# CABINET AGENDA

## Monday, 23 December 2019

The Jeffrey Room, The Guildhall, 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, Anna King and James Hill. |

**Chief Executive** **George Candler**

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 and Enterprise |
| Councillor S Hibbert | Housing and Wellbeing |
| Councillor A King | Community Engagement and Safety |
| Councillor J Hill | Planning |

## 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 837057)

In writing: Democratic and Member Services Manager
The Guildhall, St Giles Square, Northampton NN1 1DE
For the attention of the Democratic Services Officer

By e-mail to democraticservices@northampton.gov.uk


Only thirty minutes in total will be allowed for addresses, so that if speakers each take three minutes no more than ten speakers will be heard. Each speaker will be allowed to speak for a maximum of three minutes at each meeting. Speakers will normally be heard in the order in which they registered to speak. However, the Chair of Cabinet may decide to depart from that order in the interest of hearing a greater diversity of views on an item, or hearing views on a greater number of items. The Chair of Cabinet may also decide to allow a greater number of addresses and a greater time slot subject still to the maximum three minutes per address for such addresses for items of special public interest.

Members who wish to address Cabinet shall notify the Chair prior to the commencement of the meeting and may speak on any item on that meeting's agenda. A maximum of thirty minutes in total will be allowed for addresses by Members unless the Chair exercises discretion to allow longer. The time these addresses take will not count towards the thirty minute period referred to above so as to prejudice any other persons who have registered their wish to speak.

## KEY DECISIONS

🔑 denotes the issue is a 'Key' decision:

- Any decision in relation to the Executive function* which results in the Council incurring expenditure which is, or the making of saving which are significant having regard to the Council's budget for the service or function to which the decision relates. For these purpose the minimum financial threshold will be £250,000;
- Where decisions are not likely to involve significant expenditure or savings but nevertheless are likely to be significant in terms of their effects on communities in two or more wards or electoral divisions; and
- For the purpose of interpretation a decision, which is ancillary or incidental to a Key decision, which had been previously taken by or on behalf of the Council shall not of itself be further deemed to be significant for the purpose of the definition.

**NORTHAMPTON BOROUGH COUNCIL**

**CABINET**

Your attendance is requested at a meeting to be held:

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

on Monday, 23 December 2019 at 6:00 pm.

**George Candler**
**Chief Executive**

## AGENDA

1. **APOLOGIES**
2. **MINUTES**
3. **INTENTION TO HOLD PART OF THE MEETING IN PRIVATE IF NECESSARY**
4. **DEPUTATIONS/PUBLIC ADDRESSES**
5. **DECLARATIONS OF INTEREST**
6. **ISSUES ARISING FROM OVERVIEW AND SCRUTINY COMMITTEES**
7. **COUNCIL TAX REDUCTION SCHEME 2020/21**

(Copy herewith)

8. **COUNCIL TAX BASE 2020/2021**

(Copy herewith)

9. **GENERAL FUND REVENUE AND CAPITAL BUDGETS 2020/2021**

(Copy herewith)

10. **HRA REVENUE AND CAPITAL BUDGETS 2020/2021**

(Copy herewith)

11. **CORPORATE PLAN 2019-2021**

(Copy herewith)

12. **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.”

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**NORTHAMPTON BOROUGH COUNCIL**

**CABINET**

**Wednesday, 4 December 2019**

**PRESENT:** Councillor Nunn (Chair); Councillor Larratt (Deputy Chair); Councillors Hadland, J Hill, Hibbert and King

**APOLOGIES:** Councillor Eldred and Councillor Hallam

## 1. APOLOGIES

Apologies were received from Councillors Eldred and Hallam.

## 2. MINUTES

The minutes of the meeting held on 13 November 2019 were agreed and signed by the Leader.

## 3. INTENTION TO HOLD PART OF THE MEETING IN PRIVATE IF NECESSARY

There was no intention to hold any part of the meeting in private.

## 4. DEPUTATIONS/PUBLIC ADDRESSES

There were none.

## 5. DECLARATIONS OF INTEREST

There were none.

## 6. ISSUES ARISING FROM OVERVIEW AND SCRUTINY COMMITTEES

There were no issues arising from Overview and Scrutiny Committees.

## 7. REVIEW OF THE LICENCE FEES FOR HOUSES IN MULTIPLE OCCUPATION (HMOS)

Councillor Hibbert as the relevant Cabinet Member presented the report seeking approval of the changes to HMO licence fees, and amendments to the Private Sector Housing Fees and Charges Policy. This had been reviewed in the light of recent case law, guidance from the LGA and the practice of other authorities. A two stage fee structure was now required, separating the cost of the initial application from the ongoing administration and enforcement. There was an error on page 15 of the report: item 3.3.7 should have referred to options 1, 3 and 5 (not 1, 3 and 6).

RESOLVED:

2.1 Cabinet:

(a) Approved the changes to the HMO licence fees (as set out in Paragraphs 3.2.5 – 3.2.12 of this report), including the apportionment of the HMO licence between the processing of the application and the administration of the HMO licensing scheme, and delegated to the Head of Housing and Wellbeing the authority to implement these revised fees with regard to applications for HMO licenses received with effect from 11 December 2019.

(b) Approved the updated Private Sector Housing Fees & Charges Policy (attached to this report as **Appendix A**); and

(c) Approved the transitional arrangements (as set out in Paragraph 3.2.16 – 3.2.17

of this report) for those HMO licences that were issued under the previous Additional HMO Licensing Scheme of 2014 and were not due to expire until after 2 November 2019.

**8. PERFORMANCE OUTTURN REPORT QUARTER 2**

Councillor Larratt as the relevant Cabinet Member presented the report, which replaced the incorrect report originally issued. 87% of measures were exceptional, green or amber, with over 75% either exceptional or green. Planning had performed particularly well. The red measure EC05 resulted from issues with Veolia staff which were being addressed. Fly tipping continued to be a problem. Reporting separately on hazardous and non-hazardous waste was being considered, since the specialist treatment required for hazardous waste often resulted in delayed removal.

The Leader noted that clear action plans were in place for the Enterprise Zone measures.

RESOLVED:

2.1 Cabinet reviewed the contents of the performance report (Appendix 1).

2.2 Cabinet agreed that the Annual Performance Report will be presented in June of each year to the Audit Committee.

The meeting concluded at 6:09 pm

**Appendices:**
**3**

| **Report Title** | **LOCAL COUNCIL TAX REDUCTION SCHEME** |
|---|---|

# CABINET REPORT

**AGENDA STATUS:** **PUBLIC**

| | |
|---|---|
| **Cabinet Meeting Date:** | 23rd December 2019 |
| **Key Decision:** | Yes |
| **Within Policy:** | Yes |
| **Policy Document:** | No |
| **Directorate:** | Finance |
| **Accountable Cabinet Member:** | Brandon Eldred |
| **Ward(s)** | All |

## 1. Purpose

1.1 This report recommends the Council Tax Reduction Scheme for 2020/21, including amendments.

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

## 2. Recommendations

2.1 That Cabinet approve the recommendation for the Council Tax Reduction Scheme (CTRS) to remain at a 35% reduction in 2020/21.

2.2 That Cabinet recommends the CTRS for approval at Council on the 20th January 2020.

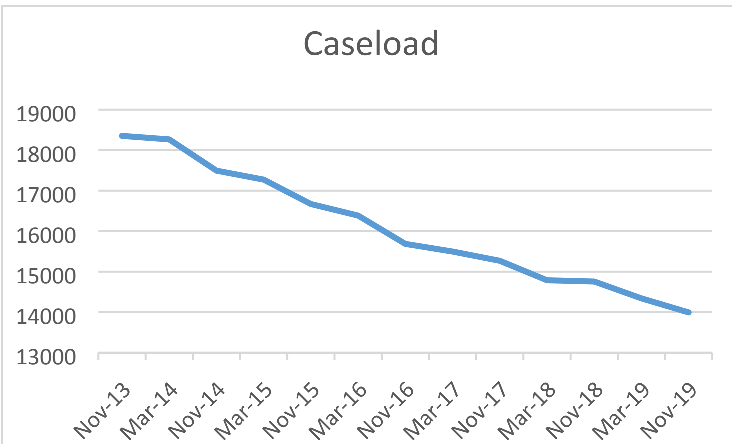
## 3. Issues and Choices

### 3.1 Report Background

3.1.1 Local Authorities are required to set up their own CTRS from the general funding allocation.

3.1.2 When the scheme was originally implemented, it was funded by Central Government. Several years ago this funding was provided to Local Authorities as part of their central government grant and with this funding, are expected to provide a service. Since that time, Central Government funding to Local Authorities has dropped year on year, therefore this requirement feeds into the overall demands and pressures on funding.

3.1.3 The graph below demonstrates that the CTRS caseload has continued to reduce each year. Monitoring closely over the period that the CTRS has been operating, has enabled modelling of final expenditure to be estimated more accurately.




3.1.4 Central Government suggested that Local Authorities could meet the funding deficit by implementing other changes, to ensure that Local Authorities maximise their opportunities to be financially efficient with the current budgetary pressures. As part of the implementation of the CTRS from 1st April 2013 we have already:

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

3.1.5 Under management from the Department for Communities and Local Government (DCLG), using devolved power under the Local Government Finance Act 1992 (as amended); Northampton Borough Council has been operating a means tested local reduction. This saw a 35% reduction in the support available to working age customers in 2019/20.

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

3.1.7 Pensioners will not be affected by the proposed changes to our CTRS and will remain fully protected. This means that NBC will continue to administer protection for year 2020/21 for approximately 5,309 pensioners.

3.1.8 There are 8,571 claimants who are classed as working age and are currently entitled to the CTR scheme. These customers will be affected for collection and financial purposes by any change in their existing award. The entitlement is applied by a reduction in benefit after all other calculations have been made.

3.1.9 A full income disregard of War Widows Pension and War Disablement Pension will continue. This was originally adopted as part of the 2013/14 CTRS in Northampton. Protection for working age customers in receipt of these benefits will also continue.

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

3.1.11 Part of the feedback from previous consultations is that people feel that reducing the amount of support would probably cause hardship for some people.

**3.2 Issues**

3.2.1 The options for amending the CTRS, as detailed in 3.3 below, were consulted upon. These could reduce or mitigate the impact of the reduced funding for the CTRS.

3.2.2 Positive responses from the consultation centred on the concept of ‘fairness’ and everyone having to contribute to protect services

3.2.3 Negative responses included concerns about being able to afford increasing contributions toward Council Tax bills, in addition to already increasing priority bills and static incomes.

3.2.4 Questions were raised about how those already on a low income being able to afford additional money and the impact on their ability to afford necessities and increased debt.

3.2.5 It was highlighted that these changes could impact vulnerable people and low income families.

3.2.6 Awareness was demonstrated of the impact of non-payment and subsequent increase on recovery costs.

**3.3 Local Council Tax Reduction options for 2020/21**

**3.3.1 Option 1: No change - remain at 65%**

This is where the Council continues with the same scheme as 2019/20 and makes no further changes. This means the Council Tax contribution rate for those in receipt of CTRS remains at 35%

**.3.3.2 Option 2: Increase the maximum amount of CTRS.**

This is where the council increases the support for recipients of CTRS, and means that they would have to pay less Council Tax. Each 1% increase would cost the Council £10,531.

**3.3.3 Option 3: Reduce the maximum amount of CTRS.**

This is where the council decreases the support for recipients of CTRS, and means that they would have to pay more Council Tax. Each 1% decrease would save the Council £10,531.

**3.4 Choices – Northampton Local Council Tax Reduction Scheme**

**3.4.1 Option 1: No change - remain at 65%**

The current scheme has worked well and provides additional protection and support for the most vulnerable in the community, alongside supporting incentives to those starting work.

The funding will reduce again in 2020/21, resulting in the Council being expected to find additional monies from other sources to protect the existing level of support afforded through CTRS. However the drop in caseload over the last year, as demonstrated in 3.1.3 has meant the current scheme remains self-funding.

When the Council consulted for the 2020/21 scheme, this was the most popular option overall, whether in receipt of CTRS or not, and regardless of age, gender, or disability status, with 74% of respondents in favour.

**3.4.2 Option 2: Increase the maximum amount of CTRS.**

Funding will reduce again in 2020/21 and therefore the Council would have been left to find £10,531 for each 1% increase from other sources to provide this increased level of support from CTRS.

This means that working age CTRS claimants would need to pay less Council tax.

When the Council consulted for the 2020/21 scheme, 40% of respondents were in favour of this option. This figure increased to 73% when looking at just those in receipt of CTRS.

This also means that the Council will need to fund the difference between the additional paid by the working age CTRS recipients and the funding available and will impact on the wider community in Northampton.

**3.4.3 Option 3: Decrease the maximum amount of CTRS.**

Funding will reduce again in 2020/21 and reducing the level of support from CTRS in this way would provide £10,531 of additional income for each 1% decrease in support

This means that working age CTRS claimants would need to pay more Council tax.

When the Council consulted for the 2020/21 scheme, this was the least popular option with 65% of respondents against it. Respondents felt that this proposal would cause additional hardship, and suggested alternative ways of funding the shortfall by reviewing Council spending on other projects.

There was concern that increasing the amount payable would cause considerable difficulties for both individuals and the council in terms of collecting the shortfall in support.

Increasing the contribution rate is likely to lead to increased administration costs in recovering the Council Tax owed.

### 3.5 Recommended Option (Chosen CTR Scheme)

3.5.1 A reduction of 35% in CTRS from working age recipients from 1st April 2020. This option balances the financial position in 2020/21.

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

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

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

3.5.5 The Council will review carefully the position in 2021/22. Alongside this it will ensure its policies and procedures to support those in hardship meet the needs of our citizens in providing or referring for financial advice.

## 4 Implications (including financial implications)

### 4.1 Policy

4.1 The report outlines options for the Council's CTRS, which if chosen, will set policy.

### 4.2 Resources and Risk

4.2.1 There are significant financial implications to the Council, Northamptonshire County Council and the Northamptonshire Police, Fire and Crime Commissioner as a result of the requirement to run a local council tax scheme, whilst protecting pensioners.

4.2.2 The Council aims for the CTRS to be self-funding. This means that the level of CTRS is set each year at a level were the forecast costs of the scheme match the funding of the scheme. The funding of the scheme is based on an assumed proportion of the Council's central government funding and business rates being allocated to CTRS.

4.2.3 Over the last few years there has been a steady reduction in the CTRS caseload which has been reducing the cost of the scheme. However, at the same time there has also been a steady decrease in the level of central government funding, reducing the funding for the scheme.

4.2.4 The forecast in 2020/21 is that CTRS caseloads will continue to fall. Central government funding is also continuing to fall. That means that in 2020/21 it will be possible to maintain the scheme at 35% and still break even against the notional funding level.

4.2.5 The current financial modelling undertaken on the recommended CTRS for 2020/21 is based on the latest intelligence around collection rates and government funding forecasts and is considered to be self-funding. However, the position would need to be closely monitored during the financial year and the position re-assessed for 2021/22.

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

4.2.7 If the Council fails to agree and implement an amended scheme by 31st January 2020, they will need to retain the current scheme.

**4.3 Legal**

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

**4.4 Equality**

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

4.4.1 The equality impact assessment recognises that the amendment to the CTRS will place an additional financial burden on working age customers in 2020/21. Included within this group will be individuals and families with vulnerable characteristics.

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

**4.5 Consultees (Internal and External)**

4.5.1 Local Authorities are obligated to carry out a thorough consultation in-line with the Governments Consultation Principles July 2012, in order to reduce the opportunity for the scheme not to reflect the needs of the local population. The methodology and results of the consultation is attached at **Appendix B.**

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

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

4.5.4 The Council's methodology and approach included the following:

- On-line survey
- News release(s)
- Social media (Facebook, Twitter, etc.)
- Northampton Borough Council's internet pages
- All e-mail communication from the Benefit, Council Tax and Customer Services mailboxes included an invitation link to take-part in the consultation
- Display screens in the One Stop Shop
- Details of the consultation were emailed to the Multi Agency Forum and our welfare partners, including registered social landlords.
- Invitations to participate was sent to key stakeholders, including Precepting Authorities, parishes, local Councillors and Members of Parliament
- Engagement with housing associations and voluntary and community sectors via their various networks
- Northampton Borough Council's Community Forum members were invited to take part
- 5,415 email invitations were issued to email addresses held on the Benefit and Council Tax database

4.5.5 Consultation results:

- The website was viewed 15,702 times during the consultation period. Facebook and Twitter posts were viewed by 11,316 people, with 104 following links to the consultation documents. This demonstrates that media coverage of the consultation was active.
- A total of 1,337 people completed the on-line survey.
- 32 people expressed an interest in attending the drop-in information sessions, with 0 actually attending.
- 398 individual comments were received in response to the consultation questions.

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

**4.6 How the Proposals deliver Priority Outcomes**

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

**4.7 Other Implications**

None

## 5. Background Papers

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

**Stuart McGregor, Section 151 Officer, Northampton Borough Council**
**Ian Tyrer, Revenues & Benefits Technical Financial Manager**

# Northampton Borough Council's Council Tax Reduction Scheme

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

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

## Applicable Amounts:

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

## Dependants' Allowance

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

## Family Premium

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

## Disability Premium

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

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

## Severe Disability Premium

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

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

## Enhanced Disability Premium

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

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

## Disabled Child Premium

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

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

## Carer premium

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

## Council Tax Reduction Scheme – Weekly Applicable Amount Rates

These are based on the 2019/20 figures, although the Department of Work and Pensions may increase these figures in-line with the Housing Benefit annual up-rating due by the end of January 2020. We also expect the applicable amounts for pensioners to be increased by the Ministry of Housing, Communities & Local Government.

| Applicable Amount Rates (Working Age) | April 2019 Rates |
|---|---|
| **Personal Allowances** | |
| **Single** | |
| 16 to 24 | £57.90 |
| 25 or over | £73.10 |
| Any age – entitled to main phase Employment & Support Allowance | £73.10 |
| | |
| **Lone Parent** | |
| Under 18 | £57.90 |
| 18 or over | £73.10 |
| Any age – entitled to main phase Employment & Support Allowance | £73.10 |
| | |
| **Couple** | |
| Both under 18 | £87.50 |
| One or both over 18 | £114.85 |
| Any age – entitled to main phase Employment & Support Allowance | £114.85 |
| | |
| Dependent Children (for each child) | £66.90 |
| | |
| **Premiums** | |
| Family Premium | £17.45 |
| Family Premium (lone parent rate) | £22.20 |
| Disability Premium | |
| Single | £34.35 |
| Couple | £48.95 |
| | |
| Severe Disability Premium | |
| Single Rate | £65.85 |
| Couple Rate – One member qualifies | £65.85 |
| Couple Rate – Both members qualify | £131.70 |
| | |
| Enhanced Disability Premium | |
| Single Rate | £16.80 |
| Disabled Child Rate | £26.04 |
| Couple Rate | £24.10 |
| | |
| Disabled Child Premium | £64.19 |
| | |
| Carer Premium | £36.85 |

**<u>Treatment of Income:</u>**

**Increased Earnings Disregards**

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

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

| Earnings Disregards | April 2019 Weekly Rates |
|---|---|
| Single person | £5.00 |
| Couple | £10.00 |
| Disability or Severe Disability Premium | £20.00 |
| Carer Premium | £20.00 |
| Lone parent | £25.00 |

A further £17.10 a week is also disregarded for:

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

**Disregard of Disability Benefits**

The following income is ignored in the means-test of the CTRS:

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

**Non-Dependant Deductions:**

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

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

| Non-Dependent Deductions | April 2019 Weekly Rates |
|---|---|
| In receipt of state Pension Credit or in receipt of IS, JSA(IB), or ESA(IR) | Nil |
| Aged 18 or over and in remunerative work | |
| -gross income greater than £447.40 | £12.20 |
| -gross income not less than £360.10 but less than £447.40 | £10.20 |
| -gross income not less than £207.70 but less than £360.10 | £8.10 |
| -gross income less than £207.70 | £4.00 |
| Others aged 18 or over | £4.00 |

**Childcare:**

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

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

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

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Appendix B

# Council Tax Reduction Scheme Consultation (CTRS)

| | |
|---|---|
| Author | Jon Owst |
| Version | 1.2 |
| Status | Report |

**INTRODUCTION:**

The Council Tax Reduction Scheme replaced Council Tax Benefits (CTB) in April 2013, when local authorities were required to set up their own discount.

Northampton's scheme for 2019/20 is based on the former Council Tax Benefit Scheme with the exception that all working age claimants could only claim a discount for 65% of the amount they would have received under the old CTB scheme. The council has to carry out an annual review of its CTRS scheme.

The findings from this consultation will help inform any changes that may be required. The scheme for 2020/21 must be agreed by the 31st January 2020.

This consultation took place from 14th October 2019 to 10th November 2019.

**METHODOLOGY**

Our approach included the following:

- On-line survey
- News release(s)
- Social media (Facebook, Twitter, etc.)
- Northampton Borough Council's internet pages
- All e-mail communication from the Benefit, Council Tax and Customer Services mailboxes included an invitation link to take-part in the consultation
- Display screens in the One Stop Shop
- Details of the consultation were emailed to the Multi Agency Forum and our welfare partners, including registered social landlords.
- Invitations to participate was sent to key stakeholders, including Precepting Authorities, parishes, local Councillors and Members of Parliament
- Engagement with housing associations and voluntary and community sectors via their various networks
- Northampton Borough Council's Community Forum members were invited to take part
- 5,415 email invitations were issued to email addresses held on the Benefit and Council Tax database. To comply with GDPR this linked to a slightly different on-line survey that first gained consent before proceeding with the survey proper.

The following companion documents were made available:

- **CTRS Option being considered** giving details of options considered and recommended
- **A Brief Guide to CTB**
- **Overview for finance of the proposed changes**
- **How much the proposed changes will cost the council**
- **Breakdown of Collection Rates for CTRS cases**
- **Equality impact assessment**
- **Examples of the effect of the proposed changes on Banding Charges**

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

- Dedicated email address for enquiries
- Our Customer Service teams were made available to help the public complete the on-line form to mitigate any accessibility issues.
- Five drop in-sessions were made available to provide a personal illustration on what the proposed changes would mean – to enable people to provide a fully informed response. Sessions were offered as follows:
    - Thursday 24th October 2019 (9am to 12pm)
    - Thursday 24th October 2019 (1pm to 4pm)
    - Tuesday 5th November 2019 (9am to 12pm)
    - Tuesday 5th November 2019 (1pm to 4pm)
    - Wednesday 6 November 2019 (4:30pm to 6:30pm)
- Those who could not attend were invited to contact us to discuss their situation and how the potential proposals might affect them.

**RESULTS:**

The website was viewed 20,468 times during the consultation period, by 15,702 people. This led to 206 customers completing the on-line survey. Most customers accessed the survey through the direct link supplied to potentially interest parties via additional media coverage.

Posts made on Twitter on 17/9/19, 21/10/19, 25/10/19, 30/10/19, 5/11/19, and 10/11/19 were seen by 6,609 people, with 54 people clicking on the link attached.

Posts on Facebook on 14/10/19, 17/10/19, 18/10/19, and 24/10/19 were viewed by 4,707 people, with 50 people clicking on the link attached.

This demonstrates that media coverage of the consultation was active.

A total of 1,337 people completed the on-line survey, though not everyone completed every question.

32 people expressed an interest in attending the drop-in information sessions but none actually attended.

398 individual comments were received in response to the consultation questions.

One paper response was received from Central and East Northants Citizens Advice. This has been attached separately, and proposes a commitment to a 100% reduction in 5 years.

**SUMMARY OF FINDINGS:**

In total 1,337 people completed at least one question of the on-line survey and the 3 key questions all have over 1,300 responses. There were also 398 comments made which are both summarised and reproduced in full below.

**KEY RESULTS:**

**Question 1** was included to comply with GDPR and gain consent for surveys, and will therefore not be included in this report.

**Questions 2 to 4** focused on the 3 specific options being considered. To each question the respondent was asked to what extent they did or did not support the proposal. As well as the option to add further comments there were 5 possible responses to each of these questions:

- Strongly support
- Support
- Do not support
- Strongly do not support
- Don't know

Responses are summarized below.

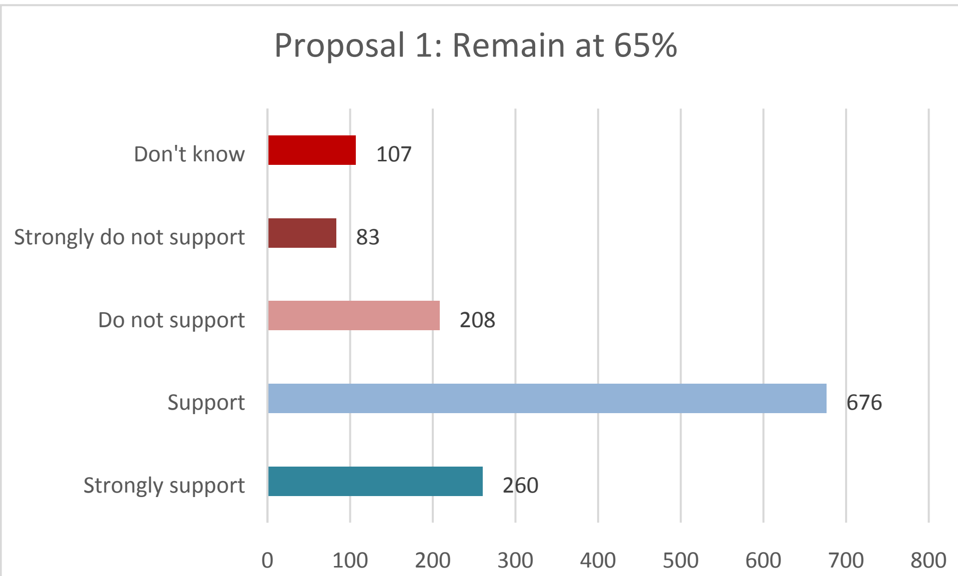
**Question 2:**

This is where the Council continues with the same scheme as 2019/20 and makes no further changes. This means the Council Tax contribution rate for those in receipt of CTRS will remain at 35%.

To see further details of how this might affect you, please see our website

To what extent do you support this proposal?

1,334 responses were made, with 120 further comments.



The key comments received were as follows:

- 18 respondents stated that the level of support should be reduced. 17 of these confirmed that they were not in receipt of CTRS. 1 stated they were in receipt.
- 13 respondents commented that those in receipt of CTRS are already struggling to meet the current liability. There was an even split between those in receipt of CTRS and those not.
- 26 respondents agreed with this proposal. 3 were in receipt of CTRS and 23 were not.
- 25 respondents thought that the level of support should be increased. 8 of these were in receipt of CTRS and 17 were not.
- There were 32 other responses to this question that covered a wide range of subjects including wanting more information, improving services, and raising or lowering tax.

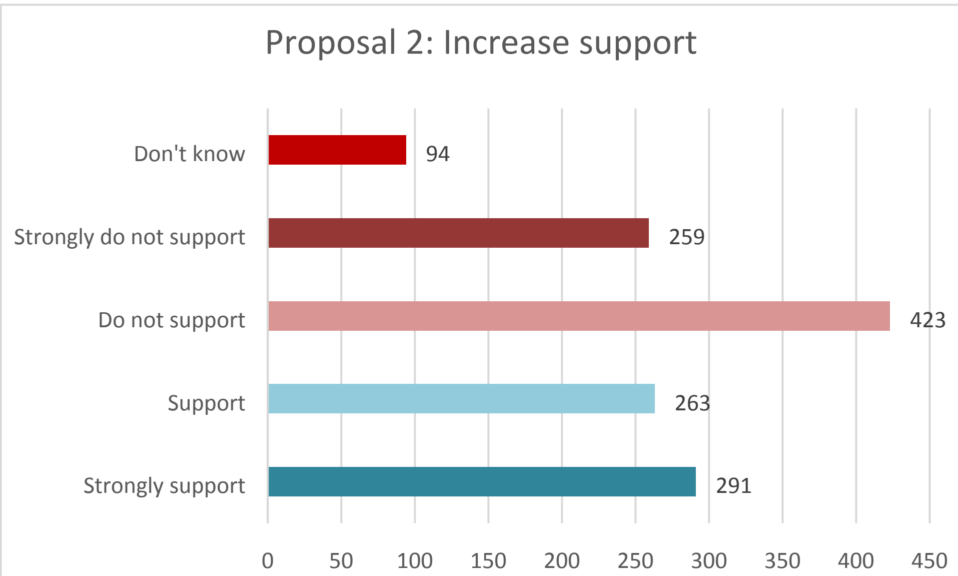
**Question 3:**

Proposal 2: Increase the maximum amount of CTRS.
This is where the council increases the support for recipients of CTRS, and means that they would have to pay less Council Tax.

To see further details of how this might affect you, please see our website.

To what extent do you support this proposal?

1,330 responses were made, with 164 further comments.




The key comments received were as follows:

- 28 respondents disagreed with this proposal. 5 of these were in receipt of CTRS, 23 were not.
- 25 respondents agreed with this proposal. 7 of these were in receipt of CTRS, 18 were not.
- 14 respondents stated that they were struggling financially with an even split between those in receipt of CTRS and those not.

- 28 respondents felt that more support should be provided through CTRS. 11 of these were in receipt of CTRS, 17 were not.
- 12 respondents felt that less support should be provided through CTRS. None of these 12 were in receipt of CTRS.
- There were 48 other responses to this question that covered a wide range of subjects including needing more information, raising tax, and the mismanagement of funds.

**Question 4:**

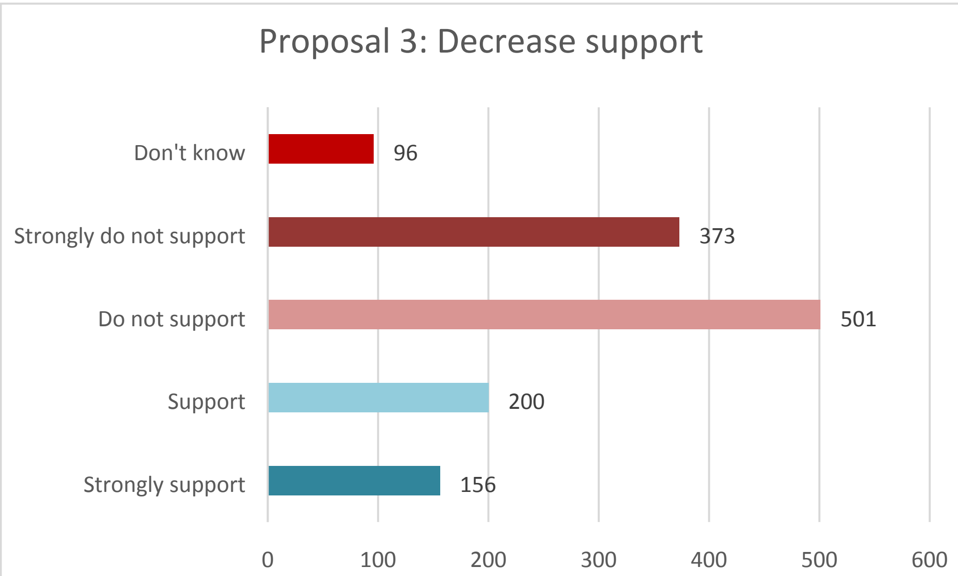
Proposal 3: Reduce the maximum amount of CTRS.

This is where the council decreases the support for recipients of CTRS, and means that they would have to pay more Council Tax.

To see further details of how this might affect you, please see our website.

To what extent do you support this proposal?

1,326 responses were made, with 114 further comments.




The key comments received were as follows:

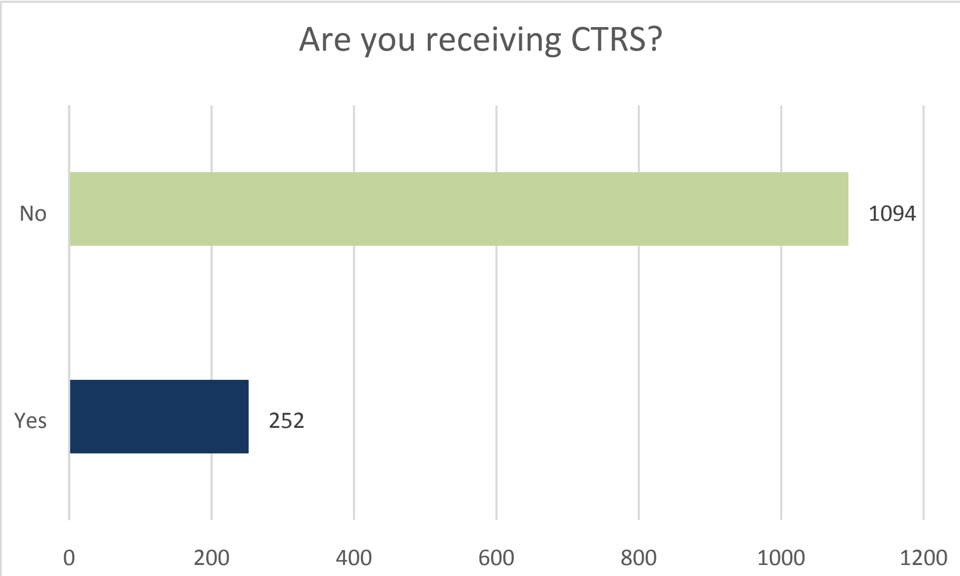
- 42 respondents stated that they disagreed with this proposal. 16 were in receipt of CTRS, 26 were not.
- 9 respondents stated that they agreed with this proposal. 1 was in receipt of CTRS, 8 were not.
- 8 respondents indicated that they were currently struggling financially. 2 were in receipt of CTRS, 6 were not.
- 12 respondents felt that less support should be provided. None of these were in receipt of CTRS.
- 9 respondents felt that more support should be provided. 4 of these were in receipt of CTRS, 5 were not.

- There were 21 further responses to this question, including 5 people that wanted more information, 3 that thought money was mismanaged, and 2 that thought services should improve.

**Question 5**

Are you currently receiving support through the Council Tax Reduction scheme?

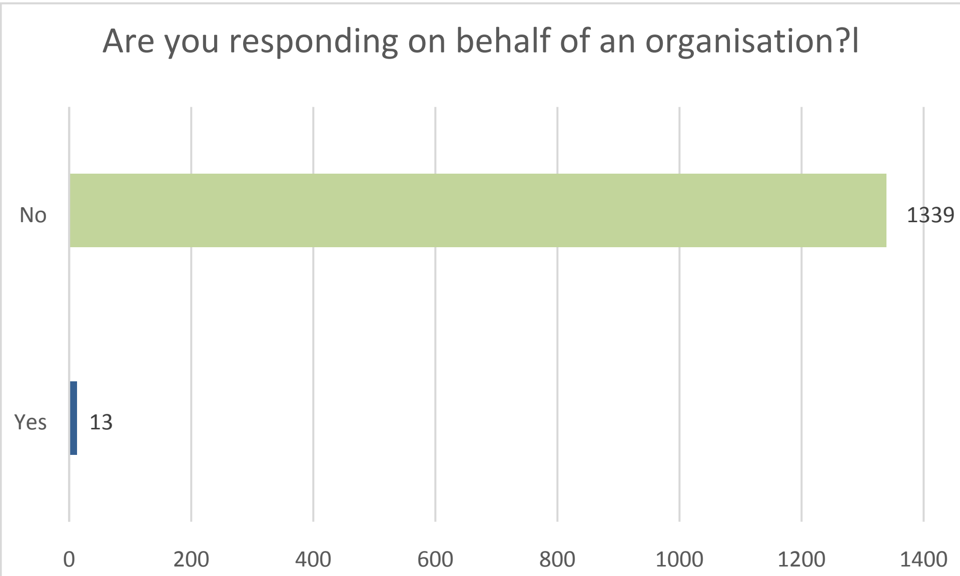
1,346 responses were made.




**Question 6**

Are you responding on behalf of a community group or organisation?

1,352 responses were made.




The following groups and organisations were listed in the comments for this question:

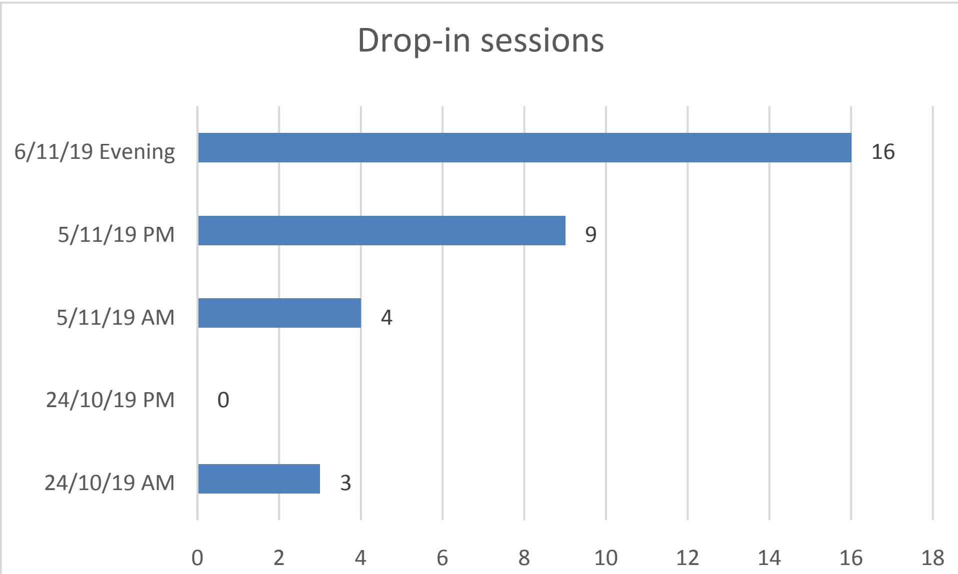
- Falcon Housing Association

- Northants British Polio Fellowship
- Central and East Northamptonshire Citizens Advice

**Question 7**

We are running a number of drop-in sessions at the One Stop Shop over the next few weeks to give people a chance to discuss the proposed changes and how they may impact on people-particularly for those receiving or likely to receive CTR discount. If you are interested in coming along, please select your preferred option below to give us an idea of numbers:

32 people expressed an interest in attending one of the drop-in sessions, but none did attend.



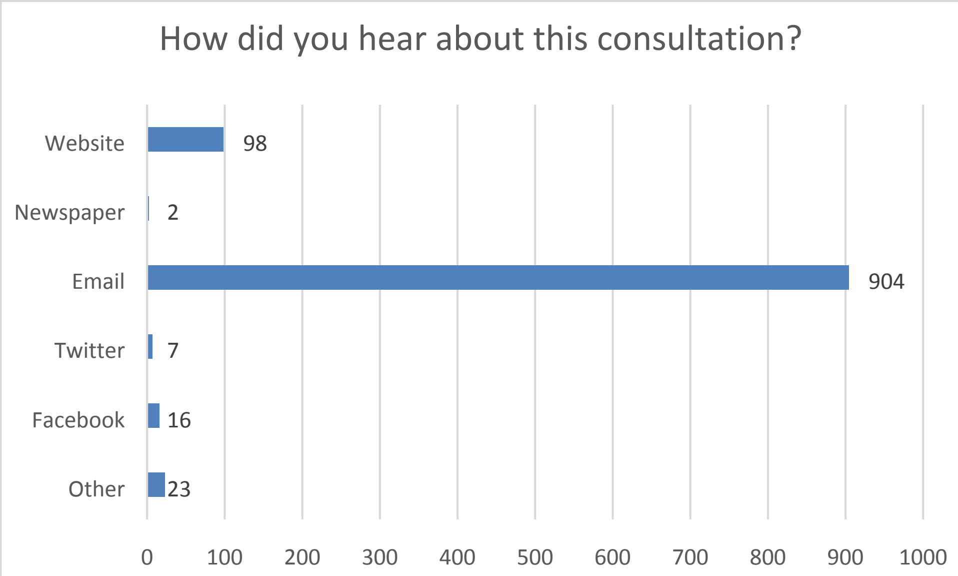

**Question 8**

This question was concerned with contact details, and the results do not form part of this report.

**Question 9**

How did you hear about this consultation?

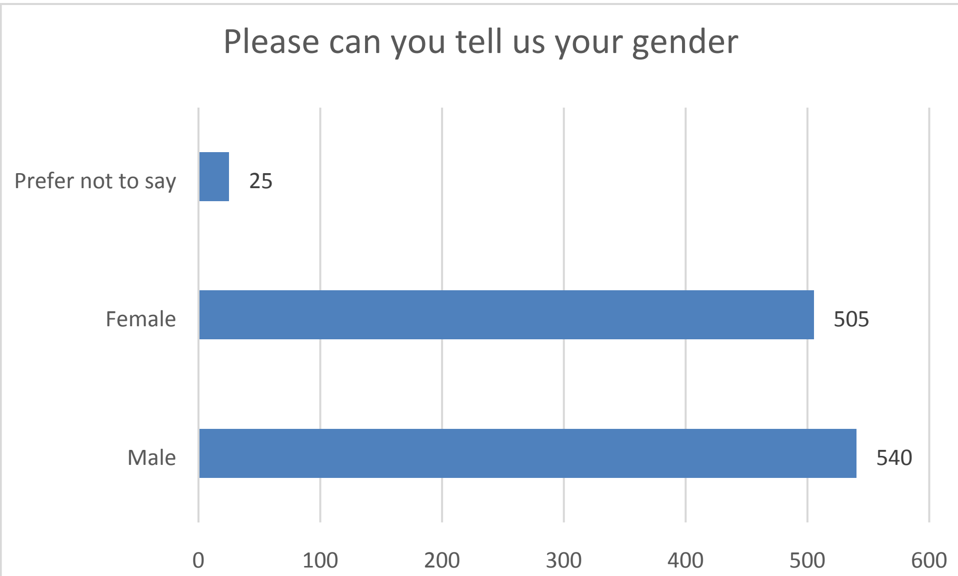
1,050 responses were made.




**Question 10**

Please can you tell us your gender.

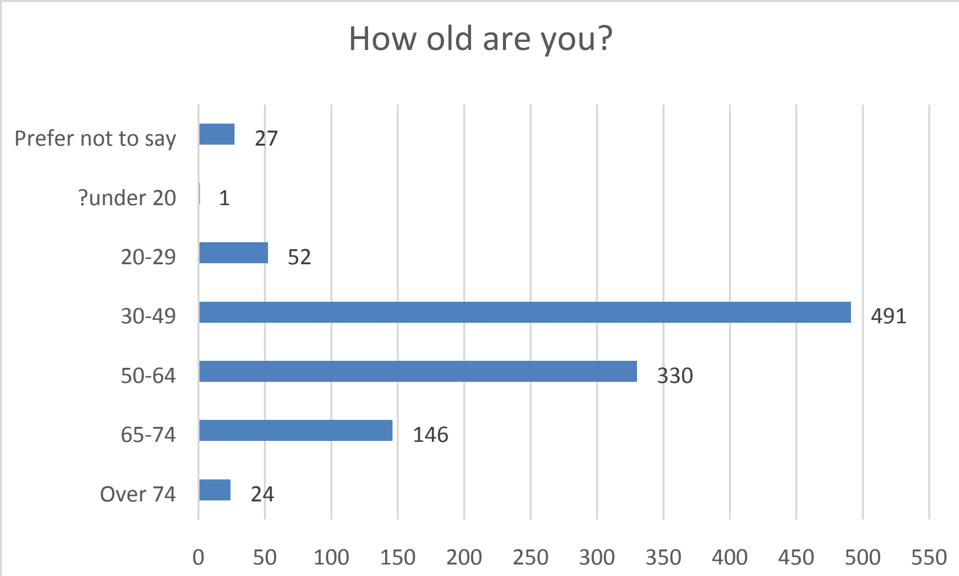
1,070 responses were made with a close to even split between male and female.



**Question 11**

How old are you?

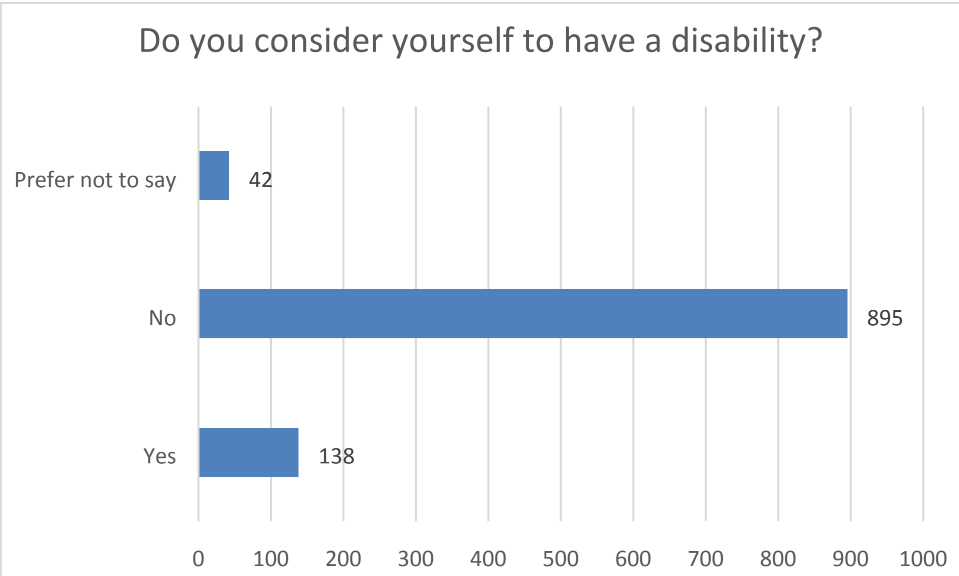
1,071 responses were made.




**Question 12**

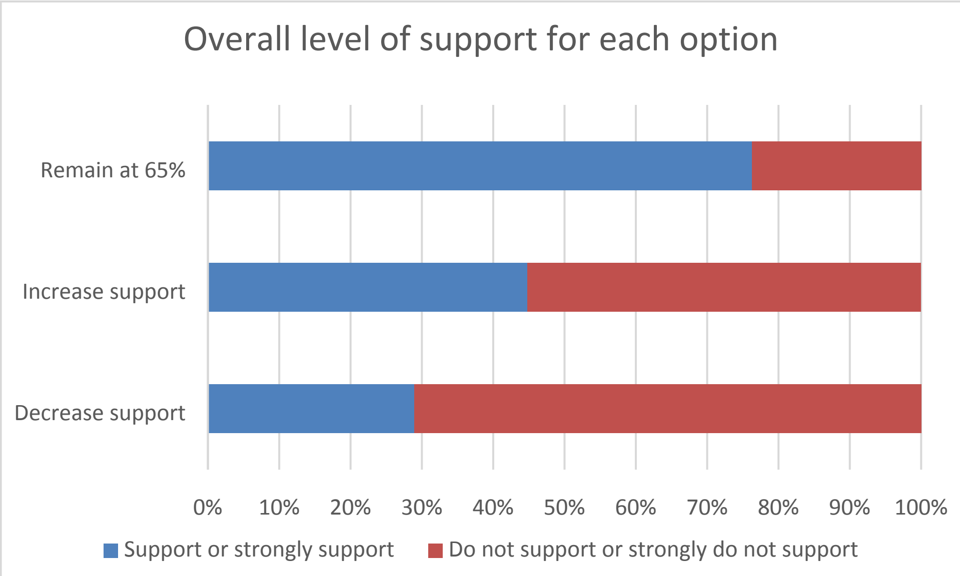
Do you consider yourself to have a disability?

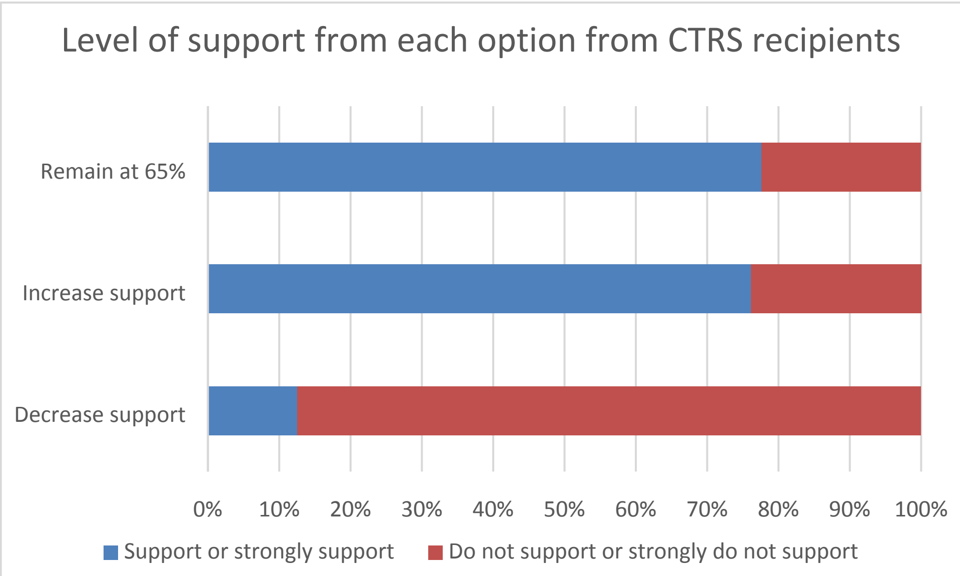
1,075 responses were made.

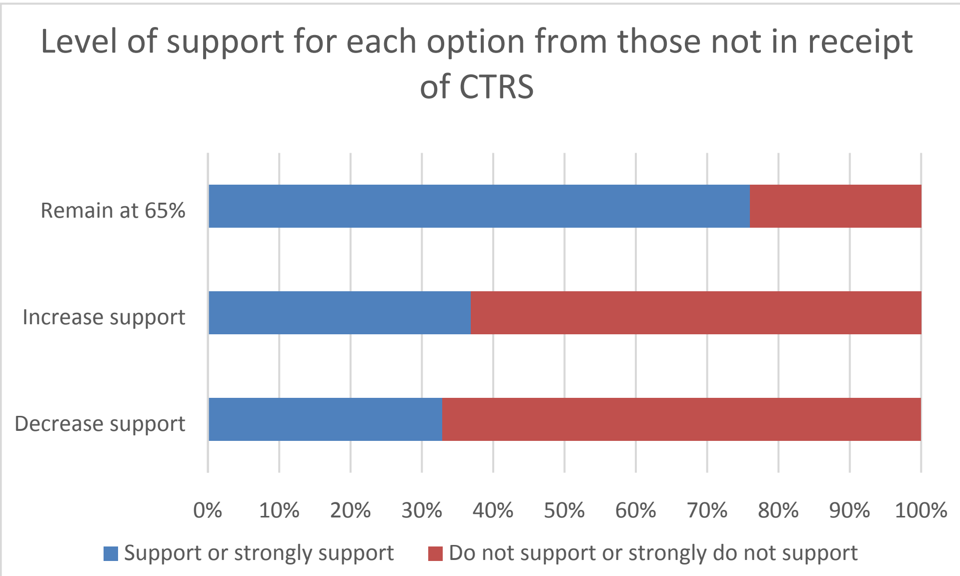


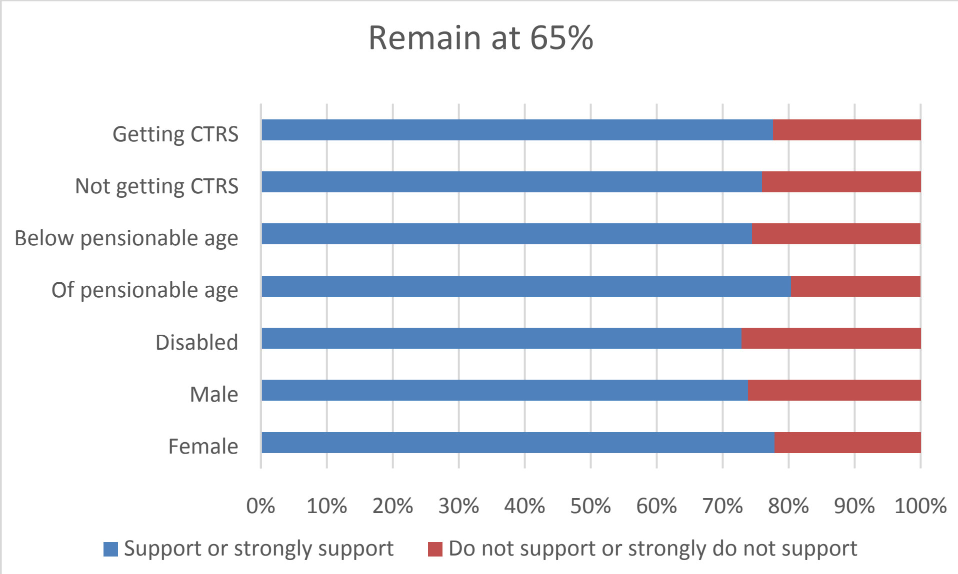
**FURTHER ANALYSIS:**

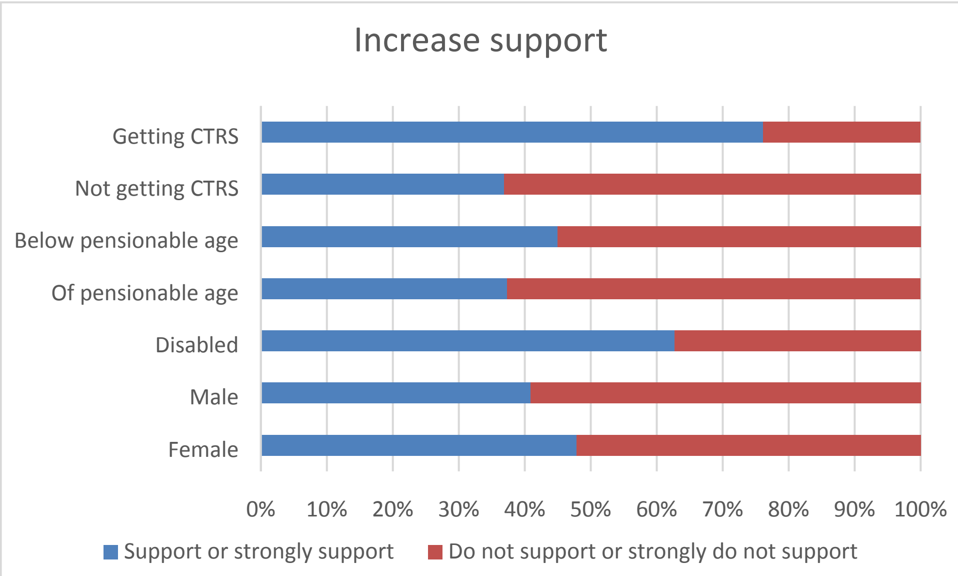
The following charts give some further breakdown of the results of the consultation and are included without any further comment.

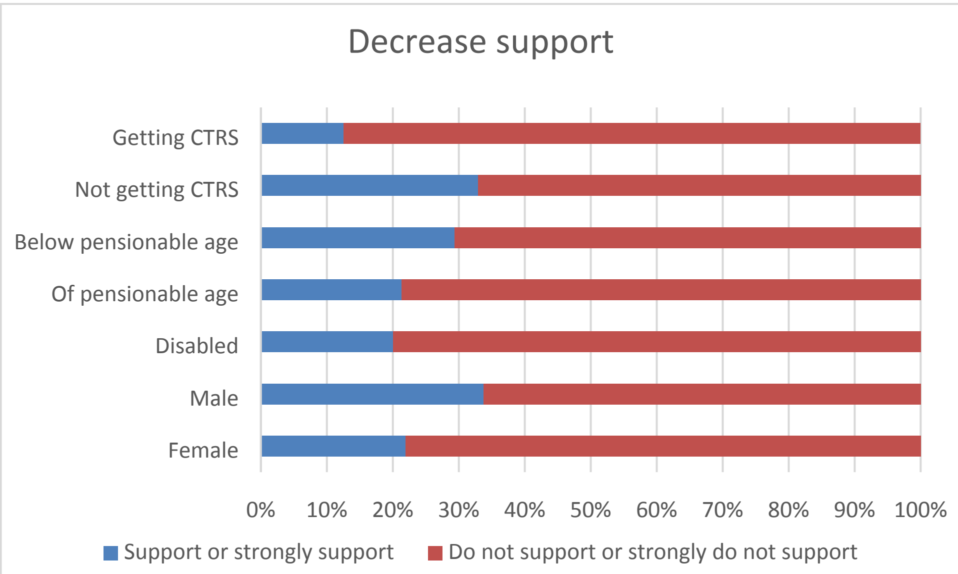



Remain at 65%
Getting CTRS
Not getting CTRS
Below pensionable age
Of pensionable age
Disabled
Male
Female
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
Support or strongly support
Do not support or strongly do not support


Increase support
Getting CTRS
Not getting CTRS
Below pensionable age
Of pensionable age
Disabled
Male
Female
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
Support or strongly support
Do not support or strongly do not support


Decrease support
Getting CTRS
Not getting CTRS
Below pensionable age
Of pensionable age
Disabled
Male
Female
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
Support or strongly support
Do not support or strongly do not support

**INDIVIDUAL RESPONSES:**

The following responses are a sample of those that were received to the 3 options presented in the consultation. I have not edited or censored any of these responses, although any identifying information has been removed.

**Proposal 1: Remain at 65%**

If the current level can be supported within budget then I would support keeping it

These are the poorest in society and shouldn't be penalised further

Although it would be good to help out those on limited budgets I think for the time being the Council cannot afford to increase their support.

I think it is fair for people to contribute a certain amount however, 35% is still a lot of money for people who are genuinely struggling financially

Should not be lower than 35%. Given the additional administration required for such a scheme it should be considered to increase such contributions to 40%.

**Proposal 2: Increase support**

Everyone is under financial pressure these days and some more than most. Any help in keeping a roof over people's heads and out of poverty etc. should be applauded.

If additional supported can be provided within budget then I would support the reduction of tax collected

I don't think the Council can afford to increase support this year. Hopefully in twelve months' time it might be a more feasible option.

It should be withdrawn as it's making people lazy

The greatness of a nation can be judged by how it treats its weakest members

**Proposal 3: Decrease support.**

Some people are on such low incomes they hardly have any money left even for basic food shopping

If the current level must be changed in order to remain within budget then I would support decreasing support

Those on limited budgets do not need any increasing costs put upon them. They struggle as it is.

It's not fair on those who really need extra support

Reduce CRT to nil. Council tax should be a flat per capita charge that is collected equally from residents to fund the local services from which we all benefit.

# Equality Impact Assessment

# Council Tax Reduction Scheme (CTRS)

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

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

| **Name of policy/activity/project/practice** | **This is:** |
|---|---|
| Council Tax Reduction Scheme 2020/21 | A change to existing policy/activity/practice |

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

**Brief description of policy/activity/project/practice:**

Northampton Borough Council is considering making amendments to its Council Tax Reduction Scheme (CTRS) from the 1st April 2020 to ensure it remains financially sustainable.

The proposed amendment reflects the fact that Government funding for Council Tax Reduction is effectively reduced year on year through cuts to Central Government funding. The Council's budget may not be able to cover a further shortfall in funding and so the proposed amendment may help bridge any funding gap.

The maximum assistance currently available to working age customers is 65% of their Council Tax liability. Due to the ongoing funding gap a further reduction in the amount of support available to working age customers is being considered. However, the scheme will still provide for a means-tested discount to provide financial support to low income families towards their Council Tax bill.

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

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

The proposal to further amend our scheme stems from the need to bridge the funding gap and to make savings in order to balance the budget.

Groups who are protected from the proposed amendment are:

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

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

The initial options for consideration in respect of 2020/21 include:

1. **No change – the maximum amount of CTRS to remain at 65%.**

2. **Increase the maximum amount of CTRS.**

3. **Decrease the maximum amount of CTRS.**

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

- The proposed changes outlined above will have a disproportionate impact on low income working age households because Council Tax Reduction is designed to provide financial support for low income working age households.

- The Council's budget cannot cover a further shortfall in Government funding without using reserves, increasing the Council Tax or reducing Services. Increasing the Council Tax charge has a knock on effect of increasing the CTR scheme cost as all awards would be based on the higher charge. Consequently, the proposed options, which aim to bridge the funding gap, are unlikely to impact on the wider community in Northampton.

**Evidence Base for Screening**

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

<table>
<tr><td>Equality Group</td><td rowspan="13">The following relates to each of the groups listed on the left:<br><br>• CLG Localising Council Tax Equality Impact Assessment and update<br>• Northampton Council tax database<br>• Council Tax Reduction database<br>• EIA’s from other NBC departments that are relevant for this assessment.<br>• Past consultation responses<br>• Unemployment by Constituency Research Paper (June 2017)<br>• Public Health England - Health Profile 2017<br>• Government briefing paper: CTR Schemes: Sept 2017<br>• Family Resources Survey: financial year 2015/16<br>• Nomis – official labour market statistics</td></tr>
<tr><td>Age</td></tr>
<tr><td>Disability</td></tr>
<tr><td>Carers (for elderly, disabled or minors)</td></tr>
<tr><td>Sex</td></tr>
<tr><td>Gender Reassignment</td></tr>
<tr><td>Pregnancy and Maternity (incl. breastfeeding)</td></tr>
<tr><td>Race</td></tr>
<tr><td>Religion or Belief</td></tr>
<tr><td>Sexual Orientation</td></tr>
<tr><td>Human Rights</td></tr>
<tr><td>Marriage and Civil Partnership</td></tr>
<tr></tr>
</table>

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

## Step 2: Involvement and Consultation

| |
|---|
| Outlined below is the previous consultation exercise that was conducted in relation to this policy in 2018: |

| | |
|---|---|
| Equality Group | A similar consultation was carried out in 2017, as part of the implementation of our year 6 CTR scheme.<br><br>2018-11-19 CTRS VII - Cabinet Report (Ap |
| Age | |
| Disability | |
| Carers (for elderly, disabled or minors) | |
| Sex | |
| Gender Reassignment | |
| Pregnancy and Maternity (incl. breastfeeding) | |
| Race | |
| Religion or Belief | |
| Sexual Orientation | |
| Human Rights | |
| Marriage and Civil Partnership | |

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

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

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

## Step 3: Data Collection and Evidence

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

The previous full consultation was undertaken and ran from the $17^{th}$ September 2018 to the 11th November 2018.

The consultation included the following:

- On-line survey
- News release
- Social media (Facebook, Twitter, etc.)
- Northampton Borough Council's internet and intranet pages
- All e-mail communication from the Benefit, Council Tax and Customer Services mailboxes included an invitation link to take-part in the consultation
- Display screens in the One Stop Shop
- Details of the consultation was emailed to the Multi Agency Forum and our welfare partners, including registered social landlords
- Invitations to participate was sent to key stakeholders, including Precepting Authorities, parishes, local Councilors and Members of Parliament
- Engagement with housing associations and voluntary and community sectors via their various networks
- Northampton Borough Council's Community Forum members were invited to take part
- 31,694 email invitations were issued to email addresses held on the Benefit and Council Tax database

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

- Social sector size criteria reductions to Housing Benefit
- Replacement of Disability Living Allowance with Personal Independence Payments
- National benefit cap
- National roll out of Universal Credit
- Freeze on benefit rates for the working Age Group (excluding disability benefits)

## Step 4: Assessing impact and strengthening the policy

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

All working age claimants are currently required to pay a minimum 35% contribution towards their Council Tax bill, irrespective of any protected characteristics:

| Equality Group | Risks (Negative) | Opportunities (Positive) |
|---|---|---|
| Age | The impact of the proposed option will disproportionately affect working age people. In addition, there may be an adverse effect on those under 25 as they receive reduced amounts of benefit based on their age.<br><br>Children of low income families may also be adversely affected if their parent(s) have to find additional money to cover a reduced CTR discount. | The Government has recognised that low-income pensioners cannot be expected to increase their income through paid work and therefore are to be protected from any reduction in their entitlements.<br><br>Our CTR scheme will continue to provide a more generous means-test for those with dependent children or young persons. |
| Disability | The impact of the proposed option will affect all working age customers, even those where either they or a member of their household have a disability.<br><br>It will place an additional strain on their finances. This will be further impacted as the increased reduction is not linked to the increase of benefit rates. | Working age customers who are in receipt of War Disablement or Widows Pension will be protected from this change.<br><br>Our CTR scheme will continue to provide a more generous means-test for those receiving Disability Living Allowance or Personal Independence Payments. |
| Carers (for elderly, disabled or minors) | The impact of the proposed option will mean that all working age carers are affected regardless of who they are caring for. | The means-test allows for a higher applicable amount and an increased earnings disregard for carers. |
| Sex | A significant proportion of CTR customers are female single parents. | None identified |
| Gender Reassignment | None identified | None identified |
| Pregnancy and Maternity (incl. | None identified | None identified |

| | | |
|---|---|---|
| breastfeeding) | | |
| Race | It is not intended that this policy will disproportionately affect any particular ethnicity. Consideration will be given to how the scheme is communicated in relation to potential language barriers. | We manage the current CTR & Housing Benefit schemes and are used to working with and supporting customer's whose first language is not English. |
| Religion or Belief | None identified | None identified |
| Sexual Orientation | None identified | None identified |
| Human Rights | None identified | None identified |
| Marriage and Civil Partnership | None identified | None identified |

**Proportionality**

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

Based on Northampton Borough Council's caseload data from July 2019 we have 14,135 applicants in receipt of a CTRS discount. Of these 5,330 are of pension age and are protected from these proposed changes.

This leaves 8,805 working age CTRS recipients who will be impacted based on one of the proposed options being adopted. This is because they will receive a different amount of financial support as of 1st April 2020 depending on the option selected. This equates to 62% of our CTR caseload.

16% of the working age LCTR caseload are currently employed but still require some level of financial support through the CTR scheme because their wages are relatively low.

30% of the working age LCTR caseload are in receipt of disability benefits. Many of these disabled people are unable to improve their financial circumstances by moving into work and their disability benefits are essentially provided to cover specific costs arising from their disability rather than to meet housing costs or Council Tax liability.

35% of the working age LCTR caseload are single parents (predominantly female) with one or more children.

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

- Social sector size criteria reductions to Housing Benefit

- Replacement of Disability Living Allowance with Personal Independence Payments
- National benefit cap
- National roll out of Universal Credit
- Freeze on benefit rates for the working Age Group (excluding disability benefits)

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

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

However, the policy could be designed to afford some protection to certain vulnerable groups, for example, where there are children under 5; where the disability premium is awarded or in cases where there are disabled children.

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

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

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

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

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

The policy will have a negative impact on those in Northampton who are working age and on low incomes. The reason for this is that the proposed option will reduce the amount of financial support they receive which could adversely affect their ability to afford their household expenses.

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

Please see table above and Step 6 below

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

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

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

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

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

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

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

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

## Step 5: Procurement and partnerships

| Consideration of external contractor obligations and partnership working: |
|---|

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

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

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

## Step 6- Making a Decision

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

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

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

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

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

## Collection & Recovery of Council Tax

In-year collection of Council Tax from the CTR cohort as of 31st July 2019 for CTR claimants is 33.37% compared to 32.77% in 2018/19. We have a specific recovery approach for customers in receipt of a CTR discount who also have Council Tax arrears:

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

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

- To support CTRS we endeavour to contact customers separately before the issue of a summons, where telephone and email addresses as known, to make repayment arrangements wherever possible. These arrangements are then closely monitored to ensure those customers who are making every effort who help themselves do not incur the additional cost of a summons. This additional support comes at an additional cost to NBC.

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

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

- For those customers that cannot, or won't, make an arrangement, they will be issued with a summons. Although customer attendance at court is low, we will still make an arrangement at this stage.

- Where customers are making realistic arrangements to pay these are often small amounts, over a long period of time, regardless of what point of the recovery cycle a customer has reached. Customers have struggled to maintain even these small value arrangements and this increases the cost to the Council to administer.

- There has been a 17.5% decrease in the number of reminders, final notices and summons issued in the first five months of the financial year. This compares to a 5.1% drop in the CTR caseload.

- Where a Liability Order is obtained, the Council's preferred option is to serve an attachment of benefit, and the use of this method of repayment is on the increase compared to previous years. The Council currently collects £29.6k per month through AOB, as compared to £29.1k last year.

- It should be noted that the maximum amount of money that can be deducted is £3.70 per week, regardless of how much a customer owes, and the recovery of council tax is not a priority debt for deduction by the DWP. The maximum a customer in these circumstances can repay is £192.40 per year. In 2019/20, an unparished band A property with two adults would be liable for £1,179.71, reducing by maximum CTR would leave the customer liable to pay £412.90. The issue of a summons would add a further £79.90, leaving a customer with an annual charge of £300.04 more than the Council is able to recover.

- There is also a process to support customers whose debt is passed to Enforcement Agents, similar to that provided by the Council.

- The council will also consider writing debts off in exceptional requests of hardship.

The Council is unable to readily gauge the likely impact that any proposed increase in the liable percentage contribution for those of working age in 2020/21 would have on collection performance. However, it is very likely to result in further recovery action and administration, with an increase in the number of Council Taxpayers taken to Court.

In November 2016 the New Policy Institute published a study into the link between Council Tax Support changes and rising Council Tax arrears. The results led the NPI to conclude that authorities with the highest minimum payments had experienced the largest increases in uncollected Council Tax.

## Step 7 – Monitoring, evaluating and reviewing

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

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

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

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

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

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

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

3) **Monitoring Debt Levels:**

Customers with 'small debts' (those under £79.90) are not subject to any further recovery action. However, where there is an accumulative effect from previous year arrears, further recovery action will be taken and this will result in these debts becoming subject to a liability order. These debts will continue to be ring-fenced and processed separately to ensure we provide additional support prior to issuing a summons.

4) **Feedback from other partners:**

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

## Step 8 –Action Plan

| Actions | Target date | Responsible post holder | Monitoring post holder |
|---|---|---|---|
| Publish EIA | December 2019 | Robin Bates | Jon Owst |
| Liaison with Northampton Borough Council’s Money Advice service to establish what scope they have to support affected customers who may require advice and budgeting support. | December 2019 | Robin Bates | Jon Owst |
| Consider communication to working age CTR recipients prior to annual billing to promote the national Money Advice Service and Northampton Borough Council’s financial inclusion service. | December 2019 | Robin Bates | Jon Owst |
| Review the Council Tax recovery process for those receiving CTR | January 2020 | Robin Bates | Jon Owst |
| Offer training and/or support to other services (both internal/external) so they are aware of changes to CTR and the impact on their clients. | February 2020 | Robin Bates | Jon Owst |
| Full training to be provided to all Revenues & Benefits staff so they are aware of the changes and can ensure customers can be sign-posted to Northampton Borough Council’s financial inclusion service. | February 2020 | Robin Bates | Jon Owst |
| Internal Review by reporting and analysing the public response to annual billing. | March 2020 | Robin Bates | Jon Owst |
| Review of CTR Year 8 project as a ‘lessons-learned’ exercise to identify other potential avenues to increase response to any future CTR consultations – particularly areas that focus on groups with protected characteristics. | April 2020 | Robin Bates | Jon Owst |
| Review the impact of summons and other recovery actions on accumulated debt from 2019/20 | July 2020 | Robin Bates | Jon Owst |

**For the record**

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

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

**Date of sign off by Head of Service:**

**Name of Head of Service signing off this EIA:**

## Equality Duties to be taken into account include:

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

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

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

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

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

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

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

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

| Appendices |
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| 2 |

NORTHAMPTON
BOROUGH COUNCIL

# CABINET REPORT

| Report Title | COUNCIL TAX BASE 2020-2021 |
|---|---|

**AGENDA STATUS:** **PUBLIC**

| | |
|---|---|
| **Cabinet Meeting Date:** | 23rd December 2019 |
| **Key Decision:** | YES |
| **Within Policy:** | YES |
| **Policy Document:** | No |
| **Service Area:** | 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 2020/21 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.

1.2 The report sets out the option to change the level of premium for long term empty properties in accordance with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill, which came into effect in April 2019.

## 2. Recommendations

2.1 That Cabinet recommend to Council to approve the tax base for 2020/21 at 69,376.28 Band D equivalent properties and associated parish tax bases within this report.

‘Band D’ is used as a denominator value and changes to discounts, exemptions and collection rates will impact on the calculated ‘tax base’, in addition to any gains or losses in the number of physical properties.

| | 2019/20 | 2020/21 | Change |
|---|---|---|---|
| Billing | 2,804.54 | 2,820.81 | 16.27 |
| Collingtree | 528.4673 | 536.15 | 7.68 |
| Duston | 5,562.62 | 5,581.06 | 18.44 |
| Great Houghton | 294.8073 | 289.50 | -5.31 |
| Hardingstone | 816.3065 | 818.18 | 1.88 |
| Upton | 2,723.61 | 2,788.69 | 65.07 |
| Wootton | 2,980.14 | 2,990.71 | 10.57 |
| East Hunsbury | 3,510.44 | 3,506.83 | -3.60 |
| West Hunsbury | 1,661.73 | 1,667.27 | 5.54 |
| Hunsbury Meadow | 888.343 | 972.28 | 83.93 |
| Northampton (Unparished) | 46,647.54 | 47,404.79 | 757.25 |
| Total tax base | 68,418.55 | 69,376.28 | 957.73 |

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 2020.

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.

2.4 Cabinet to recommend that the long-term empty property premium of 200% is implemented for properties vacant for over five years to Council, to take effect from the 1st April 2020.

## 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.

| 2019/20 | | 2020/21 |
|---|---|---|
| 74,651.36 | Tax Base (Band D equivalent) | 75,260.13 |
| 271.11 | Growth in tax base (note 1) | 318.11 |
| 388.89 | Planning Assumptions (note 2) | 499.11 |
| -51.24 | Exemptions & Discounts (note 3) | -83.75 |
| -5,658.35 | Council Tax Reduction Scheme (note 4) | -5,417.53 |
| -1,183.23 | Non-Collection (note 5) | -1,199.79 |
| 68,418.55 | Taxbase for Council Tax | 69,376.28 |

3.1.3 Note 1 – The number of properties completed by the builders since November 2018 has been in line with the estimate. There has been an increase of 833 properties from the 2019/20 tax base to the 2020/21 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 2019 and the 31st March 2020. There is currently a reduction of 50% of the potential banding applied to the estimated new build figures to allow for part year liability, discounts and exemptions.

3.1.5 Note 3 – The main changes to exemptions, discounts and disregards are increases in awards for

3.1.5.□.1 Customers in hospital or care has increased (21%), this is due to an aging population.
3.1.5.□.2 Customers where the property is awaiting probate (19%) have increased.
3.1.5.□.3 Students in halls of residence (573%) has increased, this due to the extra accommodation available in the University and the district valuer rating the properties individually, rather than cumulatively.
3.1.5.□.4 Customers in student accommodation (10%) has also increased, primarily due to a shift to flats, rather than shared houses.
3.1.5.□.5 Properties occupied by persons under 18 years old (58%) have increased due an increase in accommodation being available to care leavers.

3.1.5.□.6 Increase in Severe Mental Impairment (32%) and Carer (20%) cases is due to continued awareness, with more customers remaining in their homes for longer and the reduction in awards for CTRS.

3.1.5.□.7 Single Person Discount awards have reduced by 5% due to a NCC funded review, which historically 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 2019/20 and 2020/21 tax bases.

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

3.1.7 Note 5 - The collection rate of council tax remains at 98.3% for the 2020/21 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 apportioned on the Collection Fund, detailed in the draft budget report to December Cabinet, which potentially could change prior to the formal notification on the 15th January 2020. The £126.7k, would be distributed as follows, £17.2k for NBC (which would equate to £87.8k for NCC, £4.3k for NCFRA and £17.4k for NPCC. This surplus also includes the bad debt provision remaining at 80%, due to continued improvement in collection rates.

3.1.9 The Government announced in budget in 2017 that they intended to review the level of discount for long term empty homes, and has subsequently published the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill, which has passed through the legislation process. This allows Billing Authorities to increase the level of premium from the existing 50%, dependent on the length of time the property has been empty and unfurnished:

a) Up to 100% for homes empty between 2 and 5 years (this would come into effect in April 2019)
b) Up to 200% for homes empty between 5 and 10 years (to come into effect from April 2020) and
c) Up to 300% for homes empty for 10 years or more (to come into effect from April 2021)

3.1.10 The definition for allowing billing authorities to levy an ‘empty homes premium’ (also referred to as long term empty premium) over and above full council tax liability in respect of dwellings which have been left empty for two years or more.

**3.2 Issues**

3.2.1 The report represents the application of a prescribed process.

3.2.2 The proposal to change council tax long term empty premium must be seen in the wider context of delivering a balance budget for 2020/21 and is part of a number of options to achieve the same.

**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

a) The previous decision by Council in 2013/14 in relation to the level of reductions awarded for Exemptions and Discounts.

b) The previous decision by Council in 2019/20 in relation to the level of premium charged on Long Term Empty premises.

3.3.3 To decide whether or not, to increase the existing premium charge from 100% to 200% for property empty and unfurnished for five years and over, with effect from the 1st April 2020.

3.3.4 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.

3.3.5 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.

3.3.6 To approve the recommendations in the report

## 4. Implications (including financial implications)

**4.1 Policy**

4.1.1 There are no such implications in this report

**4.2 Resources and Risk**

4.2.1 No resource required. The base has to be determined by the 31st January 2020 by Full Council

4.2.2 The proposal to change council tax long term empty premium must be seen in the wider context of delivering a balance budget for 2020/21 and is part of a number of options to achieve the same.

4.2.3 The premium only applies to properties that unoccupied and unfurnished, should a property become furnished at any time then the premium would no longer be applicable, even if it remained unoccupied.

4.2.4 Currently there are 56 properties in the borough of Northampton where the increase in premium from 100% to 200% could be applied. If applied, this would increase the 20/21 tax base by 45 band d equivalent properties. Based on the estimated precepts for 20/21 this has the potential to raise the following income.

| | £ |
|---|---|
| NBC | 11,157.96 |
| NCC | 57,843.92 |
| Fire | 3,414.85 |
| Police | 11,625.42 |
| | 84,042.15 |

4.2.5 It should also be noted that of these properties identified, 9 belong to NBC, 6 of which are at Toms Close. If these properties were to remain empty for the whole of 20/21, there would be a cost to NBC of £14,110, to offset against the increase income.

4.2.6 A risk of the premium for long term empty properties in raising additional income, is that customers may take steps to evade this, or avoiding informing us that the property has become empty.

4.2.7 The Government has announced an intention to develop guidance on considerations for properties subject to long term empty premium, but this not available to date. However, it will be necessary for the Council to consider any recommendations when available.

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

4.2.9 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 and Health**

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

4.4.2 No direct impact on equality has been identified, however we will monitor to ensure unforeseen equality issues are identified and used to inform future reviews of this policy.

**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 Maximising income streams is a key ingredient in effective financial governance, which contributes to the priority of making every pound go further.

**4.7 Environmental Implications (including climate change issues)**

4.7.1 There are no such implications in this report

**4.8 Other Implications**

4.8.1 There are no such implications in this report

**5. Background Papers**

5.1 There are no such implications in this report

**6. Next Steps**

6.1 If Cabinet recommend to Council to approve the tax base, this report will need to Full Council before the 31st January 2020 to meet the Council's statutory duty.

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**Stuart McGregor, Chief Finance Officer (S151)**
**Extension 7451, SMcGregor@northampton.gov.uk**

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Appendix 1

| **Northampton** | **2019/20** | | **2020/21** |
|---|---|---|---|
| BAND | Total | | Total |
| Number on list | 97,509.00 | | 98,342.00 |
| less exemption | 1,920.00 | | 2,309.00 |
| plus disabled from higher band | 406.00 | | 413.00 |
| less disabled going into lower band | 406.00 | | 413.00 |
| less number of one adult resident household x25% | 8,224.63 | | 7,873.00 |
| less number of properties with no residents but not exempt x50% | -112.25 | | - 86.16 |
| less number of second home properties with no residents but not exempt x10% | 181.00 | | 196.00 |
| long-term empties x no discount | 1,468.00 | | 1,760.00 |
| less CTRS | -7,601.43 | | - 7,269.73 |
| plus f y e for new properties | 450.50 | | 617.00 |
| Total | 80,325.70 | | 81,593.43 |
| conversion to band d equivalent | | | |
| band d equivalent | 69,601.78 | | 70,576.07 |
| | | | |
| **Assume 97.8% collection** | **68,418.55** | **Assume 98.3% collection** | **69,376.28** |

| Duston | 2019/20 | | 2020/21 |
|---|---|---|---|
| BAND | Total | | Total |
| Number on list | 7300.00 | | 7,298.00 |
| less exemption | 91.00 | | 107.00 |
| plus disabled from higher band | 41.00 | | 37.00 |
| less disabled going into lower band | 41.00 | | 37.00 |
| less number of one adult resident household x25% | 582.00 | | 572.50 |
| less number of properties with no residents but not exempt x50% | -2.00 | | - 3.26 |
| less number of second home properties with no residents but not exempt x10% | 9.00 | | 8.00 |
| long-term empties x no discount | 54.00 | | 83.00 |
| less CTRS | -354.77 | | - 341.47 |
| plus f y e for new properties | 2.50 | | 21.50 |
| Total | 6276.73 | | 6,301.79 |
| conversion to band d equivalent | | | |
| band d equivalent | 5658.82 | | 5,677.58 |
| **Assume 97.8% collection** | **5,562.62** | **Assume 98.3% collection** | **5,581.06** |

| Collingtree | 2019/20 | | 2020/21 |
|---|---|---|---|
| BAND | Total | | Total |
| Number on list | 434.00 | | 433.00 |
| less exemption | 3.00 | | - |
| plus disabled from higher band | 7.00 | | 8.00 |
| less disabled going into lower band | 7.00 | | 8.00 |
| less number of one adult resident household x25% | 21.00 | | 22.88 |
| less number of properties with no residents but not exempt x50% | -4.00 | | - 9.47 |
| less number of second home properties with no residents but not exempt x10% | 1.00 | | 2.00 |
| long-term empties x no discount | 4.00 | | 5.00 |
| less CTRS | -10.69 | | - 9.45 |
| plus f y e for new properties | 0.00 | | 3.50 |
| Total | 403.31 | | 413.64 |
| conversion to band d equivalent | | | |
| band d equivalent | 534.53 | | 545.42 |
| **Assume 97.8% collection** | **522.77** | **Assume 98.3% collection** | **536.15** |

| **Billing** | **2019/20** | | **2020/21** |
|---|---|---|---|
| BAND | Total | | Total |
| Number on list | 3,912.00 | | 3,908.00 |
| less exemption | 33.00 | | 33.00 |
| plus disabled from higher band | 24.00 | | 24.00 |
| less disabled going into lower band | 24.00 | | 24.00 |
| less number of one adult resident household x25% | 306.63 | | 295.13 |
| less number of properties with no residents but not exempt x50% | 0.00 | | 3.38 |
| less number of second home properties with no residents but not exempt x10% | 4.00 | | 2.00 |
| long-term empties x no discount | 33.00 | | 39.00 |
| less CTRS | -392.07 | | - 372.01 |
| plus f y e for new properties | 0.00 | | - |
| Total | 3,180.30 | | 3,204.49 |
| conversion to band d equivalent | | | |
| band d equivalent | 2,853.04 | | 2,869.60 |
| | | | |
| **Assume 97.8% collection** | **2,804.54** | **Assume 98.3% collection** | **2,820.81** |

| **Great Houghton** | **2019/20** | | **2020/21** |
|---|---|---|---|
| BAND | Total | | Total |
| Number on list | 284.00 | | 284.00 |
| less exemption | 0.00 | | 5.00 |
| 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% | 17.75 | | 17.00 |
| less number of properties with no residents but not exempt x50% | -2.00 | | - 1.61 |
| less number of second home properties with no residents but not exempt x10% | 1.00 | | - |
| long-term empties x no discount | 1.00 | | 4.00 |
| less CTRS | -7.48 | | - 7.36 |
| plus f y e for new properties | 0.00 | | - |
| Total | 260.77 | | 256.25 |
| conversion to band d equivalent | | | |
| band d equivalent | 299.91 | | 294.50 |
| | | | |
| **Assume 97.8% collection** | **294.81** | **Assume 98.3% collection** | **289.50** |

| **Hardingstone** | **2019/20** | | **2020/21** |
| --- | --- | --- | --- |
| BAND | Total | | Total |
| Number on list | 1,003.00 | | 1,003.00 |
| less exemption | 7.00 | | 8.00 |
| plus disabled from higher band | 9.00 | | 10.00 |
| less disabled going into lower band | 9.00 | | 10.00 |
| less number of one adult resident household x25% | 74.75 | | 74.25 |
| less number of properties with no residents but not exempt x50% | 0.00 | | 0.50 |
| less number of second home properties with no residents but not exempt x10% | 3.00 | | 3.00 |
| long-term empties x no discount | 8.00 | | 9.00 |
| less CTRS | -56.37 | | - 53.52 |
| plus f y e for new properties | 0.00 | | 0.50 |
| Total | 864.88 | | 867.23 |
| conversion to band d equivalent | | | |
| band d equivalent | 830.42 | | 832.33 |
| | | | |
| **Assume 97.8% collection** | **816.31** | **Assume 98.3% collection** | **818.18** |

| Upton | 2019/20 | | 2020/21 |
|---|---|---|---|
| BAND | Total | | Total |
| Number on list | 3,254.00 | | 3,331.00 |
| less exemption | 50.00 | | 57.00 |
| plus disabled from higher band | 13.00 | | 14.00 |
| less disabled going into lower band | 13.00 | | 14.00 |
| less number of one adult resident household x25% | 289.75 | | 283.50 |
| less number of properties with no residents but not exempt x50% | 0.50 | | - 0.93 |
| less number of second home properties with no residents but not exempt x10% | 7.00 | | 8.00 |
| long-term empties x no discount | 52.00 | | 90.00 |
| less CTRS | -235.19 | | - 234.18 |
| plus f y e for new properties | 38.00 | | 18.50 |
| Total | 2,716.56 | | 2,775.75 |
| conversion to band d equivalent | | | |
| band d equivalent | 2,770.72 | | 2,836.91 |
| | | | |
| **Assume 97.8% collection** | **2,723.61** | **Assume 98.3% collection** | **2,788.69** |

| Hunsbury Meadow | 2019/20 | | 2020/21 |
|---|---|---|---|
| BAND | Total | | Total |
| Number on list | 884.00 | | 966.00 |
| less exemption | 7.00 | | 7.00 |
| plus disabled from higher band | 2.00 | | 3.00 |
| less disabled going into lower band | 2.00 | | 3.00 |
| less number of one adult resident household x25% | 58.00 | | 60.25 |
| 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% | 1.00 | | - |
| long-term empties x no discount | 6.00 | | 4.00 |
| less CTRS | -33.05 | | - 33.12 |
| plus f y e for new properties | 57.50 | | 61.50 |
| Total | 843.45 | | 927.13 |
| conversion to band d equivalent | | | |
| band d equivalent | 903.71 | | 989.09 |
| **Assume 97.8% collection** | **888.34** | **Assume 98.3% collection** | **972.28** |

| West Hunsbury | 2019/20 | | 2020/21 |
|---|---|---|---|
| BAND | Total | | Total |
| Number on list | 1,868.00 | | 1,868.00 |
| less exemption | 13.00 | | 18.00 |
| plus disabled from higher band | 13.00 | | 14.00 |
| less disabled going into lower band | 13.00 | | 14.00 |
| less number of one adult resident household x25% | 125.00 | | 116.38 |
| less number of properties with no residents but not exempt x50% | -3.00 | | - 1.62 |
| less number of second home properties with no residents but not exempt x10% | 2.00 | | 2.00 |
| long-term empties x no discount | 13.00 | | 17.00 |
| less CTRS | -93.48 | | - 87.64 |
| plus f y e for new properties | 0.00 | | - |
| Total | 1,639.52 | | 1,647.61 |
| conversion to band d equivalent | | | |
| band d equivalent | 1,690.47 | | 1,696.10 |
| | | | |
| **Assume 97.8% collection** | **1,661.73** | **Assume 98.3% collection** | **1,667.27** |

| **Wootton** | **2019/20** | | **2020/21** |
|---|---|---|---|
| BAND | Total | | Total |
| Number on list | 3,014.00 | | 3,015.00 |
| less exemption | 19.00 | | 20.00 |
| plus disabled from higher band | 12.00 | | 14.00 |
| less disabled going into lower band | 12.00 | | 14.00 |
| less number of one adult resident household x25% | 178.50 | | 169.00 |
| less number of properties with no residents but not exempt x50% | 1.50 | | 2.00 |
| less number of second home properties with no residents but not exempt x10% | 6.00 | | 4.00 |
| long-term empties x no discount | 28.00 | | 29.00 |
| less CTRS | -73.04 | | - 71.02 |
| plus f y e for new properties | 0.00 | | - |
| Total | 2,741.96 | | 2,752.98 |
| conversion to band d equivalent | | | |
| band d equivalent | 3,031.68 | | 3,042.43 |
| | | | |
| **Assume 97.8% collection** | **2,980.14** | **Assume 98.3% collection** | **2,990.71** |

| East Husbury | 2019/20 | | 2020/21 |
|---|---|---|---|
| BAND | Total | | Total |
| Number on list | 4,136.00 | | 4,111.00 |
| less exemption | 26.00 | | 36.00 |
| plus disabled from higher band | 18.00 | | 18.00 |
| less disabled going into lower band | 18.00 | | 18.00 |
| less number of one adult resident household x25% | 284.50 | | 274.00 |
| less number of properties with no residents but not exempt x50% | 0.38 | | 1.07 |
| less number of second home properties with no residents but not exempt x10% | 6.00 | | 6.00 |
| long-term empties x no discount | 61.00 | | 53.00 |
| less CTRS | -111.29 | | - 103.77 |
| plus f y e for new properties | 0.00 | | 1.00 |
| Total | 3,713.83 | | 3,697.16 |
| conversion to band d equivalent | | | |
| band d equivalent | 3,571.15 | | 3,567.48 |
| | | | |
| **Assume 97.8% collection** | **3,510.44** | **Assume 98.3% collection** | **3,506.83** |

| Unparished | 2019/20 | | 2020/21 |
|---|---|---|---|
| BAND | Total | | Total |
| Number on list | 71,421.00 | | 72,125.00 |
| less exemption | 1,673.00 | | 2,018.00 |
| plus disabled from higher band | 265.00 | | 270.00 |
| less disabled going into lower band | 265.00 | | 270.00 |
| less number of one adult resident household x25% | 6,284.00 | | 5,988.13 |
| less number of properties with no residents but not exempt x50% | -98.63 | | - 76.22 |
| less number of second home properties with no residents but not exempt x10% | 141.00 | | 161.00 |
| long-term empties x no discount | 1,209.00 | | 1,427.00 |
| less CTRS | -6,234.74 | | - 5,956.17 |
| plus f y e for new properties | 352.00 | | 510.50 |
| Total | 57,679.88 | | 58,749.42 |
| conversion to band d equivalent | | | |
| band d equivalent | 47,454.27 | | 48,224.61 |
| | | | |
| **Assume 97.8% collection** | **46,647.54** | **Assume 98.3% collection** | **47,404.79** |

Appendix 2

| EXEMPTIONS | 2019/20 | 2020/21 |
|---|---|---|
| Charity | 24 | 20 |
| Liable Person detained | 15 | 12 |
| In hospital / residential care | 91 | 110 |
| Awaiting Probate | 210 | 249 |
| Probate < 6 months | 49 | 53 |
| Occupation prohibited | 5 | 3 |
| Religious occupation | 2 | 1 |
| Receiving personal care | 8 | 4 |
| Providing personal care | - | 1 |
| Student | 2 | - |
| Mortgagee | 7 | 7 |
| Student Hall of Residence | 22 | 126 |
| Student household | 1,074 | 1,177 |
| Visiting forces | 1 | 3 |
| Bankrupt | 5 | 5 |
| Under 18 years | 24 | 38 |
| Difficult to let | 4 | 4 |
| Severe Mental Impairment | 364 | 480 |
| Foreign Diplomat | 1 | 1 |
| Granny annex | 12 | 15 |
| | **1,920** | **2,309** |

| DISCOUNTS | | |
|---|---|---|
| Single Person Households | 32,176 | 30,693 |
| Job related Second Homes | 2 | 1 |
| Second homes or Furnished unoccupied* | 181 | 196 |
| Empty unfurnished* | 1,468 | 1,760 |
| *These classes are currently awarded 0% discount (pay full charge) | **33,827** | **32,650** |

| DISREGARDS | | |
|---|---|---|
| Person in Detention | 8 | 5 |
| Mentally Impaired | 246 | 289 |
| Child Benefit Payable | 18 | 41 |
| Student | 449 | 455 |
| Student Nurse | 10 | 9 |
| Apprentice | 7 | 12 |
| Hospital Patient | 5 | - |
| Patient in Home | 48 | 52 |
| Carer | 60 | 72 |
| Hostel Resident | 2 | 2 |
| Religious Community | 3 | 3 |
| School Leaver Under 20 | 1 | 5 |
| | **857** | **945** |

End of Report

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| Appendices |
|---|
| 6 |

NORTHAMPTON
BOROUGH COUNCIL

# CABINET REPORT

| Report Title | DRAFT GENERAL FUND BUDGET 2020/21 AND MEDIUM TERM FINANCIAL PLAN 2020/21 TO 2023/2024 |
|---|---|

**AGENDA STATUS:** **PUBLIC / PRIVATE**

| | |
|---|---|
| **Cabinet Meeting Date:** | 23 December 2019 |
| **Key Decision:** | YES |
| **Within Policy:** | YES |
| **Policy Document:** | NO |
| **Service Area:** | Chief Finance Officer |
| **Accountable Cabinet Member:** | Cllr B Eldred |
| **Ward(s)** | N/A |

## 1. Purpose

1.1 To present for consultation draft budget proposals for 2020/21 and forecast budgets for 2021/22 to 2023/24, covering both general fund revenue and general fund capital.

1.2 The report also presents for approval the Council's draft capital strategy and draft treasury management strategy.

## 2. Recommendations

2.1 That the draft general fund revenue budget 2020/21, as summarised in **appendix 1**, be approved for public consultation.

2.2 That the proposed growth and savings options for 2020/21, as set out in **appendix 2**, be approved for public consultation.

2.3 That the proposed council tax increase for 2020/21 of £5.00 per band D property be approved for public consultation, as set out in paragraphs 3.2.13.

2.4 That the draft capital strategy, as set out in **appendix 3**, be approved for public consultation.

2.5 That the draft general fund capital programme and financing 2020/21 to 2023/24, as detailed in **appendix 4**, be approved for public consultation.

2.6 That the draft treasury management strategy, as set out in **appendix 5**, be approved for public consultation.

2.7 That authority be delegated to the Chief Executive, in consultation with s151 Officer and the Leader, to represent the Borough Council on the Board of the Business Rates Pilot and to agree any allocation of business rates in line with the specified projects approved by the Secretary of State for Housing, Communities and Local Government.

2.8 That authority be delegated to the Chief Executive and the s151 Officer, in consultation with the Leader, to monitor and track the spending of the agreed £500,000 plus additional agreed £500,000 to the Future Northants programme in line with the Implementation Plan and regularly report back to Cabinet. The proposed £1.4m additional contribution is subject to the forthcoming budget consultation therefore any future delegation on this amount will be subject to the outcomes of the consultation.

## 3. Issues and Choices

### 3.1 Report Background

3.1.1 The Council is required to set a balanced budget and its council tax for 2020/21 by 1 March 2020. The proposals in this report have been developed by officers in consultation with Cabinet Members.

3.1.2 The draft budget proposals and options presented in this report will be subject to a period of consultation prior to final recommendations being made to Council by Cabinet in February 2020.

### 3.2 Issues

3.2.1 Economic context

There continues to be uncertainty around the national and global economic outlook, caused by various factors including the UK's planned withdrawal from the European Union. Therefore, the draft budget is built on prudent assumptions around inflation, interest rates, business rates growth and growth in the tax base.

3.2.2 Medium term financial strategy

In September 2019 Cabinet approved the medium term financial strategy, which provides the framework and context for the development of the detailed budget and medium term financial plan.

3.2.3 The medium term financial strategy 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 meetings 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 robust risk assessment;
- Decision making will be business case led. 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.

3.2.4 <u>Medium term financial plan</u>

The medium term financial plan, set out in **appendix 1**, provides a forecast of the Council's expenditure and income over the next four years. This is set in the context of the proposed local government reorganisation and creation of a new unitary authority. Whilst this means that Northampton Borough Council may cease to exist in its current form beyond 2020/21, the budget set for the year must be sustainable. Therefore, forecasts are prepared for three financial years beyond 2020/21 on a no-change basis.

3.2.5 The medium term financial plan forecasts that there are further savings required of £1.991m in 2021/22, rising to £2.815m in 2023/24. These further savings can be achieved through the strands set out in the medium term financial strategy.

3.2.6 <u>General fund revenue budget 2020/21</u>

The proposed general fund revenue budget for 2020/21 is set out as the first year in **appendix 1** and is summarised in the table below. Each of the lines in the table below are then addressed in more detail in paragraphs 3.2.7 to 3.2.16 below.

| Description | 2020/21 £000s |
|---|---|
| Service base budget | 30,954 |
| Proposed savings | (1,397) |
| Proposed growth | 320 |
| Corporate budgets | (1,328) |
| Contribution to reserves | 343 |
| **Net budget** | **28,892** |
| Business rates | (9,307) |
| New homes bonus grant | (2,400) |
| Council tax | (17,185) |
| Collection fund surplus | 0 |
| **Total funding** | **(28,892)** |
| **Savings to be identified** | **0** |

3.2.7 Service base budget – this has increased by £0.807m on the forecast service base budget for 2020/21 that was set out in last year's medium term financial plan. Changes to the service base budget are made up of non-controllable changes to the budget for items such as inflation and increases in demand for services due to things such as demographic changes. The table below sets out the main changes to the service base budget:

| Continuation budget change | £000s |
|---|---|
| Benefits pressure | 350 |
| Drop in price of recycling material | 300 |
| Cost of incremental pay increases | 106 |
| Reduction in HMO licence income | 101 |
| Increased costs of required valuations of assets | 100 |
| Pension deficit cost freeze | (330) |
| Changes to grant assumptions | (350) |
| Other items | 186 |
| **Total increase to service base budget** | **463** |

3.2.8 Proposed savings and growth – savings proposals of £1.397m and growth proposals of £0.320m are set out in **appendix 2**. Implementation of the proposed savings will enable the Council to set a balanced budget for 2020/21.

3.2.9 Corporate budgets – these include budgets for debt financing, recharges to the HRA and parish grants and precepts. This figure is broken down into more detail in **appendix 1**.

3.2.10 Contribution to/from reserves – this shows the planned contribution to / from reserves.

3.2.11 Business rates – under the business rates retention scheme, the Council benefits from growth in the rateable value in the borough, but also bears some of the risk of volatility, including successful appeals by businesses against their rateable value. A prudent forecast of future business rates is built into the budget assumptions.

3.2.12 New homes bonus (NHB) grant – this has provided an additional source of funding in previous years, but has been reducing from a peak of £4.9m in 2016/17. For 2020/21 it is forecast that the Council will receive £0.846m. In future years beyond 2020/21 it is now anticipated that this funding will drop off even quicker than previously forecast, with nil NHB forecast to be received in 2023/24. This has had a significant impact on the forecast budget funding gap in future years.

3.2.13 Council tax – the draft budget for 2020/21 assumes an increase in the annual average council tax of £5.00 (or 2.21%) per average band D property. This is the maximum increase allowed without triggering a referendum and is less than the £6.56 (or 2.99%) increase in 2019/20.

3.2.14 The average band D council tax (excluding parishes) for the last five years is shown in the table below:

| **Preceptor** | **2016/17 £** | **2017/18 £** | **2018/19 £** | **2019/20 £** | **2020/21 £** |
|---|---|---|---|---|---|
| Northampton Borough Council | 207.91 | 212.91 | 219.28 | 225.84 | 230.84 |
| Northamptonshire County Council | 1,111.25 | 1,166.59 | 1,177.35 | 1,236.10 | TBC |
| Northamptonshire Police & Crime Commissioner | 204.96 | 209.04 | 221.04 | 245.04 | TBC |
| Northamptonshire Fire & Rescue Authority | 0.00 | 0.00 | 59.00 | 60.76 | TBC |
| **Total** | **1,542.12** | **1,588.54** | **1,676.67** | **1,767.74** | **TBC** |

3.2.15 Special expenses – 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 if the borough where precepting authorities in other parts of the borough have chosen to precept and supply the same service separately. 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. Further explanation and details of the special expenses are set out in **appendix 6**.

3.2.16 Collection fund surplus / deficit – there is not currently expected to be any surplus or deficit on the collection fund. The Council is required to update the estimated surplus / deficit on 15 January, so this may change for the final budget.

3.2.17 Fees and charges – these are being reviewed as part of the process of finalising the budget.

3.2.18 Reserves
As part of the budget process the Council determines a prudent 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 £4.0m remains a prudent level of general fund balance. This may change as the budget is finalised and any change in the Council's exposure to risk identified.

3.2.19 General fund reserves at 1 April 2020 are forecast to be at a total of £28.5m. A breakdown is shown in the table below:

| **Reserves** | **Forecast Balance 1 April 2020** | **Purpose** |
|---|---|---|
| Service specific earmarked reserves | £1.5m | To cover specific known spending commitments |
| Corporate earmarked reserves | £18.0m | Held to mitigate against corporate risks and to fund future budget pressures |
| Technical reserves | £5.0m | To deal with technical accounting differences across financial years |
| General fund balance | £4.0m | To cover general unquantified risks |
| Total general fund reserves | £28.5m | |

3.2.20 Earmarked reserves are held to mitigate against specific risks as well as for regulatory reasons, such as grant conditions.

3.2.21 Draft capital strategy
The aim of the capital strategy is to provide a clear framework for capital funding and expenditure decisions. This is in the context of the Council's vision, values, objectives and priorities, financial resources, and spending plans. 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 minimum revenue provision guidance from central government. The draft capital strategy can be found at **appendix 3**.

3.2.22 General fund capital programme 2020/21 to 2023/24
The draft general fund capital programme and funding for the next 4 years is detailed in **appendix 4** and summarised in the table below. The value of the proposed programme for 2020/21 is £47.760m. Proposed new schemes

include enhancements to parks and sports facilities, car park improvements, replacement of footbridges and the upgrade of IT assets.

3.2.23 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.

3.2.24 Further significant schemes supporting the achievement of the medium term financial strategy may be brought into the capital programme over the next 12 months, supported by robust capital appraisals and business cases.

| Description | Budget 2020/21 £k |
|---|---|
| Schemes in the current approved Capital Programme | 7,450 |
| Schemes in the current Development Pool awaiting formal approval | 37,900 |
| New proposals | 2,411 |
| **Total Draft GF Capital Programme** | **47,760** |
| Funding Source: | |
| Grants and contributions | 3,359 |
| s106 funded schemes | 318 |
| Self funded schemes | 12,150 |
| Borrowing. | 31,934 |
| **Total Funding** | **47,760** |

3.2.25 Treasury management strategy

The treasury management strategy covers the requirements of the Local Government Act 2003, the CIPFA prudential code, MHCLG MRP guidance, the CIPFA treasury management code and MHCLG investment guidance. The draft treasury management strategy can be found at **appendix 5**.

3.2.26 Consultation

Formal consultation with the public and stakeholders will be launched following the publication of this draft budget and will continue until the budget is formally adopted in February 2020 in line with an agreed consultation programme. An online questionnaire will be available until 4 February 2020, and a public meeting will be held on the consultation on 27 January 2020.

**3.3 Choices (Options)**

3.3.1 Cabinet can agree the budget proposals in this paper to go forward for budget consultation, or they can 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 out in support of the Council's priorities and within the context of the medium term financial strategy and capital strategy.

### 4.2 Resources and Risk

4.2.1 The resource and risk implications are detailed throughout the report and the appendices.

### 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 Equality and diversity is considered as part of the budget construction and an 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. Impact assessments are "living" documents and will be updated to take into account relevant feedback from the consultation process. Where these documents identify mitigating actions, these will be undertaken in implementing the relevant option should it be taken forward and approved in February 2020.

### 4.5 Consultees (Internal and External)

4.5.1 Internally, Heads of Service and budget managers have been consulted and Corporate Management Board has varied out a detailed challenge of the budget with Members. As options have been developed, relevant stakeholders were engaged as appropriate.

4.5.2 This paper is to agree a draft general fund revenue and capital budget and council tax to public consultation, which is to be consulted on 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 The draft budget is a key ingredient of effective financial governance, which contributes to the priority of "spending your money wisely". More broadly, the Council's budget is the financial representation of the Council's plans, and so setting a balanced budget contributes to all of the Council's priority outcomes.

**4.7 Environmental Implications (including climate change issues)**

4.7.1 Environmental impacts were considered as part of each of the medium term planning options submitted.

**4.8 Other Implications**

4.7.1 None not already covered above.

## 5. Background Papers

5.1 None.

5.2 Appendices:

1. Draft general fund revenue summary
2. Proposed growth and savings
3. Draft capital strategy
4. Draft general fund capital programme and financing
5. Draft treasury management strategy
6. Special expenses

## 6. Next Steps

6.1 The final general fund revenue and capital budgets for 2020/21 will go back to Cabinet in February 2020, and also to full Council for approval in February 2020.

**Stuart McGregor**
**Chief Finance Officer (S151)**

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**General Fund Draft Budget Summary 2020 - 2024** **Appendix 1**

| Description | Budget 2020/21 | Budget 2021/22 | Budget 2022/23 | Budget 2023/24 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Service Base Budget** | **30,953,541** | **31,483,338** | **31,851,007** | **32,295,799** |
| Total Savings | (1,397,000) | (1,397,000) | (1,397,000) | (1,397,000) |
| Total Growth | 320,000 | 300,000 | 300,000 | 300,000 |
| **Total MTP Options** | **(1,077,000)** | **(1,097,000)** | **(1,097,000)** | **(1,097,000)** |
| **Gross Revenue Budget** | **29,876,541** | **30,386,338** | **30,754,007** | **31,198,799** |
| ***Corporate Budgets*** | | | | |
| Debt Financing | 2,053,423 | 2,636,901 | 2,753,930 | 2,707,364 |
| Recharges from General Fund to HRA | (2,650,000) | (2,650,000) | (2,650,000) | (2,650,000) |
| Parish Grants | (18,634) | (18,634) | (18,634) | (18,634) |
| Parish Precepts | 1,170,692 | 1,170,692 | 1,170,692 | 1,170,692 |
| Other Corporate Budgets | (1,883,000) | (854,000) | (678,000) | 3,364,000 |
| Contribution to/(from) Earmarked Reserves | 342,747 | (724,408) | (551,000) | (4,555,000) |
| **Total Corporate Budgets** | **(984,772)** | **(439,449)** | **26,988** | **18,422** |
| **Net Budget** | **28,891,769** | **29,946,889** | **30,780,995** | **31,217,221** |
| | | | | |
| ***Funding*** | | | | |
| Business Rates Baseline | (6,868,442) | (6,870,000) | (6,870,000) | (6,870,000) |
| Other Business Rates elements | (2,438,053) | (2,590,000) | (2,690,000) | (2,790,000) |
| New Homes Bonus | (2,400,000) | (800,000) | (600,000) | 0 |
| **Total Government Funding** | **(11,706,495)** | **(10,260,000)** | **(10,160,000)** | **(9,660,000)** |
| ***Council Tax*** | | | | |
| Band D Council Tax | 230.84 | 235.84 | 240.84 | 245.84 |
| Tax Base | 69,376 | 70,070 | 70,771 | 71,478 |
| NBC Council Tax | (16,014,582) | (16,525,078) | (17,044,182) | (17,572,016) |
| Parish-related Council Tax | (1,170,692) | (1,170,692) | (1,170,692) | (1,170,692) |
| **Total Council Tax** | **(17,185,274)** | **(17,695,770)** | **(18,214,874)** | **(18,742,708)** |
| Surplus on Collection Fund | 0 | 0 | 0 | 0 |
| **Total Funding** | **(28,891,769)** | **(27,955,770)** | **(28,374,874)** | **(28,402,708)** |
| | | | | |
| **Budget Gap** | **0** | **1,991,119** | **2,406,121** | **2,814,513** |

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**Savings and Growth Options** **Appendix 2**

| Head of Service | Key service area | MTP Reference | MTP description | Savings / growth (£000) | | | |
|---|---|---|---|---|---|---|---|
| | | | | 2020/21 | 2021/22 | 2022/23 | 2023/4 |
| | | | **Savings options** | | | | |
| C&C | Commercial Services | S01 | Environmental Protection Business support. Income generation by increasing the provision of charged for services. Potential to expand provision of some primary authority advice in respect to environmental protection. Officers already provide pre-application advice in relation to noise, air quality, contaminated land and odour control to applicants for planning permission. It is possible to charge for this service on a full cost recovery basis. | -25 | -25 | -25 | -25 |
| C&C | Commercial Services | S02 | Food and safety Business Support. Income generation by increasing the provision of charged for services. Currently the Council provides business support to four companies through the primary authority scheme. This work is carried out on a full cost recovery basis. There is opportunity to expand this service through additional partnerships with businesses operating in the area. | -25 | -25 | -25 | -25 |
| C&C | Digital Team | S03 | A request has been received from the LGR Project to utilise staff resources from the digital team. This saving is based on a decrease in business as usual work for the team with the focus being on the unitary work. | -40 | -40 | -40 | -40 |
| C&C | Environmental Services Core Contract | S04 | The Environmental Services Contract is multi-faceted, providing refuse/recycling collections, street and environmental management along with allotments, cemeteries and public conveniences. Various options are being drawn up to reduce existing costs. | -200 | -200 | -200 | -200 |
| CFO | Information Technology | S05 | Efficiency reduction in managed ICT budget | -50 | -50 | -50 | -50 |
| CFO | LGSS | S06 | Reducing contract costs in conjunction with Shared Service provider | -90 | -90 | -90 | -90 |
| CEO | Community and Other Grants | S07 | Reduction in grants funding. Includes Small Grants scheme and members grants. | -90 | -90 | -90 | -90 |
| EAC | Estates Management | S08 | Increase in Commercial Property income, through rent reviews and planned acquisitions | -300 | -300 | -300 | -300 |
| EAC | Events | S09 | Remove support for commercial events | -10 | -10 | -10 | -10 |
| EAC | CCTV | S10 | Efficiency measure to reduce the number of fibre lines used | -20 | -20 | -20 | -20 |
| EAC | Car Parking | S11 | Deletion of vacant post | -22 | -22 | -22 | -22 |

**Savings and Growth Options** **Appendix 2**

| Head of Service | Key service area | MTP Reference | MTP description | Savings / growth (£000) | | | |
|---|---|---|---|---|---|---|---|
| | | | | 2020/21 | 2021/22 | 2022/23 | 2023/4 |
| EAC | Facilities Management | S12 | Deletion of vacant post | -37 | -37 | -37 | -37 |
| EAC | Facilities Management | S13 | Deletion of vacant post | -27 | -27 | -27 | -27 |
| EAC | Facilities Management | S14 | Postage and print savings. Electronic transfer of mail to central hub for printing, enveloping and dispatch, with the option for customers to opt into an e-mail or texted version of the information and a push towards this methodology. | -40 | -40 | -40 | -40 |
| EAC | Markets | S15 | Review of market operations | -50 | -50 | -50 | -50 |
| H&W | Housing Advice and Options | S16 | Additional saving in the net cost of temporary accommodation | -40 | -40 | -40 | -40 |
| H&W | Housing Advice and Options | S17 | Deletion of vacant post within Housing Service | -30 | -30 | -30 | -30 |
| H&W | Housing Advice and Options | S18 | Delete the vacant part time post Landlord Liaison team | -25 | -25 | -25 | -25 |
| BS | Councillor & Managerial Support | S19 | A reduction in the Member training budget | -3 | -3 | -3 | -3 |
| BS | Borough Secretary Group | S20 | Restructure of posts within Borough Secretary Group | -78 | -78 | -78 | -78 |
| BS | Electoral Services | S21 | Electoral Services postage cost reduction. The method of the annual canvass is due to change in 2020. Initially the electoral register data will be electronically matched with council tax. Any properties/electors who match do not need to have a form sent out. | -13 | -13 | -13 | -13 |
| BS | Legal | S22 | Review and Increase the amount of fees charged to external companies for commercial property and planning S106 agreements. | -5 | -5 | -5 | -5 |
| BS | Democratic Services | S23 | Reduction in printing costs through ‘paper light committees’ | -5 | -5 | -5 | -5 |
| PLA | Building Control | S24 | Building control increased income from building regulation charges | -12 | -12 | -12 | -12 |
| PLA | Development Control | S25 | Deletion of vacant post | -27 | -27 | -27 | -27 |
| PLA | Development Control | S26 | Efficiency reduction of professional services budget | -30 | -30 | -30 | -30 |
| PLA | Development Control | S27 | Increase pre-application fee income | -20 | -20 | -20 | -20 |
| PLA | Head of Planning | S28 | Removal of advertising publicity budget | -10 | -10 | -10 | -10 |
| PLA | Planning Policy & Heritage | S29 | Deletion of vacant post | -38 | -38 | -38 | -38 |

**Savings and Growth Options** **Appendix 2**

| Head of Service | Key service area | MTP Reference | MTP description | Savings / growth (£000) | | | |
|---|---|---|---|---|---|---|---|
| | | | | **2020/21** | **2021/22** | **2022/23** | **2023/4** |
| PLA | Planning Policy & Heritage | S30 | Joint working efficiency savings through working with other organisations | -35 | -35 | -35 | -35 |
| | | | **Total savings** | **-1,397** | **-1,397** | **-1,397** | **-1,397** |
| | | | | | | | |
| | | | **Growth options** | | | | |
| C&C | Environmental Services Core Contract | G01 | The Environmental Services Contract provides for tree maintenance but the amount of actual tree maintenance is limited by budget, by increasing the budget by 10K, it is hoped that increased works can be undertaken thus improving the local environment. | 10 | 10 | 10 | 10 |
| EAC | Property Maintenance | G02 | Asset maintenance. To improve the information held on NBC assets, condition and structural data. Including bridges, monuments and large structures. To deliver improved maintenance and management of the NBC assets. | 200 | 200 | 200 | 200 |
| EAC | Economy, Assets & Culture | G03 | Increase budget for feasibility, design and development works, recognising more regeneration projects and schemes are being brought forward. | 90 | 90 | 90 | 90 |
| PLA | Planning | G04 | Sustainability action plan | 20 | 0 | 0 | 0 |
| | | | **Total growth** | **320** | **300** | **300** | **300** |
| | | | | | | | |
| | | | **Net total budget options** | **-1,077** | **-1,097** | **-1,097** | **-1,097** |

**Northampton Borough Council**

**Draft Capital Strategy 2020 to 2024**

**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 Minimum Revenue Provision guidance from central government.

The high level strategic objectives of the capital strategy are included in the approved Medium Term Financial Strategy 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

## SOURCES OF CAPITAL FUNDING

Under the Council's capital funding strategy, funding streams are allocated in the following order. Cabinet may make changes to the funding strategy where necessary to deliver capital schemes that are key to delivering the Council's agreed priorities:

Hypothecated funding

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.

Self-funded borrowing

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 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. 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.

General Fund (GF) asset sales come from a variety of sources. Generally speaking, 100% of GF asset sales (after any 'clawback', for example from the Homes and Communities Agency) 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 affordable 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 (see below) 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.

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 by Council during Feb/March each year.

**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 Management 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 scope for prudential borrowing within the HRA, with the removal of the HRA debt cap.

## 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.

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.

## 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 and forecasts for the subsequent 4 years
- Development Pool – includes schemes for which costs require refinement. These schemes will be moved into the approved programme once this additional work is satisfactorily completed and appropriate approvals obtained.

A business case will be required to move schemes from the Development Pool into the approved capital programme and for in-year appraisals.

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”. Specific projects within these blocks are agreed during the year 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.

## GOVERNANCE ARRANGEMENTS

### In Year Appraisals and Variations

In addition to the approvals outlined below, all new in-year capital schemes must be supported by a business case and a capital appraisal. 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 Finance to ensure forms are completed correctly and expenditure meets the definition of capital. The 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

Regardless of value, all schemes (including in-year variations) must be approved by Corporate Management Board (CMB) to ensure full oversight and affordability of the approved capital programme.

<u>Fully Funded Schemes</u>

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.

<u>Other Schemes</u>

These limits apply to General Fund 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.

### Block Programmes

The capital programme includes block programmes for improvements to regeneration areas, parks/allotments, operational buildings and commercial landlord responsibilities.

Approval for individual schemes within these blocks should be sought through the submission of a capital appraisal by the relevant project manager, with final approval through CMB.

### Urgent Approvals

Due to their long-term nature, capital investment decisions should be carefully considered. 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 schemes to be considered and approved through the usual process as outlined above.

In the rare circumstance where urgent approval is required, this can be secured via e-mail from the Chief Finance Officer. The capital appraisal form will still require signatures including the CFO.  CMB approval will also be necessary. 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 added 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 will request information on completed projects as part of their ongoing monitoring role.

**Directorate Management Teams**

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

**Finance Team**

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 Service Management Teams, Management Board and Cabinet. The nominated senior lead in the 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 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 Finance team in conjunction with individual project boards:

| **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 Management 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 £719m at March 2018. Council assets included around 11,400 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 disposal in order to generate capital receipts.

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**Draft Capital Programme 2020-21 to 2023-24** **Appendix 4**

| | | | Indicative | | | | |
|---|---|---|---|---|---|---|---|
| **General Fund Capital Programme** | **Funding source** | **Scheme Budget pre 2020-21** | **2020-21** | **2021-22** | **2022-23** | **2023-24** | **Scheme Total** |
| | | | **£** | **£** | **£** | **£** | **£** |
| **Ongoing schemes in the current Capital Programme** | | | | | | | |
| Vulcan Works | G,C,S-F | 9,467,300 | 4,872,600 | - | - | - | 14,339,900 |
| Market Stall Covers | C | 20,000 | 20,000 | - | - | - | 40,000 |
| Capital Improvements - Regeneration Areas | C | 333,000 | 50,000 | 50,000 | 50,000 | 50,000 | 533,000 |
| Commercial Landlord Responsibilities | C | 59,500 | 50,000 | 50,000 | 50,000 | 50,000 | 259,500 |
| Disabled Facilities Grant | G | 1,778,400 | 1,457,200 | 1,457,200 | 1,457,200 | 1,457,200 | 7,607,200 |
| Environmental Services Vehicles | C | 657,500 | 262,200 | 190,800 | 262,200 | 262,200 | 1,634,900 |
| IT Infrastructure | S-F | 138,300 | 150,000 | 150,000 | 150,000 | 150,000 | 738,300 |
| Operational Buildings - Enhancements | C | 579,500 | 250,000 | 250,000 | 250,000 | 250,000 | 1,579,500 |
| Parks/Allotments/Cemeteries Enhancements | C | 319,200 | 250,000 | 250,000 | 250,000 | 250,000 | 1,319,200 |
| Revenues and Benefits Capital Investments | C | 306,400 | 14,900 | 14,900 | 14,900 | - | 351,100 |
| Upton Country Park | G | 2,085,000 | 53,000 | - | - | - | 2,138,000 |
| Car Park Machines | C | 40,000 | 20,000 | 20,000 | 20,000 | - | 100,000 |
| **Total schemes in current capital programme (ongoing into future years)** | | **15,784,100** | **7,449,900** | **2,432,900** | **2,504,300** | **2,469,400** | **30,640,600** |
| | | | | | | | |
| **Schemes in the current Development Pool awaiting formal approval** | | | | | | | |
| Economic Regeneration Property Schemes | S-F/C | 10,000,000 | 10,000,000 | - | - | - | 20,000,000 |
| Office Block | S-F | 1,000,000 | 7,000,000 | - | - | - | 8,000,000 |
| Mayorhold Car Park | C | - | - | 500,000 | - | - | 500,000 |
| Four Waterside Development | S-F | 5,000,000 | 10,000,000 | - | - | - | 15,000,000 |
| Temporary Accommodation/Housing | C, S-F | 8,000,000 | 7,000,000 | - | - | - | 15,000,000 |
| Town Centre Regeneration | S-F | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | - | 4,000,000 |
| Unitary Transformation work | C | 500,000 | 1,400,000 | - | - | - | 1,900,000 |
| Vulcan Works - fitting out | S-F | - | 1,000,000 | - | - | - | 1,000,000 |
| Vulcan Works Roof | C | - | 500,000 | - | - | - | 500,000 |
| **Total schemes in current development pool** | | **25,500,000** | **37,900,000** | **1,500,000** | **1,000,000** | **-** | **65,900,000** |
| | | | | | | | |
| **Total** | | **41,284,100** | **45,349,900** | **3,932,900** | **3,504,300** | **2,469,400** | **96,540,600** |

**Draft Capital Programme 2020-21 to 2023-24** **Appendix 4**

| General Fund Capital Programme | Funding source | Scheme Budget pre 2020-21 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
|---|---|---|---|---|---|---|---|
| **New schemes** | | | | | | | |
| Northampton Parks and Open Spaces | G, C | | 50,000 | 50,000 | 50,000 | - | 150,000 |
| Dallington Car Park Improvements | C | | 50,000 | - | - | - | 50,000 |
| Racecourse Enhancement and Restoration of Basketball / Netball pitches | G, C | | 139,000 | - | - | - | 139,000 |
| Telecare Digital Switch | C | | 46,500 | 46,500 | 46,500 | - | 139,500 |
| Replacement of Guildhall Boilers | C | | 350,000 | - | - | - | 350,000 |
| Elgar Centre M and E | G | | 125,000 | - | - | - | 125,000 |
| Hazelrigg House | C | | 50,000 | - | - | - | 50,000 |
| Guildhall Roof | C | | 500,000 | - | - | - | 500,000 |
| Derngate Theatre Roof | C | | 50,000 | - | - | - | 50,000 |
| IT Infrastructure Refresh | C | | 300,000 | 300,000 | 500,000 | - | 1,100,000 |
| IT Server Assets | C | | 190,000 | 40,000 | 50,000 | 60,000 | 340,000 |
| Footbridge replacements / rebuild | C | | 200,000 | 250,000 | - | - | 450,000 |
| Obelisk Monument | C | | 20,000 | 80,000 | - | - | 100,000 |
| Further Monument Work | C | | - | - | 50,000 | 50,000 | 100,000 |
| Standens Barn shop roof replacement | C | | 20,000 | - | - | - | 20,000 |
| Blackthorn Community Centre Extension | G | | 200,000 | - | - | - | 200,000 |
| Billing Brook Lakes Phase 2 | G | | 70,000 | - | - | - | 70,000 |
| Rectory Farm Community Centre Phase 2 | G | | 50,000 | - | - | - | 50,000 |
| Penvale Park - footpath | C | | - | 300,000 | - | - | 300,000 |
| **Total proposed new schemes 2020-21 onwards** | | | **2,410,500** | **1,066,500** | **696,500** | **110,000** | **4,283,500** |
| | | | | | | | |
| **Draft General Fund Capital Programme - Total** | | **41,284,100** | **47,760,400** | **4,999,400** | **4,200,800** | **2,579,400** | **100,824,100** |

| **Key to Funding Sources** |
|---|
| G - Grants & Contributions |
| SF - Self-funded Borrowing |
| C - Corporate Resources - Capital Receipts or Borrowing |

# Northampton Borough Council
# Treasury Management Strategy 2020/21

## Contents

## 1. Introduction

### Background

1.1. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.2. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.4. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.5. CIPFA defines treasury management as:

"The management of the local authority's borrowing, 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."

### Reporting Requirements

***Capital Strategy***

1.6. CIPFA's revised Prudential and Treasury Management Codes requires local authorities to prepare a capital strategy report to provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability;

1.7. The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.8. The capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

1.9. Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

1.10. If any non-treasury investment present a book-value loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

1.11. To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

***Treasury Management Reporting***

1.12. The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals:

a) **Prudential and treasury indicators and treasury strategy (this report)** - The first, and most important report is forward looking and covers:

- the capital plans, (including prudential indicators);
- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed).

b) **A mid-year treasury management report (Appendix 1) –** This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c) **An annual treasury report (Appendix 2)** - This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

**Treasury Management Strategy**

1.13. This strategy covers two main areas:

**Capital;**

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

**Treasury Management;**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

1.14. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

**Training**

1.15. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management have access to training in treasury management. The Councils treasury advisory contract includes provision for annual delivery of member training, as necessary. The training needs of treasury management officers are also periodically reviewed.

**Treasury Advisors**

1.16. The Council uses Link Asset Services (LAS) as its external treasury management advisors. 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 services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors.

1.17. The Council 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.

**Non-treasury Investment Advice**

1.18. The scope of investments within the Council's operations now includes both conventional treasury investments (the placing of residual cash from the Council's functions) and more commercial type investments, such as investment properties. Commercial type investments may require specialist advice, and therefore the Council will undertake appropriate due-diligence on a case-by-case basis.

## 2. Current Treasury Management position

2.1. The Council's projected treasury portfolio position at 31st March 2020, 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 <u>exclude</u> 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 2020**

| £m | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate |
|---|---|---|---|---|---|---|
| **External borrowing** | | | | | | |
| Borrowing at 1 April | 230 | 255 | 254 | 261 | 261 | 261 |
| Expected change in borrowing | 25 | 7 | 7 | - | - | - |
| **Borrowing at 31 March (1)** | **255** | **262** | **261** | **261** | **261** | **261** |
| **CFR (exc 3rd Party Loans) at 31 March (2)** | **334** | **343** | **348** | **345** | **342** | **339** |
| **Under/(over) borrowing (2-1)** | **79** | **81** | **87** | **84** | **81** | **78** |
| **Investments** | | | | | | |
| Investments (exc 3rd Party Loans) at 1 April | 25 | 10 | 10 | 10 | 10 | 10 |
| Expected change in investments | (15) | - | - | - | - | - |
| **Investments (exc 3rd Party Loans) at 31 March (3)** | **10** | **10** | **10** | **10** | **10** | **10** |
| | | | | | | |
| **Net borrowing (exc 3rd Party Loans) (1-3)** | **245** | **252** | **251** | **251** | **251** | **251** |

2.3. The Council's prudential and treasury indicators for 2020/21 to 2024/25 are set out at Appendix 5.

## 3. Interest Rates

3.1. The Council has appointed Link Asset Services (LAS) as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view at November 2019.

| Link Asset Services Interest Rate View | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank Rate View | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.25 | 1.25 | 1.25 | 1.25 |
| 3 Month LIBID | 0.70 | 0.70 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.00 | 1.10 | 1.20 | 1.30 | 1.30 | 1.30 | 1.30 |
| 6 Month LIBID | 0.80 | 0.80 | 0.80 | 0.90 | 1.00 | 1.10 | 1.10 | 1.20 | 1.30 | 1.40 | 1.50 | 1.50 | 1.50 | 1.50 |
| 12 Month LIBID | 1.00 | 1.00 | 1.00 | 1.10 | 1.20 | 1.30 | 1.30 | 1.40 | 1.50 | 1.60 | 1.70 | 1.70 | 1.70 | 1.70 |
| 5yr PWLB Rate | 2.30 | 2.40 | 2.40 | 2.50 | 2.50 | 2.60 | 2.70 | 2.80 | 2.90 | 2.90 | 3.00 | 3.10 | 3.20 | 3.20 |
| 10yr PWLB Rate | 2.60 | 2.70 | 2.70 | 2.70 | 2.80 | 2.90 | 3.00 | 3.10 | 3.20 | 3.20 | 3.30 | 3.30 | 3.40 | 3.50 |
| 25yr PWLB Rate | 3.20 | 3.30 | 3.40 | 3.40 | 3.50 | 3.60 | 3.70 | 3.70 | 3.80 | 3.90 | 4.00 | 4.00 | 4.10 | 4.10 |
| 50yr PWLB Rate | 3.10 | 3.20 | 3.30 | 3.30 | 3.40 | 3.50 | 3.60 | 3.60 | 3.70 | 3.80 | 3.90 | 3.90 | 4.00 | 4.00 |

3.2. Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK, not least Brexit. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact.

3.3. A summary of the balance of risks to this forecast is included at Appendix 7.

**Investment and borrowing rates**

3.4. Investment returns are likely to remain low during 2020/21 but to be on a gently rising trend over the next few years.

3.5. The general situation is for volatility in bond yields – from which borrowing rates are derived - 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, although there are likely to also be periods of sharp volatility from time to time.

3.6. There will remain a cost of carry (the difference between higher borrowing costs and lower investment returns) to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

## 4. Borrowing Strategy

4.1. The Council is currently maintaining an under-borrowed position against borrowing capacity. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

4.2. Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The CFO will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp **FALL** in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will likely be postponed, and potential rescheduling from fixed rate funding into short term borrowing may be considered.

- if it was felt that there was a significant risk of a much sharper **RISE** in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in bank rate, an increase in global economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding may be drawn whilst interest rates are lower than they are projected to be in the next few years.

4.3. Borrowing decisions are treated as separate from the capital schemes that derive an overall borrowing requirement and are instead based on the overall cashflows and risk management of the Councils debt portfolio. However, the financial viability of certain capital schemes funded by unsupported borrowing will be heavily influenced by the cost of borrowing associated with them. Where the CFO determines that the Council would benefit most from the certainty of fixing borrowing costs for particular capital schemes, the Council may borrow on that basis.

**Policy on Borrowing In Advance of Need**

4.4. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

4.5. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanisms.

**Debt Rescheduling**

4.6. Where short-term borrowing rates are considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings are considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

4.7. The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

4.8. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

4.9. All rescheduling will be subsequent reported through the mid-year or annual reporting mechanisms.

**Municipal Bonds Agency**

4.10. The Municipal Bond Agency was established with the purpose of offering loans to local authorities at rates lower than those offered by the Public Works Loan Board (PWLB). To date, the Agency has not issued any bonds. In the future, the Council may make use of this new source of borrowing should it prove cost effective to do so.

**Temporary Borrowing**

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

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

## 5. Annual Investment Strategy (AIS)

5.1. MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy (a separate report).

5.2. The Council’s investment policy has regard to the latest versions of the following:

- MHCLG’s Guidance on Local Government Investments (“the Guidance”);
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the Code”);
- CIPFA Treasury Management Guidance Notes.

5.3. The Council’s counterparty and credit risk management policies and its approved instruments for investments are set out in Appendix 8. The Council’s investment priorities will be security first, liquidity second and then yield (return) – in that order.

5.4. The above guidance from MHCLG and CIPFA place a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

5.4.1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

5.4.2. Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

5.4.3. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

5.4.4. This Council has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Appendix 8 under the categories of ‘specified’ and ‘non-specified’ investments:

- Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.

- Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5.4.5. Counterparty lending limits (amounts and maturity) will be set through applying the matrix table in Appendix 8.

5.4.6. Transaction limits are set for each type of investment in Appendix 8.

5.4.7. This authority will set a limit for the amount of its investments which are invested for longer than 365 days.

5.4.8. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.

5.4.9. The Council has engaged external consultants to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

5.4.10. All investments will be denominated in sterling.

5.5. Consummate to these risk management parameters, the Council will pursue value for money in treasury management and will regularly monitor the yield from investment income against an appropriate time-weighted benchmark for investment performance.

**Approach to Investments**

5.6. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to **RISE** significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short-term or variable.

- Conversely, if it is thought that Bank Rate is likely to **FALL** within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods

**Loans to Third Parties**

5.7. 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.

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

5.9. 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.

5.10. Loans of this nature that remain outstanding have been lent to Northampton Town Rugby Football Club (NTRFC). The Council has also acted as intermediary to advance PWLB loans at cost to the University of Northampton (UoN) which are 100% guaranteed by HM Treasury.

**Enterprise Zones**

5.11. 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.

## 6. List of appendices to Treasury Management Strategy

Appendix 1: Treasury Management Mid-Year Update 2019/20

Appendix 2: Treasury Management Outturn Report 2018/19

Appendix 3: Treasury Management Scheme of Delegation and Role of Chief Finance Officer (Section 151 Officer)

Appendix 4: Policy for attributing income and expenditure and risks between the General Fund and the HRA

Appendix 5: Prudential and Treasury Indicators 2020/21

Appendix 6: Minimum Revenue Provision (MRP) Policy Statement 2020/21

Appendix 7: Interest Rate Forecast Commentary

Appendix 8: Annual Investment Strategy 2020/21

# Appendix 1

# Treasury Management Report – Mid-year update 2019/20

## BACKGROUND

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, mid-year or quarterly reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

## 2. ECONOMIC CLIMATE

2.1 In brief summary, Q2 2019/20 saw:

- Bank of England held Bank Rate at 0.75%; noting the deterioration in global activity and sentiment, they confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31st October;
- The UK economy contracted by 0.2%; following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit;
- Brexit negotiations remained at an impasse; UK equities continued to underperform given the uncertainty, generally meaning investors are holding safe-haven government bonds/gilts instead.

## 3. INTEREST RATE FORECAST

3.1 The latest forecast for UK Bank Rate along with PWLB borrowing rates (certainty rate) from the Council's treasury advisors is set out in Table 1 below.

***PWLB Rates***

3.2 In a surprise move and without consultation or prior warning, from 9th October 2019 the Government has:

- Increased with immediate effect the interest rates offered on new Public Works Loan Board (PWLB) loans by doubling the margin applied from 1% to 2%. The 20bps discount for providing forward capital forecast data – known as the Certainty Rate – still applies (to which this Council is eligible).
- Legislated to increase the statutory limit on how much the PWLB can lend to eligible authorities, from £85bn to £95bn.

3.3 As the cost of borrowing has fallen to record lows, a number of local authorities have substantially increased their use of the PWLB in recent months. Some authorities have maximised their borrowing ability directly to invest in commercial property to produce a financial return to underpin front-line services, a practice that Government has expressed concerns over. It would appear that HM Treasury has carried out what MHCLG and CIPFA had implied

# Appendix 1 cont.

should be avoided, namely addressed concerns on borrowing at a few outlying authorities by penalising the whole sector.

3.4 The maximum net amount of PWLB loans that can be outstanding at any time is subject to a statutory limit. At 31st March 2019, the amount outstanding stood at £77.9bn. With PWLB rates falling to record lows, it is estimated that c.£6.2bn of new loans had been raised in the first half of 2019/20. Raising the self-imposed statutory limit from £85bn to £95bn, combined with the rate increase, reduces the likelihood of a statutory limit breach.

3.5 The PWLB's new pricing structure - at 180 basis points above gilts for certainty rate loans - no longer necessarily represents good value for local authorities and opens up the potential for better overall terms and flexibility from market lenders.

3.6 The PWLB rates shown in Table 1 below are inclusive of the new increased margins and certainty rate discount.

**Table 1: Interest Rate Forecast (%)**

| Link Asset Services Interest Rate View | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
| Bank Rate View | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.25 | 1.25 | 1.25 | 1.25 |
| 3 Month LIBID | 0.70 | 0.70 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.00 | 1.10 | 1.20 | 1.30 | 1.30 | 1.30 | 1.30 |
| 6 Month LIBID | 0.80 | 0.80 | 0.80 | 0.90 | 1.00 | 1.10 | 1.10 | 1.20 | 1.30 | 1.40 | 1.50 | 1.50 | 1.50 | 1.50 |
| 12 Month LIBID | 1.00 | 1.00 | 1.00 | 1.10 | 1.20 | 1.30 | 1.30 | 1.40 | 1.50 | 1.60 | 1.70 | 1.70 | 1.70 | 1.70 |
| 5yr PWLB Rate | 2.30 | 2.40 | 2.40 | 2.50 | 2.50 | 2.60 | 2.70 | 2.80 | 2.90 | 2.90 | 3.00 | 3.10 | 3.20 | 3.20 |
| 10yr PWLB Rate | 2.60 | 2.70 | 2.70 | 2.70 | 2.80 | 2.90 | 3.00 | 3.10 | 3.20 | 3.20 | 3.30 | 3.30 | 3.40 | 3.50 |
| 25yr PWLB Rate | 3.20 | 3.30 | 3.40 | 3.40 | 3.50 | 3.60 | 3.70 | 3.70 | 3.80 | 3.90 | 4.00 | 4.00 | 4.10 | 4.10 |
| 50yr PWLB Rate | 3.10 | 3.20 | 3.30 | 3.30 | 3.40 | 3.50 | 3.60 | 3.60 | 3.70 | 3.80 | 3.90 | 3.90 | 4.00 | 4.00 |

3.7 There are many risks to the forecast set out above, principally around the timing and pace of further rate rises. Budget estimates prudently include sensitivity analysis of the impact that a slower than forecast economic recovery would have upon the Council and any impact of changes to interest rates is reported through the Budget Monitoring process.

## 4. INVESTMENTS

4.1 The Treasury Management Strategy Statement (TMSS) for 2019/20, which includes the Annual Investment Strategy, was approved by Council in February 2019. It sets out the Council's investment priorities as being:

1. Security of Capital;
2. Liquidity; and then
3. Yield

4.2 The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.

# Appendix 1 cont.

4.3 At 31st March 2019 investment balances totalled £48.044m, held in Money Market Funds, Call/Notice accounts, Certificates of Deposits, Local Authority loans and the CCLA Property Fund. This figure excludes third party loans and share capital. Due to the nature of various government funding streams and timing of capital expenditure, the average level of funds available for investment purposes during Q1 was £59.020m and for Q2 was £61.492m.

4.4 Table 2 below summarises the maturity profile of the Council's investment portfolio at the end of Q2 2019/20 (excluding third party loans):

**Table 2 – Investment maturity profile at end of Q2 2019/20**

| | | **Maturity Period** | | | | | |
|---|---|---|---|---|---|---|---|
| | | **0d** | **0-3m** | **3-6m** | **5yrs *** | **Total** | |
| **Product** | **Access Type** | **£m** | **£m** | **£m** | **£m** | **£m** | ***%*** |
| Money Market Funds | Same-Day | 15.790 | | | | **15.790** | ***30.6*** |
| Bank Call Account | Instant Access | 0.200 | | | | **0.200** | ***0.4*** |
| Certificate of Deposits | Fixed Term / Tradeable | | 8.000 | 15.000 | | **23.000** | ***44.6*** |
| Local Authority Loans | Fixed Term | | 5.000 | | | **5.000** | ***9.7*** |
| Pooled Property Fund | Redemption Period Applies | | | | 7.549 | **7.549** | ***14.7*** |
| | **Total** | **15.990** | **13.000** | **15.000** | **7.549** | **51.539** | ***100.0*** |
| | ***%*** | ***31.0*** | ***25.2*** | ***29.1*** | ***14.7*** | ***100.0*** | |

4.5 The scheduled date for the UK to leave the EU is now 31st January 2020 and there remains little political clarity as to whether a deal will be agreed by this date - the impending general election in December 2019 may change this - but there remains the possibility that the exit date could be deferred again.

4.6 Set out below are details of the amounts outstanding on loans and share equity investments classed as capital expenditure advanced to third party organisations at the end of Q2:

**Table 3 – Third Party Loans**

| **Loan Summary** | **Amount (£m)** |
|---|---|
| University of Northampton (UoN) – **HM Treasury backed** | 45.146 |
| Northampton Town Rugby Football Club (NTRFC) | 4.290 |
| Unity Leisure | 0.060 |
| **Total** | **49.496** |

4.7 Financial markets trade on confidence and certainty, and for some time now, both have been in short supply. Investment rates have increased from historical lows following bank base rate rises, but remain relatively low in short to medium-term durations, with limited pickup in value for longer durations.

# Appendix 1 cont.

4.8 Investment balances are forecast to reduce by the financial year end as internal resources from temporary positive cashflow surpluses are applied to fund expenditure demands in lieu of fully funding the borrowing requirement (internal borrowing) on a net basis. This process effectively reduces the cost of carrying additional borrowing at a higher cost than the income that could be generated through short term investment of those balances, as well as reducing investment counterparty credit risk.

4.9 The Council's investments at the mid-year point outperformed the most comparable weighted duration benchmark by 68 basis points, largely due to an average dividend return of c.4.2% on the Council's investment held in the CCLA Property Fund. Any impact upon latest budget projections for the financial year are reported through the Budget Monitoring process.

**Table 4: Benchmark Performance – Q2 2019/20**

| | Benchmark | Benchmark Return | Council Performance |
|---|---|---|---|
| **Q1** (Last Qtr) | **3m LIBID** | 0.68% | 1.35% |
| **Q2** (This Qtr) | **3m LIBID** | 0.64% | 1.32% |
| **Q1+2** (Mid-Year) | **3m LIBID** | **0.66%** | **1.34%** |

4.10 Leaving market conditions aside, the Council's return on investments is influenced by a number of factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument:

- Credit risk is the consideration of the likelihood of default and is controlled through the creditworthiness policy approved by Council.
- The duration of an investment introduces liquidity risk; the risk that funds can't be accessed when required.
- Interest rate risk; the risk that arises from fluctuating market interest rates.

4.11 These factors and associated risks are actively managed by the Finance Treasury team.

## 5. BORROWING

5.1 The Council can raise cash through borrowing in order to fund expenditure on its capital programme for the benefit of Northampton. The amount of new borrowing needed each year is determined by capital expenditure plans and projections of the Capital Financing Requirement, underlying borrowing requirement, forecast cash-backed reserves and both current and forecast economic conditions.

5.2 Overall borrowing outstanding has decreased during the first half of this year by £4.864m in line with scheduled debt repayments.

# Appendix 1 cont.

5.5 Table 5 below sets out the maturity profile of the Council's borrowing portfolio at the end of Q2. £225.521m is held with the PWLB, £16.466m from Market sources (Market loans/ Growing Places funding/ Homes & Communities Agency).

**Table 5: Borrowing Maturity Profile – Q2 2019/20**

| Term Remaining | Borrowing | |
|---|---|---|
| | **£m** | **%** |
| Under 12 months | 1.124 | 0.5 |
| 1-2 years | 34.463 | 14.2 |
| 2-5 years | 15.851 | 6.6 |
| 5-10 years | 39.641 | 16.4 |
| 10-20 years | 7.215 | 3.0 |
| 20-30 years | 5.314 | 2.2 |
| 30-40 years | 4.379 | 1.8 |
| 40 years and above | 134.000 | 55.3 |
| **TOTAL** | **241.987** | **100.0** |

5.6 The Council does not hold any Lender Option, Borrower Option (LOBO) loans.

5.7 The Council is in an internally borrowed cash position and balances will need to be replenished at some point in the future (subject to expenditure demands). This strategy is prudent while investment returns are lower than the cost of servicing debt and also serves to mitigate counterparty risk. The Council therefore plans to maintain this internal borrowing position but will closely monitor those reserves, balances and cashflows supporting this approach.

## 6. BORROWING RESTRUCTURING

6.1 No borrowing rescheduling has been undertaken this year. Rescheduling opportunities are limited in the current economic climate. For PWLB loans, due to the spread between the carrying rate of existing borrowing and early redemption rates, substantial exit (premium) costs would be incurred. For market borrowing, the lender uses the certainty of the loans cashflow profile to hedge against forecast interest rate movements and so would pass the cost of unwinding these instruments onto the Council as an exit (premium) cost. Officers continue to monitor the position regularly.

# Appendix 1 cont.

## 7. TREASURY AND PRUDENTIAL INDICATORS

7.1 The Council's Treasury and Prudential Indicators (affordability limits) were approved alongside the TMSS. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the financial year to date the Council has operated within the Treasury and Prudential Indicators set out in the Council's TMSS:

**Table 6: Treasury and Prudential Indicators**

| **Prudential Indicator** | **2019/20 Indicator** | **2019/20 Q2** |
|---|---|---|
| | | |
| Authorised limit for external debt<br>(Inc' Third Party Loans) | ----- £335.000m ----- | |
| Operational boundary for external debt<br>(Inc' Third Party Loans) | ----- £325.000m ----- | |
| Capital Financing Requirement (CFR)<br>(Inc' Third Party Loans and Finance Lease Liabilities) | £349.000m | £351.411m |
| Ratio of financing costs to net revenue streams: GF | 7.82% | 7.41% |
| Ratio of financing costs to net revenue streams: HRA | 30.13% | 29.81% |
| Principal sums invested > 365 days<br>(Exc' third party loans) | £14.000m | £7.549m |
| Maturity structure of borrowing limits:- | | |
| Under 12 months | Max. 50%<br>Min. 0% | 0.5% |
| 12 months to 2 years | Max. 50%<br>Min. 0% | 14.2% |
| 2 years to 5 years | Max. 50%<br>Min. 0% | 6.6% |
| 5 years to 10 years | Max. 50%<br>Min. 0% | 16.4% |
| 10 years to 20 years | Max. 50%<br>Min. 0% | 3.0% |
| 20 years to 30 years | Max. 60%<br>Min. 0% | 2.2% |
| 30 years to 40 years | Max. 80%<br>Min. 0% | 1.8% |
| 40 years and above | Max. 100%<br>Min. 0% | 55.3% |
| | | |

# Appendix 2

# Treasury Management Outturn Report 2018/19

## 1. BACKGROUND

1.1 Treasury Management is governed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code). The Code has been developed to meet the needs of Local Authorities and its recommendations provide a basis to form clear treasury management objectives and to structure and maintain sound treasury management policies and practices.

1.2 The Code was adopted via the Treasury Management Strategy Statement (TMSS), which was approved for the 2018/19 financial year by Council in February 2019. It requires the Council to produce an annual treasury report and a half yearly report.

1.3 This report has been developed in consultation with the Council's external investment manager and treasury adviser, Link Asset Services (LAS) and provides an update to 31st March 2019.

## 2. THE ECONOMIC ENVIRONMENT

2.1 During the quarter ended 31st March 2019, the significant UK economic headlines were:

- Brexit uncertainty continued to dominate;
- Bank Rate remained unchanged at 0.75% with no changes to the quantitative easing programme;
- There had been a rise in wage inflation and fall in CPI inflation. An increase in household spending power is likely to feed through into overall economic growth in the coming months.

## 3. SUMMARY PORTFOLIO POSITION

3.1 Net debt, including third party loans, at 31st March 2019 stood at £246.851m, which is lower than originally set out in the Treasury Management Strategy Statement in February 2019 as anticipated borrowing has been deferred. A balance sheet review has been carried out on the draft 2018/19 financial statements, and will be updated once the final audited financial statements for 2018/19 become available, which provides useful detailed analysis of the Councils loans, investments, Capital Financing Requirement and reserves.

3.2 Further analysis on borrowing and investments is set out in the next two sections. A snapshot of the Council's debt and investment position is shown in the table below:

# Appendix 2 cont.

| | TMSS 2018/19 31 Mar 2019 Forecast (Council Feb 2019) | | Actual as at 31 March 2018 | | Actual as at 31 March 2019 | | Change from Mar 2018 to Mar 2019 |
|---|---|---|---|---|---|---|---|
| | £m | Rate % | £m | Rate % | £m | Rate % | £m |
| | | | | | | | |
| **Borrowing** | **285.000** | **3.2** | **257.361** | **3.0** | **246.851** | **3.1** | **(10.510)** |
| | | | | | | | |
| **Treasury Investments** | **(27.200)** | **0.5** | **(65.400)** | **0.5** | **(48.044)** | **0.9** | **17.356** |
| **3rd Party Loans** | **(49.800)** | **2.1** | **(50.643)** | **2.2** | **(49.763)** | **2.1** | **0.880** |
| | | | | | | | |
| **Total Net Debt / Borrowing** | **208.000** | **-** | **141.318** | **-** | **149.044** | **-** | **7.726** |

## 4. BORROWING

4.1 The Council can raise loan finance in order to primarily fund its Capital spending plans and also for short term cashflow purposes. The actual amount of new borrowing required each year is determined by capital expenditure plans, capital funding available, the actual Capital Financing Requirement (CFR), forecast reserves, cashflow analysis, and current and projected economic conditions.

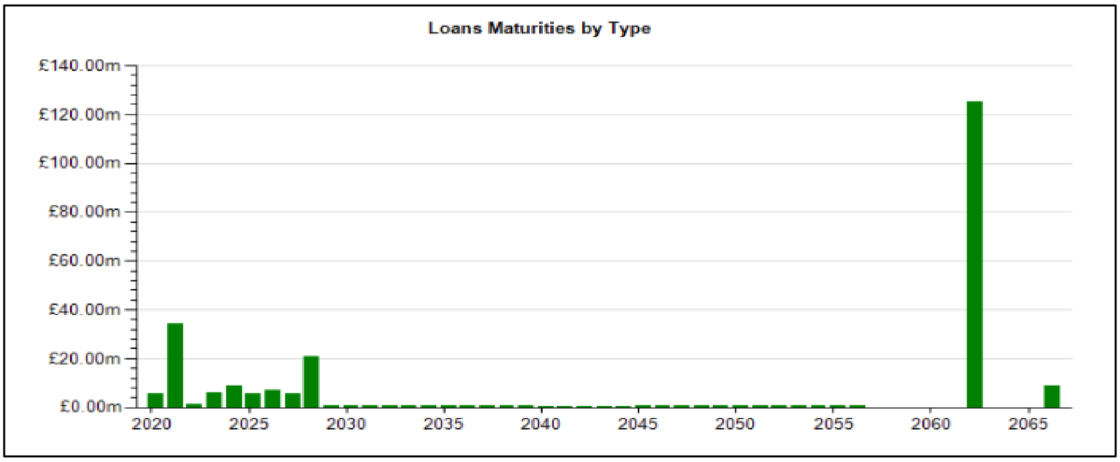
**New loans and repayment of loans:**

4.2 This section details new long term loans raised (i.e. loans that are for greater than one year) and loans repaid during the year, including those associated with Third Party Loans. No new loans were drawn during the year. A total of £10.510m scheduled principal repayments were made.

**Maturity profile of borrowing:**

4.3 The graph below show the maturity profile of the Council's loan portfolio (including those associated with Third Party Loans), per loan, at 31st March 2019. The Councils long-term loans have fixed interest rates, which gives balance against short-dated loans and partly protects the Council from exposure to interest rate fluctuation.

# Appendix 2 cont.




**Loan restructuring:**

4.4 When market conditions are favourable, long term loans may be restructured in order to:

- generate cash savings;
- reduce the average interest rate; and / or
- enhance the balance of the portfolio by amending the maturity profile and/or the level of volatility (volatility is determined by the fixed/variable interest rate mix).

4.5 During the year, there were no opportunities for the Council to restructure its borrowing due to the composition of the Council's borrowing portfolio compared to prevailing market conditions and redemption rates. Debt rescheduling in 2019/20 will continue to be kept under review and considered subject to conditions being favourable. If and when opportunities for savings do arise, debt rescheduling will be undertaken to meet business needs.

**Funding the Capital Programme**

4.6 The Treasury Management Strategy Statement (TMSS) set out the plan for treasury management activities over the year. It identified the expected level of borrowing and investment levels. When the 2018/19 TMSS was set, it was anticipated that the Capital Financing Requirement (CFR) – the Council's liability for financing the agreed Capital Programme – would be £322.973m. This calculated amount is naturally subject to change as a result of any changes to the approved capital programme financing or MRP policy.

4.7 The outturn position was:

- the Council's 2018/19 outturn CFR was £310.421m, which was:
    - £63.570m greater than total outstanding borrowing of £246.851m at 31st March 2019 – this represents internal borrowing, that is the temporary use of the Council's surplus cash to finance the borrowing liability instead of borrowing externally.
    - £23.579m below the statutory Authorised Borrowing Limit of £334.000m set by Council.

**5. INVESTMENTS**

# Appendix 2 cont.

5.1 Investment activity is carried out using the framework of the Council's counterparty policies and criteria, with a clear strategy of risk management. This ensures that the principle of considering security, liquidity and yield (in that order) is consistently applied. The Council therefore aims to achieve the optimum return on investments commensurate with proper levels of security and liquidity. Any variations to agreed policies and practices are reported to Council

5.2 As described in paragraph 4.7, the strategy of internal borrowing also has the effect of limiting the Council's investment exposure to the financial markets, thereby reducing credit risk.

5.3 The level of cash available for investment is made up of reserves, balances and working capital that the Council holds. As at 31st March 2019 investments totalled £97.807m. This includes total third party loans as listed below:

- £45.273m of PWLB loans advanced to University of Northampton (UoN). These loans are fully guaranteed by HM Treasury;
- £4.400m loans to Northampton Town Rugby Football Club (NTRFC). These loans are over collateralised/secured against land assets at Franklins Gardens;
- £0.090m loan to Unity Leisure.
- £48.044m was held in treasury management investments profiled in order to meet the liquidity demands, and long-term investment of units in the pooled CCLA Property Fund.

5.4 The table below compares the return performance on the Council's treasury management investment against relevant benchmarks for each quarter during the 2018/19 financial year.

**Benchmark Investment Performance – 2018/19**

| | Benchmark | Benchmark Return | Council Performance |
|---|---|---|---|
| **Q1** | **3m LIBID** | 0.55% | 0.59% |
| **Q2** | **3m LIBID** | 0.66% | 0.68% |
| **Q3** | **3m LIBID** | 0.73% | 0.89% |
| **Q4** | **3m LIBID** | 0.75% | 1.25% |
| **ANNUAL** | **3m LIBID** | 0.68% | 0.84% |

5.5 It can be seen from the table above that treasury management investments returned 0.84% for the year, which is 16bps more than the 3 month LIBID benchmark. Returns were boosted significantly from November 2018 as the Council invested £8m into the CCLA Property Fund which achieves a stable return of c. 4.2% annually.

5.6 Leaving market conditions to one side, the Council's return on investment is influenced by a number of factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument. Credit risk is a measure of the likelihood of default and is controlled through the creditworthiness policy approved by Council. The duration of an investment

# Appendix 2 cont.

introduces liquidity risk; the risk that funds can't be accessed when required, and interest rate risk; the risk that arises from fluctuating market interest rates. These factors and associated risks are actively managed by the Integrated Treasury team together with the Council's treasury advisers.

## 6. COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

6.1 With effect from 1st April 2004, the Prudential Code (as amended) became statute as part of the Local Government Act 2003. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable. To ensure compliance with this the Council is required to set and monitor a number of Prudential Indicators.

6.2 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators, which were:

# Appendix 2 cont.

| Prudential Indicator | 2018/19 Indicator | 2018/19 Outturn |
|---|---|---|
| | | |
| Authorised limit for external debt<br>(Inc' Third Party Loans) | ----- £334.000m ----- | |
| Operational boundary for external debt<br>(Inc' Third Party Loans) | ----- £324.000m ----- | |
| Actual external debt<br>(Inc' Third Party Loans) | ----- £246.851m ----- | |
| Capital Financing Requirement (CFR)<br>(Inc' Third Party Loans and Finance Lease Liabilities) | £322.973m | £310.421m |
| Ratio of financing costs to net revenue streams: GF | 6.13% | 6.02% |
| Ratio of financing costs to net revenue streams: HRA | 40.71% | 36.89% |
| Principal sums invested > 365 days<br>(Exc' Third Party Loans) | £15.000m | £7.446m |
| Maturity structure of borrowing limits:- | | |
| Under 12 months | Max. 50%<br>Min. 0% | 2.2% |
| 12 months to 2 years | Max. 50%<br>Min. 0% | 14.0% |
| 2 years to 5 years | Max. 50%<br>Min. 0% | 6.5% |
| 5 years to 10 years | Max. 50%<br>Min. 0% | 16.1% |
| 10 years to 20 years | Max. 50%<br>Min. 0% | 2.9% |
| 20 years to 30 years | Max. 60%<br>Min. 0% | 2.1% |
| 30 years to 40 years | Max. 80%<br>Min. 0% | 1.9% |
| 40 years and above | Max. 100%<br>Min. 0% | 54.3% |
| | | |

# Appendix 3

# 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 and scrutiny 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.

### 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.

# Appendix 3 cont.

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.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority.
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities.
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority.
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed.

# Appendix 4

## 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.

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 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.

# Appendix 4 cont.

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 an investment counterpart.

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 counterpart, any losses will be apportioned between the two funds based on an estimated proportion of cash balances held.

# Appendix 5
# Prudential and Treasury Indicators

The prudential indicators for 2020/21 to 2024/25 are set out below, each one with a commentary and risk analysis.

## Affordability

### a) Estimate of financing costs to net revenue stream

***Commentary***

This 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. However, it should be recognised however that ultimately all debts of a local authority fall on the taxpayer. The objective is to enable trends to be identified.

The figures below reflects the cumulative impact of borrowing costs (interest and MRP where applicable) for capital programme schemes agreed each year, set against the backdrop of net revenue streams in future years.

| **Financing costs to net revenue stream** | | | | | |
|---|---|---|---|---|---|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | Estimate % | Estimate % | Estimate % | Estimate % | Estimate % |
| General Fund | 8.49 | 9.74 | 10.11 | 10.46 | 10.39 |
| HRA | 31.42 | 31.75 | 31.32 | 30.77 | 30.49 |

Effectively, each respective fund has a debt servicing cost to income cover ratio of:
- General Fund – ranging from 9.5 to 11.8 times
- HRA – ranging from 3.1 to 3.3 times

***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.

# Appendix 5 cont.

## Prudence

## Capital Expenditure

### b) 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 2020/21 to 2024/25 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.

# Appendix 5 cont.

**c) 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 shows the impact of proposed new capital expenditure funded by borrowing offset by annual repayments of principal (MRP – General Fund only, the HRA is not required to make an annual MRP charge). The table also splits out the impacts of loans to third party organisations funded by borrowing, where these are included in the Council's capital programme.

The changes to CFR are subject to future Council decisions in respect of the capital programme for those years.

| **Capital Financing Requirement (Closing CFR)** | | | | | |
|---|---|---|---|---|---|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | 31 March £m | 31 March £m | 31 March £m | 31 March £m | 31 March £m |
| General Fund | 118 | 120 | 119 | 116 | 113 |
| HRA | 216 | 223 | 229 | 229 | 229 |
| **Total** | 334 | 343 | 348 | 345 | 342 |
| Loans to third parties (GF) | 20 | 20 | 19 | 19 | 19 |
| **Total** | **354** | **363** | **367** | **364** | **361** |

# Appendix 5 cont.

***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

**d) 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 an estimate of the most likely but not worst case scenario, with additional 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 applicable.

The authorised limit is set at an amount that allows a contingency for any additional unanticipated or short-term borrowing requirements over and above the operational boundary during the period (see (e) 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 Council.

# Appendix 5 cont.

| **Authorised limit for external debt** | | | | | |
|---|---|---|---|---|---|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| | Limit £m | Limit £m | Limit £m | Limit £m | Limit £m |
| Borrowing | 404 | 413 | 417 | 414 | 411 |
| Other long-term liabilities | 5 | 5 | 5 | 5 | 5 |
| **Total** | **409** | **418** | **423** | **419** | **416** |

***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 cashflow requirements.

**e) 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 Council.

# Appendix 5 cont.

| Operational boundary for external debt | | | | | |
|---|---|---|---|---|---|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| | Limit £m | Limit £m | Limit £m | Limit £m | Limit £m |
| Borrowing | 384 | 393 | 397 | 394 | 391 |
| Other long-term liabilities | 5 | 5 | 5 | 5 | 5 |
| **Total** | **389** | **398** | **403** | **399** | **396** |

***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.

## Treasury Indicators

### f) 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 maturing in each period expressed as a percentage of total projected borrowing at the start of the period.

The proposed limits for the forthcoming year are:

| Maturity Structure of Borrowing | | |
|---|---|---|
| | Lower Limit % | Upper Limit % |
| Under 12 months | 0% | 50% |
| Between 1 and 2 years | 0% | 50% |
| Between 2 and 5 years | 0% | 50% |
| Between 5 and 10 years | 0% | 50% |
| Between 10 and 20 years | 0% | 50% |
| Between 20 and 30 years | 0% | 60% |
| Between 30 and 40 years | 0% | 80% |
| Over 40 years | 0% | 100% |

# Appendix 5 cont.

***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.

**g) Total principal sums invested for periods longer than 365 days**

Under the Local Government Act 2003 and the MHCLG Guidance on Local Authority Investments, all Councils are permitted to invest for periods exceeding 1 year (or 365 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 limits have 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 – excluding Third Party Loans – for the forthcoming and following four financial years are as follows:

| **Upper limit on investments for periods longer than 365 days** | | | | | |
|---|---|---|---|---|---|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
| | Upper Limit £m | Upper Limit £m | Upper Limit £m | Upper Limit £m | Upper Limit £m |
| Investments > 365 days | 15 | 15 | 15 | 15 | 15 |

# Appendix 6

## 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 2020/21 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.

## Appendix 6 cont.

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 Finance leases 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.

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

1.4.12 In respect of loans to third parties supported by borrowing, where these are treated as capital expenditure, and contractual terms are in place to secure repayment over a period not exceeding the life of the asset, the Council will not charge MRP on the related expenditure; the CFR will be reduced by the third party loan repayments as and when these are received.

1.4.13 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.

1.4.14 The Minimum Revenue Provision Policy Statement will be continuously reviewed throughout the financial year and particularly with respect to any developments in the Council's Efficiency Plan. Any required amendments or changes will be brought back to Council for approval.

# Appendix 7

## Interest Rate Forecast Commentary – Link Asset Services (LAS)

The interest rate forecasts applied in this Strategy are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.

In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly.

It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

**Balance of risks to the UK includes:**

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal is fully agreed with the EU, including the new terms of trade, and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- Bank of England takes action too quickly, or too far, 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.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.
- Germany and other EU minority governments

# Appendix 7 cont.

- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was potential for a rerun of the 2008 financial crisis, but this time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- Geopolitical risks, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

**Upside risks to current forecasts for UK gilt yields and PWLB rates include:**

- Brexit – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary 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, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

# Appendix 8

# Annual Investment Strategy

## 1. Investment policy

1.1 The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

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 below. 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:

2.3 Meet the requirements of the creditworthiness service provided by the Council's external treasury advisors and;

- UK banking or other financial institutions or are;
- UK national or local government bodies or are;
- Triple-A (AAA) rated Money Market funds.

## 3. Sovereign limits

3.1 The Council will distinguish between UK and Non-UK domiciled entities when determining counterparty and duration limits. These limits are set out in the table at paragraph 7.4 below. Sovereign credit ratings form part of the creditworthiness service provided by the Council's external treasury advisors and the Council may further restrict the use of certain domicile countries as necessary.

# Appendix 8 cont.

## 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.

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

## 5. Specified investments

5.1 Under the Local Government Act 2003 the Council is required to have regard to the CLG Guidance on Local Government Investments. This requires that investments are split into two categories:

i. Specified investments – broadly, sterling investments, not exceeding 365 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 2020/21 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 2020/21 is that the following non-specified investments may be entered into:

6.3 Long-term investments (those for periods exceeding 365 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 365 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 duration limits of over 365 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.

# Appendix 8 cont.

6.4 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;

6.5 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.

## 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 2020/21 is set out below.

7.2 The CFO will use the recommendations of the creditworthiness service provided by the Council's external treasury advisors 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.

## Appendix 8 cont.

7.4 The following table sets out the Council's counterparty criteria for 2020/21.

| **Investments may be placed with counterparties recommended by the Council's external treasury advisors, and which meet the following criteria** | | | |
|---|---|---|---|
| | **Counterparty Type** | **Limit; per individual counterparty or banking group** | **Limits; Duration** |
| **(1a)** | UK Government | Unlimited | 5 years |
| **(1b)** | UK nationalised or part nationalised banking institutions | £15m | 1 years |
| **(1c)** | Other UK counterparties | £10m | 3 years |
| **(1d)** | Other Local Authorities | £10m | 3 years |
| | | | |
| **(2a)** | Non UK counterparties having a sovereign rating of AAA | £10m | 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 | £10m | 1 year |
| | | | |
| **(3)** | Money Market Funds (CNAV/LNAV) having a credit rating of AAA | £15m | N/A - Liquid deposits |
| **(4)** | Pooled Property Funds | £15m | 5 years |

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 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.

## Appendix 8 cont.

7.7 The total value of investments over 365 days at any one time is restricted by the treasury indicator for the upper limit on investments for periods longer than 365 days.

7.8 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.

7.9 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 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 365 days as specified investments, or 5 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 365 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 365 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 (CNAV and LNAV) and 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'.

# Appendix 8 cont.

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:

10.2 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;

10.3 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 wellbeing 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.

10.4 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.

10.5 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 Council's capital, 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. Additional guarantees may be sought where necessary. 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.

# Appendix 8 cont.

## 12. Banking services

12.1 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 Northampton Borough Council. Most 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.

The Borough 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 are 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.

**Council tax position for 2020/21**
The draft budget for 2020/21 is based on an average band D council tax for NBC of £230.84. 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 the draft special expenses adjustments made in each area of the Borough for 2020/21:

| 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 | 230.84 | -9.97 | 10.25 | 0.28 | 231.12 |
| Collingtree | 230.84 | -9.97 | 0.00 | -9.97 | 220.87 |
| Duston | 230.84 | -9.97 | 4.31 | -5.66 | 225.18 |
| Great Houghton | 230.84 | -9.97 | 0.00 | -9.97 | 220.87 |
| Hardingstone | 230.84 | -9.97 | 2.42 | -7.55 | 223.28 |
| Upton | 230.84 | -9.97 | 0.00 | -9.97 | 220.87 |
| Wootton | 230.84 | -9.97 | 3.51 | -6.46 | 224.38 |
| East Hunsbury | 230.84 | -9.97 | 15.98 | 6.01 | 236.85 |
| Hunsbury Meadows | 230.84 | -9.97 | 0.00 | -9.97 | 220.87 |
| West Hunsbury | 230.84 | -9.97 | 6.45 | -3.52 | 227.31 |
| Unparished | 230.84 | -9.97 | 11.80 | 1.83 | 232.67 |
| **Average** | **230.84** | **-9.97** | **9.97** | **0.00** | **230.84** |

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.
- Column (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).

It should be noted that the above figures are based on the latest draft tax base figures and the latest draft budget figures for the costs of the maintenance of the Borough's parks and open spaces. It is possible that these figures may change between the draft budget and the final budget, but it is anticipated that the principles behind the calculation of the special expenses will remain the same.

The total special expense amount to be distributed in 2019/20 was £9.77. The draft figure of £9.97 in the table above is an increase of £0.20, or 2.05%. This change is due to changes to the costs of maintaining parks and open spaces; the reduction of central government funding, which increases the amount of these costs to be recovered through council tax and special expenses; and an overall increase in the tax base.

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NORTHAMPTON
BOROUGH COUNCIL

# CABINET REPORT

| Report Title | Housing Revenue Account (HRA) Budget, Rent Setting 2020/21 and Budget Projections 2021/22 to 2023/24 |
|---|---|

**AGENDA STATUS:** **PUBLIC**

| | |
|---|---|
| **Cabinet Meeting Date:** | 23 December 2019 |
| **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 2020/21, including Rent setting for 2020/21, and forecast budgets up to 2023/2024 for the draft Housing Revenue Account (HRA) and the draft HRA Capital Programme and financing proposals.

1.2 To note the draft capital programme new build programme that is expected to deliver up to 600 new council homes over the next 4 years.

1.3 The report also outlines the draft Total Fees for Northampton Partnership Homes (NPH) based on the draft 2020/21 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 in **appendix 3** to deliver the services in scope.

2.4 That Cabinet approve a further £500k amount in 2019-20 for buybacks and spot purchases of properties by bringing forward the amount proposed from 2020-21 within the HRA capital programme. As set out at paragraph3.2.34

2.5 That Cabinet approve up to a further £1.5m of capital spend in addition to the £6m previously approved by Council for the NCC Supported Living Provision property schemes. The total budget of up to £7.5m to be managed by NPH with NBC as part of the revised Capital Programme for 2019-20. As set out at paragraphs 3.2.35-3.2.37.

2.6. Cabinet notes the above approval is subject to the completed amended financial appraisal review.

2.7 Cabinet delegates to the Chief Finance Officer, the authority to approve any variations within the £7.5m budget.

2.8 Cabinet delegate to the Chief Executive in consultation with the Cabinet Member for Housing and Wellbeing, the Head of Housing and Wellbeing and the Chief Finance Officer, the authority to approve any variations required to be made to the Management Agreement between Northampton Borough Council and Northampton Partnership Homes dated 5 January 2015 that may be required to implement any Cabinet approvals arising from this report.

## 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 an 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 2020/21 to provide the services in scope. It should be noted that the Total Fee for NPH in 2020/21 will be subject to approval of the HRA and General Fund Budgets by Council at its meeting in February 2020.

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.

### 3.2 Issues

3.2.1 <u>Economic Context.</u>
There continues to be uncertainty around the national and global economic outlook, caused by various factors including the UK's planned withdrawal from the European Union. Therefore, the draft budget is built on prudent assumptions around inflation, interest rates, the continuing strong demand for housing and the impact of high numbers of instances of homelessness.

3.2.2 Medium Term Financial Strategy
In September 2019 Cabinet approved the medium term financial strategy, which provides the framework and context for the development of the detailed budget and medium term financial plan.

3.2.3 The medium term financial strategy included the following strategic principles:

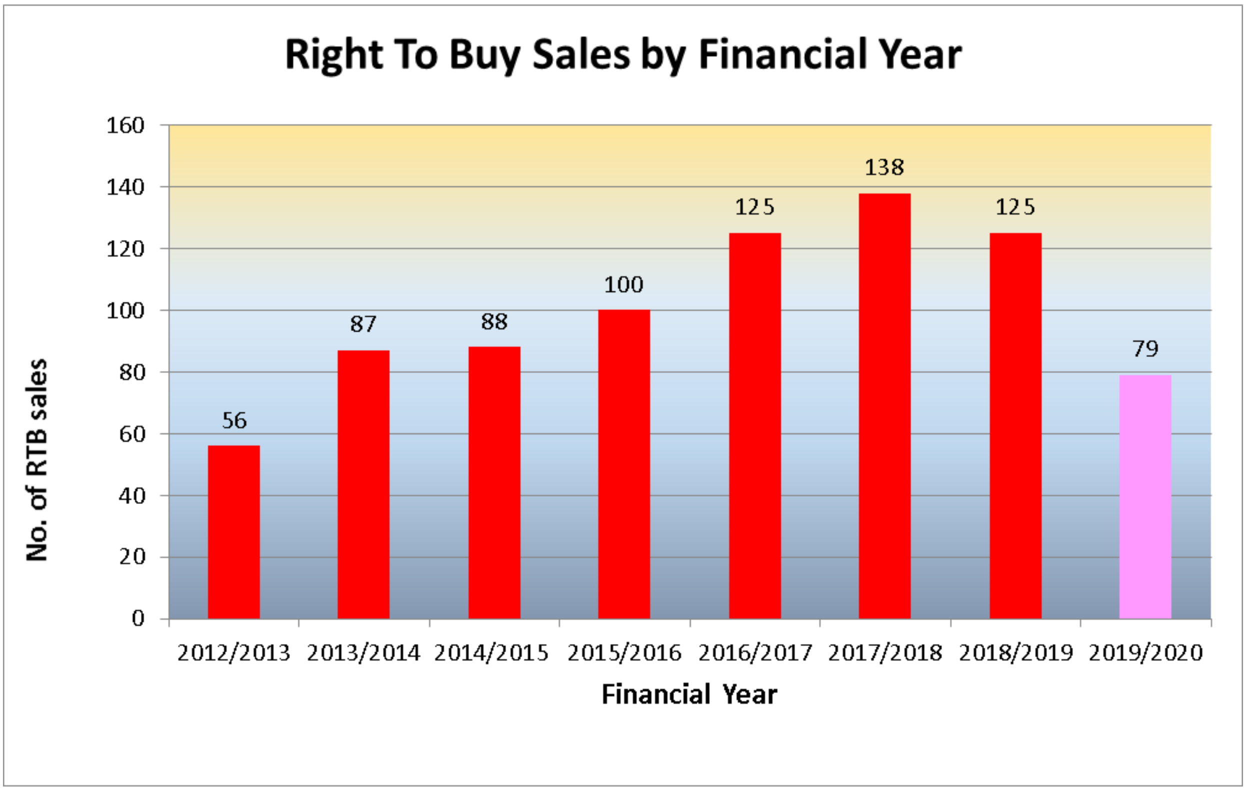
- The Council will, within available resources, seek to maximise delivery of services and levels of performance and ensure that resources are targeted to meeting its objectives and priorities
- The Council will set a balanced budget, which is stable and sustainable and fully represents the cost of providing 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.
- 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.

**National and Local Policy**

3.2.4 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, and the introduction of Universal Credit and Benefit Cap.

3.2.5 More recently the Government has pledged to spend an additional £2bn on affordable housing and a new policy will come into effect from 1 April 2020 for future rent increases from 2020/21 with increases to be capped at CPI plus 1% for 5 years.

3.2.6 **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 November are 79. The total RTB sales by financial year, including 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 the draft budget; and

b) The additional capital receipts, (retained "141" RTB receipt element 2020/21, 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 3.2.10 provides more detail.

3.2.7 **Housing Consultation** – A new deal for Social Housing.

The consultation ran until November 2018. Government have yet to enact any such changes so the future is not certain.

3.2.8 **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.

3.2.9 **New Council House Build** and the Use of 1-4-1 RTB Receipts. 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 new build programme is kept under constant review to ensure that it maximizes HRA capacity, safeguards the use of 1-4-1 RTB receipts and, where there is a robust business case, enables the delivery of affordable housing.

3.2.10 **1-4-1 RTB Receipts** The use of prudential Borrowing in the HRA enables borrowing that is affordable to fund the part of new build expenditure that 141 RTB receipts cannot meet under the rules. The 1-4-1 RTB receipts must be used to fund up to a maximum of 30% of new build, additionality projects or grants to Housing Association schemes. The RTB receipts must be spent within 3 years from receipt under the rules of the 2012 agreement, otherwise they are paid back to Treasury with interest at 4% above base. The outcome of a government consultation, concluded in October 2018, could increase the flexibilities around use of 1-4-1 RTB receipts in the future. However Government have yet to enact any such changes so the future is not certain.

## Housing Revenue Account Budget 2020/2021

3.2.11 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 2020/21 reflects the current service levels and any proposed changes in service delivery.

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

3.2.13 **Rental income**, by far the largest single budget within the HRA, has previously been calculated in accordance with national rent policy. In October 2017, the government announced its intention to set a long term rent deal for both local authority landlords and housing associations. This would permit annual rent increases on both social rent and affordable rent properties of up to CPI plus 1 percentage point from 2020, for a period of at least five years ('the new policy'). The new policy will come into effect from 1 April 2020.

3.2.14 The proposal for rent increases in 2020/21 is therefore the maximum 2.7%,(September 2019 CPI 1.7% plus 1%) on average across the housing stock in line with the new policy.

3.2.15 **Application of the rent standard to local authority registered providers** for the first time, the government has directed the Regulator to apply its rent standard to all registered providers – i.e. to both local authority registered providers and private registered providers (the vast majority of which are housing associations). The government intends that the rent standard should apply to local authority registered providers from 2020 onwards because the previous arrangements for limiting the welfare costs associated with local authority rents (the Rent Rebate Subsidy Limitation scheme) will not operate alongside Universal Credit.

3.2.16 **Service Charges**. The schedule of draft Service Charges for 2020/21 is attached at Appendix 3. The level of Service Charges should be set to enable the full recovery of eligible costs incurred, further work is ongoing to review the position. It is proposed that general Service Charges are increased in line with CPI as at September 2019 (1.7%). The Service Charges have been reflected in the draft budgeted income figures.

3.2.17 **Repairs and Maintenance.** The revenue repairs and maintenance budget represent 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.

3.2.18 **Capital Financing Costs**. The interest fixed rate costs to the HRA, (approx. £6.5m), 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 Public Works Loans Board (PWLB). The debt is subject to close management with rigorous monitoring to ensure that the financial position for the HRA is optimised. In addition to this the draft budget also reflects an increase in prudential borrowing to fund the new build programme.

3.2.19 The Business Plan since Self-financing model in 2012 assumed a level of increasing balances available to repay debt in the future. The changes imposed by government through the rent decreases 2016-20, 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.

3.2.20 **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. The Council initially went live with the delivery of UC in November 2015 for certain aspects. The DWP have now rolled out the full Digital service for new UC cases, which went live for the Council last year. New claims to legacy benefits are now closed and the migration of existing benefit claims will follow, expected to be completed by March 2022. 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 2019/20 financial year and future years in light of the welfare reform roll out and the performance levels in the management of arrears.

3.2.21 **NPH Management Agreement / services being provided** The Council pays NPH a Total Fee to provide both the Housing Landlord services and those Housing General Fund Services in scope. 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. 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.

3.2.22 **The Draft NPH Total Fee** has been worked through 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 will be updated for the purposes of setting the final budget. It should be noted that further work with NPH is ongoing and 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 2020. The table below shows a summary of the draft 2020/21 Total Fee proposed. Further breakdown and detail can be found at Appendix 4.

**<u>Summary Table of Total Fee to NPH for 2020/21</u>**

| **NPH Management Fee** | **£'000s** |
|---|---|
| Management - HRA | 14,172 |
| Management - General Fund Housing | 291 |
| Maintenance - Responsive & Cyclical (Managed Budget) | 12,219 |
| Capital - Improvements to Homes (Managed Budget) | 36,050 |
| Capital - Improvement to Environment (Managed Budget) | 3,000 |
| Capital - Managed Budget ICT | 250 |
| **Total Fee** | **65,982** |

3.2.23 The funding pressures for 2020/2021 have 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 2020 the Council will continue to work closely with NPH in relation to the draft budgets and the medium term financial plan. Medium term planning pressures and any emerging pressures and savings will need to be built into NPH future budget plans.

3.2.24 A summary of the overall draft HRA budget for 2020/21 and 2021 to 2024 is contained in Appendix 1.

**HRA Reserves**

3.2.25 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 2020. 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**

| Reserves | Balance B/f 01/04/2020 | Earmarked in Year | Applied in Year | Balance C/f 31/03/2021 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| HRA Reserves | (2,846) | 0 | 1,917 | (929) |
| HRA Leaseholder Reserve | (500) | 0 | 0 | (500) |
| HRA Service Improvement Reserve | (1,000) | 0 | 0 | (1,000) |
| HRA Insurance Reserve | (300) | 0 | 0 | (300) |
| **Total HRA Reserves** | **(4,646)** | **0** | **1,917** | **(2,729)** |
| | | | | |
| **Min Level of Working Balances** | **(5,000)** | **(5,000)** | **(5,000)** | **(5,000)** |
| | | | | |
| **Total HRA Reserves** | **(9,646)** | **(5,000)** | **(3,083)** | **(7,729)** |

3.2.26 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.

**Adequacy of Working Balances**

3.2.27 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 2020/21. 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 2020.

3.2.28 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 occur.

**Housing Revenue Account Capital Programme**

3.2.29 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.

3.2.30 The proposed HRA capital programme for 2020/21 to 2023/24 is attached at Appendix 2 and summarised in the table below for 2020/21. The value of the total proposed HRA capital programme for 2020/21 is £39.8m.

| Capital Programme 2020/21 | HRA £000 |
|---|---|
| External Improvements | 9,300 |
| Internal Works | 4,600 |
| Structural Works and Compliance | 600 |
| Disabled Adaptations | 1,300 |
| Environmental Improvements | 3,000 |
| IT Development | 250 |
| New Build Programme / Major Projects | 20,250 |
| Buybacks / Spot Purchases / Pool | 500 |
| **Total HRA Capital Programme** | **39,800** |
| Funding Source | |
| Borrowing | 13,968 |
| Major Repairs Reserve/Depreciation | 12,000 |
| Capital Receipts | 7,543 |
| Revenue/Earmarked Reserve | 6,289 |
| **Total Funding** | **39,800** |

3.2.31 The Asset Management Plan has been reviewed by NPH but is due for a refresh with the latest information. This will need to be ran through the HRA Business Plan and future budgets. In addition to this included in the draft capital programme includes for a significant investment to the Councils' New Build and Major works 2020/2021 programme, (£20.25M to deliver up to 150 new homes in year), reflecting ability to prudentially borrow within the HRA. This has been included in the draft budget and will inform the refresh of the Council's HRA Business Plan for 2020/2021. 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.

3.2.32 Although the focus of the Capital Programme is to maintain and improve the Council's homes, there is also a focus on environmental improvements and an increased focus on the development of new homes to help address the shortage of affordable housing in the Borough. The New Build/ Major projects draft budget and indicative budgets from the following 4 years is expected to deliver up to 600 new council homes.

3.2.33 The detail of the HRA capital programme for 2020/21 and beyond will be refined in line with annual updates to the Business plan, Asset management plan, and any changes to government policy and legislation.

3.2.34 The proposed HRA capital programme for 2020/21 includes a £500k budget to purchase former council properties and spot purchase properties available on the market which are of a strategic importance. It is recommended that Cabinet approve the use of this £500k in 2019-20 to meet increased opportunities to purchase affordable homes.

**NCC Supported Living Provision property schemes**

3.2.35 Council at its meeting on 3rd June 2019 approved the increase in HRA borrowing and the total cost of these schemes to the HRA Capital Fund should not exceed £6m. Cabinet at its meeting 12th June 2019 approved the schemes.

3.2.36 Following a procurement process the schemes total cost has risen to £7.045m. It is recommended that the additional cost is approved, with an approval for an additional budget of up to £1.5m, a total budget of up to £7.5m.

3.2.37 The main reasons for the increase in costs are due to

- a higher specification due to planning requirements
- making them wheelchair accessible
- drive to construct sustainable homes and cease installing gas in new homes

**Capital Strategy**

3.2.38 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.

**3.3 The Next Steps**

3.3.1 The timetable for the 2020/21 budget process requires a meeting of the Council in February 2020, 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.

**3.4 Consultation**

3.4.1 Formal consultation with the public and stakeholders including local businesses will be launched in December 2019 and will continue until the budget is formally adopted in February 2020 in line with an agreed consultation programme.

**3.5 Choices (Options)**

3.5.1 Cabinet can agree that the budget proposals for 2020/21 for the HRA and HRA Capital programme and indicative budgets for 2021/22 to 2023/24 as summarised in the appendices to this report can be approved for consultation.

3.5.2 Cabinet can agree the proposed Rent increase of 2.7% for 2020/21 and increases in service charges.

3.5.3 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.

**NCC Supported Living Provision property schemes Choices (Options)**

3.5.4 Cabinet to not approve the additional budget of up to £1.5m this would limit the opportunity for residents within the Borough and County to access suitable housing for their needs and continue to drive Social Care costs through the need to place clients with complex needs out of area.

3.5.5. To approve selected schemes, this would limit the opportunity for residents within the Borough and County to access suitable housing for their needs and continue to drive Social Care costs through the need to place clients with complex needs out of area.

3.5.6 To approve all schemes, with associated delegations to officers to enable progression on all three schemes. This will improve provision of specialist supported living accommodation within the Borough and contribute to the financial sustainability of Adult Social Care, which will in addition assist with the financial sustainability of the new Unitary Authority West Northamptonshire Council.

3.5.7 Cabinet are recommended to approve option 3.5.6 above.

## 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 2020/2021 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.

### 4.3 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 must 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 2020.

**4.5 Consultees (Internal and External)**

4.5.1 Internally heads of service and budget managers have been consulted, along with finance officers of NPH. 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 "spending your money wisely" and specifically for the HRA contributes to the priority of "Better homes for the future". More broadly, the Council's budget is the financial representation of the Council's plans, and so setting a balanced budget contributes to all of the Council's priority outcomes.

**4.7 Environmental Implications (including climate change issues)**

4.7.1 Environmental impacts were considered as part of each of the medium term planning options submitted. In addition, major projects and new build capital programme schemes are subject to a business case. Each business case includes for the environmental implications of a scheme.

**4.8 Other Implications**

None not already covered above.

**4.9 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 Property Transactions relating to Supported Living Provision – 12th June 2019 Cabinet

## 6. Next Steps

6.1 The final Housing Revenue Account budget for 2020/21 will go back to Cabinet in February 2020, and also to full Council for approval in February 2020.

George Candler, Chief Executive

Stuart McGregor, Section 151 Officer

**DRAFT Housing Revenue Account Budget Summary 2020-2024**

| Description | Note | Budget 2020/21 | Budget 2021/22 | Budget 2022/23 | Budget 2023/24 |
|---|---|---|---|---|---|
| **INCOME** | | £ | £ | £ | £ |
| Rents - Dwellings Only | (1) | (50,126,700) | (51,851,700) | (53,618,300) | (55,266,100) |
| Rents - Non Dwellings Only | | (967,100) | (920,300) | (878,100) | (840,100) |
| Service Charges | | (2,583,080) | (2,619,120) | (2,666,120) | (2,716,120) |
| Other Income | | (24,000) | (24,000) | (24,000) | (24,000) |
| **Total Income** | | **(53,700,880)** | **(55,415,120)** | **(57,186,520)** | **(58,846,320)** |
| **EXPENDITURE** | | | | | |
| Repairs and Maintenance | (3) | 13,855,415 | 14,149,346 | 14,358,484 | 14,568,249 |
| General Management | (3) | 8,814,172 | 9,161,167 | 9,212,676 | 9,285,477 |
| Special Services | (3) | 4,607,699 | 4,717,098 | 4,782,133 | 4,848,127 |
| Rents, Rates, Taxes & Other Charges | | 289,300 | 289,300 | 289,300 | 289,300 |
| Increase in Bad Debt Provision | | 600,000 | 600,000 | 600,000 | 600,000 |
| **Total Expenditure** | | **28,166,586** | **28,916,912** | **29,242,593** | **29,591,153** |
| **Continuation Budget** | | **(25,534,294)** | **(26,498,208)** | **(27,943,927)** | **(29,255,167)** |
| Net Recharges from the General Fund | | 2,650,000 | 2,650,000 | 2,650,000 | 2,650,000 |
| Interest & Financing Costs | | | | | |
| - Interest on balances | | (63,702) | (55,453) | (56,648) | (58,813) |
| - Internal Borrowing (Under funded CFR) | | 45,914 | 54,659 | 109,319 | 109,319 |
| - Interest Fixed Rate | | 6,529,686 | 7,202,328 | 7,934,849 | 8,658,183 |
| Revenue Contributions to Capital | | 6,288,929 | 3,731,459 | 3,416,353 | 3,758,774 |
| Depreciation | | 12,000,036 | 12,289,430 | 12,633,339 | 12,984,244 |
| Contribution to / (from) Reserves | | (1,916,568) | 625,784 | 1,256,716 | 1,153,460 |
| **Remaining Deficit / (Surplus)** | | **0** | **0** | **0** | **0** |

**Notes**

(1) CPI (1.7%) plus 1% increase from 2020/21
(2) Expenditure budgets above are proposed to be split between NBC and NPH as per the table below.
(3) Medium Term Planning Pressures could affect NPH Fee in future years

| Description | £'000 |
|---|---|
| Repairs and Maintenance | 14,160 |
| General Management | 8,803 |
| Special Services | 4,601 |
| Less NBC Retained Budgets | (887) |
| **NPH Budget as per Appendix 4** | **26,678** |

**Proposed Capital Programme 2020-21 to 2023-24 - HRA** **Appendix 2**

| | 2020-21 £ | 2021-22 £ | 2022-23 £ | 2023-24 £ | Total £ |
|---|---|---|---|---|---|
| External Improvements | 9,300,000 | 11,650,000 | 12,450,000 | 12,450,000 | 45,850,000 |
| Internal Works | 4,600,000 | 3,050,000 | 2,250,000 | 2,250,000 | 12,150,000 |
| Structural Works and Compliance | 600,000 | 450,000 | 450,000 | 450,000 | 1,950,000 |
| Disabled Adaptations | 1,300,000 | 1,300,000 | 1,300,000 | 1,300,000 | 5,200,000 |
| Environmental Improvements | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 12,000,000 |
| IT Development | 250,000 | 250,000 | 250,000 | 250,000 | 1,000,000 |
| New Build Develoment Pool | 20,250,000 | 20,250,000 | 20,250,000 | 20,250,000 | 81,000,000 |
| Buybacks and Spot Purchases | 500,000 | 500,000 | 500,000 | 500,000 | 2,000,000 |
| **Total** | **39,800,000** | **40,450,000** | **40,450,000** | **40,450,000** | **161,150,000** |

| | | | | | |
|---|---|---|---|---|---|
| **SPLIT:** | | | | | |
| Improvements to Homes | 15,800,000 | 16,450,000 | 16,450,000 | 16,450,000 | 65,150,000 |
| Improvements to Environment | 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | 12,000,000 |
| IT Development | 250,000 | 250,000 | 250,000 | 250,000 | 1,000,000 |
| New Build Programme/Major Projects | 20,250,000 | 20,250,000 | 20,250,000 | 20,250,000 | 81,000,000 |
| **Total NPH** | **39,300,000** | **39,950,000** | **39,950,000** | **39,950,000** | **159,150,000** |
| NBC Retained - Buy Backs | 500,000 | 500,000 | 500,000 | 500,000 | 2,000,000 |
| **Total Capital Programme** | **39,800,000** | **40,450,000** | **40,450,000** | **40,450,000** | **161,150,000** |

| | | | | | |
|---|---|---|---|---|---|
| **FINANCING:** | | | | | |
| Major Repairs Reserve/Depreciation | 12,000,036 | 12,289,430 | 12,633,339 | 12,984,244 | 49,907,050 |
| Capital Receipts - RTB (excl 1-4-1) | 2,845,400 | 2,921,100 | 2,998,800 | 3,078,500 | 11,843,800 |
| Capital Receipts - RTB 1-4-1 Receipts | 4,697,599 | 5,192,599 | 5,192,599 | 6,225,000 | 21,307,796 |
| Revenue/Earmarked Reserve | 6,288,929 | 3,731,459 | 3,416,353 | 3,758,774 | 17,195,514 |
| Borrowing / CFR | 13,968,037 | 16,315,412 | 16,208,909 | 14,403,482 | 60,895,840 |
| **Total Financing - HRA** | **39,800,000** | **40,450,000** | **40,450,000** | **40,450,000** | **161,150,000** |

Appendix 3

## SCHEDULE OF SERVICE CHARGES 2020/21

| SERVICE CHARGES | | PRESENT | PROPOSED |
|---|---|---|---|
| | | £ | £ |
| **Garages** | | 9.45 | 9.61 |
| (+VAT in some cases) | | | |
| **Commuter Surcharge on Garages** | | 15.02 | 15.28 |
| (+VAT in some cases) | | | |
| **Communal Heating** | | 10.56 | 10.74 |
| **Sheltered Charges** | | | |
| - Level 1 Low | | 6.32 | 6.42 |
| **Brookside Meadows New Build - Service Charges** | | | |
| - Tarmac and Block Paving | | 3.95 | 4.02 |
| - Electric Gates | | 1.10 | 1.12 |
| **Centenary House New Build - Service Charges** | | | |
| Communal Area Maintenance | | 1.76 | 1.79 |
| Communal Area Cleaning | | 3.45 | 3.51 |
| Grounds Maintenance | | 1.15 | 1.17 |
| Electric | | 3.42 | 3.48 |
| **Little Cross Terrace New Build - Service Charges** | | | |
| Communal Area Cleaning | | 1.83 | 1.86 |
| Grounds Maintenance | | 1.21 | 1.23 |
| TV Aerials | | 0.31 | 0.32 |
| **Eleanor Lodge - Service Charges** | | | |
| Grounds Maintenance | | 0.98 | 1.00 |
| Electric | | 4.79 | 4.87 |
| Gas | | 3.25 | 3.31 |
| Water | | 6.13 | 6.23 |
| Furniture | | 4.82 | 4.90 |
| Electric (Self-contained areas) | | 3.28 | 3.34 |
| Gas (Self-contained areas) | | 2.23 | 2.27 |
| **CCTV** | | 3.89 | 3.95 |
| **Grounds Maintenance** | | 2.12 | 2.16 |
| **Non- Standard Service Charges** | | | |
| **Electricity Communal** | **Low** | 0.12 | 0.12 |
| | **High** | 7.12 | 7.24 |
| **Estate Services - Cleaning and Caretaking** | | | |
| | - Service Level 1 | 0.40 | 0.40 |
| | - Service Level 2 | 0.96 | 0.98 |
| | - Service Level 3 | 1.20 | 1.22 |
| | - Service Level 4 | 1.60 | 1.62 |
| | - Service Level 5 | 2.40 | 2.44 |
| | - Service Level 6 | 3.60 | 3.66 |
| | - Service Level 7 | 4.79 | 4.87 |
| | - Service Level 8 | 4.79 | 4.87 |

## DRAFT Schedule 5 - NPH Management Fee

| Housing Management & Maintenance(HRA) | | NPH 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate |
|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ |
| | | | | | | |
| Total | Repairs & Maintenance | 12,218,960 | 12,434,416 | 12,621,911 | 12,811,085 | 12,811,085 |
| Total | General Management | 7,053,071 | 7,331,167 | 7,376,446 | 7,441,024 | 7,441,024 |
| Total | Special Services | 4,001,754 | 4,083,860 | 4,142,228 | 4,201,808 | 4,201,808 |
| Total | Recharges | 3,117,000 | 3,289,270 | 3,321,359 | 3,354,090 | 3,354,090 |
| **TOTAL HRA** | | **26,390,786** | **27,138,712** | **27,461,945** | **27,808,008** | **27,808,008** |
| | | | | | | |
| **Housing General Fund** | | | | | | |
| Total | Travellers Site | 210,972 | 211,752 | 212,546 | 213,357 | 213,357 |
| Total | Temporary Accomodation R&M | 0 | 0 | 0 | 0 | 0 |
| Total | Home Choice & Resettlement | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 |
| **TOTAL GF HOUSING** | | **290,973** | **291,752** | **292,546** | **293,357** | **293,357** |
| **TOTAL REVENUE** | | **26,681,758** | **27,430,464** | **27,754,491** | **28,101,365** | **28,101,365** |
| | | | | | | |
| **HRA Capital Programme** | | 39,300,000 | 39,950,000 | 39,950,000 | 39,950,000 | 39,950,000 |
| | | | | | | |
| **GRAND TOTAL** | | **65,981,758** | **67,380,464** | **67,704,491** | **68,051,365** | **68,051,365** |

**Analysed by Funding Pots**

| | | | | | |
|---|---|---|---|---|---|
| Management - HRA (including Special Services) | 14,171,826 | 14,704,297 | 14,840,034 | 14,996,922 | 14,996,922 |
| Management - GF Housing | 290,973 | 291,752 | 292,546 | 293,357 | 293,357 |
| Maintenance - Managed Budget Responsive | 9,408,599 | 9,574,500 | 9,718,871 | 9,864,536 | 9,864,536 |
| Maintenance - Managed Budget Cyclical | 2,810,361 | 2,859,916 | 2,903,040 | 2,946,550 | 2,946,550 |
| Capital - Managed Budget Improvement to Homes | 36,050,000 | 36,700,000 | 36,700,000 | 36,700,000 | 36,700,000 |
| 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 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 |
| **Total** | **65,981,758** | **67,380,464** | **67,704,491** | **68,051,365** | **68,051,365** |

**Notes:**

Recharges comprise approximately £1.4m from LGSS and £1.8m from the General Fund

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 including inflation on supplies and services.

Capital programme based upon figures provided in support of the revised Asset Management Strategy.

Indicative year 5 included to comply with management agreement (based on 2023/24 figures)

Medium Term Planning Pressures could affect NPH Fee in future years

| Appendices: 1 |
|---|

NORTHAMPTON
BOROUGH COUNCIL

| Report Title | CORPORATE PLAN 2019-2021 |
|---|---|

# CABINET REPORT

**AGENDA STATUS:** **PUBLIC**

| | |
|---|---|
| **Cabinet Meeting Date:** | 23rd December 2019 |
| **Key Decision:** | NO |
| **Within Policy:** | YES |
| **Policy Document:** | YES |
| **Directorate:** | Chief Executive |
| **Accountable Cabinet Member:** | Councillor Nunn, Leader of the Council |
| **Ward(s)** | Council wide |

## 1. Purpose

1.1 This report seeks the recommendation of Cabinet to Full Council of the updated Corporate Plan for the period 2019-2021.

## 2. Recommendations

2.1 Cabinet recommends to Council on the 20th January 2020 that the draft Corporate Plan for 2019-2021 be approved, and that the Chief Executive be authorised to finalise the document and publish this alongside the Council's Medium-Term Financial Plan (MTFP).

## 3. Issues and Choices

### 3.1 Report Background

3.1.1 The Council, as part of its policy and management framework adopts a corporate plan each year. This sets out the context of the future direction of the Council and commitments for action on behalf of the elected Administration.

3.1.2 The attached draft Corporate Plan is for the period 2019-2021. The Plan outlines the key strategic priorities and objectives that the Council has over this period:

| Strategic Priorities | Objectives |
|---|---|
| **A stronger economy** | **Creating a cleaner, greener town**<br>**Creating a thriving, vibrant town**<br>**Driving growth whilst preserving the town's heritage** |
| **Resilient communities** | **Keeping the town and people safe**<br>**Empowering local people**<br>**More homes, better homes**<br>**Improving the health and wellbeing of local people** |
| **Exceptional services to be proud of** | **Putting the customer first**<br>**Using public resources effectively**<br>**Improving our governance** |

3.1.3 Under each of the above priorities and objectives, an action plan will be developed to ensure that the objectives are delivered against.

### 3.2 Issues

3.2.1 The key issue for any Corporate Plan is to ensure that it encapsulates the key priorities, objectives and commitments which the Council wishes to adopt. This draft is intended to do this.

3.2.2 The draft plan is the basis for the Council's financial plans through to March 2021, showing the priorities for resource allocation and decision-making subject to actual delivery according to prevailing conditions and any changing priorities in that time.

### 3.3 Choices (Options)

3.3.1 Cabinet could decide to amend the attached plan and to direct officers and resources in a different direction. Cabinet are requested to advise if this is required.

3.3.2 Cabinet could decide to agree the attached plan and recommend to Council. This is the recommended option.

3.3.3 The plan is subject to final confirmation at Full Council on the 20th January 2020.

## 4. Implications (including financial implications)

### 4.1 Policy

4.1.1 The draft Corporate Plan encompasses the main policy priorities of the Council. It will act as the main corporate guiding document alongside the budget and the individual service plans.

### 4.2 Resources and Risk

4.2.1 The draft Corporate Plan guides the content of the MTFP and the deployment of resources therein. Risks are constantly assessed in the delivery and management of resources directed towards planned goals and commitments in accordance with the Council's risk management framework.

### 4.3 Legal

4.3.1 There are no specific legal implications from this report.

### 4.4 Equality

4.4.1 The draft Corporate Plan reflects the Council's commitment to work in an equal and non-discriminatory manner. The Council's equality strategy and monitoring underpins this commitment.

### 4.5 Consultees (Internal and External)

4.5.1 The Leader of the Council, the Executive Programme Board and Corporate Management Board have been consulted on the draft Corporate Plan.

### 4.6 How the Proposals deliver Priority Outcomes

4.6.1 The draft Corporate Plan represents the priorities of the Council and the outcomes which it seeks to address.

## 5. Background Papers

5.1 None.

**George Candler, Chief Executive**

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**Ambitious**

**Prosperous**

**Proud**



For more information about the Council:

www.northampton.gov.uk

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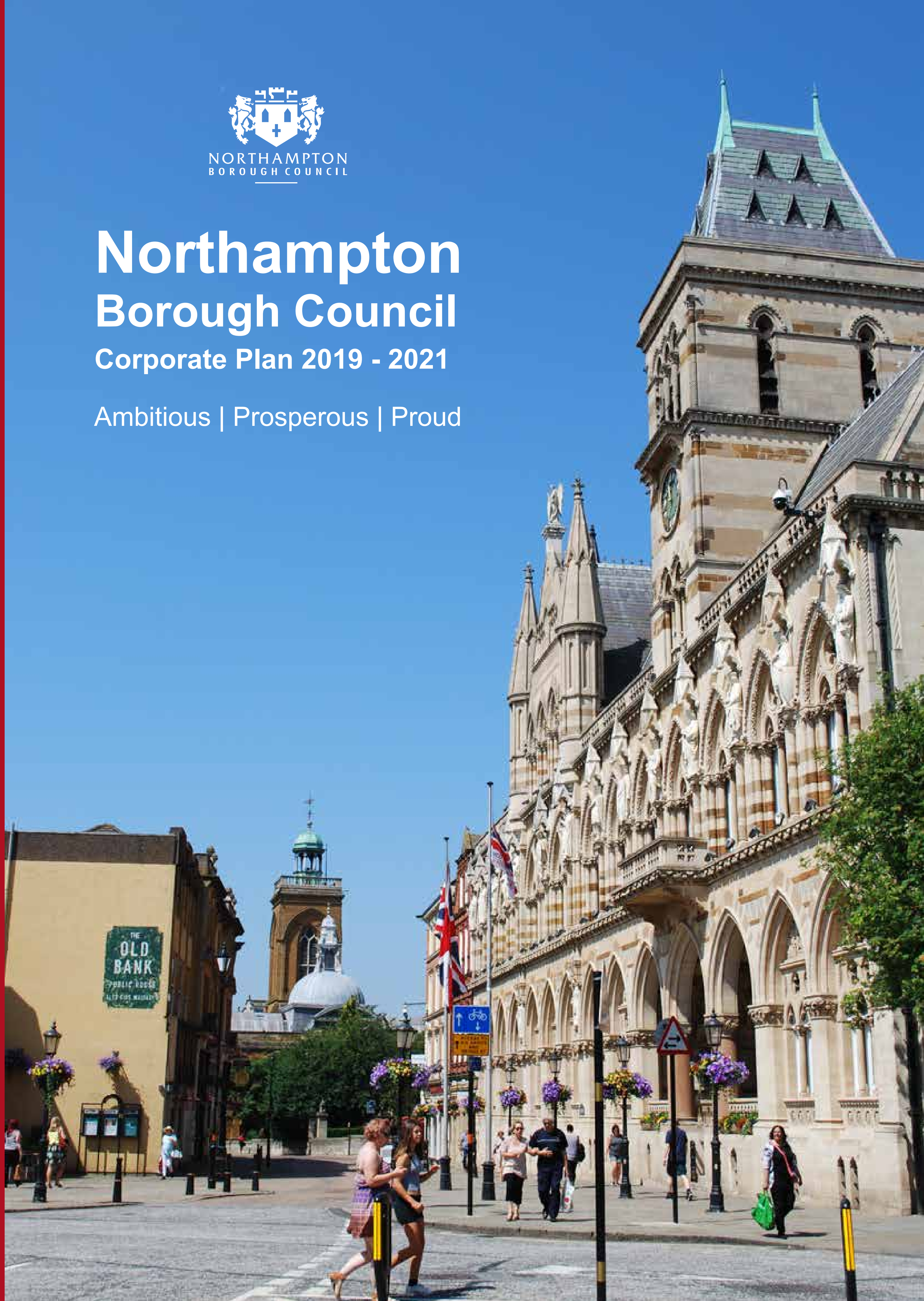
Northampton Borough Council
Guildhall, St. Giles Square,
Northampton, NN1 1DE

NORTHAMPTON
BOROUGH COUNCIL

NORTHAMPTON
BOROUGH COUNCIL

# Northampton
## Borough Council
### Corporate Plan 2019 - 2021

Ambitious | Prosperous | Proud



## Northampton demographics

**225,146**
residents

**BME**
91.1% - White
2% - Mixed/Multiple Ethnic Groups
4% - Asian/Asian British
2.5% - Black/ African/ Caribbean/ Black British
0.4% - Other Ethnic Group

**37 years**
average age of the resident population
Below the Northamptonshire average of 39.9 years

**48,909**
under 16
21.7% of total population

**142,010**
aged 16 - 64
63.1% of total population

**34,227**
aged over 64
15.2% of total population

**78 years**
Life expectancy at birth for males
Below the Northamptonshire average of 80

**83 years**
Life expectancy at birth for females
Equal to the Northamptonshire average of 83

**3,950**
People claiming out of work benefit
Equates to 2.8% which is slightly higher than the Northamptonshire average of 2.4%

**89.14%**
employment (age 16-64)
Higher than the Northamptonshire average of 85.99%

**4.64%**
unemployment (age 16 - 64)
JOBS
Higher than the Northamptonshire average of 3.08%

**6.6%**
have no qualifications
Below the Northamptonshire average of 7.8%

**12,103**
Net inflow of commuters into Northampton
27,442 outflow
39,545 overall inflow

**£213,076**
Current average house price paid
Lower than the Northamptonshire average of £226,471

**109.06**
crimes per 1000 people
Northamptonshire force area average 81.29 per 1000



## Foreword

**Northampton Borough Council continues to go from strength to strength and, as Council Leader, I am very proud of the work that we do in driving forward a number our key priorities that I believe will continue to make Northampton a great place to live, work, visit and study.**

Last year we took the opportunity to refresh the Corporate Plan knowing that, at the time, we were moving towards a new Unitary Authority by April 2020.

In May 2019 we were informed by the Government that the two new Unitary Authorities wouldn't come into being until 1st April 2021 and therefore we have taken the opportunity to review the Corporate Plan and refresh our key objectives, to ensure that we sprint towards the new West Northants Council coming into being in April 2021.

Our vision still very much remains the same; ambitious, prosperous and proud in all that we do for the people of Northampton. There is still a lot that needs to be done between now and the spring of 2021.

Our strategic priorities therefore also remain the same, focussing on a stronger economy, and we are particularly pleased with the progress we have made in finalising the masterplan for the town centre. However this is just the beginning and there is much work to be done in order to invest the hundreds of millions of pounds that is needed to regenerate and reenergise our town centre, and we will continue to seek local residents' views as we implement individual projects from the masterplan.

Resilient communities is our second priority and we are incredibly proud of the many people that we work with, both at partner organisation level but also in local communities. You will see embedded within this plan the importance of those people and in what we need to deliver over the coming months, to further enhance and improve people's lives on a day to day basis.

As Leader of the Council, there is never one day where I don't feel immensely proud of what we are doing as an organisation and I have confidence that we will deliver this plan because of the support of all of the elected members and the excellent and dedicated workforce that we have here.

As a Northamptonian myself, I love to see how we are all collectively working together to drive improvement to the town and to people's wellbeing that will add to the wider prosperity of the Borough, and am incredibly excited about what we can achieve but pragmatic about the work that still needs to be done. We know that by working in partnership across both the town, the wider County, and sub-region, we will continue to develop Northampton as a great place to live, work, study and visit, both now and into the future.

**Northampton - Ambitious, Prosperous and Proud.**

**Councillor Jonathan Nunn**
Leader of the Council

# Vision, Mission and Values

Our Corporate Plan sets out what we will focus on between now and April 2021 in order to get the best for the people of Northampton Borough within the resources available. We want to deliver economic growth, improve the quality of life and provide services that consistently meet the expectations of our residents. This is set against a backdrop of our mission, vision and values.

## Our vision is: Northampton - Ambitious, Prosperous, Proud

**Ambitious:** We have strong ambitions for Northampton's economy, with a focus on the town centre and the Enterprise Zone.

**Prosperous:** We want to encourage strong community bonds and ensure that everyone has the opportunity to achieve their ambitions.

**Proud:** We and a great many residents are extremely proud of our town and we want to help provide even more reasons for those feelings of belonging and ownership.

## Our mission will enable us to deliver our strategic priorities

**We will:**

- Work with customers, communities and partners
- Be enterprising and innovative
- Deliver a great Northampton to live, work, study, invest in and visit

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## Our values

Our values describe the type of organisation we want to be and the principles that will guide us in achieving our vision and priorities. They set out the way we will work and interact with our customers, members and each other.

**Our values are:**

**Leadership:** Creating and communicating a shared vision and influencing others through information and knowledge to realise the vision

**Integrity:** Honesty with strong moral principles

**Responsibility:** Being dependable and delivering promises

**Service Excellence:** Understanding what our customers want and in order to deliver above and beyond their expectations

**Challenge:** Facing things that are difficult to do and using effort and commitment to succeed

**What We Deliver**

- Household recycling and waste collection
- Housing
- Licensing
- Environmental health
- Benefits
- Local planning and building regulations
- Community safety
- Parks and open spaces
- Council tax collection
- Public car parks
- Supporting economic growth
- Regeneration projects

## Strategic priorities

Our three strategic priorities set out the primary things we intend to focus on. They are not exhaustive, but will inform our decision-making, particularly around budgets. In brief, we aim to deliver the following. You can find more detail about how in the following sections.

## A stronger economy

- Improve recycling rates and reduce the amount of waste going to landfill
- Extend the visitor offer
- Protect, enhance and promote our heritage
- Have a Local Plan that helps Northampton grow and prosper
- Establish a comprehensive Economic Growth Strategy
- Promote the Business Incentive Scheme
- Make the town centre a destination of choice for all
- Develop the Cultural Quarter


## Resilient communities

- Work with partners to reduce violent crime, anti-social behaviour and hate crime
- Build stronger and more resilient communities
- Empower communities to develop their areas
- Support vulnerable people to achieve their full potential
- Encourage and support housing delivery
- Raise standards in private sector housing
- Tackle, prevent and reduce homelessness

## Exceptional services to be proud of

- Make the best use of our assets
- Provide high quality services
- Provide value for money services
- Work with neighbouring councils to shape new local government arrangements
- Provide the best quality decision-making process

## A stronger economy

A stronger economy can mean a great many things, from encouraging inward investment to ensuring our town centre remains prosperous. The key purpose is to ensure the best quality of life and provision of opportunities for residents.

### Creating a cleaner, greener town

- Develop a strategic approach to delivering a carbon neutral Northampton by 2030
- Work with our environmental contractors to continually improve the delivery of the environmental services contract, maintain and increase the number of parks with Green Flag accreditation and the continued participation in Britain in Bloom
- Develop and deliver appropriate actions to address elevated levels of pollution to manage air quality in Northampton
- Support the Lead Local Flood Authority with the development and delivery of policies and plans to manage local flood risks


**80.97%**

of fly tipping incidents were removed within 2 days of notification

**43.8%**

of household waste recycled and composted

**54,102**

visitors to Abington Park Museum in 2018/19

### Creating a thriving, vibrant town

- Implement a Place Marketing Strategy to increase visitor numbers and inward investment
- Support a range of events and activities throughout the year to celebrate our town and its heritage
- Secure quality development which makes a positive contribution to local character and distinctiveness
- Support the wider social, cultural, economic and environmental benefits that the towns heritage can bring

PARK MARK® SAFER PARKING

purple flag™ for a better night out

## Driving growth whilst preserving the town's heritage

- Develop, adopt and deliver the Local Plan
- Develop and deliver the Economic Growth Strategy
- Continue towards and benefit from the Oxford-Cambridge Arc
- Promote the Council's support and involvement in strategic infrastructure projects, including HS2, East West Rail and the Expressway, as well as promoting regional projects including the Northampton Northern Orbital, to improve connectivity and support sustainable growth
- Developing priority sites in the Enterprise Zone
- Develop and deliver the Northampton Town Centre masterplan in partnership with Northampton Forward, continually seeking the views of local groups and residents
- Develop and run a sustainable and resilient museum service
- Develop, with key stakeholders, the wider Cultural Strategy for the town

**14** car parks

have the Park Mark accreditation

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**Purple Flag**

awarded for providing safe nightlife

**21** businesses

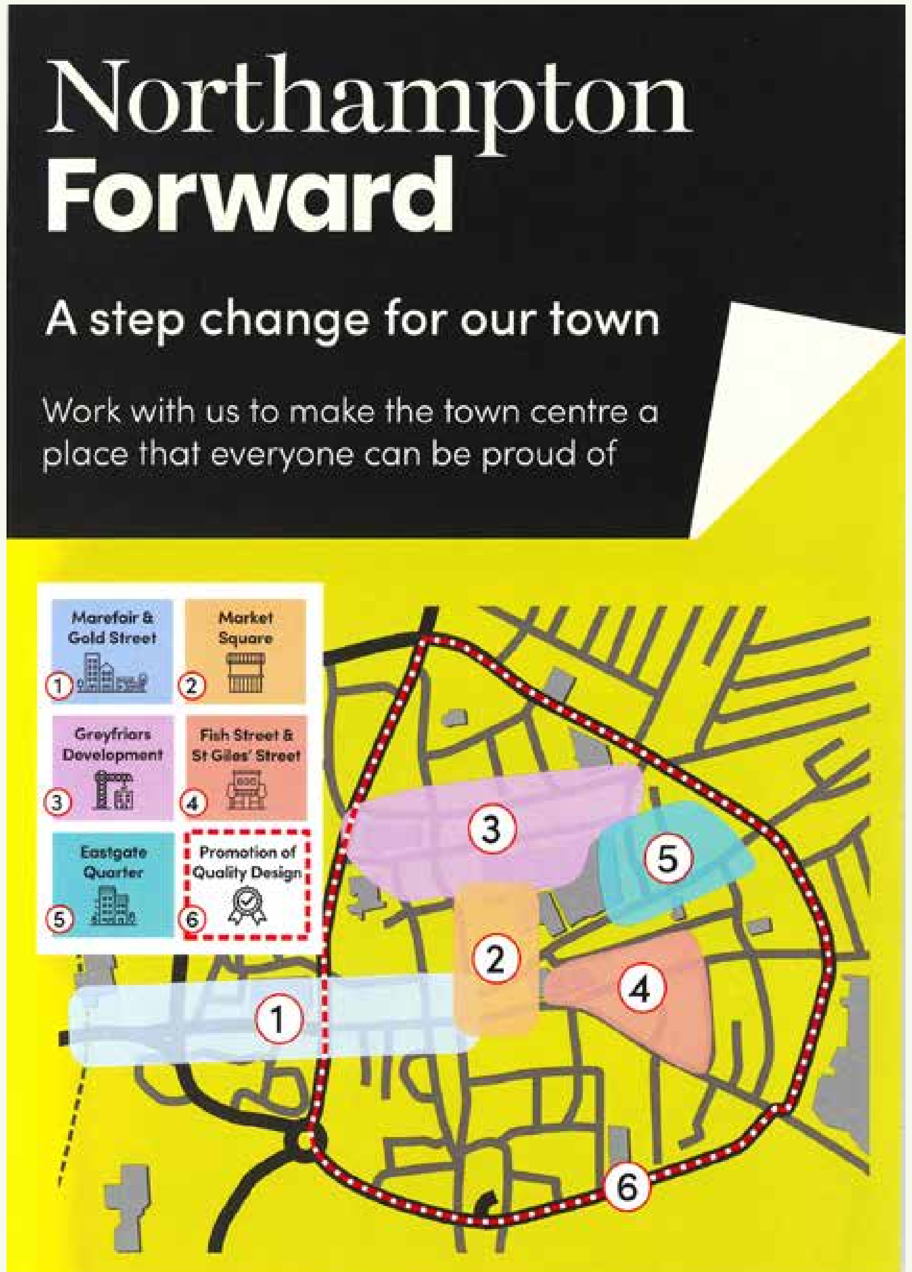
financially supported through the Business Incentive Scheme

**89** new jobs created

**£1.985M** private sector investment in Northampton

**13,985,144**

Town Centre footfall in 2018/19




## Resilient communities

We want communities across Northampton to feel supported in achieving their aspirations. This means ensuring that everyone feels they have a stake in their neighbourhoods and mechanisms are in place to guarantee inclusion. We will also place an emphasis on supporting the most vulnerable in our societies who might not have the means to help themselves.

- To continue to improve community safety, public confidence and public perception of the Town Centre, tackling alcohol related violence and nuisance behaviour, by continuing to invest in CCTV and committing to the Purple flag accreditation scheme

## Keeping the town and people safe

- Reduce crime and anti-social behaviour by working with partners to develop and deliver the community safety strategy, with a particular focus on violence and serious organised crime
- Protect and support the most vulnerable people within our communities, by tackling offenders and supporting victims
- Protect the health, wellbeing and safety of the people and environment of Northampton within the established regulatory framework
- Improve safety and community confidence, by raising awareness and promoting key community safety messages by working in partnership and utilising our community engagement networks, including Parish Councils, schools and local businesses

**22** community safety awareness raising days in 2018/2019

Youth Offending Service funded to provide **38** knife crime awareness sessions in 2018/2019

**25** *community protection warnings issued

**16** *community protection notices issued

*in 2018/2019

**22 organisations** received partnership grant funding in 2019/20 **totalling £197,410**

**Much Loved** status achieved by Abington Park the Field In Trust's UK's Best Park 2019 (in the East Midlands)

## Empowering local people

- Celebrate the diversity of the Town, foster good relationships and promote understanding, through community events and days and weeks of partnership action

## Improving the health and wellbeing of local people

- Working in partnership, and utilising grant funding, to support local people to improve their health and wellbeing


## More homes, better homes

- Engage with house builders and development agencies to encourage housing delivery
- Support Northampton Partnership Homes to build new affordable housing
- Develop a new Housing Allocation Scheme for the new West Northants Council
- Work with housing developers and registered providers to maximise the supply of affordable housing
- Make effective use of enforcement powers to ensure good standards in private rented housing
- Actively promote good practice and landlord accreditation
- Reduce homelessness through homelessness prevention and intervention
- Implement our multi-agency homelessness and rough sleeping strategy
- Exploring options for establishing a permanent emergency nightshelter that has the capacity and facilities to provide men and women with shelter and support
- Reduce the overall cost of temporary accommodation
- Increase stock of Council owned temporary accommodation homes (HRA/GF)

**NORTHAMPTON Nightshelter** **Help us to end the need for people to sleep rough in Northampton**

**Green Flag** awarded to Abington Park and Delapré Abbey

**94.65%** of food businesses have a food hygiene rating of 3 or more stars

**100%** of all 'major', 'minor' and 'other' applications received in 2018/19 were determined within the specified period against a target of 85%.

**341** nightshelter guests have stayed since opening
- 232 guests have moved successfully into settled accomodation
- 158 volunteers have worked shifts
- Average length of stay: 31 nights
- Average guest age: 42

**456 HMOs** with a mandatory licence

**512 HMOs** with an additional licence

## Exceptional services to be proud of

We are determined to provide services the residents of Northampton can be proud of. Not only is it our aim to guarantee the services we provide directly are the best they can be, we are also committed to working with partners to ensure a seamless experience.

### Putting the customer first

- Resolve as many requests as possible at the first point of contact
- Provide residents and customers with easy access to services
- Work collaboratively with our partners to meet the needs of our customers

### Using public resources effectively

- Deliver a balanced budget
- Ensure our assets are focused on delivering our strategic objectives through the delivery of a corporate asset strategy

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**94.87%**

of customers were satisfied with the overall service provided by Customer Services

**Customer Excellence**

maintained our accreditation in 2018 and 2019



### Improving our governance

- Doing the right things, in the right way for the people of Northampton in an open, honest and accountable manner
- Support work streams in the move to a unitary council
- Making quality information readily available to enable informed decisions to be made
- Ensure statutory consultations are carried out appropriately and effectively, using reasonable process and communicated to encourage engagement

**£29.5m**

General Fund Budget 2019/20

**99%**

of invoices were paid within 30 days

PAID

**£34.7 million**

private sector investment secured in the Northampton Waterside Enterprise Zone in 2019/20

**99%**

of Freedom of Information requests were responded to within 20 working days in 2018/19

**45 councillors**