce revenue savings or additional income, which is sufficient to cover the cost of borrowing to fund the investment. This could include development of, or improvements to, the Council's own assets where the Council's borrowing costs are offset by income from leasing the assets to a partner provider such as the Northampton Leisure Trust (NLT) or Northampton Partnership Homes (NPH).

Business Rates Uplift

Capital improvements within the Enterprise Zone may be funded by borrowing which will eventually be repaid through the increase in business rate income flowing from new or expanded businesses. The borrowing is undertaken via the South East Midlands Local Enterprise Partnership (SEMLEP) through the Growing Places Fund or Local Infrastructure Fund. This is to manage the timing difference between the investment in the Enterprise Zone and the consequent increase in business rates.

Where necessary any gap will be managed by NBC undertaking borrowing from the Public Works Loan Board (PWLB).

Revenue and Capital Reserves

The Council has, as part of its overall financial strategy, set aside reserves in order to provide additional capital funding. These include provision for funding the vehicles and equipment necessary for the delivery of the Environmental Services contract. The Delivering the Efficiency Plan Reserve was created in October 2016 to support any project that delivers efficiency savings and/or additional income over the medium term. This may include funding of capital expenditure where this supports these aims.

Revenue Contributions

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

Capital Receipts

Capital receipts are derived from asset sales. These could include income to the Council as lessor from finance leases.

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

The Council generated a substantial capital receipt in 2014/15 from the sale of the Sekhemka statue. This will be used exclusively to fund the redevelopment of the Central Museum.

General Fund capital receipts are not allocated or committed prior to receipt or certainty that they will be received, unless inextricably linked to a specific project. General fund capital receipts received during the year will be taken into account as a potential funding source for new schemes or variations in the relevant financial year or the following financial year, subject to revenue budget considerations e.g. debt financing budget implications.

Prudential Borrowing

Prudential Borrowing will be used to fund capital investment if the cost of the borrowing is prudent, affordable and sustainable within the overall General Fund revenue projections. This will be the funding source of last resort as it does result in ongoing revenue costs, i.e. MRP and interest.

Under the Local Government Act 2003 councils operate within the rules contained in the 'Prudential Code'. These allow local authorities to set their own limits with regard to borrowing undertaken to support capital expenditure. Borrowing may be undertaken, provided that it is, and can be shown to be, prudent, affordable and sustainable. This method of financing capital expenditure is called "prudential borrowing".

In order for borrowing to be prudent, affordable and sustainable, there must be an identifiable, long-term source of revenue funding for the associated revenue (debt financing) costs. Ideally this will come from revenue savings or additional income arising directly from the capital scheme. For example, refurbishment of a building may generate maintenance and/or energy savings, or the building of a car park could generate income through charges. The cost of this "self-funded" borrowing should be borne by the service that uses the asset.

Where there is no additional income or cost saving, i.e. the capital scheme is to meet corporate priorities and support the growth and improvement of the Borough, then the cost of borrowing will be recognised as a cost to the General Fund.

In some circumstances the Council will provide loans to other organisations, such as to the University of Northampton to part-fund the new campus development. This is treated as capital expenditure and funded through borrowing.

In Year Changes

Underspends on GF schemes may not be automatically diverted to other schemes. This will be considered against the demands of the programme as a whole. The only call on capital receipts during the year would be for unforeseen high priority emergency capital works that cannot be financed from alternative sources. Agreement will be through the normal channels – that is the submission of a project appraisal or variation to Capital Programme Board and, if required, Cabinet.

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

HRA Capital Funding

The balance of funding of capital investment in the Council's housing stock and associated assets is determined through the HRA business plan. This provides a 30-year forecast of the management, maintenance and capital investment needs and resources available.

- Usable capital receipts from the sale of council housing stock under right to buy, as well as sale of other HRA assets, are directed at the HRA capital programme in order to meet and maintain the Northampton Standard.
- Major Repairs Reserve - In line with the statutory requirement, the Major Repairs Reserve is entirely earmarked for HRA capital expenditure on the Council's housing stock.

- Revenue – under the self-financing regime the HRA is forecast to have an amount of revenue available each year to part-fund the capital programme.
- Borrowing – there is some limited scope for prudential borrowing within the HRA, although this is subject to a cap as determined by central government.

Revenue Implications of Capital Projects

The revenue implications of capital projects are identified through medium term planning and the capital appraisal process, and fed into the Council's medium term revenue budget to ensure that all revenue implications are taken into account. These revenue costs might include maintenance and other running costs, as well as all lifecycle costs. There may also be additional income generated from the investment in the asset.

Through the Asset Management Plan an appropriate balance of funding is determined between capital investment and repairs and maintenance. This is kept under regular review.

Minimum Revenue Provision (MRP)

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

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

The authority is required, under the new regulations, to prepare an annual statement of their policy on making MRP for submission to Council. The Council's policy statement on MRP is set out in the annual Treasury Strategy, which is agreed annually in February at the Budget Setting Council.

PROGRAMME BUILD

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

- A firm and fully funded programme for the following year. This includes continuations from previous years as well as new starts in year
- Continuation schemes, i.e. those schemes approved in previous years that have outstanding expenditure requirements in order to complete the approved works, and forecasts for the subsequent 4 years
- Development Pool – includes schemes for which costs require refinement and/or a business case is required. These schemes will be moved into the

approved programme once the business case is satisfactorily completed. No costs should be incurred on these schemes until the business case is approved by Capital Programme Board.

Within the available funding envelope, projects are prioritised for inclusion in the capital programme based on the extent to which they contribute to the achievement of corporate priorities. Bids for inclusion are supported by capital appraisals – these must demonstrate that the project provides an effective and value for money solution, and that all possible sources of external funding have been sought.

In addition to specific capital schemes the programme includes a number of “Block Programmes”. These are a sum to cover an area of activity where specific projects are identified and prioritised during the year. Specific projects within these blocks are agreed during the year by Capital Programme Board following the receipt of capital appraisals.

A draft capital programme is prepared for Cabinet in December and is then subject to public consultation alongside revenue budgets. Final decisions are made by Full Council in February.

The capital programme may change during the year if and when approved by Cabinet or Capital Programme Board in line with the governance arrangements and delegation limits set out below.

COMMERCIAL PROPERTY INVESTMENTS

As part of the EMTFS, the Council will seek commercial opportunities to generate income in order to support the delivery of services, through investment in commercial property. Any such investments will be made in the context of an appropriate balance between risk and reward.

A report will be brought to Cabinet to agree a set of principles that will guide decision making on future investments. These will then be incorporated into the next update of this capital strategy.

GOVERNANCE ARRANGEMENTS

In Year Appraisals and Variations

All new in-year capital schemes must be supported by a capital appraisal and any changes to existing schemes will require completion of a variation form. The funding for the project must be identified at this stage. Where there is no additional funding to support the bid, resources must be identified from within the existing programme.

Project Managers must consult the nominated contact in LGSS Finance to ensure forms are completed correctly and expenditure meets the definition of capital. The LGSS tax team will also need to check that any VAT or other tax implications are properly taken into account.

Delegation Levels for Appraisals and Variations

Fully Funded Schemes

Capital schemes of any value can be approved by the Chief Finance Officer (CFO) if they are ***fully*** funded by section 106, external grants or other contributions, or ***fully*** funded by additional income or revenue savings. This delegated approval is subject to consultation with Cabinet Members if more than £100k.

Other Schemes

These limits apply to General schemes. Changes to the HRA capital programme can be agreed in line with the NPH partnership agreement.

Below £100k – Approval by CFO

£100k to £250k – Approval by CFO, after consultation with the Cabinet Member for Finance and relevant Cabinet Member(s)

Over £250k – Approval by Cabinet Required

All changes to the capital programme approved under delegation will be reported to Cabinet via the Finance Monitoring report.

In signing the appraisal form the relevant Director is confirming that the Cabinet Member (Portfolio holder) has been consulted.

Role of the Capital Programme Board (CPB)

Appraisals and Variations will require approval by the Capital Programme Board before final approval by Cabinet (or the CFO if under delegation). The project manager and/or Head of Service will be invited to attend CPB if required to explain the scheme.

The CPB will meet monthly, therefore project managers need to ensure that appraisals and variations are produced in a timely manner.

Block Programmes

The Capital Programme includes block programmes for Improvements to Regeneration areas, Parks/Allotments, Operational Buildings and Commercial Landlord responsibilities.

CPB will approve individual schemes within these blocks following the submission of a capital appraisal by the relevant project manager.

Urgent Approvals

Due to their long-term nature, capital investment decisions should be carefully considered. LGSS Finance should be consulted as soon as a scheme is under consideration and a capital appraisal form completed. In the vast majority of cases this will allow CPB to consider and approve the scheme within its monthly cycle.

In the rare circumstance where urgent approval is required, this can be secured via e-mail from the Chair of CPB. The capital appraisal form will still require signatures including the CFO. If the scheme is more than £250k then Cabinet approval will still be required unless an absolute emergency.

MONITORING THE CAPITAL PROGRAMME

Project management & monitoring

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

This includes ensuring that:

- Only capital expenditure is charged to the capital project
- Only expenditure properly attributable to the scheme is coded to the scheme
- The scheme expenditure is contained within the agreed budget, and that any ‘unavoidable’ variations are dealt with appropriately
- Realistic expenditure profiles are determined
- A realistic forecast outturn for the financial year and the project as a whole are calculated and kept under regular review. Changes must be input into Agresso Planner on a monthly basis, along with clear explanations for any variation.
- Any proposed carry forward from current to future years is identified and input to Agresso Planner.
- Any grants or third party funding is applied for and all grant conditions met
- The source of any revenue funding is identified

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

Directorate Management Teams

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

LGSS Finance

Nominated Finance Business Partners within the Finance Team are responsible for providing support and advice to assist project managers in managing and monitoring their capital budgets. The team also has a key role in consolidating and co-ordinating the monitoring information that is required for reporting purposes. This involves reporting to Directorate Management Teams, Capital Programme Board, Management Board and Cabinet. The nominated senior lead in the LGSS Finance team is responsible for ensuring that the agreed programme is fully and appropriately financed at all times.

Capital Programme Monitoring

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

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

RISK MANAGEMENT

Any significant risks associated with specific projects are identified in the capital appraisal form. General risks in relation to the overall capital programme are managed through the Capital Programme Board:

Risk	**Mitigation**
Project Overspend	Project managers update financial forecasts on a monthly basis. Any forecast overspend must be dealt with immediately – identifying savings elsewhere within the programme or alternative sources of funding.
Project Slippage	Any forecast carry forwards are also identified on a monthly basis. The impact of these carry forwards on the associated funding is reflected in the overall monitoring reported to Capital Programme Board.
Capital receipts – delay or non-receipt	As part of the funding capital receipts are not allocated or committed prior to receipt or certainty that they will be received

ASSET MANAGEMENT

Council Assets

The Council owned Property, plant and equipment assets with a total net book value of £675m at March 2017. Council assets included around 11,650 Council dwellings, and 925 hectares of Parks and Open Spaces.

The Council also owns a large number of commercial properties and agricultural land used to generate income. These “investment properties” are kept under review to ensure that they continue to generate a good return – if not they will be considered for disposal. The Council will also seek opportunities to invest in additional property assets to generate a financial return and support the growth and regeneration of the Borough.

The Asset Management team will identify any property assets that are surplus, i.e. no longer required for the delivery of Council services, and make recommendations to Cabinet for disposals in order to generate capital receipts.

Proposed General Fund Capital Programme 2018-19 to 2022-23

Project Title	Funding Source	2017-18 Latest £	2018-19 £	Indicative 2019-20 £	2020-21 £	2021-22 £	2022-23 £	Total £
Housing - General Fund								
Disabled Facilities Grant	G, C	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	8,850,000
Self-funded								
IT Infrastructure	S-F	195,000	150,000	150,000	150,000	150,000	150,000	945,000
Town Centre Improvements								
Market Stall Covers	C	20,000		20,000	20,000			60,000
Block Programmes - specific schemes to be agreed								
Capital Improvements - Regeneration Areas	C	322,000	50,000	50,000	50,000	50,000	50,000	572,000
Parks/Allotments/Cemeteries Enhancements	C	164,000	250,000	250,000	250,000	250,000	250,000	1,414,000
Car Park Lifts	C	500,000	200,000					700,000
Operational Buildings - Enhancements	C	529,000	250,000	250,000	250,000	250,000	250,000	1,779,000
Commercial Landlord Responsibilities	C	135,000	50,000	50,000	50,000	50,000	50,000	385,000
Other Schemes due to complete in 2016/17	G, R, C	4,593,000						
Development Pool (Estimated Costs)								
Vulcan Works - reprofiled	G, C	717,000	477,000	10,270,716				11,464,716
Central Museum Development - reprofiled	C	1,352,000	5,198,000					6,550,000
St James Mill Link Road - reprofiled	G, EZ	600,000	1,260,000	140,000				2,000,000
St Peters Waterside - reprofiled	G	150,000	881,000					1,031,000
Revenues and Benefits Capital Investments	C	147,000	121,000	20,000	20,000	20,000	20,000	348,000
New Proposals								
Horizon Park	S-F		525,000	7,350,000	1,225,000			9,100,000
Leisure Centre Improvement Programme	S-F	316,000	1,146,000	760,000	200,000	15,000		2,437,000
Car Park Decking	S-F		1,500,000					1,500,000
IT Tablets - Elections	C		13,200					13,200

Environmental Services Vehicles	S-F		12,300,000					12,300,000
Billing Brook Lakes	C		25,000					25,000
Total General Fund Capital Programme		**11,215,000**	**25,871,200**	**20,785,716**	**3,690,000**	**2,260,000**	**2,245,000**	**66,066,916**

Key to Funding Sources

G - Grants & Contributions

R - Revenue and Reserves

EZ - Enterprise Zone Business Rates

SF - Self-funded Borrowing

C - Corporate Resources - Capital Receipts or Borrowing

Proposed General Fund Capital Funding	2017-18 £	2018-19 £	2019-20 £	2020-21 £	2021-22 £	2021-22 £	Total £
Grants & Contributions:							
Disabled Facilities Grant - Better Care Fund	1,092,000	1,092,000	1,092,000	1,092,000	1,092,000	1,092,000	6,552,000
Heritage Lottery Funding - Delapre Abbey							0
HPDG	17,000						17,000
Local Growth Fund - Vulcan Works	717,000	477,000	4,981,000				6,175,000
Local Growth Fund - St James Mill Link Road	562,000						562,000
Section 106	289,000						289,000
Other Grants and Contributions	675,000	881,000	2,000,000				3,556,000
Sub-total Grants & Contributions	3,352,000	2,450,000	8,073,000	1,092,000	1,092,000	1,092,000	17,151,000
Revenue/Reserves	839,000						839,000
Capital Receipts - Heritage	1,352,000	5,198,000					6,550,000
Capital Receipts - Other	2,494,000	13,200	20,000	20,000			2,547,200
Growing Places Fund and Local Infrastructure Fund (to be repaid from EZ business rate uplift) - St James Mill Link Road	38,000	400,000					438,000
Self-funded Borrowing	511,000	16,481,000	11,400,000	1,575,000	165,000	150,000	30,282,000
Corporate Borrowing	2,629,000	1,329,000	1,292,716	1,003,000	1,003,000	1,003,000	8,259,716
Total Funding	**11,215,000**	**25,871,200**	**20,785,716**	**3,690,000**	**2,260,000**	**2,245,000**	**66,066,916**

Northampton Borough Council Treasury Management Strategy 2018-19

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 (CFO).

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 This Treasury Management Strategy also includes the Council's:

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

1.16 The main changes from the previously approved Treasury Management Strategy are:

- Updates to Prudential and Treasury Indicators;
- Updates to interest rate forecasts;
- Updates to debt financing budget forecasts.

Scheme of Delegation

1.17 The Treasury Management Scheme of Delegation at Appendix A is taken from the Council's TMP Schedules. It sets out the delegated treasury management responsibilities of Council, Cabinet, Audit Committee and the Section 151 Officer.

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 B.

Equalities Statement

1.19 Equalities Impact Assessment (EIA) screening has been carried out on this Treasury Strategy, 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 2018, with forward estimates, is summarised below. Table 1 shows 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 The figures exclude any borrowing undertaken or planned for third party loans so as to focus on the Council's own cash position.

Table 1: Treasury Portfolio at 31 March 2018

£m	2017-18 Projected	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate
External borrowing						
Borrowing at 1 April	217	223	235	247	260	271
Expected change in borrowing	6	12	12	12	11	5
Borrowing at 31 March (1)	**223**	**235**	**247**	**260**	**271**	**276**
CFR at 31 March (2)	**262**	**268**	**269**	**273**	**275**	**279**
Under/(over) borrowing (2-1)	**39**	**33**	**22**	**13**	**4**	**3**
Investments						
Investments at 1 April	75	72	77	88	98	109
Expected change in investments	(3)	5	11	10	11	6
Investments at 31 March (3)	**72**	**77**	**88**	**98**	**109**	**115**
Net borrowing (1-3)	**151**	**158**	**159**	**162**	**162**	**161**

3 Prospects for interest rates

3.1 The Council has appointed Link Asset Services (LAS) - previously named Capita Asset Services - as its treasury advisors. Part of their service is to assist the Council to formulate a view on interest rates. Table 2 below gives the LAS central view for the forecast bank rate, short term LIBID rates, and longer term PWLB rates (at November 2017).

Table 2: Link Asset Services Bank Rate Forecast

	NOW	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.25	1.25	1.25
3 month LIBID	0.40	0.40	0.40	0.40	0.40	0.60	0.60	0.60	0.70	0.90	0.90	1.00	1.20	1.20	1.20
6 month LIBID	0.45	0.50	0.50	0.50	0.60	0.80	0.80	0.80	0.90	1.00	1.00	1.10	1.30	1.30	1.40
12 month LIBID	0.65	0.70	0.80	0.80	0.90	1.00	1.00	1.10	1.10	1.30	1.30	1.40	1.50	1.50	1.60
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.10	2.10	2.20	2.30	2.30
10 yr PWLB	2.10	2.10	2.20	2.30	2.40	2.40	2.50	2.60	2.60	2.70	2.70	2.80	2.90	2.90	3.00
25 yr PWLB	2.70	2.80	2.90	3.00	3.00	3.10	3.10	3.20	3.20	3.30	3.40	3.50	3.50	3.60	3.60
50 yr PWLB	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40	3.40

3.2 A detailed economic commentary is attached as Appendix E.

3.3 In summary, the current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Investment returns are likely to remain relatively low during 2018/19 and beyond;
- Borrowing interest rates are forecast to increase moderately and progressively. The Council's previous policy of deferring new borrowing by running down cash balances (internal borrowing), has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or refinancing maturing debt;
- There will remain a cost of carry to any new borrowing. The temporary increase in cash balances will, most likely, incur a revenue loss pending outlay from the difference between borrowing costs and investment returns available.

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 (CFR) has not been fully funded with loan debt. Instead, cash supporting the Council's reserves, balances and cash flow has been used to fund this requirement in leui – a process known as internal borrowing.

4.6 This strategy of internal borrowing has served the Council well in the current economic climate, as investment returns are low and counterparty risk is relatively high. However, the decision to maintain internal borrowing to generate short term savings must be evaluated against the potential for incurring additional long term borrowing costs in future years, when long term interest rates are forecast to be significantly higher. Consequently, the borrowing strategy will be to continue to apply internal rather than external borrowing to fund capital expenditure. However, from mid 2018/19 until the end of 2022/23 the Council may consider replacing existing internal borrowing with external borrowing in order to reduce the under borrowed position. Should long term borrowing rates rise as projected, this action would serve to "future proof" investment in order to deliver the Council's plans. However, this action must be considered against the cost of carry.

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

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.

4.9 Loans are also available from major banks via the money market and, depending on market conditions, these may be considered when they offer better value for money than PWLB loans. The Council will in particular consider forward funding deals to mitigate the interest rate risks associated with internal borrowing.

4.10 Other forms of borrowing such as bonds or private placements, either acting alone or through a collective agency such as the newly formed Municipal Bonds Agency, may be considered if available and appropriate.

4.11 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 CFO, who has the delegated authority to take the most appropriate form of borrowing from approved sources.

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 The Council also has powers to provide financial support to organisations under general powers of competence under the Localism Act 2011.

4.14 Enhancement to the governance and due diligence in respect of the awarding of grants and third party loans has been developed. This covers:

- Checklists and a manual;
- The incorporation of external independent advice as part sign-off process.

4.15 Loans of this nature that remain outstanding have been lent to Northampton Town Rugby Football Club (NTRFC), Unity Leisure, Cosworth, University of Northampton (UoN) and Delapre Abbey Preservation Trust (DAPT).

Prudential & Treasury Indicators

4.16 The Council's prudential and treasury indicators for 2018-19 to 2022-23 are set out at Appendix C.

Policy on borrowing in advance of need

4.17 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.

4.18 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

4.19 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.

4.20 As short term borrowing rates tend to be cheaper than longer term fixed interest rates, there can 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 made in consultation with advice from the Council's external treasury management advisers.

4.21 The reasons for any rescheduling to take place may 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).

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

Affordable Borrowing Limit

4.23 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.

4.24 The Council's Affordable Borrowing Limits are set out in Table 3 below, broken down between the borrowing for capital expenditure purposes and that anticipated for the provision of loans to third parties.

Table 3: Affordable Borrowing Limit

	2018-19	2019-20	2020-21	2021-22	2022-23
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
NBC CFR plus headroom	284	288	288	289	290
To support loans to third parties	50	50	50	50	50
Affordable Borrowing Limit	**334**	**338**	**338**	**339**	**340**

Temporary Borrowing

4.25 The Council may occasionally undertake short-term temporary borrowing if this is needed to cover its cash flow position.

4.26 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.

4.27 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

4.28 A cost-benefit exercise was undertaken in late 2014-15 to determine what level of overdraft facility represented best value for money for the Council, based on a risk assessment of possible overdrawn scenarios. As the Council maintains very tight control of its cash balances, it was determined that the most cost effective approach was not to renew its overdraft facility when it came up for renewal in April 2015. This change was approved by the CFO and reported to Cabinet and Council in the 2014-15 Treasury Management Mid Year report.

4.29 Unauthorised bank overdrafts are currently charged at a standard debit interest rate of 2.00% above Bank Base Rate per annum.

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 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 this year is set out at Appendix D. The policy is considered by the CFO 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, and its investment priorities in order are:

- the **S**ecurity of the invested capital;
- the **L**iquidity of the invested capital;
- the **Y**ield received from the investment consummate with the above.

6.3 The Council's Annual Investment Strategy is set out at Appendix F.

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, with the forecast average investment portfolio of £77.0m for 2018-19 each 0.1% increase or decrease in investment rates equates to £77.0k, 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 These 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.

9 Debt financing budget

9.1 Table 4 below sets out the Council's debt financing budget for 2018-19 to 2022-23. Interest payable and reimbursements in respect of loans to third parties are included.

Table 4: Debt Financing Budget					
	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000
Interest payable	1,600	1,715	2,079	1,977	2,050
Interest Receivable	(1,453)	(1,672)	(1,732)	(1,396)	(1,429)
MRP	1,176	1,253	1,292	1,323	1,314
Recharges from/(to) the HRA	86	83	(108)	(172)	(72)
Total	**1,409**	**1,379**	**1,531**	**1,732**	**1,863**

9.2 MRP charges are in line with the Council's MRP policy at Appendix D.

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 The current supplier of service is Link Asset Services (formerly named Capita Asset Services) under a framework contract with Local Government Shared Services (LGSS). The costs of the service are met by LGSS budgets.

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:

Codes of Pratice updates

11.2 Consultations have been issued on changes to codes of practice for Treasury Management, Prudential Code, MRP and Investments.

11.3 The proposed changes to the Treasury Management Code include the potential for non-treasury investments such as commercial investments in properties to be bought into the treasury definition of "investments", as well as loans made or shares brought for service purposes. Another proposed change is the inclusion of financial guarantees as instruments requiring risk management to be addressed within the Treasury Management Strategy. Approval of the technical detail of the Treasury Management Strategy may be delegated to a committee rather than needing approval of full Council. There are also plans to drop or alter some of the current treasury management indicators.

11.4 The proposed changes to the Prudential Code include the requirement to production of a new high-level Capital Strategy report to full Council which will cover the basics of the capital programme and treasury management. The prudential indicators for capital expenditure and the authorised borrowing limit may be included in this report but other indicators may also be delegated to another committee. There are plans to drop certain prudential indicators, however local indicators are recommended for ring fenced funds (including the HRA) and for group accounts. Other proposed changes include applying the principles of the Code to any subsidiaries the Authority may have.

11.5 The proposed changes to the Government guidance on Investments include disclosure requirements for contributions that non-core investment activity make towards core statutory functions; dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income. Changes related to MRP include proposals for the definition of 'prudent provision' to one that requires MRP set to cover the gap between the Capital Financing Requirement and amount of that requirement funded by income, grants and receipts; regulation to ensure changing of MRP methodology does not generate an overpayment of MRP - i.e. no backdating of approach changes; and setting of prescribed maximum useful economic lives for MRP calculations based on asset life.

11.6 The Council will continue to make representation to these consultations and consider the implications of these proposals upon its treasury function.

Market in Financial Instruments Directive (MiFID) II

11.7 The forthcoming European regulation MiFID II is set to become effective from 3rd January 2018. The directive and UK implementation rules require regulated firms to classify Local Authorities previously assumed as professional clients by default instead to retail clients by default, unless Authories opt-up to Elective Professional Status.

11.8 Classification as a retail client would mean regulated firms would either;

- No longer be able to offer Local Authorities in this category the investment opportunities outside those deemed appropriate for retail clients who are considered less knowledgable in financial markets, or;
- Those firms would be required to provide significant support in taking clients through accessing the risks and opportunities involved at considerable internal cost – these costs would either be passed on to the customer, or would more likely lead to a withdrawal of those opportunities to retail clients.

11.9 The opt-up to Elective Professional Status process involves an assessment of the expertise and experience of Local Authority treasury functions, a minimum portfolio size and minimum annual trade volumes. This Council fulfils those requirements, and has therefore applied to its investment counterparts for Elective Professional Status.

11.10 Obtaining Elective Professional Status will allow this Council to continue to access the markets and opportunities which have been available to it in the past, and is reflective of the Council's risk-based approach to conducting investment activity.

Enterprise Zone

11.11 The Council continues to take forward infrastructure improvements to enable development and to attract investment into the Enterprise Zone, supporting employment growth. Loans have been granted from the Government's Growing Places Fund (GPF) and Local Infrastructure Fund (LIF). The repayment of funding (principal and interest) will be met, for the most part, from business rates uplift in line with the Enterprise Zone financial model.

Tax Incremental Financing

11.12 The Government previously outlined 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 and deliver infrastructure projects.

11.13 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 required new legislation and is closely linked to the localisation of business rates i.e. local retention of business rate income.

11.14 In determining the affordability of borrowing for capital purposes, local authorities take account of their current income streams and forecast future 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.

11.15 The Council will continue to explore these 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.

Autumn Budget Statement

11.16 The Government spending review is published as part of the Chancellor's Autumn Statement in November 2017. The detail and the implications for this will be analysed and incorporated as required.

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. This applies to officers employed by the Council and in particular treasury management staff, as well as 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.

13 List of appendices

Appendix A: Treasury Management Scheme of Delegation and Role of Chief Finance Officer (Section 151 Officer)
Appendix B: Policy for attributing income and expenditure and risks between the General Fund and the HRA
Appendix C: Prudential and Treasury Indicators
Appendix D: Minimum Revenue Provision (MRP) Policy Statement
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Appendix A

Treasury Management Scheme of Delegation and role of the Chief Finance Officer (Section 151 Officer)

Treasury Management Scheme of Delegation

Council

The Council is responsible for:

- Adoption of the CIPFA Code of Practice on Treasury Management in the Public Services;
- Approval of the Treasury Management Policy Statement;
- Approval of the annual Treasury Management Strategy and annual Investment Strategy;
- Setting and monitoring of the Council's prudential and treasury indicators;
- Approval of the treasury management mid-year and outturn reports;
- Approval of the debt financing revenue budget as part of the annual budget setting process.

Cabinet

The Cabinet is responsible for:

- Consideration of the all of the above and recommendation to Council;
- Receiving monitoring information on the debt financing budget as part of the revenue budget monitoring process;
- Approving the selection of external service providers and agreeing terms of appointment in accordance with the Council's procurement regulations.

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 (CFO) is the officer designated for the purposes of Section 151 of the Local Government Act 1972 as the Responsible Officer for treasury management at the Council.

The Council's Financial Regulations delegates responsibility for the execution and administration of treasury management decisions to the CFO, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

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.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to 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.

The CFO may delegate his power to borrow and invest to members of his staff.

The CFO is responsible for:

- Ensuring that the schedules to the Treasury Management Practices (TMPs) are fully reviewed and updated annually and monitoring compliance to the Treasury Management in the Public Services: Code of Practice and Guidance Notes;
- Submitting regular treasury management reports to Cabinet and Council;
- Submitting debt financing revenue budgets and budget variations in line with the Council's budgetary policies;
- Receiving and reviewing treasury management information reports;
- 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 the appointment of external service providers (e.g. treasury management advisors) in line with the approval limits set out in the Council's procurement rules;
- Ensuring that the Council's Treasury Management Policy is adhered to, and if not, bringing the matter to the attention of elected members as soon as possible.

Appendix B

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 F.

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 variable loans.

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.

Prudential and Treasury Indicators

The prudential indicators for 2018-19 to 2022-23 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.

General Fund - The gently rising trend shown below reflects the cumulative impact of borrowing costs (interest and MRP) for capital programme schemes agreed each year, set against the backdrop of a reducing net revenue stream in future years.

HRA – The rising trend shown below reflects the cumulative impact of borrowing costs (interest only) for capital programme schemes agreed each year, set against the backdrop of a reducing net revenue stream in future years.

Estimate of the ratio of financing costs to net revenue stream					
	2018-19	2019-20	2020-21	2021-22	2022-23
	Estimate %	Estimate %	Estimate %	Estimate %	Estimate %
General Fund	6.13	6.02	6.54	7.25	7.64
HRA	40.71	41.27	42.14	41.75	41.68

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 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 agreed capital expenditure schemes starting in 2018-19 and planned for 2019-20 to 2022-23.

Estimates of incremental impact of new capital investment decisions on the Council Tax					
	2018-19	2019-20	2020-21	2021-22	2022-23
	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p
General Fund	0.37	2.79	4.16	5.34	5.79

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.

Additions to the Capital Programme are supported by a capital appraisal or a report to Cabinet setting out the costs and funding, as well as the benefits and risks of the project, 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 agreed capital expenditure schemes starting in 2018-19 and planned for 2019-20 to 2022-23.

The availability of additional revenue (reserve) 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) has supported 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, now laid down in legislation.

Estimates of incremental impact of new capital investment decisions on Housing Rents					
	2018-19	2019-20	2020-21	2021-22	2022-23
	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p
HRA	0.10	0.45	0.72	1.00	1.29

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.

Additions to the HRA Capital Programme are supported by a capital appraisal or a report to Cabinet setting out the costs and funding, as well as the benefits and risks of the project, 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		
	2018-19 £000 **Excluding** Third Party Loans	2018-19 £000 **Including** Third Party Loans
Gross external debt	**223,146**	**273,691**
2017-18 Closing CFR (forecast)	261,675	312,220
Increases to CFR:		
2018-19	6,283	6,003
2019-20	1,527	1,247
2020-21	3,752	3,503
Adjusted CFR	**273,237**	**322,973**
Gross external debt less than adjusted CFR	**Yes**	**Yes**

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 2018-19 to 2022-23 for both the GF and HRA is included elsewhere on this agenda and sets out the levels of estimated capital expenditure.

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.

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. 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 loans to third party organisations funded by borrowing, where these are included in the Council's capital programme.

The General Fund CFR (excluding third party loans) shows a gentle increase over the forthcoming five-year period. The impact of proposed new capital expenditure funded by borrowing is ofset by annual repayments of principal (MRP).

The HRA CFR shows an increase over the five year period as additional borrowing is planned to support the HRA capital programme. The HRA is not required to make an annual MRP charge towards debt repayment.

The changes to CFR for future years (2019-20 to 2022-23) are subject to future Council decisions in respect of the capital programme for those years.

Capital Financing Requirement (Closing CFR)					
	2018-19	2019-20	2020-21	2021-22	2022-23
	31 March £000	31 March £000	31 March £000	31 March £000	31 March £000
General Fund	66	66	66	68	70
HRA	202	203	207	207	209
Total	**268**	**269**	**273**	**275**	**279**
Loans to third parties (GF)	50	50	50	50	50
Total	**318**	**319**	**323**	**325**	**329**

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 where aplicable.

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 CFO 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					
	2018-19	2019-20	2020-21	2021-22	2022-23
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
Borrowing	329	333	333	334	340
Other long-term liabilities	5	5	5	5	5
Total	**334**	**338**	**338**	**339**	**345**

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 CFO. 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 CFO 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					
	2018-19	2019-20	2020-21	2021-22	2022-23
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
Borrowing	319	323	323	324	330
Other long-term liabilities	5	5	5	5	5
Total	**324**	**328**	**328**	**329**	**335**

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 £217.001m**. This is the HRA debt cap imposed by the Department for Communities and Local Government (DCLG). The original debt cap of £208.401m was increased by DCLG to allow for additional borrowing to fund new council house building at Dallington Beck in 2015-16 and 2016-17.

Risk Analysis

The current HRA business plan has been modelled with full regard to the DCLG 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 around the Government's rent setting policy which is now laid down in legislation and also that inflation levels may change more than expected. This could result in the financial assumptions in the business plan proving to be inaccurate, leading to reduced headroom for borrowing with the need for a combination of savings and a re-phased Asset Management Plan . 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 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 Analysis

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.

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.

The Council has chosen to express these indicators 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
2017-18	100%	100%
2018-19	100%	100%
2019-20	100%	100%
2020-21	100%	100%
2021-22	100%	100%
2022-23	100%	100%

Upper limits on interest rate exposures - investments		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2017-18	100%	100%
2018-19	100%	100%
2019-20	100%	100%
2020-21	100%	100%
2021-22	100%	100%
2022-23	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
2017-18	150%	150%
2018-19	150%	150%
2019-20	150%	150%
2020-21	150%	150%
2021-22	150%	150%
2022-23	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					
	2018-19	2019-20	2020-21	2021-22	2022-23
	Upper Limit £m	Upper Limit £m	Upper Limit £m	Upper Limit £m	Upper Limit £m
Investments > 364 days	7	8	9	10	10

This upper limit has been calculated at a prudent level with regard to cashflow liquidity, based on a maximum of 10% of forecast average general (HRA & GF) cash balances in year.

Appendix D

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. The Council’s policy statement on MRP for 2018-19 is set out below. The policy is considered by the Chief Finance Officer (CFO) to provide for the prudent repayment of debt.

1.4.1 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.

1.4.2 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”.

1.4.3 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.

1.4.4 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.

1.4.5 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.

1.4.6 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.

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

1.4.8 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.

1.4.9 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 - for example capital expenditure on preparing assets for sale. Where this approach is used it will be reviewed on an annual basis, in consideration of updated expectations over the timing and certainty of capital receipts, and to ensure that the latest estimate of proceeds is sufficient to cover the MRP liability.

1.4.10 In respect of the borrowing undertaken to fund loans to Northampton Town Football Club, the capital receipt from the proposed sale of the associated development land will be utilised to reduce the outstanding CFR liability and finance the loan impairment when the land is sold and the capital receipt is realised. This approach will be reviewed on an annual basis to ensure that the latest estimate of proceeds is sufficient to cover the MRP liability. In the event that they are not, the Council will make a charge to revenue, either immediately or over a period of time, to reduce the CFR accordingly.

1.4.11 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.

1.4.12 The Council will take advantage of any transitional arrangements introduced to minimise or negate the impact of retrospective accounting adjustments as a result of new accounting guidance or proper practice.

1.4.13 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; the CFR will be reduced by the third party loan repayments as and when these are received.

1.4.14 In respect of infrastructure improvements and other capital schemes where repayment of the funding (principal and interest) will be met from business rates uplift in line with the Enterprise Zone financial model, and the repayment does not exceed the life of the asset, the Council will not charge MRP on the related expenditure; the CFR will be reduced by the amount of repayment of principal through business rates as and when these are made.

1.4.15 The Minimum Revenue Provsion Policy Statement will be continuously reviewed throughout the financial year and particularly with respect to any devlopments in the Council’s Effciency Plan. Any required amendments or changes will be brought back to Council for approval.

Economic Commentary – Link Asset Services (LAS)

ECONOMIC CLIMATE

November 2017 saw two major UK economic developments:

1. After the MPC painted themselves into a corner with their words following their previous meeting on 14 September 2017, it was a virtual certainty that Bank Rate would go up by 0.25% this time around. The MPC duly delivered on those words by a vote of 7-2 to remove the post EU referendum emergency monetary stimulus implemented in August 2016 by reversing the cut in Bank Rate at that time from 0.5% to 0.25%, (with no change in QE this time). In view of the robust rate of growth in the second half of 2016 which confounded the Bank's August 2016 forecasts for a sharp slowdown, many commentators subsequently held the view that that emergency action was unnecessary. On the face of it, to now increase Bank Rate when economic growth in 2017 in quarters 1 and 2 was so disappointingly weak, (0.2% and 0.3% respectively), can appear to be perverse.

2. The MPC also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

Financial markets viewed this result as being more dovish than they had expected and sterling duly responded by falling 0.8% against the dollar and euro on the day. As this was the first increase in Bank Rate for a decade, the MPC was right to avoid alarming consumers and financial markets, and to be very reassuring about the pace of future increases.

The quarterly Inflation Report itself, was notably downbeat about economic growth based on a view that the trend rate of growth for the economy has now fallen from 2.2% to only 1.5%, (whereas in the decade before the financial crash it grew at 2.9% p.a.). One of the main focuses for this was a view that productivity growth would remain very weak at about only 1% p.a. This does not augur well for increases in wage rates. This, in turn, is likely to feed through into weak domestically generated, (i.e. excluding the one off post referendum imported inflation through the fall in the value of sterling), price pressures underpinning CPI inflation. Overall, the Inflation Report was little changed from the August report and again forecast that inflation would be barely above the 2% target at the three year time horizon; it is also expected to peak very soon at 3.2%, (September was 3.0%), before falling thereafter as the devaluation effect gradually falls out of the 12 month statistics. As for forecasts for GDP growth, these also barely changed with growth falling from 1.7% to 1.6% for 2017 and being unchanged for 2018 (1.6%) and 2019 (1.8%). The MPC was also quite concerned about the situation over Brexit as there has been little significant agreement so far in terms of moving towards giving UK firms some confidence of what sort of trade terms the UK is likely to have with the EU from 2019. They felt that this uncertainty was holding back investment. The MPC's forecasts are predicated on an assumption that households and companies base their decisions on a smooth adjustment to a new trading relationship with the EU.

It has to be said that overall, this is really a quite pessimistic outlook for the UK economy. For some commentators, raising Bank Rate with such a weak outlook, did not sit easily together. However, the MPC's main justification for taking action now to raise Bank Rate was that because unemployment was at the lowest rate for 42 years at only 4.3%, there was little spare capacity left in the economy, especially when increases in productivity were expected to be so weak and taking account of Brexit caused expected falls in net immigration. They also noted that consumer confidence has remained resilient and the global economy was growing strongly which would help UK exports. In addition, financial conditions were highly accommodative through the current level of monetary policy.

Accordingly, despite this weak outlook for GDP growth, they needed to take action now to ward off the potential for inflationary pressures to start building up.

FORECASTS

The MPC commented that the UK is going through a period of heightened uncertainty due, particularly, to the unknowns around how the Brexit negotiations will proceed and the likely effect on households and companies. They will adjust their responses according to how these turn out and in the light of how the economy progresses over the next two to three years. We would agree with these qualifications. Obviously, if the negotiations are very difficult and end up being disappointing, this could put in jeopardy even two Bank Rate increases over the next three years.

We can only forecast given the current situation and have to flag up that there is a wide spread of potential outcomes during this forecast period. There is, therefore, a likelihood of heightened volatility as events actually unfold. However, strong causal links in western economies between falling unemployment and rising inflation, appears to be broken. This has led some commentators to raise the question as to whether we are now moving into a new paradigm of low unemployment at the same time as low inflation, where central bank policy targets of focusing primarily on inflation are beginning to be called into fundamental question. The example of Japan, which has struggled for some two decades to get inflation up to 2% despite massive repeated rounds of QE, is just one example.

What will actually happen to wage inflation, therefore, remains a key issue. If wage inflation continues to remain very subdued over the next two to three years, this will act as a significant headwind to the MPC justifying further increases in Bank Rate due to inflationary threats building up.

However, it has in the past 'looked through' e.g. one off increases in inflation which it saw as a temporary occurrence; the MPC could, therefore, be flexible in implementing its mandate of focusing primarily on inflation. Alternatively, they could justify increases in Bank Rate as being primarily due to the need to simply remove monetary policy stimulus as this has caused massive distortions in the economy with asset prices e.g. share prices and house prices have been the main beneficiaries while savers have been the major losers through low interest rates.

The central forecasts are cautious and in line with this subdued path for increases in Bank Rate; we do not currently see inflation posing a significant threat over the next three years. We have 0.25% increases in November 2018 to 0.75%, 1.0% in November 2019 and 1.25% in August 2020. This is much in line with market expectations.

Our central assumption is that the UK will make progress with concluding a satisfactory outcome over the Brexit negotiations with the EU by March 2019, although the UK finance sector is likely to be an area of particular concern and difficulty.

FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Bank Rate forecasts, and also MPC decisions, will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year.

Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring relatively more "risky" assets i.e. equities, or the "safe haven" of government bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. A world economic recovery will likely see investors switching from the safe haven of bonds to equities.

We have pointed out consistently that the Fed. Rate is likely to go up more quickly and more strongly than Bank Rate in the UK. While there is normally a high degree of correlation between the two yields, we would expect to see a growing decoupling of yields between the two i.e. we would expect US yields to go up faster than UK yields. We will need to monitor this area closely and any resulting effect on PWLB rates.

• The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit;
• The balance of risks to increases in Bank Rate and shorter term PWLB rates are probably to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively;
• Forecasts are predicated on an assumption that there is no break-up of the Eurozone or EU, (apart from the departure of the UK), within our forecasting time period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea, which have a major impact on international trade and world GDP growth.

However, PWLB rates and bond yields are unpredictable at present. Revised forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

• Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate;
• Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows;
• A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system;
• Weak capitalisation of some European banks;

• The result of the October 2017 Austrian general election is likely to result in a strongly antiimmigrant coalition government. In addition, the new Czech prime minister is expected to be Andrej Babis who is strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets;
• Rising protectionism under President Trump;
• A sharp Chinese downturn and its impact on emerging market countries.

The potential for **upside risks to current forecasts** for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:

• The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect;
• UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields;
• The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Appendix F

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.

1.3 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. 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 AA or above, or are;
- UK banking or other financial institutions 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 for 2018-19 it will only use approved counterparties from countries with a sovereign credit rating from at least one of the three main ratings agencies of at least AA. However the limit for the amount that may be invested and the duration of the investment will be banded according to the sovereign rating. These limits are set out in the table at paragraph 7.4.

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 available for investment.

	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Expected investment balances	72	77	88	98	109	115

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

4.3 Should the Council strategically reduce its the under borrowed position, this will lead to greater investment balances. This trend is illustrated in the above table that shows a steady increase in the expected investment level.

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.

5.3 The majority of the Council’s investments in 2018-19 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 recommendation for 2018-19 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.

6.2.2 The following items, being non-specified only by virtue of the Council's lack of previous exposure to these instruments, are:

- UK Government Gilts;
- Treasury Bills;
- Bonds issued by a financial institution that is guaranteed by the UK Government and multi-lateral development banks as defined in Statutory Instrument 2004 No. 534;
- Reverse Gilt Repos;
- Commercial paper;
- Gilt funds and other bond funds;
- Enhanced money market funds;
- Property funds.

Before proceeding with any of the above treasury management staff will take advice from the Council's external treasury advisors as appropriate, ensure that they fully understand the product and its risks, and prepare a business case to be signed off by the CFO.

These business cases will include:

- A clear justification for using the product;
- Evaluation of counterparty and other risk;
- Procedures and limits for controlling exposure.

7 Counterparties

7.1 Over-arching policies for the management of counterparty and credit risk are set out in the TMP Schedules. The Council's approach to counterparties for 2018-19 is set out below.

7.2 The 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 2018-19.

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 per individual counterparty or banking group**	**NBC Additional Limits - Duration**
(1a)	UK Government	£20m	3 years
(1b)	UK nationalised or part nationalised banking institutions	£20m	3 years
(1c)	Other UK counterparties	£15m	3 years
(1d)	Other Local Authorities	£10m	3 years
(2a)	Non UK counterparties having a sovereign rating of AAA	£15m	3 years
(2b)	Non UK counterparties having a sovereign rating of AA+	£10m	2 years
(2c)	Non UK counterparties having a sovereign rating of AA	£3m	1 year
(3)	Money Market Funds (CNAV) having a credit rating of AAA	£15m	N/A - Liquid deposits

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 investment portfolio, excluding instant access accounts and Money Market Funds, 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 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 CFO 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, 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 3 years as non-specified investments. When deciding the length of each investment, regard is had to both cashflow needs and prevailing interest rates. As cash balances available for investment are forecast to be somewhat reduced compared to previous years, the preservation of liquidity will be a critical determinant for treasury officers when determining the value and duration of investments.

8.3 Amounts deposited for over 364 days will also 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. Long term investments of over 2 years will only be made in exceptional circumstances and with approval of the CFO.

8.4 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.

8.5 The Council may occasionally undertake short-term temporary borrowing if this is needed to cover its cash flow position.

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 by the Council.

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 must be approved by Cabinet. The primary aims of the Investment Strategy, in order of priority, are the security of its capital, liquidity of its capital and then 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.

10.3 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 may make a prudent revenue provision of an appropriate amount.

12 Banking services

12.1 Following a joint procurement exercise with Cambridge City Council and South Cambridgeshire District Council, Barclays Bank were awarded the Council's banking services contract with effect from 1st October 2016.The contracts intial duration is 3 years with an option to extend for a further 2 years.

12.2 It is the Council's intention that, should the event of the credit rating downgrade of the provider of its banking services lead to that bank falling below the Council's minimum investment criteria, the bank may continue to be used for short term liquidity requirements (kept under daily review).

13 End of year investment report

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

Special Expenses

Introduction: What are Special Expenses?
Special Expenses are a part of the overall council tax charged by the Borough. The majority of the Borough's council tax is evenly distributed across all areas of the Borough. However, special expenses allow some specific costs to be distributed according to where the services are provided.
Special expenses relate to expenditure deemed solely to apply to a part of the Borough where precepting authorities in other parts of the Borough have chosen to precept and supply the same service separately. These are known as concurrent services.

Northampton Borough Council charges special expenses for the maintenance of its smaller parks and open spaces as this service is also carried out by Parish Councils in some areas. Because these smaller parks and opens spaces are not evenly distributed across the borough, the special expense charge (unlike the main council tax element) differs across the parishes of the Borough.

Legal Regulations
The use of Special Area Charges is permitted in accordance with Section 35 of the Local Government Act 1992 (1992 Act). The 1992 Act provides for different amounts of Council Tax to be calculated for different parts of a council's areas, usually between parished and unparished areas. The legislation provides for a range of special items to achieve this – special expenses and parish precepts being the most common.

Section 35(2)(d) specifically defines a special expense as *"any expenses incurred by a billing authority in performing in a part of its area a function performed elsewhere in its area by a parish council are the authority's special expenses unless a resolution of the authority to the contrary effect is in force."*

Special expenses are therefore the costs associated with concurrent services provided by a parish in some part of the authority, and by the authority in another part. The costs of the maintenance of parks and open spaces in the Borough fall under this definition as some parks and open spaces in the borough are maintained by the authority, and others are maintained by the parish councils.

Methodology for Calculating Special Expenses
The basic mechanism is to deduct the relevant expenditure from the total Council Tax applying to the total tax base, and then re-apply that expenditure over the parishes affected.

The relevant expenditure is the budgeted cost of providing parks and open spaces in the Borough. It is assumed that a proportion of these costs are met through central government grant, therefore this amount is reduced so that only a proportion of these costs that are considered to be met through council tax are charged as special expenses.

This amount is divided by the total acreage of parks and open spaces maintained by the Borough to give a cost per acre.

Some of the larger parks in the Borough are deemed to be of benefit to the whole Borough. The costs of these parks is therefore not redistributed through special expenses. The costs of the smaller, local parks and open spaces are redistributed. The total acreage of relevant parks and open spaces in each borough is then used to determine the specific charge for each area.

This means that residents in different parts of the Borough will pay different amounts according to the distribution of parks and open spaces across the Borough.

Position for 2017/18
The following sets out the components of council tax in Northampton for 2017/18:

Authority / Preceptor	2017/18 £
Northampton Borough Council	212.91
Northamptonshire Police & Crime Commissioner	209.04
Northamptonshire County Council	1,166.59
Parish Precepts (average)	16.38
Total	**1,604.91**

This shows that the average band D council tax relating to NBC was £212.91. However, this figure is only an average figure across all areas of the Borough – this figure will vary from area to area due to special expenses.

NBC charges special expenses for the maintenance of its smaller parks and open spaces as this service is also carried out by Parish Councils in some areas. Because these smaller parks and opens spaces are not evenly distributed across the borough, the special expense charge (unlike the main council tax element) differs across the parishes of the Borough.

The table below shows how the special expenses adjustment was made in each area of the Borough in 2017/18:

Area within the Borough	Basic amount of NBC council tax before special expense redistribution	Total special expense amount in NBC budget to be redistributed	Redistributed special expense amount by parish area	Net special expenses adjustment	Total NBC tax payable
	(a)	(b)	(c)	(d)	(e)
Billing	212.91	-9.45	9.67	0.22	213.13
Collingtree	212.91	-9.45	0.00	-9.45	203.46
Duston	212.91	-9.45	3.94	-5.51	207.40
Great Houghton	212.91	-9.45	0.00	-9.45	203.46
Hardingstone	212.91	-9.45	2.23	-7.22	205.69
Upton	212.91	-9.45	0.00	-9.45	203.46
Wootton	212.91	-9.45	3.39	-6.06	206.85
East Hunsbury	212.91	-9.45	14.73	5.28	218.19
Hunsbury Meadows	212.91	-9.45	0.00	-9.45	203.46
West Hunsbury	212.91	-9.45	5.85	-3.60	209.31
Unparished	212.91	-9.45	11.28	1.83	214.74
Average	**212.91**	**-9.45**	**9.45**	**0.00**	**212.91**

In the table above:

- Column (a) is the total amount of council tax to be raised by NBC divided by the total tax base. If there was no special expense adjustment, this would be the band D tax for NBC across all areas.
- Coulmn (b) relates to the cost of parks and open spaces to be redistributed by special expenses. This amount is taken off all areas, before being redistributed in column (c).
- Column (c) is the redistribution of special expenses. This redistribution is based on the acreage of parks and open spaces whose costs are being redistributed.
- Column (d) is the net adjustment, ie, (b) + (c). This shows that some areas pay more due to special expenses and some pay less. However, note that overall this produces a net nil adjustment across all areas. Special expenses do not affect the overall

amount raised by Council Tax and do not affect the average council tax for the Borough as a whole.

- Column (e) is then the total NBC council tax payable by each area. Again, note that the average amount has not changed from column (a).

Position for 2018/19
The special expense redistribution will work in the same way in 2018/19 as it did in 2017/18. However, as the contract for Environmental Services has not yet been finalised, the cost that will be redistributed through special expenses is not yet known.

The table below is an **illustrative example** of what this will look like if there were to be a 10% increase in the contract costs of maintaining parks and open spaces in the borough:

Area within the Borough	Basic amount of NBC council tax before special expense redistribution	Total special expense amount in NBC budget to be redistributed	Redistributed special expense amount by parish area	Net special expenses adjustment	Total NBC tax payable
	(a)	(b)	(c)	(d)	(e)
Billing	217.91	-10.93	11.30	0.37	218.28
Collingtree	217.91	-10.93	0.00	-10.93	206.98
Duston	217.91	-10.93	4.64	-6.28	211.62
Great Houghton	217.91	-10.93	0.00	-10.93	206.98
Hardingstone	217.91	-10.93	2.62	-8.30	209.60
Upton	217.91	-10.93	0.00	-10.93	206.98
Wootton	217.91	-10.93	3.99	-6.94	210.97
East Hunsbury	217.91	-10.93	17.26	6.33	224.24
Hunsbury Meadows	217.91	-10.93	0.00	-10.93	206.98
West Hunsbury	217.91	-10.93	6.94	-3.99	213.92
Unparished	217.91	-10.93	13.19	2.26	220.17
Average	**217.91**	**-10.93**	**10.93**	**0.00**	**217.91**

Note that the average amount of the redistribution in this example has risen from £9.45 in 2017/18 to £10.93 in 2018/19. This is an increase of £1.48, or 15%. This increase is partly due to the example increase in costs of maintaining parks and open spaces, and partly due to the level of central government decreasing, which increases the amount of these costs to be recovered through council tax and special expenses.

Note that this above example and the 10% increase in costs is **purely illustrative**. The exact amount will be calculated when the contract costs have been finalised. This will be in time for the final 2018/19 budget. The 10% example increase is in no way an indication of expected changes to the costs of the Environmental Services contract.

Appendices
4

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	Housing Revenue Account (HRA) Budget, Rent Setting 2018/19 and Budget Projections 2019/20 to 2022/23

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	20 December 2017
Key Decision:	NO
Within Policy:	YES
Policy Document:	NO
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
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 2018/19, including Rent setting for 2018/19, and forecast budgets for 2019/2023 for the draft Housing Revenue Account (HRA) and the draft HRA Capital Programme and financing proposals.

1.2 The report also outlines the draft Total Fees for Northampton Partnership Homes (NPH) based on the draft 2018/19 budgets.

2. Recommendations

2.1 That Cabinet approve the draft Housing Revenue Account (HRA) budget including charges and rents as detailed in Appendices 1 and 4 for public consultation.

2.2 That Cabinet approve the draft HRA Capital Programme and financing, as detailed in Appendix 2 for public consultation.

2.3 That Cabinet note the draft Total Fees proposed for NPH to deliver the services in scope.

3. Issues and Choices

3.1 Report Background

3.1.1 Local housing authorities are required by Section 754 of the Local Government and Housing Act 1989 (the 1989 Act) to keep a HRA. The HRA reflects a statutory obligation to account separately for local authority housing provision. It identifies the major elements of the HRA expenditure and how these are funded, mainly from rents. The HRA budget process incorporates the calculation for the continuation of delivery of the HRA services by NPH. The details of the arrangements and indicative financial Total Fees were presented to Cabinet on the 12th November 2014. This report provides the updated financial position and indicative Total Fee for NPH for 2018/19 to provide the services in scope. It should be noted that the Total Fee for NPH in 2018/19 will be subject to approval of the HRA and General Fund Budgets by Council at its meeting in February 2018.

3.1.2 The Council has statutory responsibility for the HRA and will therefore retain management of the HRA. NPH, as part of their responsibilities, will provide the Council with information on its activities and advice on how best to make use of the resources within the HRA.

The Financial Position and emerging Government Policy Implications

3.1.3 The national and global economic outlook has shifted over the last 12 months, due to the outcome of the referendum on in June 2016 leading to the UKs proposed withdrawal from the European Union. The position remains uncertain whilst negotiations on the terms of withdrawal and future trading relationships are negotiated. The impact on the Borough Council's budget and HRA medium term financial plan are:

- Demand for housing currently remains strong and whilst this is of benefit to Northampton's wider growth strategy it puts increasing pressure on the HRA from the increase in number of instances of homelessness and the managing of the HRA housing stock.

- Inflation, as measured by the Consumer Price Index, has risen to 3% and is expected to stay at this sort of level for a while. This will potentially lead to inflationary pressures within the Council's HRA budget.

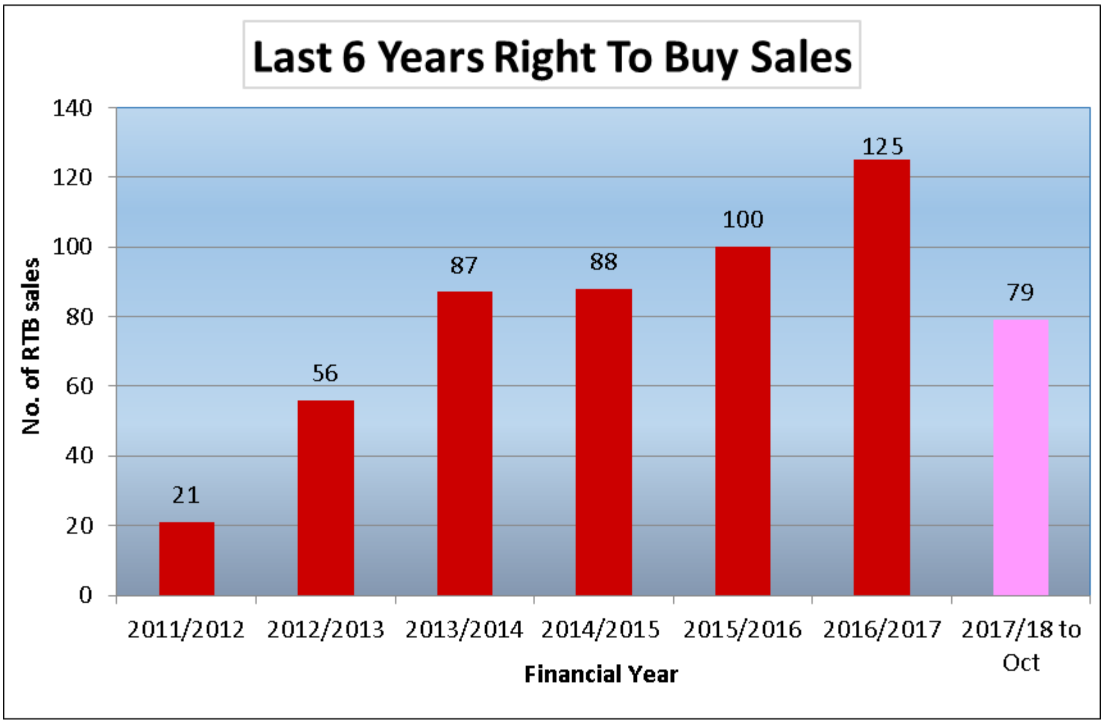
- Interest rates are forecast to rise slightly over the medium term. The Bank of England base rate was increased to 0.5% in November and is expected to rise gradually further over the next 12 to 18 months. This has a positive impact on the Council's income from interest on cash balances of which the HRA gets a share, and forecasts have been updated accordingly. PWLB borrowing rates remain low by historical standards, making longer-term borrowing to fund investments more attractive.

3.1.4 Since the introduction of self-financing in 2012 there have been a host of government policy initiatives that have impacted upon housing finances. Some of the major impacting ones are the legislative backed 1 % rent reductions for 4 years from 1 April 2016, the encouraging of right to buy (RTB) by increasing RTB discounts, the extension of the RTB (and associated discounts) to housing association tenants to be paid for by a levy charged to Local Authorities, and the introduction of Universal Credit and Benefit Cap.

More recently the Government has pledged to spend an additional £2bn on affordable housing and some details on proposals for future rent increases from 2020/21 were released with increases to be capped at CPI plus 1% for 5 years. There is now a prospect of some government support for Council new build

3.1.5 **HRA Debt Cap**. The HRA is subject to a debt cap whereby the Council cannot carry borrowing on the HRA above the level set by the Government. For Northampton, this level is £208.4m. The debt cap is to be increased by £8.6m via a special determination after the Council was successful in its Local Growth Fund (LGF) Bid for Council House New Build, more detail of which is reported in paragraph 3.1.9.3 below. This increases the Council's HRA debt cap to £217m.

3.1.6 **Right to Buy (RTB**) sales have increased compared to recent years following an increase in discount levels introduced from April 2012. The current years sales at the end of October, (79), are running ahead of last years,(64), at the same point in time. The total RTB sales for the last 6 years, and the current year to date is shown in the graph below:



Assumptions based on these increased resources are included within the indicative HRA capital programme financing shown at Appendix 2. There are two additional considerations arising from this change:

a) Additional pressure is placed on the revenue budgets through reduced rental income; assumptions around this have been built into the HRA budgets being considered in this report; and

b) The additional capital receipts,(retained "141" RTB receipt element 2018/19 £2.1m), must be used towards the provision of new social housing and can only be used to finance 30% of this cost. If the Council does not spend the capital receipts within a 3 year rolling timeframe, the receipts, plus an amount for interest, are payable to Government. Paragraph 3.1.9.2 provides more detail.

3.1.7 **Extension of Right to Buy and Higher Value Void sales** policy extends the RTB to housing association tenants and to compensate housing associations for the discount given under the scheme from the proceeds of selling “high value” council houses as they became available. This was due to commence from 2017/18. It is anticipated that housing associations would use the receipt to reinvest in new homes. To meet the cost of the discounts a determination will be issued requiring local authorities with a HRA to make a payment to the government for a financial year reflecting the market value of “high value” housing likely to become vacant during the year less costs, whether or not receipts are realised. The determining of the level of payment each HRA Local Authority will be expected to make will be entirely formula driven. It is anticipated now that this policy implementation will happen from April 2019. The detailed formula behind this calculation is still anticipated to be consulted upon. Updated modelling has been carried out based on the limited information available. The annual levy from 2019/20 is estimated to be £6.9m with certain allowances being able to offset against it plus an assumed 30% allowed to be retained for funding new build would result in an estimated £3.1m being payed to the government. To pay this levy the HRA could have to sell on the open market an additional 19 dwellings each year. This is shown in the table below:

Higher Value Voids Levy – the estimated figures

Year	Gross Levy £000's	Allowances £000's	Retained for new Housing £000's	Payment to Government £000's	Number of sales Required Number
2019/2020	6,889	(1,516)	**(2,265)**	3,108	19
2020/2021	6,972	(1,533)	**(2,312)**	3,127	19
2021/2022	7,059	(1,553)	**(2,357)**	3,149	18
2023/2024	7,146	(1,572)	**(1,955)**	3,619	21
2024/2025	7,235	(1,592)	**(1,692)**	3,951	22

- *assumes receipts will be realised from sales required*

3.1.8 Pay to Stay

The Housing and Planning Bill 2016 made provision for the charging “high income social tenants” with reference to the market rate or other factors based on income and housing area. The Government decided not to proceed with the policy in its current compulsory form. Local authorities and housing associations have discretion as to whether to implement the policy for tenants with incomes over £60k. This policy is currently not applied by the Council.

3.1.9 **New Council House Build**.

3.1.9.1 **Local Growth Fund – Dallington project**

The Council was successful in its bid, under the Governments LGF scheme, for an increase in its debt cap specifically to help fund the building of 100 new Council homes at Dallington. The increase in debt cap awarded was £8.6m, which allowed the Council to borrow specifically for this project within a specific timeframe. The costs and borrowing for this project are forecast to be covered over the life of the project by the rental streams generated by affordable rents.

This project plan has changed and as a result the Council applied to the DCLG in May 2016 and then again in March 2017 for a re-phasing of the increase in debt cap. Officers of the Council and NPH have been liaising with DCLG to find a solution, with a view to ensuring that the additional borrowing headroom created by the awarded increase in debt cap is not lost to the Council. The DCLG are currently considering a proposal from the Council to ensure that Dallington is still delivered, ensure that the Council keeps the increase debt cap to enable it to deliver other new build projects in the interim whilst progressing Dallington in a different timeframe.

3.1.9.2 **141 RTB Receipts** - One of the restrictions around the Local Growth Fund Scheme was that 141 RTB receipts were disallowed to be used as a part funding resource. The 141 RTB receipts have to be used to fund up to a maximum of 30% of new build, additionality projects or grants to Housing Association schemes. The RTB receipts have to be spent within 3 years from receipt under the rules of the 2012 agreement the Council signed up to, otherwise they are paid back to Treasury with interest at 4% above base. The Council and NPH have been developing a programme that will ensure that these receipts can be used within the timeframes of the agreement and not paid back to Treasury. The 2018/19 capital programme budget includes expenditure of £6.9m on new build buy backs and additionality schemes.

The Council is working closely with NPH to ensure the timely delivery of the replacement homes and clear plans for at least 76 additional homes at affordable rents are included in the draft 2018/19 capital programme. These new homes will partly offsets the loss of stock resulting from RTB sales.

3.1.9.3 **10 Year New Housing Development Plan**

NPH has been working closely with the Council on a 10 year development plan for delivering more than 1,000 new affordable homes (including hundreds of new council homes) over the next ten years. This will help the Council to address the severe shortage of affordable housing in Northampton and reduce the rate at which the Council's housing stock is reducing through RTB. The Council has just completed a 'due diligence' exercise on NPH's development proposal and Officers from both organisations have worked together to produce a delivery model that will maximise delivery of new housing over the next 10 years.

If approved, the development plan will maximise existing HRA capacity, safeguard the use of 141 RTB receipts and enable the delivery of housing outside of the HRA using NPH as the preferred developer. The plan will be subject to a separate full report that is due to be considered by Cabinet early in 2018

3.2 Housing Revenue Account Budget 2018/2019

3.2.1 The HRA is a ring-fenced account that represents the costs of holding the Council housing stock. There are strict rules surrounding the costs and income that can be charged to this account. Much of the income and expenditure is dictated by legislation and regulation leaving the Council with direct control over a limited number of these budgets. The HRA Budget proposed for 2018/19 reflects the current service levels and the changes in service delivery from 5 January 2015,

3.2.2 The HRA budget estimates are attached at Appendix 1 to this report. The main areas to the HRA are reported below.

3.2.2.1 **Rental income**, by far the largest single budget within the HRA, has previously been calculated in accordance with national rent policy. For 2016/17 the Welfare Reform and Work Bill legislated that rents in the social sector should decrease by 1% for 4 years, 2018/19 will be third year of reductions. This was a move away from the 10 year policy of increasing rents using Consumer Price Index (CPI) plus 1 percentage point annually. Under the legislation specialised supported housing can be excepted from the decrease, namely designated Sheltered Accommodation. The Council has not applied for excepted status so it is proposed again that the 1% reduction is applied to all HRA dwellings which is reflected in the draft budget.

The proposal for rent decreases in 2018/19 is therefore 1% on average across the housing stock in line with the legislation. As previously reported this level of decrease reduces income over the 4 years by £20m which poses a real challenge to future sustainability of the HRA.

The HRA finances have been helped by the recent commitment to return to the CPI +1% rent increase cap for 5 years from 2020, which has been built into the HRA Business Plan. The understanding is that this will be progressed and the government will consult on next year.

3.2.2.2 **Service Charges**. The schedule of draft Service Charges for 2018/19 is attached at Appendix 3. The level of Service Charges should be set to enable the full recovery of costs incurred. It is proposed that general Service Charges are increased in line with CPI as at September 2017 (3.0%). It is proposed that charges in relation to Communal Heating Systems are frozen to reflect the current levels of expenditure. The Service Charges have been reflected in the budgeted income figures. It should be noted that a review on service charges is currently ongoing and that the outcome of this review will be presented ahead of next years budget preparation for 2019/2020.

3.2.2.3 **Welfare Reform.** Universal Credit (UC) and other welfare reform is available to people who are on a low income or are out of work. It aims to make the welfare system simpler by replacing six benefits and tax credits with a single monthly payment. It includes support for the costs of housing, children and childcare, as well as support for disabled people and carers. The Council went live with the delivery of UC in November 2015. The roll out of UC in Northampton is initially only for new claims from single working age people, who would otherwise have been eligible for Jobseeker's Allowance, including those with existing Housing Benefit and Working Tax Credit claims. DWP announced that the full Digital Service for new UC cases will be rolled out to the Council in July 2018, at which point new claims to 'legacy' benefits, including HB, will cease.

New claims to legacy benefits will be closed, from late 2018. Migration of exiting benefit claims will follow thereafter and is planned to be completed by March 2022.

The government are concerned in respect of the current level of UC related rent arrears and has commissioned a review. This concern stems from both the fact that UC payments are made directly to the claimant and the inherent delays in UC payments appear to be the cause of increases to arrears. In addition to the review the government has also established a UC 'Trusted Partner' pilot. Under the Trusted Partner proposals, social landlords will be able to identify vulnerable claimants and apply to have the rent directed to the landlord before the tenant falls into arrears.

The Council continues to monitor closely the impact of welfare reforms which will have an impact on rent collection for the Council and therefore impact on the overall HRA position. The level of arrears and required level of bad debt provision will continue to be monitored closely throughout 2017/18 financial year and future years in light of the welfare reform roll out and the performance levels in the management of arrears.

3.2.2.4 **Repairs and Maintenance.** The revenue repairs and maintenance budget represents the non-capital costs of responsive and cyclical maintenance programmes. These are determined both with current service levels and the latest stock condition survey information.

3.2.2.5 **Capital Financing Costs**. The interest fixed rate costs to the HRA, (approx. £6.6m), are reflective of the move to a Self-financing HRA in 2012 where the Council under the Governments prescription took on the debt for its stock as calculated by the Self Financing Determinations. They reflect the preferential rates provided to Councils at that time from the PWLB. The debt is subject to close management with rigorous monitoring to ensure that the financial position for the HRA is optimised.

The Business Plan since Self-financing assumed a level of increasing balances available to repay debt in the future. The changes imposed by government through the rent decreases, Higher value void asset sales, increasing reductions in housing stock, and the current economic outlook have undermined this position and therefore these surpluses are forecast not to materialise until later in the life of the 30 year plan. It is proposed to start setting aside annually a sum to repay debt when it comes due. This is currently being examined by officers to as one measure prudent to protect the future sustainability of the HRA but currently has not been built into the 2018/19 budget. The draft budget also needs to be put through the 2018/2019 HRA Business Plan model which could see some changes to the financial envelope available over the medium term. This will be modelled through the HRA Business Plan in conjunction with NPH and reported back to Cabinet at a later meeting.

3.3 NPH Management Agreement / services being provided

3.3.1 The Council pays NPH a Total Fee to provide both the Housing Landlord services and those Housing General Fund Services in scope.

3.3.2 NPH receive what is defined in the Management Agreement as the "Total Fee" which will comprise of the majority of HRA budgets including the Capital Programme; Repairs and Maintenance and Operations Budgets. The Capital Programme (Improvement Programme) and the Repairs and Maintenance budgets are managed budgets, whilst the Operations budget is a devolved budget. NPH will receive some Housing General Fund (HGF) budgets in relation to relevant service attributable to these.

3.3.3 NPH operate using the management fee and manage the capital programme budget and revenue repairs and maintenance budget in accordance with what has been agreed by the Council.

3.4 NPH Total Fee

3.4.1 The Draft NPH Total Fee has been negotiated in partnership with NPH taking into account the current level of budgets, the detailed 30 year Draft HRA Business Plan and the changes in available funding services in scope. The Asset Management Plan has been updated for the purposes of setting the draft budget. It should be noted that the HRA Business Plan is to be updated between Draft budget and Final which could lead to changes. The Draft NPH fee will be formerly confirmed by the NPH Board at its meeting scheduled in February 2018. The table below shows a summary of the draft 2018/19 Total Fee proposed. Further breakdown and detail can be found at Appendix 4.

Summary Table of Total Fee to NPH for 2018/19

	NPH Management Fee £'000s
Management - HRA	13,822
Management - General Fund Housing	261
Maintenance - Repsonsive & Cyclical (Managed Budget)	12,057
Capital - Improvements to Homes (Managed Budget)	20,817
Capital - Improvement to Environment (Managed Budget)	3,000
Capital - ICT (Managed Budget)	500
Total Fee	**50,456**

3.4.2 The funding gap for 2018/19 created mainly by the 1% rent reduction has been managed jointly by NBC and NPH, working together to maximise resources out of current budgets and minimising, where possible, any re-phasing of the capital programme. Prior to the final HRA budget being approved in February 2018 the Council will continue to work closely with NPH in relation to the draft budgets and the medium, term financial plan. Emerging pressures – resulting from the additional running costs of NPH's new offices – will need to be built into NPH future budget plans. As explained in the Cabinet report of 19th July 2017 operational efficiencies will be made to offset the indicative cost increase of £.

3.4.3 A summary of the overall draft HRA budget for 2018/19 and 2019 to 2023 is contained in Appendix 1.

3.5 HRA Reserves

3.5.1 In previous years, Cabinet has approved the prudent set aside of funds into specific HRA Reserves to finance future HRA expenditure including capital financing, risks of Leaseholder claims, Service Improvements, and an Insurance reserve. The use of the capital reserve is incorporated into the capital programme financing considerations included later in this report. The table below shows the forecast opening balance on the reserves as at 1 April 2018. Any variations in the current financial year that requires the use of reserves not currently known will reduce this forecast starting position and impact on the finances available.

Summary of HRA Earmarked Reserves and Working Balances

Summary	Balance B/f 1 Apr 2018	Earmarked in Year	Applied in Year	Balance C/f 31 Mar 2019
	£	£	£	£
HRA Reserves	(4,282,624)	(921,700)	0	(5,204,324)
HRA Leaseholder Reserve	(500,000)	0	0	(500,000)
HRA Service Improvement Reserve	(1,000,000)	0	0	(1,000,000)
HRA Insurance Reserve	(300,000)	0	0	(300,000)
Total HRA Reserves	**(6,082,625)**	**(921,700)**	**0**	**(7,004,325)**
Min Level of Working Balances	**(5,000,000)**	**0**	**0**	**(5,000,000)**
Total HRA Reserves	**(11,082,625)**	**(921,700)**	**0**	**(12,004,325)**

3.5.2 These reserves can be drawn down as required, to finance the future strategic requirements of the service, and will be subject to change as forecasts of funding are updated.

3.6 Adequacy of Working Balances

3.6.1 A prudent level of working balance, along with appropriate application of reserves, should be part of the overall budget. The Chief Finance Officer reviews the level of balances required to support the Housing Revenue Account spend annually as part of a robust risk assessment. This risk assessment suggests that the minimum level of balances, taking all known risks into account should remain at the current level of £5m for 2018/19. This position takes into account the current understanding of the risks around the introduction of higher value asset sales to pay for the government levy and the potential time lag in getting receipts in to pay the quarterly invoice. The latest information is that this will not be introduced until 2019/2020. This minimum level is designed to cope with unpredictable circumstances, which cannot be addressed by management or policy action within the year. Under the Management Agreement with NPH to recognise the change in service delivery NPH will continue to have available to it £1m of this working balance to call upon to maintain cash flow if required. Further work is ongoing, taking into account the government's latest budget, to assess the level of working balances in conjunction with NPH and any changes will be reported to Cabinet in February 2018.

3.6.2 This does not represent a medium to long term safe level of reserves. The level can only accommodate the impact of significant events up to the level set, and would need to be replenished if one or more such events actually occur.

3.7 Housing Revenue Account Capital Programme

HRA Capital Programme and Funding

3.7.1 Capital expenditure is essential for the Housing Revenue Account in order to maintain and improve the Council's housing stock. The HRA is an asset driven service and as such the capital programme plays a key part in the delivery of the HRA service.

3.7.2 The proposed HRA capital programme for 2018/19 to 2022/23 is attached at Appendix 2. The value of the total proposed HRA capital programme for 2018/19 is £24.8m.

3.7.3 The table below shows a summary of the proposed capital programme and funding for 2018/19.

Draft HRA Capital Programme Funding 2018-19

	HRA £000's
Capital Programme 2018/19	
External Improvements	11,200
Internal Works	1,250
Energy Works	0
Major Projects	4,886
Environmental Improvements	3,000
Structural Works and Compliance	681
Disabled Adaptations	1,300
IT Development	500
Buybacks / Spot Purchases / Pool	2,000
Total HRA Capital Programme	**24,817**
Funding Source	
Borrowing	6,015
Major Repairs Reserve/Depreciation	9,389
Capital Receipts	4,050
Revenue/Earmarked Reserve	5,363
Total Funding	**24,817**

3.7.4 The Asset Management Plan has been reviewed and updated by NPH with the latest information from the stock condition surveys. This has been included in the draft budget and will inform the refresh of the Council's HRA Business Plan for 2018/2019. The HRA Capital Programme has been developed within the context of the 30-year Business Plan and the existing Asset management plan. The capital programme has a direct impact on the revenue position of the HRA.

3.7.5 Although the main focus of the Capital Programme is to maintain and improve the Council’s homes, there is also a focus on environmental improvements and the development of new homes to help address the shortage of affordable housing in the Borough.

3.7.6 The detail of the HRA capital programme for 2018/19 and beyond will be refined in line annual updates to the Business plan, Asset management plan, and any changes to government policy and legislation.

Capital Strategy

3.7.7 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 HRA element is closely aligned to the Council’s Asset Management Plan and the NPH Delivery Plan. The overall strategy has been refreshed and is part of the General Fund budget setting report for consultation

3.8 The Next Steps

3.8.1 The timetable for the 2018/19 budget process requires a meeting of the Council in February 2018, at which consideration will be given to the recommendations of this Cabinet in relation to the expenditure, income, and rent proposals that relate to HRA spending.

3.9 Consultation

3.9.1 Formal consultation with the public and local businesses will be launched in December 2017 and will continue until the budget is formally adopted in February 2018.

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

3.10 Choices (Options)

3.10.1 Cabinet can agree that the budget proposals for 2018/19 for the HRA and HRA Capital program and indicative budgets for 2019/20 to 2022/23 as summarised in the appendices to this report can be approved for consultation.

3.10.2 Cabinet can agree the proposed Rent decrease of 1% for 2018/19 and increases in service charges.

3.10.3 Cabinet can choose to make amendments to the proposed budgets and the proposed rent and service charge increases prior to agreeing the budget to consult on, subject to the advice of the Chief Finance 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 HRA revenue budget is set in the overall context of the HRA 30 year business plan.

4.1.3 The Capital Programme for the HRA is set in the context of the Council's Capital Strategy and HRA 30 year Business Plan.

4.2 Resources and Risk

4.2.1 HRA budgets may be subject to further changes to reflect the Governments settlement and any Housing White Papers.

4.2.2 The HRA 30 Year Business Plan for 2018/2019 is currently being built and will be subject to external review to assess for accuracy and robustness, the result of which could require revisions to the HRA Capital programme. This will be reported on and reflected in the final budget report.

4.2.3 The high level risks associated with the draft HRA budget setting for 2018/2019 are shown in the table below:

Risk	Likely	Impact	Blended risk	Remarks/Mitigation	Residual risk
Higher Value Voids Asset Levy is implemented from 2019/20.	High	Significant	RED	The Council has opportunity to lobby Government for change and also prepare for implementation by gearing up processes to facilitate sale of higher value assets to enable payment of the government levy in 2019/20 and future years. The introduction of a 10 year development programme will help towards replacing some stock, going towards protecting the future sustainability of the HRA. Minimum levels of working balances are being reviewed.	High
Right To Buy sales continue to increase.	MED	Significant	MED	Current Government policy is steered towards home ownership. Current rules and regulation surrounding RTB make the purchase of Council houses an appealing option for those tenants who can afford to. Impact of increases in sales will be subject to scenario planning via the HRA Business Plan to measure potential impact.	MED
Welfare reforms impact on arrears.	MED	Significant	MED	NPH's Rent accounting teams processes and procedures performing well managing arrears. Potential impact of higher arrears will be factored in to the assessment of minimum levels of working balances.	MED

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, and the HRA is not allowed to go into deficit by law. 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 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.

4.4.2 Equality and diversity were considered as part of each of the medium term planning options submitted. Equality impact assessments are 'living' documents and will be 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 2018.

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.

4.6 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 Appendices

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

1 Housing Revenue Account Summary

2 Proposed Housing Revenue Account Capital Programme and Financing

3 HRA Fees and Charges

4 NPH Total Fee

5. Background Papers

5.1 None

Simon Bovey, Chief Executive, ext. 7726

Glenn Hammons, Section 151 Officer, 01604 366521

Appendix 1

DRAFT Housing Revenue Account Budget Summary 2018-2023

Description	Note	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
INCOME		**£**	**£**	**£**	**£**	**£**
Rents - Dwellings Only	(1)	(48,794,200)	(49,441,400)	(49,772,100)	(50,750,600)	(51,835,300)
Rents - Non Dwellings Only		(1,078,100)	(1,095,800)	(1,114,100)	(1,132,400)	(1,151,800)
Service Charges		(2,226,200)	(2,279,900)	(2,317,900)	(2,356,100)	(2,394,500)
Other Income		(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Total Income		**(52,102,500)**	**(52,821,100)**	**(53,208,100)**	**(54,243,100)**	**(55,385,600)**
EXPENDITURE						
Repairs and Maintenance	(2)	14,062,200	14,119,300	14,165,200	14,217,900	14,267,100
General Management	(2)	8,165,600	8,101,500	8,178,300	8,160,900	8,201,800
Special Services	(2)	4,275,500	4,273,600	4,283,000	4,294,600	4,305,000
Rents, Rates, Taxes & Other Charges		289,300	289,300	289,300	289,300	289,300
Increase in Bad Debt Provision		600,000	600,000	600,000	600,000	600,000
Total Expenditure		**27,392,600**	**27,383,700**	**27,515,800**	**27,562,700**	**27,663,200**
Continuation Budget		**(24,709,900)**	**(25,437,400)**	**(25,692,300)**	**(26,680,400)**	**(27,722,400)**
Net Recharges from the General Fund		2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Interest & Financing Costs						
- Interest on balances		(75,500)	(80,000)	(80,000)	(70,000)	(70,000)
- Mortgage interest		(500)	(500)	(400)	(300)	0
- Internal Borrowing (Over funded CFR)		(3,650)	(2,380)	0	0	0
- Interest Fixed Rate		6,615,850	6,981,580	6,990,300	7,237,900	7,429,300
RCCO		5,363,000	9,991,000	7,973,000	7,069,800	7,730,100
Depreciation/MRA		9,389,000	9,638,000	9,919,000	9,943,000	10,133,000
Contribution to / (from) Reserves		921,700	(3,590,300)	(1,609,600)	0	0
Remaining Deficit / (Surplus)		**0**	**0**	**0**	**0**	**0**

Notes

(1) Rent decrease based on legislation 1% for 4 years from 16-17, then CPI (2%) plus 1% estimated increase from 2020/21
(2) Expenditure budgets above are proposed to be split between NBC and NPH as per the table below.
(3) Work is ongoing in respect of the HRA budget

Description	£'000
Repairs and Maintenance	14,062
General Management	8,166
Special Services	4,276
Less NBC Retained Budgets	(625)
NPH Budget as per Appendix 4	**25,879**

Appendix 2

Proposed Capital Programme 2018-19 to 2022-23 - HRA

	2018-19 £	2019-20 £	2020-21 £	2021-22 £	2022-23 £	Total £
External Improvements	11,200,000	10,600,000	11,000,000	10,750,000	11,200,000	54,750,000
Internal Works	1,250,000	3,500,000	3,500,000	3,500,000	3,500,000	15,250,000
Energy Works	0	0	0	0	0	0
Major Projects	4,885,600	2,653,600	0	0	0	7,539,200
Environmental Improvements	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	15,000,000
Structural Works and Compliance	681,000	450,000	500,000	450,000	450,000	2,531,000
Diabled Adaptations	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	6,500,000
IT Development	500,000	500,000	500,000	500,000	50,000	2,050,000
New Build Pool	1,500,000	2,389,400	3,694,190	6,295,900	5,756,000	19,635,490
Buybacks and Spot Purchases	500,000	500,000	500,000	500,000	500,000	2,500,000
Total	**24,816,600**	**24,893,000**	**23,994,190**	**26,295,900**	**25,756,000**	**125,755,690**

SPLIT:						
Improvements to Homes	19,316,600	18,503,600	16,300,000	16,000,000	16,450,000	86,570,200
Improvements to Environment	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	15,000,000
IT Development	500,000	500,000	500,000	500,000	50,000	2,050,000
New Build Pool	1,500,000	2,389,400	3,694,190	6,295,900	5,756,000	19,635,490
Total NPH	**24,316,600**	**24,393,000**	**23,494,190**	**25,795,900**	**25,256,000**	**123,255,690**
NBC Retained - Buy Backs	500,000	500,000	500,000	500,000	500,000	2,500,000
Total Capital Programme	**24,816,600**	**24,893,000**	**23,994,190**	**26,295,900**	**25,756,000**	**125,755,690**

FINANCING:						
Major Repairs Reserve/Depreciation	9,389,000	9,638,000	9,919,000	9,943,000	10,133,000	49,022,000
Capital Receipts - RTB (excl 1-4-1)	1,974,700	2,014,800	1,920,000	1,958,500	1,883,900	9,751,900
Capital Receipts - RTB 1-4-1 Receipts	2,075,280	2,265,480	2,310,900	2,357,400	1,955,100	10,964,160
Revenue/Earmarked Reserve	5,363,000	9,991,000	7,973,000	7,069,800	7,730,100	38,126,900
Borrowing / CFR	6,014,620	983,720	1,871,290	4,967,200	4,053,900	17,890,730
Section 106 - New Build	0	0	0	0	0	0
Additional Borrowing Cap re New Build	0	0	0	0	0	0
Total Financing - HRA	**24,816,600**	**24,893,000**	**23,994,190**	**26,295,900**	**25,756,000**	**125,755,690**

Appendix 3

SCHEDULE OF SERVICE CHARGES 2018/19

SERVICE CHARGES (48 week Basis)		PRESENT	PROPOSED
		£	£
Garages (+VAT in some cases)		8.99	9.26
Commuter Surcharge on Garages (+VAT in some cases)		14.28	14.71
Communal Heating		10.56	10.56
Sheltered Charges			
- Level 1 Low		6.01	6.19
- Level 2 Medium		13.03	13.42
- Level 3 High		19.13	19.70
Brookside Meadows New Build - Service Charges			
- Tarmac and Block Paving		3.76	3.87
- Electric Gates		1.05	1.08
CCTV		3.70	3.81
Grounds Maintenance		2.02	2.08
Non- Standard Service Charges			
Electricity Communal	**Low**	0.11	0.12
	High	6.77	6.97
Estate Services - Cleaning and Caretaking			
	- Service Level 1	0.38	0.39
	- Service Level 2	0.92	0.94
	- Service Level 3	1.14	1.17
	- Service Level 4	1.52	1.56
	- Service Level 5	2.28	2.35
	- Service Level 6	3.42	3.52
	- Service Level 7	4.55	4.69
	- Service Level 8	4.55	4.69

DRAFT Schedule 5 - NPH Management Fee

		NPH				
Housing Management & Maintenance(HRA)		**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**
		£	**£**	**£**	**£**	**£**
Total	**Repairs & Maintenance**	12,056,634	12,105,154	12,154,201	12,203,697	12,253,652
Total	**General Management**	6,525,407	6,472,481	6,537,909	6,531,945	6,571,097
Total	**Special Services**	3,605,737	3,603,917	3,614,927	3,626,084	3,637,384
Total	**Recharges**	3,690,800	3,690,800	3,690,800	3,690,800	3,690,800
TOTAL HRA		**25,878,578**	**25,872,352**	**25,997,837**	**26,052,525**	**26,152,933**
Housing General Fund						
Total	**Travellers Site**	181,268	181,562	181,858	182,157	182,460
Total	**Home Choice & Resettlement**	80,000	80,000	80,000	80,000	80,000
TOTAL GF HOUSING		**261,268**	**261,562**	**261,858**	**262,157**	**262,460**
TOTAL REVENUE		**26,139,846**	**26,133,914**	**26,259,695**	**26,314,682**	**26,415,392**
HRA Capital Programme		24,316,600	24,393,000	23,494,190	25,795,900	25,256,000
GRAND TOTAL		**50,456,446**	**50,526,914**	**49,753,885**	**52,110,582**	**51,671,392**

Analysed by					
Management - HRA (including Special Services)	13,821,944	13,767,198	13,843,635	13,848,828	13,899,280
Management - GF Housing	261,268	261,562	261,858	262,157	262,460
Maintenance - Managed Budget Responsive	9,283,608	9,320,969	9,358,735	9,396,847	9,435,312
Maintenance - Managed Budget Cyclical	2,773,026	2,784,185	2,795,466	2,806,850	2,818,340
Capital - Managed Budget Improvement to Homes	20,816,600	20,893,000	19,994,190	22,295,900	22,206,000
Capital - Managed Budget Improvement to Environment	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Capital - Managed Budget ICT	500,000	500,000	500,000	500,000	50,000
Total	**50,456,446**	**50,526,914**	**49,753,885**	**52,110,582**	**51,671,392**

Notes:

Recharges comprise approximately £1.7m from LGSS and £1.9m from the General Fund

The difference in Management Fee element of £845k compared to last years proposed budget relates to changes to recharges within the organisations and pension costs

All figures are subject to the annual approval, by Council, of the HRA and General Fund budgets in accordance with clause 10

Estimated figures for future years are shown in real terms excluding inflation on supplies and services.

Capital programme based upon figures provided in support of the Asset Management Strategy, adjusted in line with the Draft HRA Business Plan