CABINET AGENDA

Wednesday, 14 December 2016

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

6:00 pm

Members of the Cabinet:

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

If you have any enquiries about this agenda please contact democraticservices@northampton.gov.uk or 01604 837722

PORTFOLIOS OF CABINET MEMBERS

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

SPEAKING AT CABINET MEETINGS

Persons (other than Members) wishing to address Cabinet must register their intention to do so by 12 noon on the day of the meeting and may speak on any item on that meeting's agenda.

Registration can be by:

Telephone:	(01604) 837722 (Fax 01604 838729)
In writing:	Democratic Services Manager 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

B denotes the issue is a 'Key' decision:

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

NORTHAMPTON BOROUGH COUNCIL

CABINET

Your attendance is requested at a meeting to be held:

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

on Wednesday, 14 December 2016

at 6:00 pm.

D Kennedy
Chief Executive

AGENDA

1. **APOLOGIES**

2. **INTENTION TO HOLD PART OF THE MEETING IN PRIVATE**

3. **DEPUTATIONS/PUBLIC ADDRESSES**

4. **DECLARATIONS OF INTEREST**

5. **ISSUES ARISING FROM OVERVIEW AND SCRUTINY COMMITTEES**

None.

6. **COUNCIL TAX BASE 2017 - 2018**

Report of the Chief Executive (Copy herewith)

7. **LOCAL COUNCIL TAX REDUCTION SCHEME**

Report of Chief Executive (Copy herewith)

8. **DRAFT GENERAL FUND MEDIUM TERM FINANCIAL PLAN 2017/18 - 2021/22 AND DRAFT BUDGET 2017/18**

Report of Chief Executive (Copy herewith)

9. **HOUSING REVENUE ACCOUNT (HRA) BUDGET, RENT SETTING 2017/18 AND BUDGET PROJECTIONS 2018/19 TO 2021/22**

Report of Chief Executive (Copy herewith)

10. **EXCLUSION OF PUBLIC AND PRESS**

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

SUPPLEMENTARY AGENDA

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

Appendices:
1

NORTHAMPTON BOROUGH COUNCIL

CABINET REPORT

Report Title	COUNCIL TAX BASE 2017 -2018

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	14th December 2016
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Finance & Resources
Accountable Cabinet Member:	Brandon Eldred
Ward(s)	All

1. Purpose

1.1 The report sets out the calculation of Northampton Borough Council's Tax Base for the year 2017/18 under the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) regulations 2003 (SI 2003/3012) and amendments made in the Local Government Act 2012.

2. Recommendations

2.1 That Cabinet recommend to Council to approve the tax base for 2017/18 at 65,709.29 Band D equivalent properties and associated parish tax bases within this report.

	2016/17	2017/18	Change
Billing	2,626.96	2,678.57	51.61
Collingtree	513.97	513.75	-0.22
Duston	5,447.94	5,471.83	23.89
Great Houghton	287.50	288.21	0.71
Hardingstone	782.38	795.44	13.06
Upton	2,617.14	2,993.14	376.00

Wootton, Wootton Fields & Simpson Manor	2,927.45	2,940.72	13.27
East Hunsbury	3,412.11	3,408.98	-3.13
West Hunsbury	1,624.70	1,645.76	21.06
Hunsbury Meadow	505.36	501.41	-3.95
Northampton (Unparished)	43,612.52	44,471.48	858.96
Total tax base	64,357.94	65,709.29	1,351.35

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 2017.

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

3. Issues and Choices

3.1 Report Background

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

2016/17		2017/18
72,013.40	Tax Base (Band "D" equivalent)	73,671.15
347.95	Growth in tax base (note 1)	156.62
686.16	Planning Assumptions (note 2)	740.05
623.64	Exemptions & Discounts (note 3)	-81.56
-7,391.10	Council Tax Reduction Scheme (note 4)	-6,744.73
-1,922.12	Non-Collection (note 5)	-2,032.25
64,357.94	Tax base for Council Tax	65,709.29

3.1.2 Note 1 - Movement in the tax base in last year

3.1.3 Note 2 - There is an allowance of 50% applied to the estimated new build to allow for part year liability.

3.1.4 Note 3 - Revised figure following review

3.1.5 Note 4 - Includes no increase in caseload

3.1.6 Note 5 - The non-collection rate of council tax has been increased from 2.9% to 3.0% for the 2017/18 tax base setting. This is due to the estimated non-payment of the additional debit raised in respect of changes to the Local Council Tax Reduction Scheme and taking into consideration the current financial climate. The collection rate is reviewed each year as part of the tax base setting process.

3.1.7 There is an estimated surplus to be apportioned on the Collection Fund, as detailed in the draft budget report to the December Cabinet, of £338k for NBC (which would equate to £1,675k for NCC and £309k for NPCC).

3.2 Issues

3.2.1 The report represents the application of a prescribed process.

3.3 Choices (Options)

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

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

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

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

3.3.5 To approve the recommendations in the report

4. Implications (including financial implications)

4.1 Policy

4.1.1 None

4.2 Resources and Risk

4.2.1 No resource required. The base has to be determined by the 31st January 2017 by Full Council

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

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

4.3 Legal

4.3.1 These are covered within the body of the report.

4.4 Equality

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

4.5 Consultees (Internal and External)

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

4.5.2 External: None

4.6 How the Proposals deliver Priority Outcomes

4.6.1 None

4.7 Other Implications

4.7.1 None

5. Background Papers

None

Ian Tyrer, Revenues Manager
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Appendix 1

Northampton	**16/17**		**17/18**
BAND	Total		Total
Number on list	95,047.00		95,963.00
less exemption	1,911.00		1,862.00
plus disabled from higher band	406.00		418.00
less disabled going into lower band	406.00		418.00
less number of one adult resident household x25%	7,813.50		7,935.63
less number of properties with no residents but not exempt x50%	-20.63		- 20.88
less number of second home properties with no residents but not exempt x10%	198.00		174.00
long-term empties x no discount	1,319.00		1,231.00
less CTRS	-9,950.22		- 9,061.84
plus f y e for new properties	761.50		809.00
Total	76,154.40		77,933.41
conversion to band d equivalent			
band d equivalent	66,280.06		67,741.53
Assume 97.1% collection	**64,357.94**	**Assume 97.0% collection**	**65,709.29**

Duston	16/17		17/18
BAND	Total		Total
Number on list	7269.00		7,289.00
less exemption	75.00		69.00
plus disabled from higher band	39.00		41.00
less disabled going into lower band	39.00		41.00
less number of one adult resident household x25%	548.75		551.75
less number of properties with no residents but not exempt x50%	0.50		1.50
less number of second home properties with no residents but not exempt x10%	8.00		4.00
long-term empties x no discount	59.00		76.00
less CTRS	-441.19		- 413.87
plus f y e for new properties	18.00		3.50
Total	6221.56		6,256.38
conversion to band d equivalent			
band d equivalent	5610.55		5,641.06
Assume 97.1% collection	**5,447.84**	**Assume 97.0% collection**	**5,471.83**

Collingtree	**16/17**		**17/18**
BAND	Total		Total
Number on list	429.00		431.00
less exemption	1.00		3.00
plus disabled from higher band	5.00		5.00
less disabled going into lower band	5.00		5.00
less number of one adult resident household x25%	20.38		20.88
less number of properties with no residents but not exempt x50%	-0.50		- 2.50
less number of second home properties with no residents but not exempt x10%	1.00		1.00
long-term empties x no discount	8.00		10.00
less CTRS	-11.69		- 11.02
plus f y e for new properties	0.00		-
Total	396.43		398.60
conversion to band d equivalent			
band d equivalent	529.32		529.64
Assume 97.1% collection	**513.97**	**Assume 97.0% collection**	**513.75**

Billing	16/17		17/18
BAND	Total		Total
Number on list	3,780.00		3,823.00
less exemption	33.00		27.00
plus disabled from higher band	27.00		29.00
less disabled going into lower band	27.00		29.00
less number of one adult resident household x25%	291.75		296.75
less number of properties with no residents but not exempt x50%	0.50		2.50
less number of second home properties with no residents but not exempt x10%	2.00		2.00
long-term empties x no discount	35.00		34.00
less CTRS	-502.95		- 455.49
plus f y e for new properties	46.00		25.00
Total	2,997.80		3,066.26
conversion to band d equivalent			
band d equivalent	2,705.42		2,761.42
Assume 97.1% collection	**2,626.96**	**Assume 97.0% collection**	**2,678.57**

Great Houghton	16/17		17/18
BAND	Total		Total
Number on list	284.00		285.00
less exemption	2.00		2.00
plus disabled from higher band	0.00		1.00
less disabled going into lower band	0.00		1.00
less number of one adult resident household x25%	16.25		16.00
less number of properties with no residents but not exempt x50%	-0.50		- 0.50
less number of second home properties with no residents but not exempt x10%	0.00		1.00
long-term empties x no discount	5.00		3.00
less CTRS	-11.04		- 9.99
plus f y e for new properties	0.00		-
Total	255.21		257.51
conversion to band d equivalent			
band d equivalent	296.09		297.12
Assume 97.1% collection	**287.50**	**Assume 97.0% collection**	**288.21**

Hardingstone	16/17		17/18
BAND	Total		Total
Number on list	993.00		1,000.00
less exemption	9.00		7.00
plus disabled from higher band	10.00		11.00
less disabled going into lower band	10.00		11.00
less number of one adult resident household x25%	76.50		74.75
less number of properties with no residents but not exempt x50%	0.00		-
less number of second home properties with no residents but not exempt x10%	6.00		5.00
long-term empties x no discount	16.00		10.00
less CTRS	-68.70		- 67.22
plus f y e for new properties	0.00		1.00
Total	838.80		852.03
conversion to band d equivalent			
band d equivalent	805.74		820.04
Assume 97.1% collection	**782.38**	**Assume 97.0% collection**	**795.44**

Upton	**16/17**		**17/18**
BAND	Total		Total
Number on list	2,865.00		3,154.00
less exemption	39.00		41.00
plus disabled from higher band	16.00		17.00
less disabled going into lower band	16.00		17.00
less number of one adult resident household x25%	244.50		267.00
less number of properties with no residents but not exempt x50%	1.50		1.50
less number of second home properties with no residents but not exempt x10%	6.00		10.00
long-term empties x no discount	34.00		39.00
less CTRS	-265.28		- 258.73
plus f y e for new properties	332.00		484.50
Total	2,646.72		3,070.27
conversion to band d equivalent			
band d equivalent	2,695.30		3,085.71
Assume 97.1% collection	**2,617.14**	**Assume 97.0% collection**	**2,993.14**

Hunsbury Meadow	16/17		17/18
BAND	Total		Total
Number on list	497.00		498.00
less exemption	2.00		5.00
plus disabled from higher band	2.00		2.00
less disabled going into lower band	2.00		2.00
less number of one adult resident household x25%	26.25		30.25
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	7.00		1.00
less CTRS	-17.89		- 15.65
plus f y e for new properties	0.00		-
Total	450.86		447.10
conversion to band d equivalent			
band d equivalent	520.46		516.91
Assume 97.1% collection	**505.36**	**Assume 97.0% collection**	**501.41**

West Hunsbury	16/17		17/18
BAND	Total		Total
Number on list	1,868.00		1,868.00
less exemption	14.00		11.00
plus disabled from higher band	15.00		16.00
less disabled going into lower band	15.00		16.00
less number of one adult resident household x25%	116.38		117.13
less number of properties with no residents but not exempt x50%	-1.00		- 0.50
less number of second home properties with no residents but not exempt x10%	2.00		2.00
long-term empties x no discount	19.00		9.00
less CTRS	-115.06		- 88.66
plus f y e for new properties	0.00		-
Total	1,623.57		1,651.72
conversion to band d equivalent			
band d equivalent	1,673.23		1,696.66
Assume 97.1% collection	**1,624.70**	**Assume 97.0% collection**	**1,645.76**

Wootton, Wootton Fields & Simpson Manor	**16/17**		**17/18**
BAND	Total		Total
Number on list	3,010.00		3,012.00
less exemption	15.00		8.00
plus disabled from higher band	13.00		16.00
less disabled going into lower band	13.00		16.00
less number of one adult resident household x25%	165.50		170.75
less number of properties with no residents but not exempt x50%	1.00		1.00
less number of second home properties with no residents but not exempt x10%	4.00		4.00
long-term empties x no discount	23.00		21.00
less CTRS	-105.22		- 97.48
plus f y e for new properties	2.00		5.50
Total	2,725.28		2,740.27
conversion to band d equivalent			
band d equivalent	3,014.88		3,031.67
Assume 97.1% collection	**2,927.45**	**Assume 97.0% collection**	**2,940.72**

East Husbury	16/17		17/18
BAND	Total		Total
Number on list	4,132.00		4,134.00
less exemption	24.00		31.00
plus disabled from higher band	17.00		16.00
less disabled going into lower band	17.00		16.00
less number of one adult resident household x25%	297.75		295.75
less number of properties with no residents but not exempt x50%	0.50		0.75
less number of second home properties with no residents but not exempt x10%	4.00		3.00
long-term empties x no discount	43.00		48.00
less CTRS	-171.62		- 163.06
plus f y e for new properties	1.00		-
Total	3,639.13		3,643.44
conversion to band d equivalent			
band d equivalent	3,514.02		3,514.41
Assume 97.1% collection	**3,412.11**	**Assume 97.0% collection**	**3,408.98**

Unparished	**16/17**		**17/18**
BAND	Total		Total
Number on list	69,920.00		70,469.00
less exemption	1,697.00		1,658.00
plus disabled from higher band	262.00		264.00
less disabled going into lower band	262.00		264.00
less number of one adult resident household x25%	6,009.50		6,094.63
less number of properties with no residents but not exempt x50%	-22.63		- 24.63
less number of second home properties with no residents but not exempt x10%	164.00		142.00
long-term empties x no discount	1,070.00		980.00
less CTRS	-8,239.59		- 7,480.68
plus f y e for new properties	362.50		289.50
Total	54,359.04		55,549.82
conversion to band d equivalent			
band d equivalent	44,915.06		45,846.88
Assume 97.1% collection	**43,612.52**	**Assume 97.0% collection**	**44,471.48**

Appendices:
3

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	LOCAL COUNCIL TAX REDUCTION SCHEME

AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	14th December 2016
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 2017/18, including amendments.

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

2. Recommendations

2.1 That Cabinet approve the proposed amendment to the scheme from a 29% reduction in Council Tax Reduction Scheme (CTRS) in 2016/17 to a 35% reduction in 2017/18.

2.2 That Cabinet recommends the CTRS amendment for approval at Council on the 23rd January 2017.

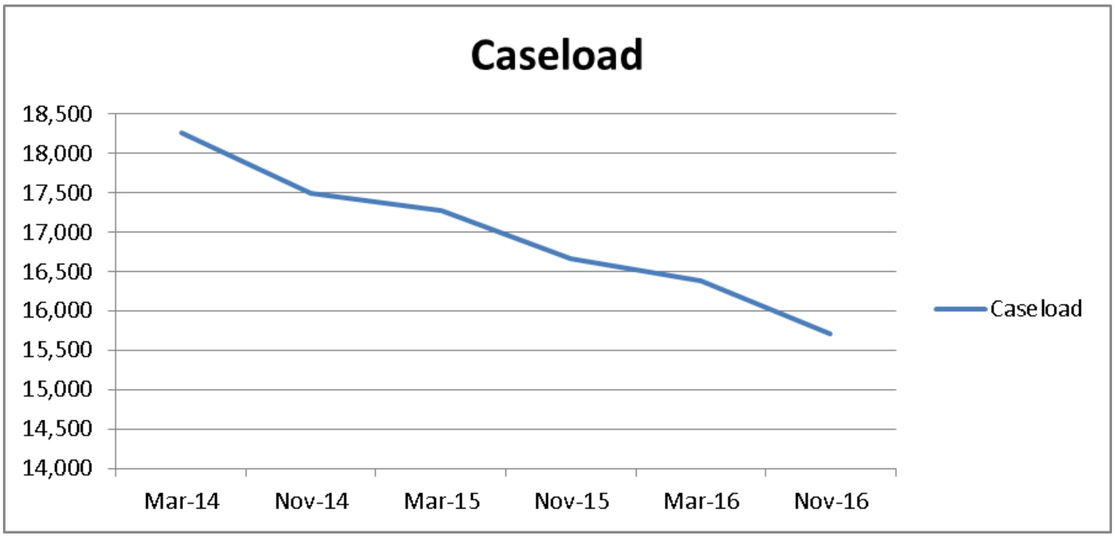
3. Issues and Choices

3.1 Report Background

3.1.1 Local Authorities are required to set up their own CTRS from the general funding allocation. This allocation is reducing annually at a forecasted rate of approximately 10% per annum until at least 2018, possibly longer.

3.1.2 Reduced funding means the Council is required to consider how to meet its commitment to the CTRS.

3.1.3 The graph below demonstrates that the CTRS caseload has continued to reduce. 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 29% reduction in the support available to working age customers in 2016/17.

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 2017/18 for approximately 6,106 pensioners.

3.1.8 Claimant's aged between 18 and 62 are classed as working age (not of pensionable age) and are subject to the CTRS. Approximately 9,801 customers fall into this group and will be affected for collection and financial purposes by a reduction of their existing award. The reduction is applied by a reduction in benefit after all calculations have been made.

3.1.9 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 would 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 also raised that the proposed percentages were too high and that any increase be kept to a minimum to support those most vulnerable

3.2.6 Suggestions were made on other areas that funding could be found such as cutting down on all community grants and charitable donations.

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

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

3.3 Local Council Tax Reduction options for 2017/18

3.3.1 **Option 1: No Change**

This would mean that CTRS is calculated the same as in 2016/17. However due to reduced funding for CTRS the Council would need to find additional funding.

3.3.2 **Option 2: Reduce the Maximum amount of CTRS from 71% to 63%**

This means that the claimants would pay more and the council would be required to provide additional funding support for the scheme in 2017/18

3.3.3 **Option 3: Reduce the Maximum amount of CTRS from 71% to 55%**

This means that the claimants would pay more and the council would be required to provide additional funding support for the scheme in 2017/18. However this will be to a lesser extent than option 2

3.4 Choices – Northampton Local Council Tax Reduction Scheme

3.4.1 **No Change – remain at 29%**

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.

Funding for the existing scheme will reduce again in 2017/18 and therefore the Council would be left to find £203,123 from other sources to protect the existing level of support afforded through CTRS.

Funding for the existing scheme would cost the combined Northamptonshire County Council, Northamptonshire Police and Crime Commissioner, and Northampton Borough Council £861,793.

3.4.2 **Reduce the Maximum amount of CTRS from 71% to 63%**

Decreasing the maximum amount by 1% would reduce the cost of the local scheme to the Council by £11,161.

This means that working age CTR recipients would need to pay more Council tax.

When the Council consulted for the 2017/18 scheme, respondents felt that the new proposals would cause additional hardship, that the proposed increase was too high, and suggested a lower weekly figure, and suggested alternative ways of funding the shortfall by reviewing Council spending on other projects.

This also means that the Council will need to fund the difference between the additional paid by the working age CTR recipients and the funding available and will impact on the wider community in Northampton. However this will be lesser extent than option 3.43.

There was concern that increasing the amount payable to 37% 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.

3.4.3 Reduce the Maximum amount of CTRS from 71% to 55%

Decreasing the maximum amount by 1% would reduce the cost of the local scheme to the Council by £11,161.

This means that working age CTR recipients would need to pay more Council tax.

When the Council consulted for the 2017/18 scheme, respondents felt that the new proposals would cause additional hardship, that the proposed increase was too high, and suggested a lower weekly figure, and suggested alternative ways of funding the shortfall by reviewing Council spending on other projects.

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

There was concern that increasing the amount payable to 37% 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 2017. This option balances the financial position in 2017/18. This is a slightly lower amount than was consulted upon, however the financial modelling since the consultation has improved due to a reduction in the CTRS caseload.

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

3.5.3 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 any proposed increase in 2017/18. 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 our 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 and Crime Commissioner as a result of the requirement to run a local council tax scheme, whilst protecting pensioners.

4.2.2 An additional £861,793 would need to be found as a result of maintaining the current local council tax scheme with a reduction in funding, across the Council, County and Police Authority.

4.2.3 The current financial modelling undertaken on the recommended CTRS for 2017/18 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 2018/19

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

4.2.5 If the Council fails to agree and implement an amended scheme by 31st January 2017 we will need to retain our current scheme. As a result the Council's budget would need to be balanced by other means.

4.3 Legal

4.3.1 The legal implications are within the body of the report. 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 2017/18. 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
- 2,159 email invitations were issued to email addresses held on the Benefit and Council Tax database

4.5.5 Consultation results:

- The website was viewed 329 times during the consultation period. This demonstrates that media coverage of the consultation was active, however members of the public, did not complete the form to air their views.
- A total of 35 people completed the on-line survey.
- 3 people expressed an interest in attending the drop-in information sessions.
- 32 individual comments were received in response to the consultation questions.
- 0 people emailed for further information

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

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

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 2016/17 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 2017. We also expect the applicable amounts for pensioners to be increased by the Department of Communities and Local Government.

Applicable Amount Rates (Working Age)	April 2016 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
Disability Premium	
Single	£32.25
Couple	£45.95
Severe Disability Premium	
Single Rate	£61.85
Couple Rate – One member qualifies	£61.85
Couple Rate – Both members qualify	£123.70
Enhanced Disability Premium	
Single Rate	£15.75
Disabled Child Rate	£24.43
Couple Rate	£22.60
Disabled Child Premium	£60.06
Carer Premium	£34.60

Treatment of Income:

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 2016 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 2016 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 £406.00	£11.36
-gross income not less than £328.00 but less than £407.99	£9.49
-gross income not less than £189.00 but less than £327.99	£7.52
-gross income less than £189.00	£3.74
Others aged 18 or over	£3.74

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.

Appendix B

NORTHAMPTON
BOROUGH COUNCIL

Council Tax Reduction Scheme Consultation (CTRS)

Author	Kirsty Tomlinson
Version	1.1
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 2016/17 is based on the former Council Tax Benefit Scheme with the exception that all working age claimants could only claim a discount for 71% 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 2017/18 must be agreed by the 31st January 2017.

This consultation took place from 10 October 2016 to 06 November 2016.

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
- 2,159 email invitations were issued to email addresses held on the Benefit and Council Tax database

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**
- **Examples of the effect of the proposed changes**

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:
  - ✓ Wednesday 12 October 2016 (9am to 12pm)
  - ✓ Monday 17 October 2016 (5pm to 7pm)
  - ✓ Wednesday 19 October 2016 (1pm to 4pm)
  - ✓ Tuesday 25 October 2016 (9am to 12pm)
  - ✓ Thursday 3 November 2016 (1pm to 4pm)
  - ✓ 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 329 times during the consultation period. This demonstrates that media coverage of the consultation was active, however members of the public, did not complete the form to air their views.

A total of 35 people completed the on-line survey.

3 people expressed an interest in attending the drop-in information sessions and 3 people attended.

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

5 people emailed for further information

1 person attended the drop-in sessions and gave their feedback verbally

SUMMARY OF FINDINGS:

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

KEY RESULTS:

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

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

- 8 respondents are currently receiving a CTRS discount
- 16 respondents responded on behalf of an organization:
    - Stonewater Housing
    - Northamptonshire British Polio Fellowship
    - Residents of Trinity Ward and communities served by CSN community center's
    - Community Law Service (7)
    - Collingtree Parish Council member
    - Great Houghton Playing Fields Association
    - Eve
    - A Borough Councillor
    - Intermediate Social Care Support contract
    - Housing Association

The remaining questions focused on the 3 specific options being considered. To each question the customer was asked to what extent they did or did not support the proposal and given the option of 5 responses with the option to add further comments. These were:

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

Question 3:

Proposal 1 would be not to make any changes and keep the scheme as it was during 2016/17. This would mean that the council would need to raise £252,000 from other sources. Previously the Council has decided to adopt CTR schemes that have sought to balance the significant cuts to the council's resource for CTR and, the council's wider budget challenges, but also needing to support the most vulnerable members of our community. Any decision to keep the scheme at current levels will result in difficult *decisions having to be taken elsewhere. To see further details of how this might affect you, please check our website To what extent do you support this proposal?*

34 responses were made and 1 respondent skipped the question.

The key comments received were as follows:

- 26 respondents confirmed that they preferred this option
- 5 respondents commented that those in receipt of CTR are already struggling to meet the current liability
- 1 respondent confirmed that as a registered charity they felt that any increase in their outlays would have a detrimental effect on their ability to manage and maintain facilities.

Question 4:

Proposal 2 would see working age council taxpayers liable to pay approximately 37% of their council tax bill subject to other support changes. Currently those working age council taxpayers eligible for CTR pay at least 29% of their council tax charge, receiving a discount of up to 71%. This option proposes a lower level of financial support of approximately 63% from April 2017, therefore claimants would become liable for the payment of a higher percentage of their council tax charge (37%).This would mean that the council would need to raise £156,000 from other sources. The existing additional income disregard afforded to recipients of War Disablement Pension will continue as part of the 2017-18 CTR Scheme. In addition disability premiums, which increase the level of support for individuals in this claim group will continue, alongside a four week run on period for those moving into work. Under this proposal, a working age claimant or family on income support has a council tax liability on a band A, unparished, property a net increase of £1.58 per week and for a Band D, unparished, a net increase of £2.37 per week. To see further details of how this might affect you, please check our website. To what extent do you support this proposal?

31 responses were made and 4 respondents skipped the question.

The key comments received were as follows:

- 10 respondents confirmed that they preferred this option
- 20 respondents confirmed that they did not support this option
- 5 Respondents commented that those already in receipt of CTR are struggling to pay the current liability and this option would increase further hardship
- 1 respondent commented specific concerns regarding those aged below 25 in receipt of benefits.
- 1 respondent suggested alternative ways of funding the shortfall by reducing Community grants and charitable donations
- 1 respondent indicated that this was the best option in favor of the claimant
- 1 respondent at a drop in session was disappointed that a councilor was not available to discuss concerns

Question 5:

Proposal 3 would see working age council taxpayers liable to pay approximately 55% of their council tax bill subject to other support changes. Currently those working age council taxpayers eligible for CTR pay at least 29% of their council tax charge, receiving a discount of up to 71%. This option proposes a lower level of financial support of approximately 55% from April 2017, therefore claimants would become liable for the payment of a higher percentage of their council tax charge (45%) unless their discount is protected. Individuals with protected discount would be those in receipt of war widows pension, war disablement pension, disability premium and the four week extended payment to incentivise work. This would mean that the council would need to raise £59,000 from other sources. Under this proposal, a working age claimant or family on income support has a council tax liability on a band A, unparished, property a net increase of £3.16 per week and for a Band D, unparished, a net increase of £4.56 per week. To see further details of how this might affect you, please check our website. To what extent do you support this proposal?

31 responses were made and 4 respondents skipped the question.

The key comments received were as follows:

- 25 respondents confirmed that they did not support this option
- 1 respondent commented that this option would increase poverty for low income families
- 1 respondent indicated that the long term sick and disabled require support here
- 1 respondent at a drop in session believed that only those currently in receipt of CTR should be eligible to respond to the survey and that a residents panel would be beneficial

Question 6

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:

- 3 people indicated that they would like to attend
- 8 indicated that they could not attend
- 3 people did attend one of the sessions offered

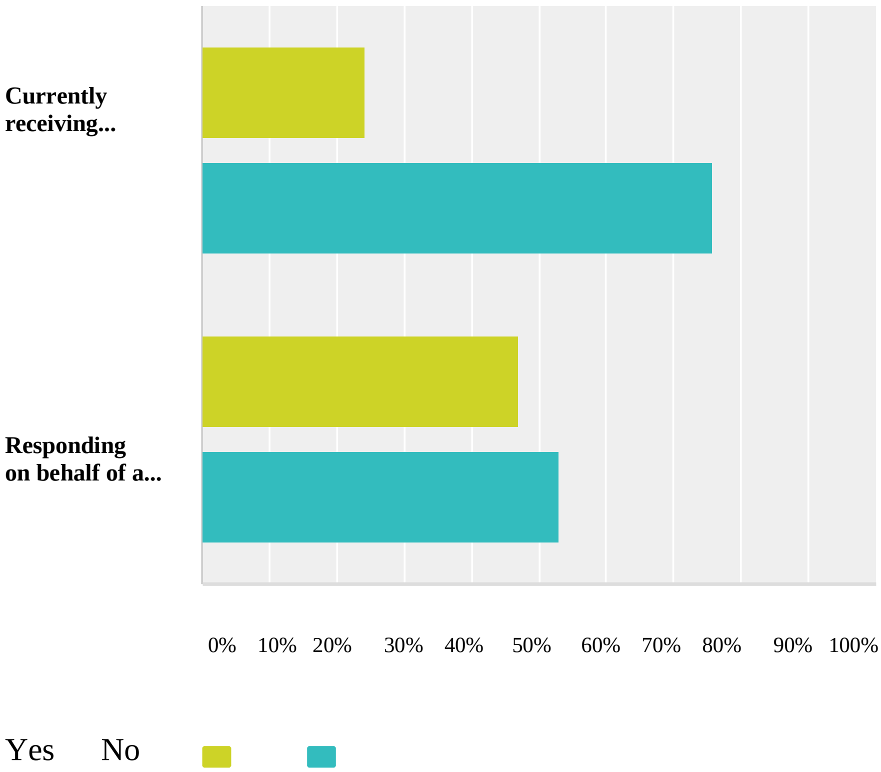
Question 7

How did you hear about this consultation?

- 8 people heard about the consultation from the website
- 19 people heard about the consultation by email
- 2 people heard about the consultation through the newspaper
- 4 people heard about the consultation from other sources
- 5 people heard about the consultation from social media

Full responses

Council Tax Reduction Scheme Consultation for 2016/17



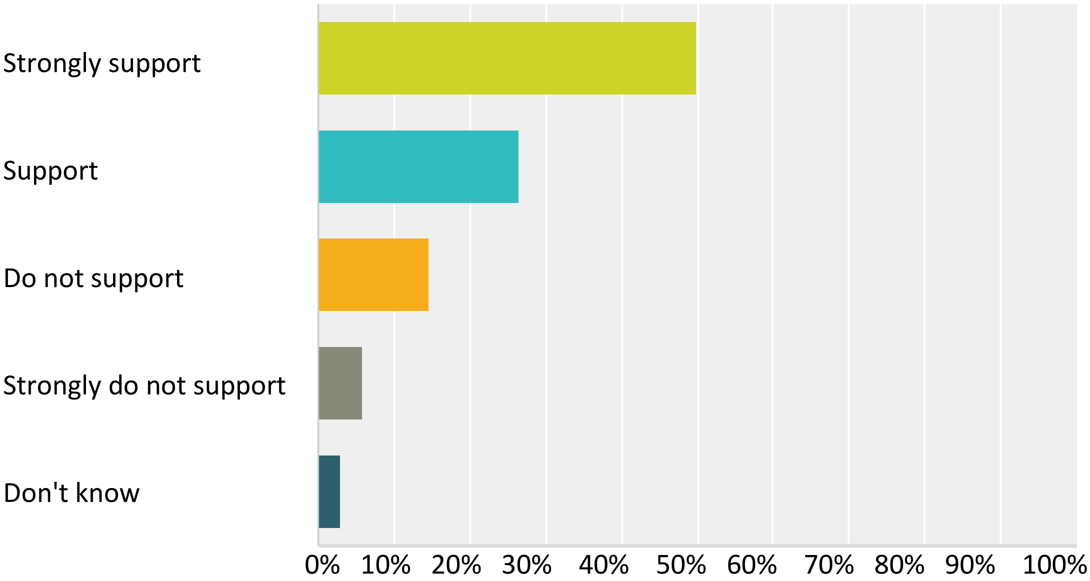
	Yes	No	Total
Currently receiving support through the Council Tax Reduction scheme	24.24 %	75.76 %	3
Responding on behalf of a community group or organisation (please provide details about the organisation in the box below)	47.06 %	52.94 %	3

Question

Proposal 1 would be not to make any changes and keep the scheme as it was during 2016/17. This would mean that the council would need to raise £252,000 from other sources. Previously the Council has decided to adopt CTR schemes that have sought to balance the significant cuts to the council's resource for CTR and, the council's wider budget challenges, but also needing to support the most vulnerable members of our community. Any decision to keep the scheme at current levels will result in difficult *decisions having to be taken elsewhere. To see further details of how this might affect you, please check our website. To what extent do you support this proposal?*

Answer

Answered: 34 Skipped: 1



Answer Choices	Responses	
Strongly support	50.00%	17
Support	26.47%	9
Do not support	14.71%	5
Strongly do not support	5.88%	2
Don't know	2.94%	1
Total		**34**

1. The amount I began receiving from the CTRS in 2015 is a real benefit to my finances as I am not in receipt of any other government benefits. As living costs rise it is more difficult to meet them with the pension I'm on.

2. Many of those on the lowest incomes struggle to meet the payments as they are and any increase would result in them being less able to pay, less likely to pay and put further into debt. With the benefits being held at the current level, LHA rates for rent instead of full HB increasing the amount they have to pay towards the council tax is only going to make their standard of living decrease further. They will not be able to make ends meet which will most likely result in debt to the council, unpaid council tax, debt to the housing provider in unpaid rent and quite probably lead to eviction meaning more debt.

3. Budget savings should not be made from the pockets of the most vulnerable residents in our town. Families and disabled, elderly people have not had benefits increased. The cost of utilities and food is increasing and a shortfall in the council revenue should not be subsidised by money which should be spent on fuel and food for these

vulnerable families. Many people in HIMOs with cooking facilities in their room and shared other facilities now are forced to pay council tax. An increase would be unsustainable for them.

4. We already have clients who are struggling to meet the current liability and subsequently suffering hardship. A further increase will obviously create further difficulties and debt to those already trying to survive on a low income.

5. As a registered charity any financial increase on our outlays would have a detrimental effect on our ability to manage and maintain the facilities we have to offer.

6. The savings required should be made by scrapping the Members Allowances Scheme. There are too many freeloaders on the council.

7. I think it is too much to pay as it is now for people on a very low income there should be more support for council tax, I'm really struggling to pay it now ,as I am on a low income.

8. Not raising Council Tax for all is a party political decision rather than one intended to benefit the people of Northampton. It appears that picking on the poorest and most vulnerable in society is more politically expedient than a small increase, after all there is a local authority election next Spring!

9. The clients on low income that this would affect are already struggling to keep up with their council tax payments. I fail to see how you can think this is a viable idea for people already experiencing severe financial difficulty.

10. The customers we support struggle to meet the payments now, and regularly receive notice of arrears and court dates, this would worsen if increased.

11. Working in debt advice I see the negative impact of increases in priority expenditure on clients, meaning I strongly oppose any increases due to the difficulties the people who are eligible for CTS already have in trying to pay their council tax. If you were to increase it you would simply see more people failing to pay, and you would most likely contribute to causing further poverty in lower income families.

12. Working age tax payers in receipt of benefit will struggle to pay anything towards CTRS.

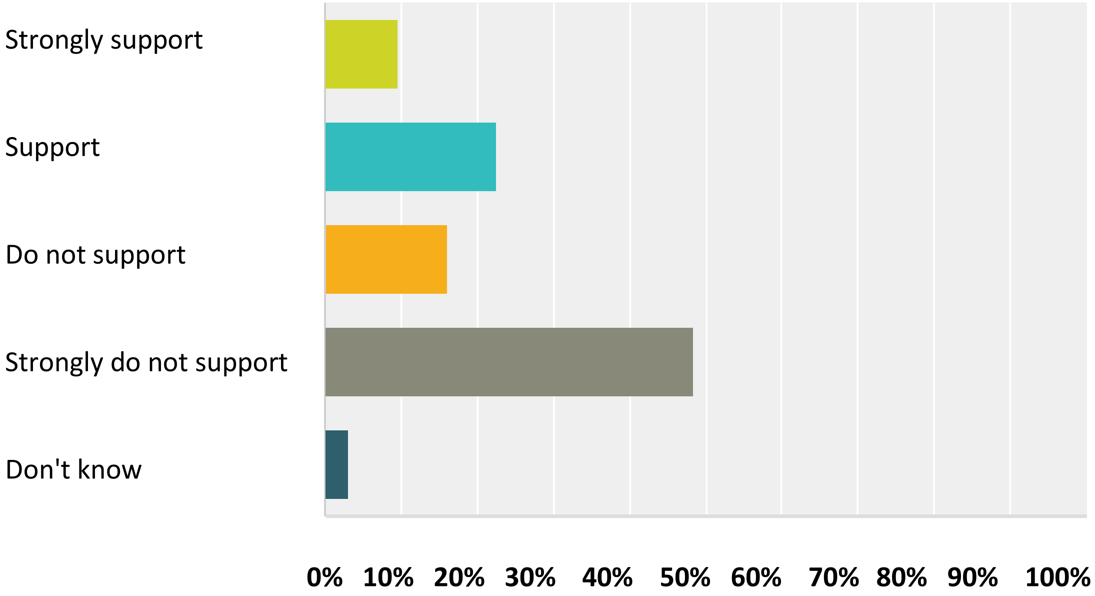
13. Residents on job seekers allowance are already struggling to buy food for their families without having this support reduced

Question

Proposal 2 would see working age council taxpayers liable to pay approximately 37% of their council tax bill subject to other support changes. Currently those working age council taxpayers eligible for CTR pay at least 29% of their council tax charge, receiving a discount of up to 71%. This option proposes a lower level of financial support of approximately 63% from April 2017, therefore claimants would become liable for the *payment of a higher percentage of their council tax charge (37%).This would mean that the council would need to raise £156,000 from other sources. The existing additional income disregard afforded to recipients of War Disablement Pension will continue as part of the 2017-18 CTR Scheme. In addition disability premiums, which increase the level of support for individuals in this claim group will continue, alongside a four week run on period for those moving into work. Under this proposal, a working age claimant or family on income support has a council tax liability on a band A, unparished, property a net increase of £1.58 per week and for a Band D, unparished, a net increase of £2.37 per week. To see further details of how this might affect you, please check our website To what extent do you support this proposal?*

Answer

Answered: 31 Skipped: 4



Answer Choices	Responses	
Strongly support	9.68%	3
Support	22.58%	7
Do not support	16.13%	5
Strongly do not support	48.39%	15
Don't know	3.23%	1
Total		**31**

1. I apologise but this is all too complicated for me to make sense of it.
2. I was a strong supporter of the poll tax which would have meant everyone paying something and would have increased a sense of community responsibility and possibly avoided pointless damage to community assets. I therefore support this slight increase but would not want to see folk on lower incomes being asked to pay any more than this sort of share. The Council could easily fund this by cutting down on all community grants and charitable donations. It is the job of Councils to collect funds for services and nothing else. Charity giving is best left to individuals.

3. Why should benefits be cut, at a time when Members Allowances are not being cut, or better still abolished.

4. at this rate of support ,people on a low income would not be able to pay it

5. 29% = over £200 that has to come out of maintenance benefits already squeezed by rising prices - 37% would be even worse. That's £200 I don't have to spend on food or heating just to make councillors feel more electable – I don't suppose any borough councillors have to choose between heating or eating!

6. Low income families are already struggling to maintain normal monthly expenditure and would cause further poverty.

7. The customers that we see won't be able to afford the 37% rate - although I appreciate there is a lack of funding and the resources need to come from somewhere. The debt of our customers would increase, possibly leading to more court cases and more debt due to those costs.

8. Working in debt advice I see the negative impact of increases in priority expenditure on clients, meaning I strongly oppose any increases due to the difficulties the people who are eligible for CTS already have in trying to pay their council tax. If you were to increase it you would simply see more people failing to pay, and you would most likely contribute to causing further poverty in lower income families.

9. I have grave concerns concerning working age tax payers below the age of 25 in receipt of benefits being hit with additional costs. We are fully aware of section 13A (1)(c) of the Local Government Finance Act 1992 which gives power to each local council to reduce individuals council tax bill by any amount but in reality this very rarely happens.

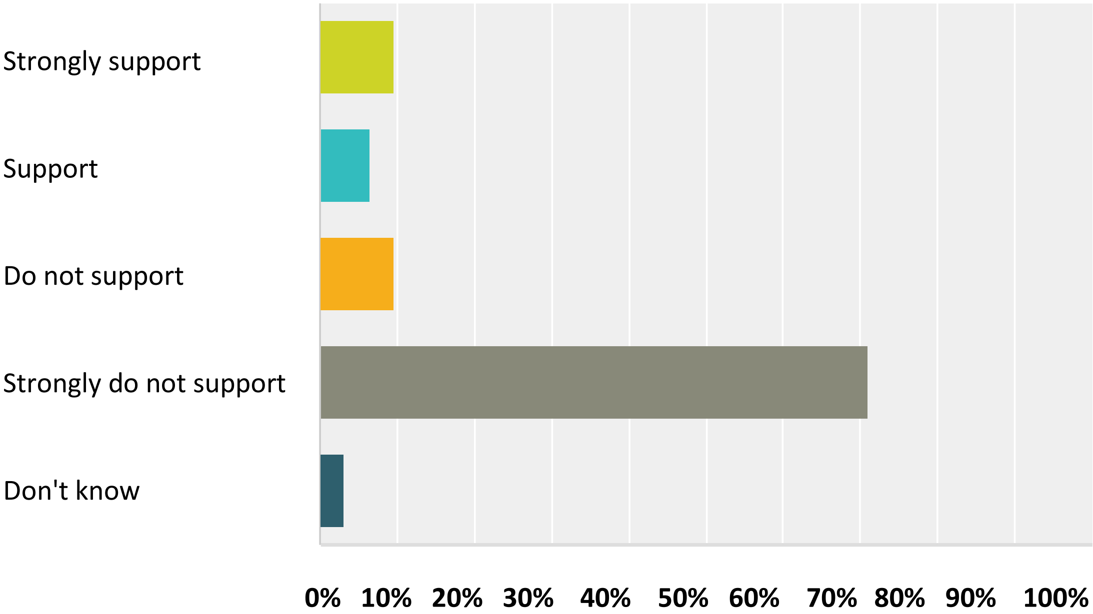
10. Option 2 and 3 will put struggling families into more debt and they will not be able to pay any council tax or they will fall short and that will lead to debt, they are already struggling.

Question

Proposal 3 would see working age council taxpayers liable to pay approximately 55% of their council tax bill subject to other support changes. Currently those working age council taxpayers eligible for CTR pay at least 29% of their council tax charge, receiving a discount of up to 71%. This option proposes a lower level of financial support of approximately 55% from April 2017, therefore claimants would become liable for the payment of a higher percentage of their council tax charge (45%) unless their discount is protected. Individuals with protected discount would be those in receipt of war widows pension, war disablement pension, disability premium and the four week extended payment to incentivise work. This would mean that the council would need to raise £59,000 from other sources. Under this proposal, a working age claimant or family on income support has a council tax liability on a band A, unparished, property a net increase of £3.16 per week and for a Band D, unparished, a net increase of £4.56 *per week. To see further details of how this might affect you, please check our website To what extent do you support this proposal?*

Answer

Answered: 31 Skipped: 4



Answer Choices	Responses	
Strongly support	9.68%	3
Support	6.45%	2
Do not support	9.68%	3
Strongly do not support	70.97%	22
Don't know	3.23%	1
Total		31

1. I feel that the long term sick and disabled require support here.
2. This would be achievable.
3. Why should benefits be cut, at a time when Members Allowances are not being cut, or better still abolished.
4. This is the fairest idea. People who fall in to this category should get the income needed through other benefits to make up the costs to them. And we protect other services from further cuts to raise the money needed if we didn't do this option. It's a win-win situation
5. This is not enough support to help people on a low income and would not be able to pay.
6. 29% = over £200 that has to come out of maintenance benefits already squeezed by rising prices - 37% would be worse, 45% worse still.

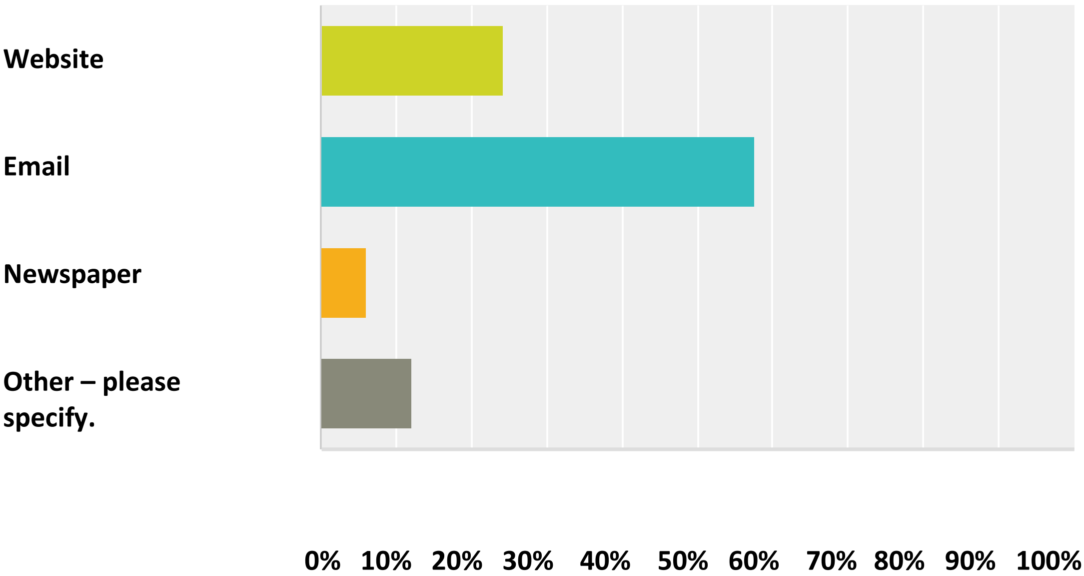
7. Low income families are already struggling to maintain normal monthly expenditure and would cause further poverty.

8. Working in debt advice I see the negative impact of increases in priority expenditure on clients, meaning I strongly oppose any increases due to the difficulties the people who are eligible for CTS already have in trying to pay their council tax. If you were to increase it you would simply see more people failing to pay, and you would most likely contribute to causing further poverty in lower income families.

9. You will exacerbate an already precarious dilemma people are already facing when trying to survive on benefits. In looking at your proposed model you have not taken into account those under the age of 25 who are already on reduced benefits. Using the Wednesbury principles of reasonableness there must be a fairer method of raising local taxes

How did you hear about this consultation?

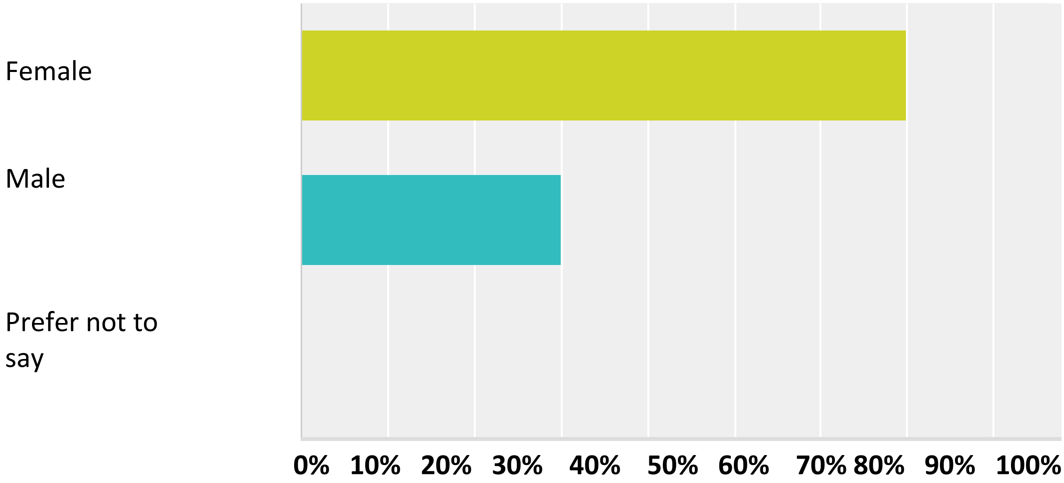
Answered: 33 Skipped: 2



Answer Choices	Responses	
Website	24.24%	8
Email	57.58%	19
Newspaper	6.06%	2
Other – please specify.	12.12%	4
Total		33

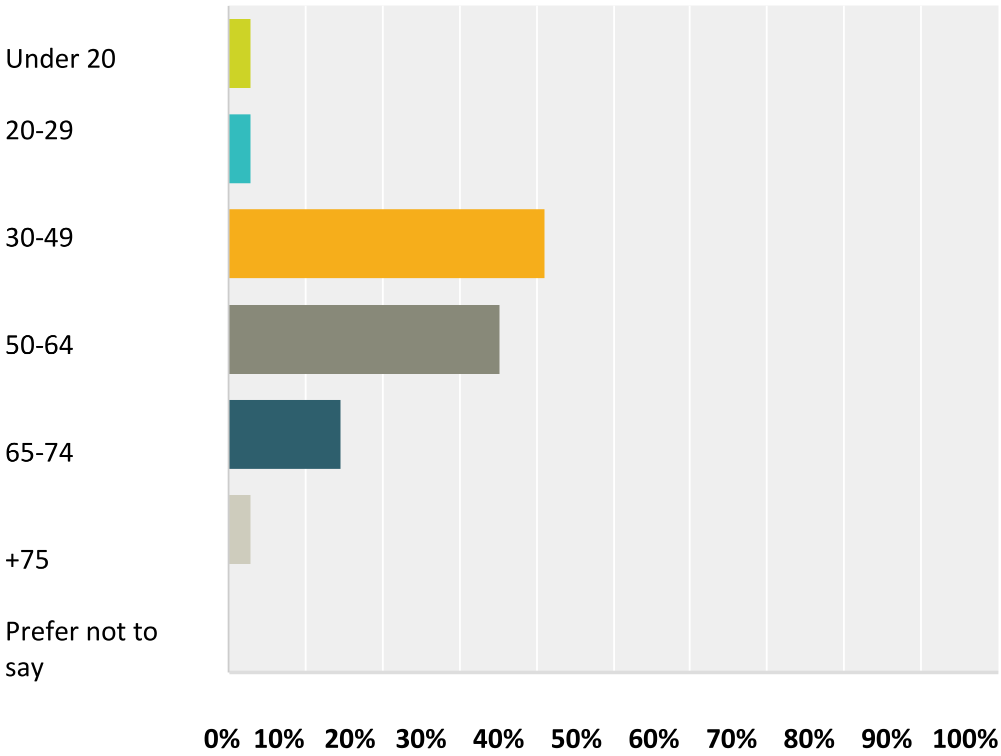
Please can you tell us your gender?

Answered: 33 Skipped: 2



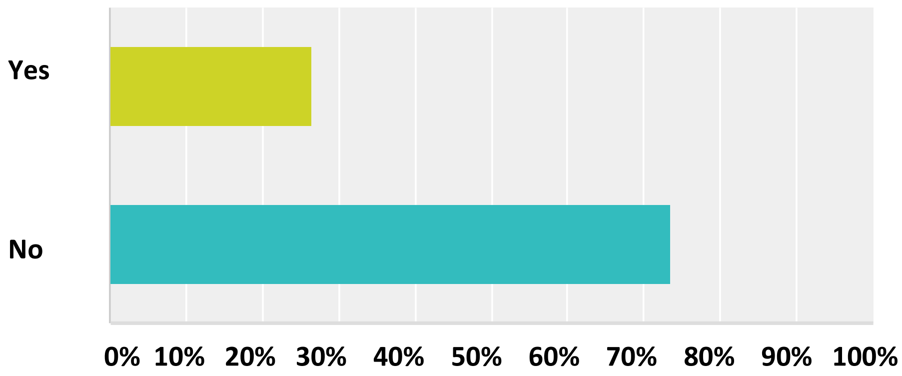
How old are you?

Answered: 34 Skipped: 1



Do you consider yourself to have a disability?

Answered: 34   Skipped: 1



EQUALITIES:

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

- 69.70% of respondents were female, 30.30% were male.
- In terms of age:
    - 2.94% were aged under 20
    - 2.94% were aged 20-29
    - 41.18% were aged 30-49
    - 35.29% were aged 50-64
    - 14.71% were aged 65-74
    - 2.94% were aged over 75
- 26.47% of respondents stated they considered themselves to have a disability.

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 2017/18	A change to existing policy/activity/practice

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

Brief description of policy/activity/project/practice:

Northampton Borough Council is considering making amendments to its Council Tax Reduction Scheme (CTRS) from the 1st April 2017 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 the Revenue Support Grant. The Council's budget may not be able to cover a further shortfall in Government funding and so the proposed amendment helps bridge the funding gap.

The maximum assistance currently available to working age customers is 71% 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 2017/18 include:

1. **No change – remain at 71%.** This is where the Council continues with the same scheme 2016/17 and makes no further changes. This means the Council Tax contribution rate for those in receipt of CTR remaining at 29%. However, the council would need to find additional funding for

2017/18 due to funding reductions in the local government finance settlement.

2. **Reduce the maximum amount of CTRS from 71% to 63%.** This is where the Council continues with the existing policy to increase the % that each taxpayer has to pay in line with national changes. This would result in the recipients of a reduction needing to pay more Council Tax, but there Council would need to find additional funding for 2017/18 due to funding reductions in the local government finance settlement.

3. **Reduce the maximum amount of CTRS from 71% to 55%.** This is where the Council continues with the existing policy to increase the % that each taxpayer has to pay in line with national changes. This would result in the recipients of a reduction needing to pay more Council Tax, but there Council would need to find additional funding for 2017/18 due to funding reductions in the local government finance settlement.

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 change outlined above will have a disproportionate impact on low income working age households because Council Tax Reduction is designed 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 effect of increasing the CTR scheme cost as all awards would be based on the higher charge. Consequently, the proposed option, which aims to bridge the funding gap, is 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:

• CLG Localising Council Tax Equality Impact Assessment and update
• Northampton Council tax database
• Council Tax Reduction database
• EIA’s from other NBC departments that are relevant for this assessment.
• Past consultation responses
• Unemployment by Constituency Research Paper (Aug 2016)
• Public Health England - Health Profile 2016
• Government briefing paper: CTR Schemes: Aug 2016
• Family Resources Survey: financial year 2014/15
• 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>
</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 2015:

Equality Group	A similar consultation was carried out in 2015, as part of the implementation of our year 4 CTR scheme.
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 26th October 2015 to the 22nd November 2015.

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
- 2,317 email invitations was 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 29% 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. 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. 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. 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. 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 September 2016 we have 15,907 applicants in receipt of a CTRS discount. Of these 6,106 are of pension age and are protected from these proposed changes.

This leaves 9,801 working age CTRS recipients who will be impacted if the proposed option is adopted. This is because they will receive less financial support as of 1st April 2017 than they are currently receiving under the scheme this year. This equates to 62% of our CTR caseload.

24% 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.

29% 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.

37% 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 30th September 2016 for CTR claimants is 42.85% compared to 44.75% in 2015/16. 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 an increase in the number of summons issued in the first six months of the financial year.

- 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 £27.7k per month through AOB, as compared to £26k 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 16/17, an unparished band A property with two adults would be liable for £1,026.90, reducing by maximum CTR would leave the customer liable to pay £279.95. The issue of a summons would add a further £82.40, leaving a customer with an annual charge of nearly £270 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.

Any proposed increase in the liable percentage contribution for those of working age in 2017/18, the Council is unable to gauge the likely impact this would have on collection performance, however, it is likely to result in further recovery action and administration with an increase in the number of Council Taxpayers taken to Court.

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 £82.40) 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 2016	Robin Bates	Kirsty Tomlinson
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 2016	Robin Bates	Kirsty Tomlinson
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 2016	Robin Bates	Kirsty Tomlinson
Review the Council Tax recovery process for those receiving CTR	January 2017	Robin Bates	Kirsty Tomlinson
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 2017	Robin Bates	Kirsty Tomlinson
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 2017	Robin Bates	Kirsty Tomlinson
Internal Review by reporting and analysing the public response to annual billing.	March 2017	Robin Bates	Kirsty Tomlinson
Review of CTR Year 5 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 2017	Robin Bates	Kirsty Tomlinson
Review the impact of summons and other recovery actions on accumulated debt from 2016/17	July 2017	Robin Bates	Kirsty Tomlinson

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: 6th December 2016

Name of Head of Service signing off this EIA:

Robin Bates
Head of LGSS Revenues and Benefits

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
4

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	DRAFT GENERAL FUND MEDIUM TERM FINANCIAL PLAN 2017/18 – 2021/22 AND DRAFT BUDGET 2017/18

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	14 December 2016
Key Decision:	NO
Within Policy:	YES
Policy Document:	NO
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	NA

1. Purpose

1.1 To present for consultation draft budget proposals for 2017/18 and forecast budgets for 2018/19 to 2021/22, covering both General Fund Revenue (as set out in Appendix 1) and Capital (Appendix 3).

1.2 The report also presents the Council's draft Treasury Management Strategy (Appendix 4).

2. Recommendations

2.1 That the draft General Fund Revenue budget 2017/18, as summarised in Appendix 1, be approved for public consultation.

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

2.3 That the proposed Council Tax increase for 2017/18 of £5 a year per Band D property be approved for public consultation.

2.4 That the draft General Fund Capital Programme and Financing 2017/18 to 2021/22, as detailed in Appendix 3, be approved for public consultation.

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

3. Issues and Choices

3.1 Report Background

3.1.1 The Council is required to set a balanced budget and it's Council Tax for 2017/18 in February 2017. The proposals in this report have been developed by officers in consultation with relevant Cabinet members. Management Board has reviewed and endorsed the draft budget.

3.1.2 The draft budget proposals and options presented in this report will be subject to a period of public consultation prior to final recommendations being made to Council by Cabinet in February 2017.

3.2 Issues

Economic Context

3.2.1 The national and global economic outlook has shifted over the last 12 months, due to the outcome of the referendum on June 23rd leading to the UKs proposed withdrawal from the European Union, and more recently the outcome of the presidential election in the United States. The impact on the Borough Council's budget and medium term financial plan are:

- Reductions in GDP growth forecasts, which are likely to reduce the level of any growth in business rates income.

- Demand for housing currently remains strong and this is of benefit to Northampton's growth strategy.

- Inflation is expected to increase from current rates (CPI 0.9%, RPI 2%) over the next 12 months as the impact of the fall in the value of the pound feeds through into consumer prices. This will potentially lead to inflationary pressures within the Council's budget.

- Interest rates are forecast to stay low over the medium term. The Bank of England base rate was reduced to 0.25% in August 2016 and is not expected to rise in the short term. These reduced interest rate forecasts have a significant negative impact on the Council's income from interest on cash balances. On the positive side, PWLB borrowing rates are also low making longer-term borrowing to fund investments more attractive.

Sources of Funding

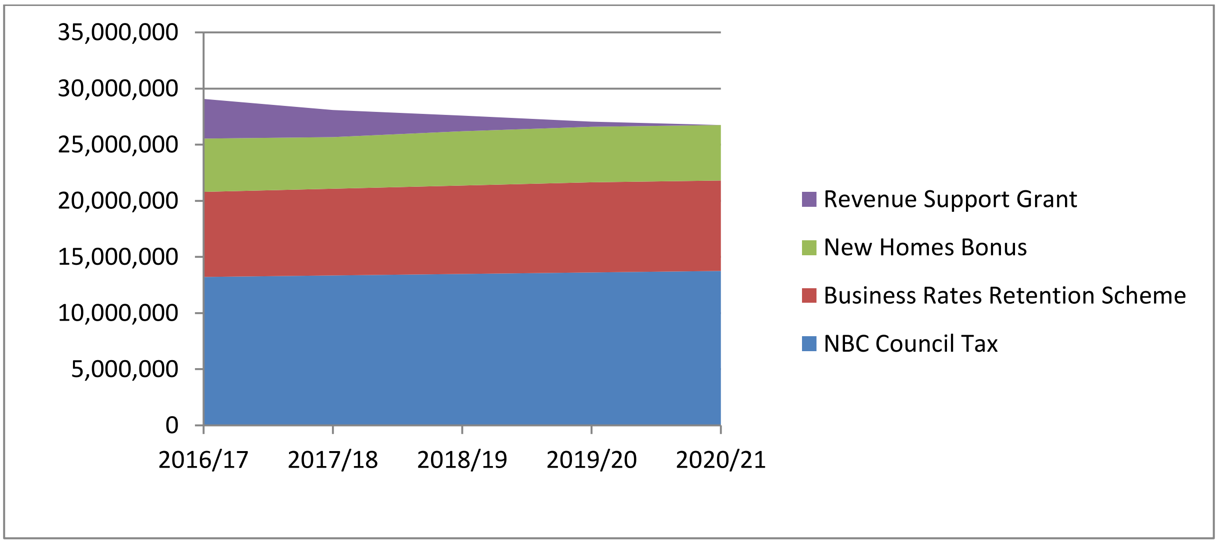
3.2.2 The main sources of funding for the Council's net General Fund revenue budget are Council Tax, Business Rates, New Homes Bonus and Revenue Support Grant. The balance between these is expected to change significantly over the 5 year period of the Medium Term Plan, with Revenue Support Grant falling to zero by 2019/20.

3.2.3 Council Tax – The Band D Council Tax for Northampton Borough Council has been frozen or reduced in each of the last 4 years, supported initially by a Council Tax Freeze Grant. This grant no longer exists and the government funding settlement assumes that Council Tax is increased by the maximum allowable without triggering a referendum, which for the Council is £5 per year. This increase has been built into the Medium Term Financial Plan.

3.2.4 Business Rates – following the introduction of the Business Rate Retention Scheme in April 2013, the Council now benefits from growth in the rateable value in the Borough. On the flipside, the Council also bears the risk of volatility, including successful appeals by business against their rateable value. This volatility is enhanced by the rates revaluation which will impact from April 2017, which may prompt further appeals. The five-year forecasts reflect an average inflationary increase in business rates income of 1.2% per year. The government's policy is to move to 100% local business rates retention from 2020, further details are required in order to model the impact.

3.2.5 New Homes Bonus – this has been a significant source of funding in recent years (£4.9m in 2016/17). The revamp of the scheme announced in the 2015 Spending Review is likely to lead to a significant reduction in this source of income for the Council. The consultation issued in early 2016 suggested that the payment period be reduced from 6 to 4 years (a 33% reduction) and the government consulted on a "preferred option" to save a total of £800m, which will be redirected to Social Care. The details are yet to be finalised, but in broad terms this could represent a 66% reduction in the NHB pot nationally. The final shape and likely impact of the revised scheme will be clearer after the provisional local government finance settlement is announced.

3.2.6 The graph below shows how the balance between these sources of funding was expected to change for the Borough Council over the next five years, based on the February 2016 forecasts. The total falls significantly over the period and shows a significant shift from central to local funding. Revenue Support Grant is set to fall to zero in 2019/20.



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

Enterprise Zone

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

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

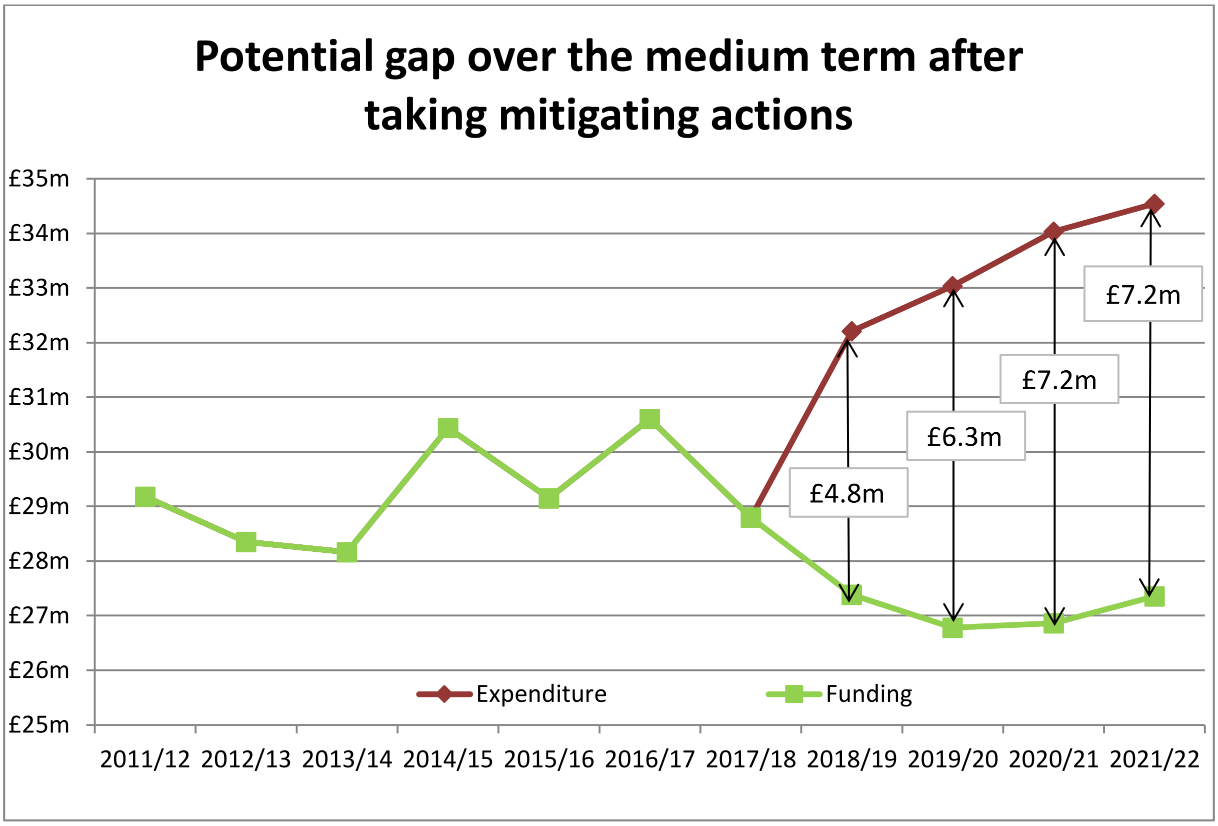
3.2.10 The SEMLEP board in November 2016 approved the principle of a £10m local infrastructure funding facility (LIF). This will enable further upfront investment to bring EZ sites forward for development to generate business and job growth, and an increase in business rates. Any proposals to utilise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

Medium Term Financial Plan

3.2.11 The Medium Term Financial Plan provides a forecast of the Council's expenditure and income over the next five years. The forecasts, detailed in Appendix 1, show the need to make substantial year-on-year savings, rising to £7.2m by 2020/21. The focus of activity is on the delivery of the Efficiency Plan in order to eliminate this medium term gap. The budget for 2017/18 has been balanced through a robust review and challenge of base budgets. These have been right-sized, for example ensuring that the budgets for Planning and car park income reflect actual income over the last few years, and the debt financing budget has been thoroughly reviewed and assumptions updated. This right-sizing has mitigated against demand pressures in the budget, most notably an increase of £570k in General Fund Housing due to the increase in homelessness – average numbers have increased from 60 to 140 per month.

3.2.12 One of the significant reasons for the increasing budget gap is the potential cost increases forecast to result from the retendering of Environmental Services, with the new contract due to come into force in June 2018. This is a significant project for the Council and as part of this there will need to be a balance drawn between quality of service and cost of delivery.

3.2.13 The graph below illustrates the growing gap between forecast expenditure and funding. This position is likely to change when the full implications of the Local Government Finance Settlement are known. The forecasts will be kept under constant review.



Efficiency Plan

3.2.14 As part of the Local Government Finance Settlement in February 2016, the Government made an offer to Councils to improve medium term planning by setting minimum levels of Revenue Support Grant over a 4 year period. In order to secure this minimum level of funding Cabinet in September approved an Efficiency Plan and this was submitted to government by 14th October

3.2.15 As well as securing the benefits above, the Efficiency Plan is essential to delivery of a balanced budget over the medium term. The scale of the savings that the Council needs to find requires a fundamental review of the way in which services are provided, as well as the range and scope of those services. Work has begun and is progressing across the following themes, as detailed in the Efficiency Plan:

- Economic Growth – to prioritise new ways of delivering investment and sustaining revenue streams

- Partnership – to build on existing successful delivery partnerships such as LGSS, Northampton Partnership Homes and the Leisure Trust.

- Community Empowerment – to deliver a clearly defined community-led approach that enables the delivery of ongoing service improvements and financial savings.

- Exploiting Commercial Opportunities – The Council will use its substantial asset base to deliver commercial income, through a combination of redefining an asset's use in order to maximise income and through disposal of underutilised assets. This workstream will also look at options to invest in new assets that generate a good rate of return. There may be a need for significant capital investment which will need to be closely scrutinised to ensure that it is affordable, prudent and sustainable.

- Being more efficient - All services will continue to review their working practices to ensure that they deliver high quality services at the lowest possible net cost.

3.2.16 The targets in the Efficiency Plan are sufficient to bridge the forecast gap in the MTFP and are monitored closely by Management Board. The Council's proposed new governance arrangements include a specific officer board focussed on the delivery of the Efficiency Plan and associated improvement projects. Meeting the target for 2017/18, which was largely about right-sizing budgets, has enabled a balanced budget to be proposed.

General Fund Revenue Budget 2017/18

3.2.17 The proposed net budget for 2017/18 is shown in Appendix 1 and summarised in the table below. A balanced budget has been achieved through the Council's prudent financial management and continued commitment to delivering efficiency savings.

Description	**2017/18 £000s**
Service Base Budget	28,843
Proposed Growth	15
Proposed Savings	(15)
Corporate Budgets	(102)
Contribution to Reserves	54
Net Budget	**28,795**
Revenue Support Grant	(1,793)
Transition Grant	(24)
Business Rates	(7,595)
New Homes Bonus	(4,112)
Council Tax	(14,933)
Collection Fund Surplus	(338)
Total Funding	**(28,795)**
Savings to be identified	**(0)**

As part of setting its General Fund Revenue Budget the Council has undertaken a rigorous review of it Service Based Budget. This process has identified £0.6m of efficiency savings and realistic income targets which are included as part of the Service Base Budget.

Fees and Charges

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

Council Tax

3.2.19 The draft budget for 2017/18 assumes an increase in the annual Council Tax of £5 per band D property. This is the maximum increase allowed without triggering a referendum and is consistent with Central Government assumptions in the funding settlement.

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

	2013/14 £	**2014/15 £**	**2015/16 £**	**2016/17 £**	**2017/18 £**
Northampton Borough Council	208.19	207.91	207.91	207.91	212.91
Northamptonshire County Council	1,028.11	1,048.57	1,069.02	1,111.25	TBC
Northamptonshire Police & Crime Commissioner	193.20	197.04	200.96	204.96	TBC
Total	1,429.50	1,453.52	1,477.89	1,524.12	TBC

3.2.21 The Council charges special expenses to its residents as part of its Council Tax charge. This special expense charge is primarily used to contribute to the costs of maintaining parks and open spaces in the Borough. 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 mechanism for calculating the special expense charge had not changed for a number of years, so a review of this mechanism has been carried out during the last year. This review has shown that some of the figures used in this mechanism should be updated to recognise the true current cost of maintaining these parks and open spaces. As a result the special expenses calculation has been refreshed for 2016/17 leading to some small changes to the special expenses being charged.

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

Capital Strategy

3.2.23 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 overall strategy remains the same as that approved by Council in February 2016 and has not therefore been updated.

3.2.24 However, the governance arrangements that support the delivery of the capital strategy and programme are being reviewed and tightened. Schemes will initially be approved into a "Development Pool" pending the development of a robust business case and the confirmation of costs. Only after this would budgets be allocated and expenditure on the proposed scheme be allowed. Full details of the new capital governance arrangements will form part of the final budget report. The Council's proposed new enhanced governance arrangements include stronger Member oversight of changes to the Capital Programme and close Management Board monitoring of the achievement of scheme objectives.

General Fund Capital Programme 2017/18 to 2021/22

3.2.25 The draft General Fund Capital Programme and Funding for the next 5 years is detailed in Appendix 3 and summarised in the table below. The value of the proposed programme for 2017/18 is £13.6m. Proposed new schemes support the continued regeneration of the borough, through further public realm works on Fish Street, and improvements to town centre traffic management.

3.2.26 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.

3.2.27 Further significant schemes supporting the achievement of the Efficiency Plan may be brought into the capital programme over the next 12 months, supported by robust capital appraisals and business cases. This will include schemes proposed under the Local Infrastructure Fund as detailed in paragraph 3.2.10.

Description	Budget 2017/18
	£000s
Disabled Facilities Grants	1,475
IT Improvements	150
Town Centre Improvements	205
Heritage and Culture	8,633
Block Programmes	800
Other	117
Development Pool	2,191
Total GF Capital Programme	**13,571**
Funding Source:	
Borrowing (incl. self-funded)	2,012
Growing Places Fund/ Local Infrastructure Fund	1,000
Capital Receipts	6,078
Grants & Developer Contributions	3,994
Contribution from Revenue Reserves	487
Total Funding	**13,571**

Earmarked Reserves

3.2.28 Earmarked Reserves are held to mitigate against specific risks as well as for regulatory reasons, such as grant conditions. They were thoroughly reviewed and realigned by Cabinet in September 2016 in order to ensure that they are focussed on the achievement of the Efficiency Plan. Contributions to and from reserves will be adjusted for future years as the forecasts of government funding are updated.

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

3.2.30 General Fund Reserves as at 1st April 2016 stood at a total of £25.9m. A breakdown following the September realignment is shown in the table below.

	Balance 1st April 2016	Purpose
Service Specific Earmarked Reserves	£3.6m	To cover specific known spending commitments
Corporate Earmarked Reserves	£14.6m	Held to mitigate against corporate risks and to fund future budget pressures
Technical Reserves	£2.2m	To deal with technical accounting differences across financial years
Minimum Level of General Reserves	£5.5m	To cover general unquantified risks
Total General Fund Reserves	**£25.9m**	

Treasury Management Strategy

3.2.31 The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. It is a requirement under the Treasury Code of Practice to produce an annual strategy report on proposed treasury management activities for the year. The Council's Treasury Management Strategy (TMS) for 2017-18 is attached at Appendix 5.

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

- The Affordable Borrowing Limit for 2017-18
- The Council's policy on the Minimum Revenue Provision (MRP) for the repayment of debt
- The Investment Strategy for 2017-18
- The Prudential and Treasury Indicators for 2017-18 to 2021-22
- The Council's policy on borrowing in advance of need
- The Council's counterparty creditworthiness policy

Consultation

3.2.33 Formal consultation with the public and stakeholders including local businesses will be launched in December 2016 and will continue until the budget is formally adopted in February 2017 in line with an agreed consultation programme. An online questionnaire will be available until 31 January 2017.

3.3 Choices (Options)

3.3.1 Cabinet can agree the revenue and capital budget proposals and proposed Council Tax increase detailed in this report or propose changes, subject to the advice of the Chief Finance Officer.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The revenue and capital budgets are set in support of the Council's priorities and within the context of the Medium Term Financial Plan and Capital Strategy.

4.2 Resources and Risk

4.2.1 The provisional Local Government Finance Settlement is expected to be announced prior to the Christmas 2016 break, but is subject to change and will be updated when the final settlement is announced in January 2017.

4.2.2 In addition to the Borough Council's own Council Tax, there are separate Council Taxes for Northamptonshire County Council, the Police and Crime Commissioner and Parish Areas. Information on these will be included in the report to the Council meeting in February 2017.

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

4.2.4 The Council has recently received the Local Government Pension Scheme 2016 Valuation Draft results and is currently working with the actuary to determine the the budget implications. The results will be included in the report to the Council in February 2017.

4.3 Legal

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

4.4 Equality and Health

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

4.4.2 Equality and diversity is considered as part of budget construction and a Equality and Community Impact Assessment is published as part of the budget consultation documents. Equality and diversity were considered as part of each of the medium term planning options submitted. Equality impact assessments are 'living' documents and will be updated to take into account relevant feedback from the consultation process. Where these documents identify mitigating action, this will be undertaken in implementing the relevant option should it be taken forward and approved in February 2017.

4.5 Consultees (Internal and External)

4.5.1 Internally heads of service and budget managers have been consulted and Management Board has carried out a detailed challenge of the budget with Members. As options developed relevant stakeholders were engaged as appropriate.

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

4.6 How the Proposals deliver Priority Outcomes

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

4.7 Other Implications

4.7.1 None not already covered above.

5. Background Papers

5.1 None

5.2 Appendices

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

Glenn Hammons, Chief Finance Officer, 01604 366521

General Fund Budget Summary 2017 - 2022

NORTHAMPTON BOROUGH COUNCIL

Description	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
	£	£	£	£	£
Service Base Budget	28,843,692	29,034,404	29,815,167	30,265,949	30,875,219
Medium Term Planning Options					
Savings and Efficiencies					
- Customers and Communities	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
Total Savings	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
Growth					
- Customers and Communities	15,000	15,000	15,000	15,000	15,000
Total Growth	15,000	15,000	15,000	15,000	15,000
Total MTP Options	0	0	0	0	0
Gross Revenue Budget	28,843,692	29,034,404	29,815,167	30,265,949	30,875,219
Corporate Budgets					
Debt Financing - Current	1,617,502	1,798,389	1,798,624	1,864,176	1,764,938
Recharges from General Fund to HRA	(2,744,907)	(2,644,907)	(2,524,907)	(2,524,907)	(2,524,907)
Parish Grants	(20,611)	(20,611)	(20,611)	(20,611)	(20,611)
Parish Precepts	1,044,721	1,044,721	1,044,721	1,044,721	1,044,721
Contribution to/(from) Earmarked Reserves	54,300	2,998,000	2,922,000	3,407,000	3,407,000
Total Corporate Budgets	(48,995)	3,175,592	3,219,827	3,770,379	3,671,141
Net Budget	28,794,697	32,209,995	33,034,995	34,036,328	34,546,360
Funding					
Revenue Support Grant	(1,792,976)	(886,014)	0	0	0
Transition Grant	(23,672)	0	0	0	0
Business Rates Retention Scheme	(7,595,224)	(7,803,698)	(8,034,281)	(8,050,071)	(8,050,071)
New Homes Bonus	(4,112,192)	(3,292,591)	(2,870,990)	(2,448,891)	(2,448,891)
Total Government Funding	(13,524,064)	(11,982,303)	(10,905,271)	(10,498,962)	(10,498,962)
Council Tax					
Band D Council Tax	212.91	217.91	222.91	227.91	232.91
Tax Base	65,230	65,882	66,541	67,207	67,879
NBC Council Tax	(13,888,119)	(14,356,412)	(14,832,682)	(15,317,041)	(15,809,605)
Parish-related Council Tax	(1,044,721)	(1,044,721)	(1,044,721)	(1,044,721)	(1,044,721)
Total Council Tax	(14,932,840)	(15,401,133)	(15,877,403)	(16,361,762)	(16,854,326)
Surplus on Collection Fund	(337,793)	0	0	0	0
Total Funding	(28,794,697)	(27,383,436)	(26,782,673)	(26,860,725)	(27,353,288)
Savings to be identified	0	4,826,559	6,252,322	7,175,603	7,193,072

The Efficiency plan is in place to close the future years gap as explained in the main body of this report section 3.2.14.

NORTHAMPTON BOROUGH COUNCIL

General Fund MTP Savings Options

MTP Reference	MTP Option Description	2016/2017 £	2017/2018 £	2018/2019 £	2019/2020 £	2020/2021 £
Customers & Communities						
	Contribution to Waste Partnership	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
	SAVINGS AND EFFICIENCIES TOTAL	**(15,000)**	**(15,000)**	**(15,000)**	**(15,000)**	**(15,000)**

General Fund MTP Growth Options

MTP Reference	MTP Option Description	2016/2017 £	2017/2018 £	2018/2019 £	2019/2020 £	2020/2021 £
Customers & Communities						
	Maintenance of Play equipment	15,000	15,000	15,000	15,000	15,000
Total Growth		**15,000**	**15,000**	**15,000**	**15,000**	**15,000**

Appendix 3

General Fund Capital Programme 2017-18 to 2021-22

Project Title	Funding Source	2016-17 Latest £	2017-18 £	2018-19 £	2019-20 £	2020-21 £	2021-22 £	Total £
Housing - General Fund								
Disabled Facilities Grant	G, C	1,393,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	8,768,000
Self-funded								
IT Infrastructure	S-F	462,225	150,000	150,000	150,000	150,000	150,000	1,212,225
CCTV Technology Upgrade	S-F	200,000						200,000
Town Centre Improvements								
St Giles Street	G, C	1,918,499						1,918,499
Town Centre Traffic Enhancements - Design Stage	R	50,000						50,000
Superfast Broadband	C	45,000	205,000	162,000				412,000
Heritage & Culture								
Vulcan Works	G, C	3,729,716	2,860,000					6,589,716
Delapre Abbey Restoration	G, R, C	3,305,303						3,305,303
Delapre Abbey Parklands Infrastructure	G, R, C	296,890						296,890
Central Museum Development	C	589,179	5,773,000	300,000				6,662,179
Abington Park Museum - Renewal of Displays	C	210,000						210,000
Block Programmes - specific schemes to be agreed								
Capital Improvements - Regeneration Areas	C	502,875	50,000	50,000	50,000	50,000	50,000	752,875
Parks/Allotments/Cemeteries Enhancements	C	269,986	200,000	250,000	250,000	250,000	250,000	1,469,986
Car Park Lifts	C	250,000	250,000	200,000				700,000
Operational Buildings - Enhancements	C	416,046	250,000	250,000	250,000	250,000	250,000	1,666,046
Commercial Landlord Responsibilities	C	411,778	50,000	50,000	50,000	50,000	50,000	661,778
Other								
Play Equipment	G, R, C		100,000					100,000
Planning IT Improvements	G	17,000	17,000					34,000
Development Pool (Estimated Costs)								

St James Mill Link Road	G, EZ	1,000,000	1,000,000					2,000,000
Town Centre Traffic Enhancements	C		200,000					200,000
Fish Street Public Realm	C		509,000					509,000
Market Stall Covers	C		20,000					20,000
9 Guildhall Road - purchase	R		462,000					462,000
<u>Schemes Due to Complete in 2016/17*</u>	G, R, C	6,675,163						6,675,163
Total General Fund Capital Programme		**21,742,660**	**13,571,000**	**2,887,000**	**2,225,000**	**2,225,000**	**2,225,000**	**44,875,660**

* as previously reported to Cabinet

Key to Funding Sources

G - Grants & Contributions

R - Revenue and Reserves

EZ - Enterprise Zone Business Rates

SF - Self-funded Borrowing

C - Corporate Resources - Capital Receipts or Borrowing

Proposed General Fund Capital Funding	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Total
	£	£	£	£	£	£	£
Grants & Contributions:							
Disabled Facilities Grant - Better Care Fund	950,000	1,092,000	1,092,000	1,092,000	1,092,000	1,092,000	6,410,000
Heritage Lottery Funding - Delapre Abbey	1,280,075						1,280,075
HPDG	17,000	17,000					34,000
Local Growth Fund - Vulcan Works	3,440,000	2,860,000					6,300,000
Local Growth Fund - St James Mill Link Road	562,000						562,000
Section 106	3,339,600	25,000					3,364,600
Other Grants and Contributions	1,267,698						1,267,698
Sub-total Grants & Contributions	10,856,373	3,994,000	1,092,000	1,092,000	1,092,000	1,092,000	19,218,373
NBC Earmarked Reserves - Delapre Abbey	1,316,110						1,316,110
Other Revenue/Reserves	1,005,020	487,000					1,492,020
Capital Receipts - Heritage	689,179	5,773,000	300,000				6,762,179
Capital Receipts - Other	4,640,973	305,000	162,000				5,107,973
Growing Places Fund and Local Infrastructure Fund (to be repaid from EZ business rate uplift) - St James Mill Link Road	438,000	1,000,000					1,438,000
Self-funded Borrowing	662,225	150,000	150,000	150,000	150,000	150,000	1,412,225
Corporate Borrowing	2,134,780	1,862,000	1,183,000	983,000	983,000	983,000	8,128,780
Total Funding	**21,742,660**	**13,571,000**	**2,887,000**	**2,225,000**	**2,225,000**	**2,225,000**	**44,875,660**

Northampton Borough Council Treasury Management Strategy 2017-18

Contents

1 Introduction

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

1.1 CIPFA has defined treasury management as “the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

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

CIPFA Prudential Code for Capital Finance in Local Authorities

1.3 The CIPFA Prudential Code for Capital Finance in Local Authorities (the **Prudential Code**) is a professional code of practice. Local authorities have a statutory requirement to comply with the Prudential Code when making capital investment decisions and carrying out their duties under Part 1 of the Local Government Act 2003 (Capital Finance etc and Accounts).

1.4 The CIPFA Prudential Code sets out the manner in which capital spending plans should be considered and approved, and in conjunction with this, the requirement for an integrated treasury management strategy.

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

Treasury Management Policy Statement

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

Treasury Management Practices

1.7 The Council’s Treasury Management Practices (TMPs) set out the manner in which the Council will seek to achieve its treasury management policies and objectives, and how it will manage and control those activities. The TMPs are split as follows:

- Main Principles
- Schedules

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

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

The Treasury Management Strategy

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

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

- Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.
- They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

1.12 The purpose of the Treasury Management Strategy is to establish the framework for the effective and efficient management of the Council's treasury management activity, including the Council's investment portfolio, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.

1.13 The Treasury Management Strategy incorporates:

- The Council's capital financing and borrowing strategy for the coming year
- The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
- The Affordable Borrowing Limit as required by the Local Government Act 2003.
- The Annual Investment Strategy for the coming year as required by the CLG revised Guidance on Local Government Investments issued in 2010.

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

1.15 The Treasury Management Strategy for 2017-18 also includes the Council's:

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

1.16 The main changes from the Treasury Management Strategy adopted in 2016-17 are

- Updates to Prudential and Treasury Indicators
- Updates to interest rate forecasts
- Updates to debt financing budget forecasts
- The replacement of internal funding from mid 2018/19 onwards with external borrowing to reduce the under borrowed position to within £10m of a fully funded position by 2021/22.
- The inclusion of the Council's 5 year Efficiency Plan as agreed by Cabinet on 28 September 2016 which includes providing Prudential and other indicators specifically related to Efficiency Plan expenditure within this Strategy and its appendices.
- The development of enhancements related to the governance and due diligence associated with the award of grants and third party loans by the Council.

Scheme of Delegation

1.17 The Treasury Management Scheme of Delegation at Appendix 1 is taken from the Council's TMP Schedules. It sets out the delegated treasury management responsibilities of Council, Cabinet, Audit Committee and the Section 151 Officer. .

General Fund and HRA

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

Equalities Statement

1.19 Equalities Impact Assessment (EIA) screening has been carried out on the Council's Treasury Strategy for 2017-18, and the associated Treasury Management Practices (Main Principles and Schedules).

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

2 Current Treasury Management position

2.1 The Council's projected treasury portfolio position at 31 March 2017, with forward estimates is summarised below. The table shows the external borrowing, against the Capital Financing Requirement (CFR), which is a measure of the need to borrow for capital expenditure purposes, highlighting any forecast over or under borrowing.

2.2 The figures exclude any borrowing undertaken or planned for third party loans so as to focus on the Council's own cash position.

£m	2016-17 Projected	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate
External borrowing						
Borrowing at 1 April	216	217	223	235	247	260
Expected change in borrowing	1	6	12	12	12	11
Borrowing at 31 March	**217**	**223**	**235**	**247**	**260**	**271**
CFR at 31 March	**259**	**268**	**274**	**276**	**280**	**279**
Under/(over) borrowing	**42**	**45**	**39**	**29**	**20**	**8**
Investments						
Investments at 1 April	66	75	72	77	88	98
Expected change in investments	9	-3	5	11	10	11
Investments at 31 March	**75**	**72**	**77**	**88**	**98**	**109**
Net borrowing	**142**	**151**	**158**	**159**	**162**	**162**

3 Prospects for interest rates

3.1 The Council has appointed Capita Asset Services (CAS) as its treasury advisors. Part of their service is to assist the Council to formulate a view on interest rates. The following table gives the CAS central view for the forecast bank rate, short term LIBID rates, and longer term PWLB rates (at November 2016)

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

3.2 **UK. GDP growth rates** in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

3.3 The referendum vote for Brexit in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post positive growth numbers through the second half of 2016 and in 2017, albeit at a slower pace than in the first half of 2016.

3.4 The **Monetary Policy Committee, (MPC), meeting of 4th August** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

3.5 The **MPC meeting of 3 November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank.

3.6 The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

3.7 The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

3.8 The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, **consumers** have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015. In addition, the GfK consumer confidence index has recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result.

3.9 **Bank of England GDP forecasts** in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

3.10 **Capital Economics' GDP forecasts** are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

3.11 **The Chancellor** has said he will do 'whatever is needed' i.e. to **promote growth**; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November.

3.12 The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of 3.2% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, (16% down against the US dollar and 11% down against the Euro); this will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

3.13 What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure for October surprised by under shooting forecasts at 0.9%. However, producer output prices rose at 2.1% and core inflation was up at 1.4%, confirming the likely future upwards path.

3.14 **Gilt yields, and consequently PWLB rates**, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and have hit a peak on the way up again of 1.46% on 14 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

3.15 **Employment** has been growing steadily during 2016, despite initial expectations that the referendum would cause a fall in employment. However, the latest employment data in November, (for October), showed a distinct slowdown in the rate of employment growth and an increase in the rate of growth of the unemployment claimant count. **House prices** have been rising during 2016 at a modest pace but the pace of increase has been slowing since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

3.16 **USA.** Forward indicators on the American economy are pointing towards a pickup in growth in the rest of 2016. The Federal Reserve increased rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, have caused a delay in the timing of the second increase which is now strongly expected in December 2016. Overall, despite some data setbacks, the US is still probably the best positioned of the major world economies to make solid progress towards a balanced combination of strong growth, full employment and rising inflation.

3.17 The result of the **presidential election** in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity

3.18 Trump's election has had a profound effect on the **bond market and bond yields** have risen sharply in the week since his election. Time will tell if this is a temporary over reaction, or a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure.

3.19 **EZ.** In the Eurozone, **the ECB** commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%.

3.20 **EZ GDP growth** in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.6% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

3.21 There are also significant specific political and other risks within the EZ: -

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required.
- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority.This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.
- The under capitalisation of **Italian banks** and some **German banks** poses a major risk, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation.
- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this has also become a confidence vote on Prime Minister Renzi.
- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party.
- **French presidential election;** first round 13 April; second round 7 May 2017.
- **French National Assembly election June 2017.**
- **German Federal election August – 22 October 2017.**

- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

3.22 Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question.

3.23 **Asia.** Economic growth in China has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures which further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

3.24 Economic growth in Japan is still patchy, at best, and flirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

3.25 **Emerging countries.** There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that $340bn of emerging market corporate debt will fall due for repayment in the remaining two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

3.26 Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

3.27 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Investment returns are likely to remain relatively low during 2017/18 and beyond;

- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August, they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a "hard Brexit", the fall in the value of sterling , and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or refinancing maturing debt;

- There will remain a cost of carry to any new borrowing which causes a temporary increase in cash balances as this position will, most likely, incur a revenue loss – the difference between borrowing costs and investment returns.

4 Borrowing strategy

Capital Financing

4.1 The Council's capital programme is financed by borrowing and by other available sources such as capital receipts, grants, third party contributions and revenue contributions.

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

4.3 The Council also makes use of operating and finance leases to fund some types of expenditure where these offer better value for money than straightforward purchase and capital financing. Examples of the types of assets that might be leased are IT equipment and office furniture.

4.4 The accounting treatment for operating and finance leases is very different. The annual costs of operating leases are treated as revenue expenditure in the accounts and are not included in the Council's capital programme. In contrast, finance leases have to be treated as capital expenditure items in the Council's accounts. Changes to accounting regulations mean that leases are increasingly being classified as finance leases.

Borrowing

4.5 The Council as a whole is currently maintaining an under borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt. Instead, cash supporting the Council's reserves, balances and cash flow has been used to fund borrowing.

4.6 This strategy of internal borrowing, has served the Council well in the current economic climate, as investment returns are low and counterparty risk is relatively high. However, the decision to maintain internal borrowing to generate short term savings must be evaluated against the potential for incurring additional long term borrowing costs in future years, when long term interest rates are forecast to be significantly higher. Consequently, the strategy for 2017/18 and until mid 2018/19 will be to continue to use internal rather than external borrowing to fund capital expenditure. However, from mid 2018/19 until the end of 2021/22 the objective will be to replace existing internal borrowing with external borrowing in order to reduce the under borrowed position to within £10m of the fully funded position. This course of action is being projected due to indicators showing rates of long term borrowing beginning to rise from 2018/19 and there being a need to "future proof " investment in order to deliver the Council's efficiency plan.

4.7 Against this background and the risks within the economic forecast, caution will be adopted with the 2017-18 treasury operations. The S151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

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

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

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

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

Loans to Third Parties

4.12 The Council may make grants or loans to third parties for the purpose of capital expenditure, as allowable under paragraph 25 (1) (b) of the Local

Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146). This will usually be to support local economic development, and may be funded by external borrowing.

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

4.14 Further enhancement of the governance and due diligence in respect of the awarding of grants and third party loans is in the course of being developed during 2016/17 and 2017/18. This covers the development and introduction of:

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

4.15 Loans currently in place are to Northampton Town Rugby Football Club (NTRFC), Unity Leisure, Cosworth, University of Northampton and Delapre Abbey Preservation Trust (DAPT)

Prudential & Treasury Indicators

4.16 The Council's prudential and treasury indicators for 2017-18 to 2021-22 are set out at Appendix 3.

Policy on borrowing in advance of need

4.17 Under the Local Government Act 2003 local authorities are able to borrow in year for the current year capital programme and for the following two years. The Council's policy on borrowing in advance of need is that this will not be undertaken purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

4.18 The Council will:

- Ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- Ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- Consider the merits and demerits of alternative forms of funding
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

Debt rescheduling

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

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

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

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

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

Affordable Borrowing Limit

4.23 The Local Government Act 2003 and supporting regulations require the Council to determine and keep under review how much it can afford to borrow. The amount determined is termed the "Affordable Borrowing Limit". This is equivalent to the treasury indicator for the authorised limit.

4.24 The Council's affordable borrowing limit for 2017-18 is set at £335m. The table below shows the limits for next year and the following four years, broken down between the limit required for the Council's Efficiency Plan, its other capital expenditure purposes and that anticipated for the provision of loans to third parties.

Affordable Borrowing Limit					
	2017-18	2018-19	2019-20	2020-21	2021-22
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
NBC Efficiency Plan CFR	0	0	0	0	0
Other NBC CFR plus headroom	284	290	295	295	295
To support loans to third parties	51	50	50	50	50
Affordable Borrowing Limit	**335**	**340**	**345**	**345**	**345**

Temporary Borrowing

4.25 The Council may occasionally undertake short-term temporary borrowing if this is needed to cover its cash flow position. The maximum amount of temporary borrowing that the Council will borrow from any one counterparty will be £5m.

4.26 In addition, under long standing arrangements, the Council manages deposits from two local organisations. Formal agreements were set up with these organisations in April 2009. These contain the following operational arrangements:

- Interest rates set in line with the average rate of interest achieved by the Council in the preceding period, less 0.5%
- Quarterly review of interest rates
- Withdrawal notice periods of 7 days
- Termination notice of 7 days

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

Overdraft Facilities

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

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

5 Minimum Revenue Provision

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

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

5.3 The Council’s policy statement on MRP for 2017-18 is set out at Appendix 4. . The policy is considered by the Section 151 Officer to provide for the prudent repayment of debt.

6 Investment strategy

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

6.2 The Council’s general policy objective is to invest its surplus funds prudently, and its investment priorities in priority order are

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

6.3 The Council’s Annual Investment Strategy for 2017-18 is set out at Appendix 5.

7 Sensitivity of the forecast and risk analysis

Risk Management

7.1 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Council’s approved Treasury Management Practices. The main risks to the treasury activities are:

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

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

Sensitivity of the Forecast

7.3 The sensitivity of the forecast is linked primarily to movements in interest rates and in cash balances, both of which can be volatile. Interest rates in particular are subject to global external influences over which the Council has no control. In terms of interest rates, with the forecast average investment portfolio of £74.0m for 2017-18 each 0.1% increase or decrease in investment rates equates to £74.0k, the revenue impact of which is shared between the HRA and the General Fund.

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

8 Reporting arrangements

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

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

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

8.3 Full details of the Council's treasury management reporting arrangements are contained in the Council's Schedules to the Treasury Management Practices (TMP 6 – Reporting Requirements and Management Information Arrangements)

9 Debt financing budget

9.1 The following table sets out the Council's debt financing budget for 2017-18 to 2021-22. Interest payable and reimbursements in respect of loans to third parties already in place as at December 2016 are included.

9.2

Debt Financing Budget – NBC					
	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000
Interest payable	1,619	1,581	1,633	1,901	1,697
Interest Receivable	(1,424)	(1,272)	(1,469)	(1,735)	(1,663)
MRP	1,327	1,410	1,483	1,547	1,569
Recharges from/(to) the HRA	96	79	152	151	162
Total	**1,618**	**1,798**	**1,799**	**1,864**	**1,765**

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

Interest Rate Assumptions					
	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Investments	0.55	0.25	0.50	0.75	1.00
GF Borrowing 10 year PWLB	2.30	2.40	2.60	2.80	3.00
GF Borrowing 25 year PWLB	3.00	3.00	3.30	3.50	3.70
GF Borrowing 50 year PWLB	2.80	2.90	3.10	3.30	3.50

Assumptions on HRA interest on borrowing may differ slightly as they have been aligned to the HRA Business Plan assumptions.

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

10 Policy on the use of external service providers

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

10.2 The current supplier of service is Capital Asset Services, under a framework contract with LGSS. The costs of the service are met by LGSS.

10.3 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the external service providers. However it also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

11 Current and future developments

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

Localism Act 2011

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

Enterprise Zone

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

Tax Incremental Financing

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

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

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

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

Spending Review and Autumn Statement 2016

11.8 The Government spending review is published as part of the Chancellor's Autumn Statement on 23 November 2016. The detail and the implications for this and other Council's has still to be analysed and incorporated as required.

12 Training

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

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

13 List of appendices

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

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

Treasury Management Scheme of Delegation

Council

The Council is responsible for:

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

Cabinet

The Cabinet is responsible for:

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

Audit Committee

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

Treasury management role of the Section 151 Officer

The Council's Chief Finance Officer 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 Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

The Responsible Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations

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

The Responsible Officer is responsible for:

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

Appendix 2

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

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

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

1.3 The Council applies the requirements of the CLG Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012 in recharging debt financing and debt management costs between the HRA and the General Fund. The interest rates to be applied are determined as follows:

Principal Amount		**Interest Rate**
HRA Credit Arrangements CFR: concession agreements and finance leases		Average rate on HRA credit arrangements
HRA Loans CFR: long term loans (external)		Average rate on HRA external debt
HRA Loans CFR: short term loans payable (under funded CFR)		Average rate on GF external debt/or for formally agreed borrowing from GF resources an agreed PWLB equivalent rate.
HRA Loans CFR: short term loans receivable (over funded CFR)		Average rate on external investments/or for earmarked medium term reserves an actual external investment rate
HRA Cash balances: short term loans payable (cash balances overdrawn)		Average rate on external investments
HRA Cash balances: short term loans receivable (cash balances in hand)		Average rate on external investments/or for earmarked medium term reserves an actual external investment rate

1.4 For the purpose of calculating interest rates:

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

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

1.6 Risk associated with external loans sit with either the GF or HRA depending on which of these the loan has been earmarked to. This will include interest rate risk, for example the risk of interest rate rises associated with LOBOs.

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

1.8 Where risk cannot be earmarked specifically to either the General Fund or HRA, it is apportioned fairly between the two, using relevant available data. For example, in the event of impairment of an investment counterparty, the loss will be apportioned between the two funds based on an estimated proportion of cash balances held.

Appendix 3

Prudential and Treasury Indicators

The prudential indicators for 2017-18 to 2021-22 are set out below, each one with a commentary and risk analysis.

Affordability

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

Commentary

The indicator has been calculated as the estimated net financing costs for the year divided by the amounts to be met from government grants and local taxpayers for the non-HRA element, and by total HRA income for the HRA element. The objective is to enable trends to be identified.

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

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

Estimate of the ratio of financing costs to net revenue stream						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Estimate %	Estimate %	Estimate %	Estimate %	Estimate %	Estimate %
GF Efficiency Plan	0.00	0.00	0.00	0.00	0.00	0.00
Other General Fund	5.86	7.10	7.93	8.07	8.29	7.80
Total General Fund	**5.86**	**7.10**	**7.93**	**8.07**	**8.29**	**7.8**
HRA	**35.64**	**39.04**	**40.82**	**41.12**	**41.53**	**40.92**

Risk Analysis

Debt financing costs relating to past and current capital programmes have been estimated in accordance with proper practices. Actual costs will be dependent on the phasing of capital expenditure and prevailing interest rates, and will be closely managed and monitored on an ongoing basis. Carry forwards in the capital programme, whether planned or unplanned, will delay the impacts of debt financing costs to future years

b) Estimate of the incremental impact of capital investment decisions on the council tax

Commentary

This indicator represents an estimate of the incremental impact of new capital investment decisions on the annual Council Tax (Band D). It is intended to show the effect on the Council Tax of approving additional capital expenditure.

Revenue budget impacts may arise from the following:

- Direct revenue contributions
- Lost interest on use of capital receipts
- Lost interest on use of internal borrowing
- Lost interest on use of earmarked reserves
- Interest on use of external borrowing
- Revenue running costs or savings

The figure represents the incremental impact on Council Tax from agreed capital expenditure schemes continuing from 2016-17 and prior years, starting in 2017-18 and planned for 2018-19 to 2021-22.

Estimates of incremental impact of new capital investment decisions on the Council Tax						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p
GF Efficiency Plan	0.00	0.00	0.00	0.00	0.00	0.00
Other General Fund	0.59	0.24	1.78	3.83	5.70	6.24
Total General Fund	**0.59**	**0.24**	**1.78**	**3.83**	**5.70**	**6.24**

Risk Analysis

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

Additions to the Capital Programme are supported by a capital appraisal or a report to Cabinet setting out the costs and funding, as well as the benefits and risks of the project, and these should include any additional revenue costs associated with a scheme.

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

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

Commentary

This indicator represents an estimate of the incremental impact of new capital investment decisions on average weekly housing rents.

Revenue budget impacts may arise from the following:

- Direct revenue contributions
- Lost interest on use of revenue contributions
- Lost interest on use of capital receipts
- Lost interest on use of internal borrowing
- Lost interest on use of earmarked reserves
- Lost interest on use of Major Repairs Allowance (MRA)
- Interest on use of external borrowing
- Revenue running costs or savings

The figures represent the incremental impact on weekly housing rents from agreed capital expenditure schemes continuing from 2016-17 and prior years, starting in 2017-18 and planned for 2018-19 to 2021-22.

The availability of additional revenue (reserve) funds to support capital expenditure is linked to the HRA self financing reforms; the abolition of subsidy payments to government (replaced by debt financing costs) has supported capital investment, initially to meet decent homes standards, and subsequently to maintain those standards and to invest in estate regeneration and/or new homes build. Actual rent rises will remain in line with the government rent restructuring policy, now laid down in legislation.

Estimates of incremental impact of new capital investment decisions on Housing Rents						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p
HRA	0.25	0.08	0.15	0.48	1.00	1.72

Risk Analysis

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

Additions to the HRA Capital Programme are supported by a capital appraisal or a report to Cabinet setting out the costs and funding, as well as the benefits and

risks of the project, and these should include any additional revenue costs associated with a scheme.
.

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

Prudence

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

Commentary

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

Gross debt and the capital financing requirement				
	2017-18 £000 GF Efficiency Plan	2017-18 £000 Other Excluding Third Party Loans	2017-18 £000 Total Excluding Third Party Loans	2017-18 £000 Including Third Party Loans
ross external debt	**0**	**217,119**	**217,119**	**232,103**
2016-17 Closing CFR (forecast)	0	258,687	**258,687**	**309,747**
Increases to CFR**:				
2017-18	0	9,020	**9,020**	**8,740**
2018-19	0	6,692	**6,692**	**6,412**
2019-20	0	1,728	**1,728**	**1,448**
Adjusted CFR	**0**	**276,127**	**276,127**	**326,347**
Gross external debt less than adjusted CFR	**Yes**	**Yes**	**Yes**	**Yes**

*** Where the change to the CFR is negative the adjustment is treated as zero.*

Risk Analysis

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

Capital Expenditure

e) Estimates of capital expenditure

Commentary

This indicator requires reasonable estimates of the total of capital expenditure to be incurred during the forthcoming financial year and at least the following two financial years.

The draft capital programme for 2017-18 to 2021-22 is included elsewhere on this agenda and the prudential indicator figures are based on that report.

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

Capital Expenditure					
	2017-18	2018-19	2019-20	2020-21	2021-22
	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
GF Efficiency Plan	0	0	0	0	0
Other General Fund	8,990	2,887	2,225	2,225	2,225
Loans to third parties	0	0	0	0	0
Total GF	**8,990**	**2,887**	**2,225**	**2,225**	**2,225**
HRA	**24,643**	**23,209**	**21,657**	**22,810**	**20,184**
Total	**33,633**	**26,096**	**23,882**	**25,035**	**20,184**

Risk Analysis

There is a real risk of cost variations to planned expenditure against the capital programme, arising for a variety of reasons, including tenders coming in over or under budget, changes to specifications, and slowdown or acceleration of project phasing. There is also the possibility of needing to bring urgent and unplanned capital works into the capital programme. The risks are managed by officers on an ongoing basis, by means of active financial and project monitoring. Any significant issues are reported to Cabinet as part of the finance and performance reporting cycle.

The availability of financing from capital receipts, grants and external contributions also carries significant risk. This can be particularly true of capital receipts, where market conditions are a key driver to the flow of funds, causing particular problems in a depressed or fluctuating economic environment. The financing position of the capital programme is closely monitored by officers on an ongoing basis and any significant issues are reported to Cabinet as part of the finance and performance reporting cycle.

f) Estimates of capital financing requirement (CFR)

Commentary

External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. The CFR can be understood as the Council's underlying need to borrow money long term for a capital purpose – that is, after allowing for capital funding from capital receipts, grants, third party contributions and revenue contributions.

The Council is required to make reasonable estimates of the total CFR at the end of the forthcoming financial year and the following two years thereafter. A local authority that has an HRA must identify separately estimates of the HRA and General Fund CFR.

The CFR has been calculated in line with the methodology required by the relevant statutory instrument and the guidance to the Prudential Code. It incorporates the actual and forecast borrowing impacts of the Council's previous, current and future capital programmes.

The table below splits out the impacts of loans to third party organisations funded by borrowing, where these are included in the Council's capital programme.

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

The HRA CFR shows an increase of £12m over the five year period as additional borrowing is planned to support the HRA capital programme, which included £8m to fund new council house building at Dallington Beck. The HRA does not make an annual revenue provision towards debt repayment.

The changes to CFR for future years (2018-19 to 2021-22) are subject to future Council decisions in respect of the capital programme for those years

Capital Financing Requirement (Closing CFR)						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	31 March 2016 £000	31 March 2016 £000	31 March 2016 £000	31 March 2016 £000	31 March 2016 £000	31 March 2016 £000
GF Efficiency Plan	0	0	0	0	0	0
Other General Fund	64,769	65,470	65,470	65,628	65,723	64,167
Total General Fund	**64,769**	**65,067**	**65,470**	**65,628**	**65,723**	**64,167**
HRA	**193,918**	**202,640**	**208,929**	**210,499**	**214,372**	**214,372**
Total	**258,687**	**267,707**	**274,399**	**276,127**	**280,095**	**278,539**
Loans to third parties (GF	**51,060**	**50,780**	**50,500**	**50,220**	**49,970**	**49,750**
Total	**309,747**	**318,487**	**324,899**	**326,347**	**330,065**	**328,289**

Risk Analysis

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

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

External Debt

g) Authorised limit for external debt

Commentary

For the purposes of this indicator the authorised limit for external debt is defined as the authorised limit for borrowing plus the authorised limit for other long term liabilities.

This requires the setting for the forthcoming financial year and the following four financial years of an authorised limit for total external debt (including temporary borrowing for cash flow purposes), gross of investments, separately identifying borrowing from other long term liabilities.

The authorised limit represents the maximum amount the Council may borrow at any point in time in the year. It has to be set at a level the Council considers is “prudent” and be consistent with plans for capital expenditure and financing. It contains a provision for forward funding of future years capital programmes, which may be utilised if current interest rates reduce significantly but are predicted to rise in the following year.

This limit is based on the estimate of the most likely but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. It includes headroom for any planned loans to third party organisations where aplicable.

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

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

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

Authorised limit for external debt					
	2017-18	2018-19	2019-20	2020-21	2021-22
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
Borrowing	330	335	340	340	340
Other long-term liabilities	5	5	5	5	5
Total	**335**	**340**	**345**	**345**	**345**

Risk Analysis

Risk analysis and risk management strategies have been taken into account in setting this indicator, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of the Council's cash flow requirements.

h) Operational boundary for external debt

Commentary

The proposed operational boundary is based on the same estimates as the authorised limit. However it excludes the additional headroom included within the authorised limit to allow for unusual cash movements.

The operational boundary represents a key management tool for in year monitoring by the S.151 Officer.

Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

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

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

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

Operational boundary for external debt					
	2017-18	2018-19	2019-20	2020-21	2021-22
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
Borrowing	320	325	330	330	330
Other long-term liabilities	5	5	5	5	5
Total	**325**	**330**	**335**	**335**	**335**

Risk Analysis

Risk – Risk analysis and risk management strategies have been taken into account in setting this indicator, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of the Council's cash flow requirements.

i) HRA Limit on Indebtedness

Commentary

The local authority is required to report the level of the limit imposed (or subsequently amended) at the time of implementation of self-financing by the Department for Communities and local Government. It is the HRA capital financing requirement that will be compared to this limit.

Indicator

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

Risk Analysis

The current HRA business plan has been modelled with full regard to the DCLG debt cap requirements. The risk assessment of the business plan does not identify the breach of the debt cap as a risk. However there is an identified risk around the Government's rent setting policy which is now laid down in legislation and also that inflation levels may change more than expected. This could result in the financial assumptions in the business plan proving to be inaccurate, leading to reduced headroom for borrowing with the need for a combination of savings and a re-phased Asset Management Plan . In this instance borrowing may reach (but not breach) the debt cap.

Treasury Management

j) Adoption of the CIPFA code of Practice for Treasury Management in the Public Services

Commentary

The Prudential Code requires that the local authority has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. The aim is to ensure that treasury management is led by a clear and integrated forward looking treasury management strategy, and recognition of the pre-existing structure of the authority's borrowing and investment portfolios.

Indicator

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

Risk Analysis

Effective risk management is a fundamental requirement for the treasury management function, and this theme runs explicitly through the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

The prime policy objectives of the Council's investment activities are the security and liquidity of funds, and return on investments will be considered only once these two primary objectives have been met. The Council will thereby avoid exposing public funds to unnecessary or unquantified risk.

The Council's Treasury Management Strategy Report for 2017-18 to 2021-22 discusses the ways in which treasury management risk will be determined, managed and controlled.

Treasury Indicators

k) Maturity structure of borrowing

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

The indicator represents the amount of projected borrowing that is fixed rate maturing in each period expressed as a percentage of total projected borrowing that is fixed rate at the start of the period where the periods in question are:

- Under 12 months;
- 12 months and within 24 months;
- 24 months and within 5 years;
- 5 years and within 10 years;
- 10 years and within 20 years;
- 20 years and within 30 years;
- 30 years and within 40 years;
- 40 years and above.

The Treasury Management Code of Practice Guidance Notes requires that the maturity is determined by the earliest date on which the lender can require payment, which in the case of LOBO loans is the next break period. However in the current low interest rate environment the likelihood of the interest rates on these loans being raised and the loans requiring repayment at the break period is extremely low.

The proposed limits for the forthcoming year are:

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

Risk – The debt maturity profile is actively managed to ensure that debt maturity is prudently spread across future years. This ensures that the Council can properly plan for the maturity of its borrowings, and is not exposed to unmanageable risks.

l) Upper limits on interest rate exposures

The Council must set for the forthcoming financial year and the following two financial years, upper limits to its exposure to the effect of changes in interest rates. These limits relate to both fixed interest rates and variable interest rates, and are referred to as the upper limits on fixed interest rate and variable interest rate exposures.

The purpose of the indicator is to express the Council’s appetite for exposure to variable interest rates, which may, subject to other factors, lead to greater volatility in payments and receipts. However this may be offset by other benefits such as lower rates, as in the case of LOBOs.

These limits can be expressed either as absolute amounts or as a percentage. They may be related either to the authority’s net principal sum outstanding on its borrowing/investments or to the net interest on these.

As a result of advice from the Council’s treasury advisors, these indicators have been set as percentages rather than absolute values. Separate indicators are set and monitored for debt and investments, as well as for the net borrowing position.

It is proposed to maintain the upper limits on interest rate exposures for borrowing at 100% for both fixed and variable rate debt. This will allow officers to make judgements on the most appropriate form of borrowing dependant on the market conditions and rates on offer, rather than being artificially constrained by the indicator. In practice there is likely to be a mix of fixed and variable rate borrowing in the Council’s debt portfolio.

Upper limits on interest rate exposures - borrowing		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2016-17	100%	100%
2017-18	100%	100%
2018-19	100%	100%
2019-20	100%	100%
2020-21	100%	100%
2021-22	100%	100%

Upper limits on interest rate exposures - investments		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2016-17	100%	100%
2017-18	100%	100%
2018-19	100%	100%
2019-20	100%	100%
2020-21	100%	100%
2021-22	100%	100%

The interest rate exposures for net borrowing are distorted when debt and investment are combined. However, this combined indicator is included here for completeness, and as required by the Treasury Management Code of Practice. The percentages in the table below allow for both borrowing and investments to independently reach limits of 100% for both fixed and variable rates. Actual percentages on net borrowing may sometimes be in excess of 100% or below zero (ie negative percentages).

Upper limits on interest rate exposures – net borrowing		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2016-17	150%	150%
2017-18	150%	150%
2018-19	150%	150%
2019-20	150%	150%
2020-21	150%	150%
2021-22	150%	150%

m) Total principal sums invested for periods longer than 364 days

Under the Local Government Act 2003 and the CLG Guidance on Local Authority Investments 2004 (revised 2010), all Councils are permitted to invest for periods exceeding 1 year (or 364 days). The Council is required to set a limit to the level of such investments it might wish to make.

This limit can be expressed as a percentage or as an absolute amount (i.e. a monetary figure). The Council has chosen to work to a limit represented as an absolute amount as officers consider this to be the most transparent method and the more straightforward to monitor.

The limit has been set at a level that would allow for monies not anticipated to be spent in year to be invested for longer periods if interest rates are favourable.

The proposed limits for the forthcoming, and following four financial years are as follows.

Upper limit on investments for periods longer than 364 days					
	2017-18	2018-19	2019-20	2020-21	2021-22
	Upper Limit £m	Upper Limit £m	Upper Limit £m	Upper Limit £m	Upper Limit £m
Investments > 364 days	7	7	8	9	10

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

Appendix 4

Minimum Revenue Provision Policy Statement

1.1 The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008, which came into force in February 2008, require local authorities to make 'prudent provision' for the repayment of its General Fund debt. This debt repayment is known as the Minimum Revenue Provision (MRP).

1.2 A number of options for prudent provision are set out in the regulations. The underlying principle is that the repayment of debt should be aligned to the useful life of the asset or assets for which the borrowing has been carried out.

1.3 Since 2007-08 the Council has used the transitional measures available to calculate MRP for all capital expenditure prior to 1 April 2008 as if the previous regulations were still in force.

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

1.5 The Council's policy statement on MRP for 2016-17 is set out below. The policy is considered by the Section 151 Officer to provide for the prudent repayment of debt.

1.5.1 The Council has implemented the 2008 CLG Minimum Revenue Provision (MRP) guidance from 2008-09 onwards, and assessed their MRP from 2008-09 onwards in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

1.5.2 MRP relating to the historic debt liability incurred for years up to and including 2007-08 will continue to be charged at the rate of 4% on the reducing balance, in accordance with option 1 of the guidance, the "regulatory method".

1.5.3 The debt liability relating to capital expenditure incurred from 2008-09 onwards will be subject to MRP under option 3, the "asset life method", and will be charged over a period that is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

1.5.4 Estimated life periods will be determined in line with accounting guidance and regulations. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, the Council will generally adopt these periods. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

1.5.5 As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis that most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner that reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

1.5.6 The Council will seek to spread MRP charges prudently in relation to asset lives, and with regard to the revenue impact of MRP charges. Where prudent to do so, capital receipts will be used to repay borrowing previously taken out in relation to assets with a short life. MRP on residual debt will be based on the lives of the remaining asset for which borrowing was undertaken.

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

1.5.8 In cases where the Council has approved the use of capital receipts to fund the asset, this funding will be assumed when the receipt is contractually certain, even if not actually received. In such cases no MRP charge will be made.

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

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

1.5.11 Where finance leases are held on the balance sheet, the MRP will be set at a charge equivalent to the element of the annual lease charge that goes to write down the balance sheet liability, thereby applying Option 3 in a modified form.

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

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

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

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

Annual Investment Strategy

1 Investment policy

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

1.2 The Council's appetite for risk must be clearly identified in its strategy report. The Council affirms that its investment policies are underpinned by a strategy of prudent investment of funds held on behalf of the local community. The objectives of the investment policy are firstly the security of funds (protecting the capital sum from loss) and then liquidity (keeping money readily available for expenditure when needed). Once approved levels of security and liquidity are met, the Council will seek to maximise yield from its investments, consistent with the applying of the agreed parameters. These principles are carried out by strict adherence to the risk management and control strategies set out in the TMP Schedules and the Treasury Management Strategy.

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

2 Creditworthiness policy

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

2.2 The Council defines high credit quality in terms of investment counterparties as those organisations that:

- Meet the requirements of the creditworthiness service provided by the Council's external treasury advisers (ie have a colour rating) and,
- Have sovereign ratings of AA or above, or are
- UK banking or other financial institutions or are
- UK national or local government bodies or are
- Triple A rated Money Market funds

3 Sovereign limits

3.1 Expectation of implicit sovereign support for banks and financial insitutions in extraordinary situations has lessened considerably in the last two to three years, and alongside that, national and international changes to banking regulations have focussed on improving the banking sectors internal resilience to financial and economic stress. The Council has therefore reviewed its existing policy of restricting overseas investments to counterparties in countries with a sovereign rating of AA+.

3.2 The Council has determined that for 2017-18 it will only use approved counterparties from countries with a sovereign credit rating from the three main ratings agencies of at least AA. However the limit for the amount that may be invested and the duration of the investment will be banded according to the sovereign rating. These limits are set out in the table at paragraph 7.4.

3.3 The list of countries on the Capita counterparty list that qualify using these credit criteria as at the date of this report are shown below. This list will be amended by officers should ratings change, in accordance with this policy.

AAA	**AA+**	**AA**
Australia	Finland	Abu Dhabi (UAE)
Canada	Hong Kong	France
Denmark	USA	Qatar
Germany		UK
Luxembourg		
Netherlands		
Norway		
Singapore		
Sweden		
Switzerland		

4 Investment position and use of Council's resources

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

Year End Resources £m	2016-17 Projected	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate
Core funds	100	100	100	100	100	100
Working capital surplus	15	15	15	15	15	15
Total funds	**115**	**115**	**115**	**115**	**115**	**115**
Less under/(over) borrowing	40	43	38	27	17	6
Expected investments	**75**	**72**	**77**	**88**	**98**	**109**

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

4.3 The Strategic intention to reduce the under borrowed position by 2021/22 will lead to greater investment being an option. This trend is illustrated in the above table that shows a steady increase in the expected investment level.

5 Specified investments

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

(i) Specified investments – broadly, sterling investments, not exceeding 364 days and with a body or investment scheme of high credit quality.

(ii) Non-specified investments – do not satisfy the conditions for specified investments. This may include investment products that would normally be considered as specified investments, but are judged to have a higher level of risk than normal attached to them.

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

5.3 The majority of the Council’s investments in 2017-18 will fall into the category of specified investments.

6 Non-specified investments

6.1 Prior to the start of each financial year officers review which categories of non-specified investments they consider could be prudently used in the coming year.

6.2 The officer recommendation for 2017-18 is that the following non specified investments may be entered into:

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

Amounts deposited for over 364 days will be determined by liquidity considerations and by whether longer term interest rates are favourable, and all deposits will be in accordance with counterparty limits.

Only counterparties in the Council's current approved counterparty list that have limits of over 364 days will be used for such investments.

Any overall stricter limits in force in the Council's investment counterparty policies at any time will take precedence.

The maximum amount that the Council will hold at any time during the year as long-term investments is £6m.

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

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

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

The business plan will include:

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

7 Counterparties

7.1 Over-arching policies for the management of counterparty and credit risk are set out in the TMP Schedules (TMP 1 Risk Management). The Council's approach to counterparties for 2017-18 is set out below:

7.2 The Chief Finance Officer (CFO) will use the recommendations of the creditworthiness service provided by the Council's external treasury advisers to determine suitable counterparties and the maximum period of investment, using the ratings assigned.

7.3 The CFO will determine, in the context of the above, and taking into account appropriate risk management factors:

- Any further criteria to be put in place to determine suitable counterparties
- The maximum investment amount to be held with each type of counterparty assigned a rating
- The maximum investment period with each type of counterparty assigned a rating

7.4 The following table sets out the Council's counterparty criteria for 2017-18.

Investments may be placed with counterparties recommended by the Council's external treasury advisors, and which meet the following criteria			
	Counterparty Type	**NBC Additional Limits – Value per individual counterparty or banking group**	**NBC Additional Limits - Duration**
(1a)	UK Government	£20m	3 years
(1b)	UK nationalised or part nationalised banking institutions	£20m	3 years
(1c)	Other UK counterparties	£15m	3 years
(1d)	Other Local Authorities	£10m	3 years
(2a)	Non UK counterparties having a sovereign rating of AAA	£15m	3 years
	Non UK counterparties having a	£10m	2 years

(2b)	sovereign rating of AA+		
(2c)	Non UK counterparties having a sovereign rating of AA	£3m	1 year
(3)	Money Market Funds (CNAV) having a credit rating of AAA	£15m	N/A Liquid deposits

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

7.6 The maximum percentage of the investment portfolio, excluding instant access accounts and Money Market Funds, that may be placed with overseas counterparties at any one time is 50%.

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

7.8 The total value of investments over 364 days at any one time is restricted by the treasury indicator for the upper limit on investments for periods longer than 364 days.

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

7.10 The Chief Finance Officer has discretion during the financial year to lift or increase the restrictions on the counterparty list and/or to adjust the associated lending limits on values and periods should it become necessary to enable the effective management of risk in relation to investments. At all times the Council's minimum level of credit risk, as set out in the TMP Schedules (TMP 1 Risk Management), will be met.

8 Liquidity of Investments

8.1 Most short-term investments are held for cashflow management purposes and officers will ensure that sufficient levels of short-term investments and cash are available for the discharge of the Council's liabilities.

8.2 Investment periods range from overnight to 364 days as specified investments, or 3 years as non-specified investments. When deciding the length of each investment, regard is had to both cashflow needs and prevailing interest rates. As cash balances available for investment are forecast to be somewhat reduced compared to previous years, the preservation of liquidity will be a critical determinant for treasury officers when determining the value and duration of investments.

8.3 Amounts deposited for over 364 days will also be determined by liquidity considerations and by whether longer term interest rates are favourable, and all deposits will be in accordance with counterparty limits and the treasury indicator for investments over 364 days. Long term investments of over 2 years will only be made in exceptional circumstances.

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

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

9 Investments defined as capital expenditure

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

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

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

10 Lending to third parties

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

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

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

10.2 Loans of this nature must be approved by Cabinet.

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

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

11 Provisions for credit related losses

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

12 Banking services

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

12.2 It is the Council's intention that should in the event of the credit rating of the provider of its banking services falling below the minimum investment criteria the bank will continue to be used for short term liquidity requirements.

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.

Appendices
5

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	Housing Revenue Account (HRA) Budget, Rent Setting 2017/18 and Budget Projections 2018/19 to 2021/22

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	14 December 2016
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 2017/18, including Rent setting for 2017/18, and forecast budgets for 2018/2022 for the draft Housing Revenue Account (HRA) and the draft HRA Capital Programme and financing proposals.

1.2 The report also outlines the draft Total Fees for Northampton Partnership Homes (NPH) based on the draft 2017/18 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 5 for public consultation.

2.2 That Cabinet approve the draft HRA Capital Programme and financing, including bringing the housing stock up to the Northampton Standard, as detailed in Appendix 2 for public consultation.

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

3. Issues and Choices

3.1 Report Background

3.1.1 Local housing authorities are required by Section 754 of the Local Government and Housing Act 1989 (the 1989 Act) to keep a HRA. The HRA reflects a statutory obligation to account separately for local authority housing provision. It identifies the major elements of the HRA expenditure and how these are funded, mainly from rents. The HRA budget process incorporates the calculation for the continuation of delivery of the HRA services by NPH. The details of the arrangements and indicative financial Total Fees were presented to Cabinet on the 12th November 2014. This report provides the updated financial position and indicative Total Fee for NPH for 2017/18 to provide the services in scope. It should be noted that the Total Fee for NPH in 2017/18 will be subject to approval of the HRA and General Fund Budgets by Council at its meeting in February 2017.

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

The Financial Position

3.1.3 The national and global economic outlook has shifted over the last 12 months, due to the outcome of the referendum on June 23rd leading to the UKs proposed withdrawal from the European Union, and more recently the outcome of the presidential election in the United States. The impact on the Borough Council's budget and HRA medium term financial plan are:

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

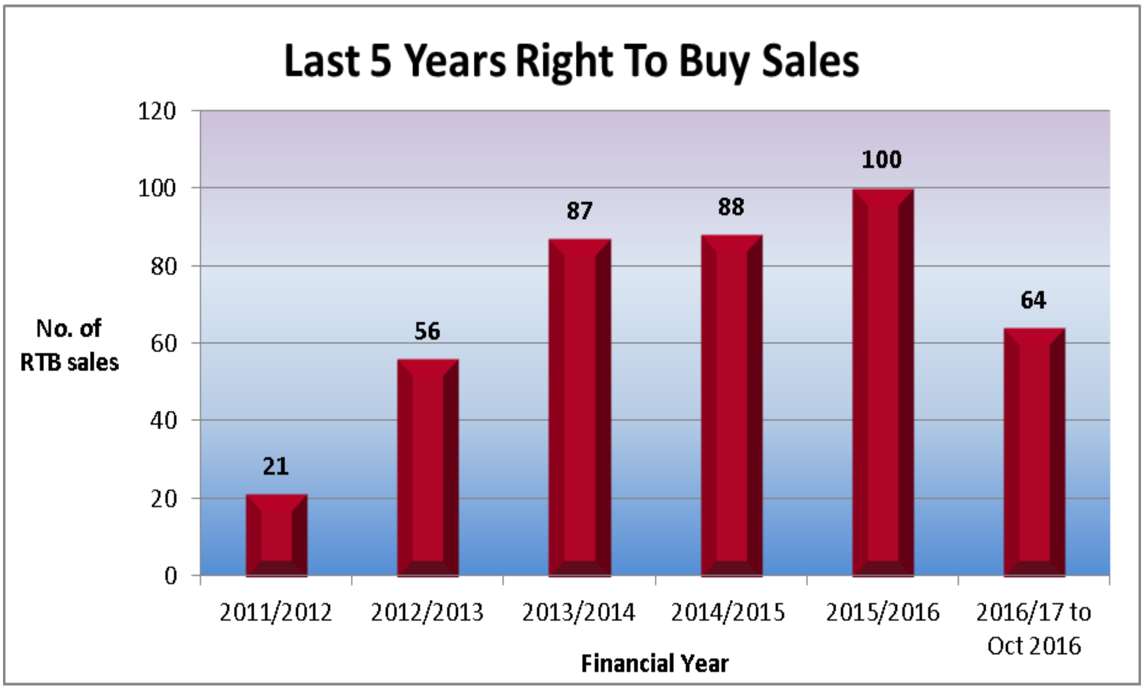
- Inflation is expected to increase from current rates (CPI 0.9%, RPI 2%) over the next 12 months as the impact of the fall in the value of the pound feeds through into consumer prices. This will potentially lead to inflationary pressures within the Council's HRA budget.

- Interest rates are forecast to stay low over the medium term. The Bank of England base rate was reduced to 0.25% in August 2016 and is not expected to rise in the short term. These reduced interest rate forecasts have a significant negative impact on the Council's income from interest on cash balances of which the HRA gets a share. On the positive side, PWLB borrowing rates are also low making longer-term borrowing to fund investments more attractive.

3.1.4 **HRA Debt Cap**. The HRA is subject to a debt cap whereby the Council cannot carry borrowing on the HRA above the level set by the Government. For Northampton, this level is £208.4m. The debt cap is to be increased by £8.6m via a special determination after the Council was successful in it's Local

Growth Fund (LGF) Bid for Council House New Build, more detail of which is reported in paragraph 3.1.6 below. This will increase the Council's HRA debt cap to £217m. The Council has also set a prudent minimum level of working revenue balances for the HRA at £5m. Both these are key considerations taken into account when setting the HRA Revenue Budget and HRA capital programme for 2017/18 onwards.

3.1.5 **Right to Buy (RTB**) sales have increased compared to recent years following an increase in discount levels introduced from April 2012. The total RTB sales for the last 5 years, and the current year to date is shown in the graph below:



Assumptions based on these increased resources are included within the indicative HRA capital programme financing shown at Appendix 3. The level included in 2017/18 is £2.4m. There are two additional considerations arising from this change:

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

b) The additional capital receipts, (retained "1 For 1" RTB receipt element 2017/18 £1.4m), 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. Quarter 2 of this year resulted in a repayment of £26k to Government plus interest. The Council is working closely with NPH to ensure that a new approach is implemented that will achieve the replacement homes that was intended by the agreement reducing the risk of repayment to government. As a result of this the capital programme has been reprioritised and funding of £2m identified and vire to help cover the total expenditure i.e. the remaining 70% in year.

3.1.6 **New Council House Build**. The Council was successful in its bid, under the Governments LGF scheme, for an increase in its debt cap specifically to help fund the building of 100 new Council homes at Dallington. The increase in debt cap awarded was £8.6m, (£600k for the current year and £8m for 2016/17) which allowed the Council to borrow specifically for this project. The costs and borrowing for this project are forecast to be covered over the life of the project by the rental streams generated by affordable rents.

This project has slipped significantly behind plan and as a result the Council applied in May 2016 to get the LGF increase in debt cap re-phased into 2017/18. This request was granted to the Council in October 2016, (re-phasing the borrowing £1m 2016/17 and £7.6m in 2017/18) however recent discussions held with the developer have resulted in this revised deadline being unachievable. As a result of this NPH have been working with the Council to bring forward potential substitute schemes, (the principle of which has been agreed by the Government), which are currently being evaluated. Cabinet will be asked to approve the redirecting of funding to the substitute schemes at a future meeting.

NPH has developed a Business proposition in consultation with the Council to demonstrate the opportunity and viability of creating a delivery vehicle to provide new council housing for the Council. The proposal is a 10 year Housing development programme of new developments to deliver new housing to maintain stock numbers and address the shortage of affordable housing supply in the Borough. The Councils' officers are currently undertaking a full review of the proposals and due diligence checks.

3.1.7 **Developments from Summer 2015 Budget and Housing and Planning Bill**. The Governments summer Budget Statement of 2015 introduced three significant policy announcements which have significant impact for the HRA, one of which, social housing rent reduction was implemented in 2016/17. The other two are a requirement for local authorities to make payments to the government in respect of high value void sales and a requirement for high income tenants to pay higher rents (Pay to Stay). These two policies were expected to be introduced from 2017/18 onwards.

3.1.7.1 <u>Extension of Right To Buy and Higher Value Void sales</u>

This policy extends the RTB to housing association tenants and to compensate housing associations for the discount given under the scheme from the proceeds of selling "high value" council houses as they became available. This was due to commence from 2017/18. It is anticipated that housing associations would use the receipt to reinvest in new homes. To meet the cost of the discounts a determination will be issued requiring local authorities with a HRA to make a payment to the government for a financial year reflecting the market value of "high value" housing likely to become vacant during the year less costs, whether or not receipts are realised. The determining of the level of payment each HRA Local Authority will be expected to make will be entirely formula driven based on prior years termination and re-let figures. The last 5 years termination and re-let figures along with property Market values has been provided to the government. The recent Autumn Statement announced that this policy implementation is delayed until April 2018. The detailed formula behind this calculation is still anticipated to be consulted upon soon. Initial modelling has been carried out based on the limited information available and the indicative impact based on Capita modelling estimates the annual levy from 2018/19 to be £10m with an indication that to pay this levy the HRA could have to sell on the open market an additional 85 dwellings each year. This is shown in the table below:

Higher Value Voids Levy – the Estimated figures

	Source	
	Shelter	**Capita**
Estimated Annual Levy	£22m	£10m
Number of Higher Value Void Sales required	152	85
	Stock Numbers	
Current HRA Stock Level	11,800	11,800
Stock Loss over 5 Years	760	425
Stock Loss over 10 Years	1,520	850
Stock Loss over 30 Year Business Plan	4,560	2,550

- Assumes that receipts will be realised from sales required

The HRA Business plan will be updated with more information as and when information is released and the financial position reported at a later Cabinet.

3.1.7.2 Pay To Stay

The Housing and Planning Bill 2016 makes provision for the charging "high income social tenants" with reference to the market rate or other factors based on income and housing area. Further details have been expected through regulations but never released. In the recent Autumn Statement the Government announced that it has decided not to proceed with the policy in its current compulsory form. Local authorities and housing associations will continue to have the discretion to implement the policy for tenants with incomes over £60k. This policy is currently not applied by the Council. This will be reviewed when details from the expected White paper are issued and an update brought back to Cabinet. In this announcement the Government stated it remains committed to delivering its objective of ensuring social housing is occupied by those who need it most, but recognise the need to do this in a way that supported ordinary working class families who can struggle to get by, and in a way that delivers real savings to the taxpayer.

3.2 Housing Revenue Account Budget 2017/2018

3.2.1 The HRA is a ring-fenced account that represents the costs of holding the Council housing stock. There are strict rules surrounding the costs and income that can be charged to this account. Much of the income and expenditure is dictated by legislation and regulation leaving the Council with direct control over a limited number of these budgets. The HRA Budget proposed for 2017/18 reflects the current service levels and the changes in service delivery from 5 January 2015,

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

3.2.2.1 **Rental income**, by far the largest single budget within the HRA, has previously been calculated in accordance with national rent policy. For 2016/17 the Welfare Reform and Work Bill legislated that rents in the social sector should decrease by 1% for the next 4 years. This was a move away from the 10 year policy of increasing rents using Consumer Price Index (CPI) plus 1 percentage point annually (3% per annum).

- The proposal for rent decreases in 2017/18 is therefore -1% on average across the housing stock in line with the legislation. As previously reported this level of decrease reduces income over the 4 years by £20m which poses a real challenge to future sustainability of the HRA.

3.2.2.2 **Service Charges**. The schedule of draft Service Charges for 2017/18 is attached at Appendix 4. The level of Service Charges should be set to enable the full recovery of costs incurred. It is proposed that general Service Charges for 2017/18 are increased in line with RPI as at September 2016 (0.5%). It is also proposed that charges in relation to Communal Heating Systems are increased by 3% to reflect the current levels of expenditure. The Service Charges have been reflected in the budgeted income figures. It should be noted that further review of service charges is ongoing and any changes will be presented in the final budget report in February 2017.

3.2.2.3 **Welfare Reform.** Over the medium term planning period, more information and detail will be released about Universal Credit (UC) and other welfare reform initiatives which will have an impact upon the current service provision of the Council. UC is available to people who are on a low income or are out of work. It aims to make the welfare system simpler by replacing six benefits and tax credits with a single monthly payment. It includes support for the costs of housing, children and childcare, as well as support for disabled people and carers. The national expansion of UC commenced in February 2015 and Northampton Borough Council went live with the delivery of UC in November 2015. At this stage, the roll out of UC in Northampton is initially only for new claims from single working age people, who would otherwise have been eligible for Jobseeker's Allowance, including those with existing Housing Benefit and Working Tax Credit claims. DWP has recently announced that the full Digital Service for new UC cases will be rolled out to the Council in July 2018, at which point new claims to 'legacy' benefits, including HB, will cease. At this juncture, all new working age claimants will claim UC.

The current implementation timetable shows that UC will be established across Great Britain, with new claims to legacy benefits closed, from late 2018. Migration of exiting benefit claims will follow thereafter and is planned to be completed by March 2022.

There is concern within the government in respect of the current level of UC related rent arrears and the government has commissioned an urgent review into the high rate of rent arrears owed by Universal Credit claimants. This concern stems from both the fact that UC payments are made directly to the claimant and the inherent delays in UC payments appear to be the cause of increases to arrears. To start to address some of these concerns the government has also established a UC 'Trusted Partner' pilot. Under the Trusted Partner proposals, social landlords will be able to identify vulnerable claimants and apply to have the rent directed to the landlord before the tenant falls into arrears.

The council and LGSS will closely monitor the outcomes of these and future UC reviews/pilots in the hope that they will deliver the necessary administrative easements and improvements which social landlords are calling for. This could have an impact on rent collection for the Council which will have an impact on the overall HRA position. The bad debt provision was decreased in the original 2016/17 budget to reflect the good performance managing arrears levels and to take into account the phased implementation of Welfare reform. The level of arrears and required level of bad debt provision will continue to be monitored closely throughout 2016/17 financial year and future years in light of the welfare reform roll out.

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

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

The Business Plan since Self-financing assumed a level of increasing balances available to repay debt in the future. The changes imposed by government through the rent decreases, Higher value void asset sales, increasing reductions in housing stock, and the current economic outlook have undermined this position and therefore these surpluses are forecast not to materialise until later in the life of the 30 year plan. It is proposed to start setting aside annually a sum to repay debt when it comes due. This is currently being examined by officers to as one measure prudent to protect the future sustainability of the HRA but currently has not been built into the 2017/18 budget. The draft budget also needs to be put through the 2017/2018 HRA Business Plan model which could see some changes to the financial envelope available over the medium term. This will be modelled through the HRA Business Plan in conjunction with NPH and reported back to Cabinet at a later meeting.

3.3 NPH Management Agreement / services being provided

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

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

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

3.4 NPH Total Fee

3.4.1 The Draft NPH Total Fee has been negotiated in partnership with NPH taking into account the current level of budgets, the detailed 30 year Draft HRA Business Plan and the changes in available funding services in scope. The Asset Management Plan has been updated for the purposes of setting the draft budget. It should be noted that the HRA Business Plan is to be updated between Draft budget and Final which could lead to changes. The Draft NPH fee will be formerly confirmed by the NPH Board at its meeting scheduled in February 2017. The table below shows a summary of the draft 2017/18 Total Fee proposed. Further breakdown and detail can be found at Appendix 5.

Summary Table of Total Fee to NPH for 2017/18

	NPH Management Fee £'000s
Management - HRA	10,985
Management - General Fund Housing	260
Maintenance - Responsive & Cyclical (Managed Budget)	14,721
Capital - Improvements to Homes (Managed Budget)	19,484
Capital - Improvements to Environment (Managed Budget)	4,503
Total Fee	**49,953**

3.4.2 The funding gap for 2017/18 created mainly by the 1% rent reduction has been managed jointly by NBC and NPH, working together to maximise resources out of current budgets and minimising where possible re-phasing of the capital programme. The future years identified pressures are summarised in Appendix 3. NPH developed savings in February 2016 to be made on the Management Fee equating to 25% of the reduction in income over 5 years, reductions in the repairs and maintenance managed revenue budget of 30% over the same period and a reworking / efficiency on the Capital Programme of 45%. The joint proposed growth areas and savings are summarised at Appendix 3 Housing revenue Account NBC and NPH Medium term planning.

Prior to the final HRA budget being approved in February 2017 the Council will continue to work closely with NPH in relation to these savings.

3.4.3 It is recognised that these budgeted figures are likely to change in light of the government settlement information being released.

3.4.4 A summary of the overall draft HRA budget for 2017/18 and 2018 to 2022 is contained in Appendix 1.

3.5 HRA Reserves

3.5.1 In previous years, Cabinet has approved the prudent set aside of funds into specific HRA Reserves to finance future HRA expenditure including capital financing, loss of Supporting People funding, ALMO implementation, 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 2017. Any variations in the current financial year that requires the use of reserves not currently known will reduce this forecast starting position and impact on the finances available.

Summary of HRA Earmarked Reserves and Working Balances

Summary	Balance B/f 1 Apr 2016	Reallocated	Earmarked in Year	Applied in Year	Balance C/f 31 Mar 2017
	£	£	£	£	£
HRA Reserves	(15,445,613)	(461,884)	0	9,272,976	(6,634,521)
HRA Supporting People Reserve	(558,487)	58,487	0	0	(500,000)
HRA Reform Reserve	(8,000)	8,000	0	0	0
HRA Leaseholder Reserve	(500,000)	0	0	0	(500,000)
HRA Service Improvement Reserve	(1,395,397)	395,397	0	0	(1,000,000)
HRA Insurance Reserve	(300,000)	0	0	0	(300,000)
Total HRA Reserves	**(18,207,498)**	**0**	**0**	**9,272,976**	**(8,934,522)**
Min Level of Working Balances	**(5,000,000)**	**0**	**0**	**0**	**(5,000,000)**
Total HRA Reserves	**(23,207,498)**	**0**	**0**	**9,272,976**	**(13,934,522)**

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

3.6 Adequacy of Working Balances

3.6.1 A prudent level of working balance, along with appropriate application of reserves, should be part of the overall budget. The Chief Finance Officer reviews the level of balances required to support the Housing Revenue Account spend annually as part of a robust risk assessment. This risk assessment suggests that the minimum level of balances, taking all known risks into account should be increased to a level of £7m for 2017/18, this is an increase on the current year of £2m. It is proposed that the prudent approach would be to move to this higher level of working balances over a period taking into account any further government announcements and White Papers. This increase is taking into account the current understanding of the risks around the introduction of higher value asset sales to pay for the government levy and the potential time lag in getting receipts in to pay the quarterly invoice. Another increased risk is the uncertainty around income levels with the central control exerted via legislation over rent levels year on year. This will be reviewed at least annually. 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 cashflow if required. Further work is ongoing to assess the appropriate period to move to this higher level of working balances in conjunction with NPH and will be reported to Cabinet in February 2017.

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

3.7 Housing Revenue Account Capital Programme

HRA Capital Programme and Funding

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

3.7.2 The proposed HRA capital programme for 2017/18 to 2021/22 is attached at Appendix 2. The value of the total proposed HRA capital programme for 2017/18 is £35m.

3.7.3 The table below shows a summary of the proposed capital programme and funding for 2017/18.

Draft HRA Capital Programme Funding 2017-18

	HRA £000's
Capital Programme 2017/18	
External Improvements	6,042
Internal Works	4,300
Energy Works	0
Major Projects	6,792
Environmental Improvements	4,503
Structural Works and Compliance	550
Diabled Adaptations	1,300
IT Development	500
Buybacks / 141 Receipts	11,028
Total HRA Capital Programme	**35,015**
Funding Source	
Borrowing	8,600
Major Repairs Reserve/Depreciation	13,437
Capital Receipts	3,400
Section 106 - New Build	906
Revenue/Earmarked Reserve	8,672
Total Funding	**35,015**

3.7.4 The Asset Management Plan has been reviewed and updated by NPH with the latest information from the stock condition surveys. This has been included in the draft budget and will inform the refresh of the Council's HRA Business Plan for 2017/2018. The HRA Capital Programme has been developed within the context of the 30-year Business Plan and the existing Asset management plan. The capital programme has a direct impact on the revenue position of the HRA.

3.7.5 The main focus of the Capital Programme is the achievement and maintenance of the Northampton Standard. There is additionally a major scheme for the building of 100 new council houses.

3.7.6 The detail of the HRA capital programme for 2017/18 and beyond will be refined in line annual updates to the Business plan, Asset management plan, and any changes to government policy and legislation.

Capital Strategy

3.7.7 The aim of the Capital Strategy is to provide a clear framework for capital funding and expenditure decisions in the context of the Council's vision, values, objectives and priorities, financial resources and spending plans. The HRA element is closely aligned to the Council's Asset Management Plan and the NPH Delivery Plan. The overall strategy remains the same as that approved by Council in February 2016 and has not therefore been updated.

3.8 The Next Steps

3.8.1 The timetable for the 2017/18 budget process requires a meeting of the Council in February 2017, at which consideration will be given to the recommendations of this Cabinet in relation to the expenditure, income, and rent proposals that relate to HRA spending.

3.9 Consultation

3.9.1 Formal consultation with the public and local businesses will be launched in December 2016 and will continue until the budget is formally adopted in February 2017.

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

3.10 Choices (Options)

3.10.1 Cabinet can agree that the budget proposals for 2017/18 for the HRA and HRA Capital program and indicative budgets for 2018/19 to 2021/22 as summarised in the appendices to this report can be approved for consultation.

3.10.2 Cabinet can agree the proposed Rent decrease of 1% for 2017/18 and increases in service charges.

3.10.3 Cabinet can choose to make amendments to the proposed budgets and the proposed rent and service charge increases prior to agreeing the budget to consult on, subject to the advice of the Chief Finance Officer.

4. Implications (including financial implications)

4.1 Policy

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

4.1.2 The HRA revenue budget is set in the overall context of the HRA 30 year business plan.

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

4.2 Resources and Risk

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

4.2.2 The HRA 30 Year Business Plan for 2017/2018 is currently being built and will be subject to external review to assess for accuracy and robustness, the result of which could require revisions to the HRA Capital programme. This will be reported on and reflected in the final budget report.

4.2.3 The high level risks associated with the draft HRA budget setting for 2017/2018 are shown in the table below:

Risk	Likely	Impact	Blended risk	Remarks/Mitigation	Residual risk
Higher Value Voids Asset Levy is implemented from 2018/19.	High	Significant	RED	The Council has opportunity to lobby Government for change and also prepare for implementation by gearing up processes to facilitate sale of higher value assets to enable payment of the government levy in 2018/19 and future years. The introduction of a 10 year development programme will help to replace reduced stock, going towards protecting the future sustainability of the HRA. Minimum levels of working balances are being reviewed.	High
Right To Buy sales continue to increase.	MED	Significant	MED	Current Government policy is steered towards home ownership. Current rules and regulation surrounding RTB make the purchase of Council houses an appealing option for those tenants who can afford to. Impact of increases in sales will be subject to scenario planning via the HRA Business Plan to measure potential impact.	MED
Welfare reforms impact on arrears.	MED	Significant	MED	NPH's Rent accounting teams processes and procedures performing well managing arrears. Potential impact of higher arrears will be factored in to the assessment of minimum levels of working balances.	MED

4.3 Legal

4.3.1 The Council has a legal duty to set a balanced budget each year, bearing in mind its fiduciary duties to the taxpayer, and the HRA is not allowed to go into deficit by law. In exercising these duties the Council has to comply with various legislation and administrative duties.

4.4 Equality

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

4.4.2 Equality and diversity were considered as part of each of the medium term planning options submitted. Equality impact assessments are 'living' documents and will be updated to take into account relevant feedback from the consultation process. Where these documents identify mitigating action, this will be undertaken in implementing the relevant option should it be taken forward and approved in February 2017.

4.5 Consultees (Internal and External)

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

4.6 How the Proposals Deliver Priority Outcomes

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

4.7 Appendices

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

1 Housing Revenue Account Summary

2 Proposed Housing Revenue Account Capital Programme and Financing

3 Housing Revenue Account and NPH Medium Term Planning Options

4 HRA Fees and Charges

5 NPH Total Fee

5. Background Papers

5.1 None

David Kennedy, Chief Executive, ext. 7726

Glenn Hammons, Section 151 Officer, 01604 366521

Appendix 1

DRAFT Housing Revenue Account Budget Summary 2017-2022

Description	Note	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
INCOME		**£**	**£**	**£**	**£**	**£**
Rents - Dwellings Only	(1)	(49,507,300)	(48,584,500)	(48,673,000)	(48,218,800)	(48,775,500)
Rents - Non Dwellings Only	(1)	(1,113,200)	(1,124,200)	(1,135,300)	(1,151,300)	(1,162,700)
Service Charges		(2,105,341)	(2,128,802)	(2,155,532)	(2,194,844)	(2,234,198)
Other Income		(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
Total Income		**(52,732,841)**	**(51,844,502)**	**(51,970,832)**	**(51,571,944)**	**(52,179,398)**
EXPENDITURE						
Repairs and Maintenance	(2)	14,695,304	14,291,833	14,372,661	14,233,135	14,431,249
General Management	(2)	6,870,178	6,634,829	6,681,976	6,600,590	6,716,151
Special Services	(2)	4,637,853	4,536,989	4,557,195	4,522,315	4,571,841
Rents, Rates, Taxes & Other Charges		287,801	287,801	287,801	287,801	287,801
Increase in Bad Debt Provision		600,000	650,000	650,000	650,000	650,000
Total Expenditure		**27,091,136**	**26,401,452**	**26,549,633**	**26,293,841**	**26,657,043**
Continuation Budget		**(25,641,705)**	**(25,443,050)**	**(25,421,199)**	**(25,278,103)**	**(25,522,355)**
Medium Term Planning Options		**0**	**0**	**0**	**0**	**0**
Net Recharges from the General Fund		2,744,907	2,644,907	2,524,907	2,524,907	2,524,907
Interest & Financing Costs						
- Interest on balances		(90,000)	(75,000)	(150,000)	(225,000)	(300,000)
- Mortgage interest		(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
- Internal Borrowing (Over funded CFR)		(5,780)	(3,650)	(2,380)	73,880	137,590
- Interest Fixed Rate		6,530,370	6,730,865	6,781,510	6,846,430	6,804,820
RCCO		8,671,900	0	4,789,000	4,435,000	7,096,800
Depreciation/MRA		13,430,000	13,982,000	14,234,000	14,489,000	14,489,000
Contribution to / (from) Reserves		(5,638,692)	2,164,928	(2,754,838)	(2,865,114)	(5,229,762)
Remaining Deficit / (Surplus)		**0**	**0**	**0**	**0**	**0**

Notes

(1) Rent decrease based on Government policy -1% for 4 years from 16-17, then 2% CPI estimated increase from 2020/21

(2) Expenditure budgets above are proposed to be split between NBC and NPH as per the table below.

(3) Work is ongoing in respect of the HRA budget

Description	£'000
Repairs and Maintenance	14,695
General Management	6,870
Special Services	4,638
Less NBC Retained Budgets	(250)
NPH Budget as per Appendix 5	**25,953**

Appendix 2

Proposed Capital Programme 2017-18 to 2021-22 - HRA

	2017-18 £	2018-19 £	2019-20 £	2020-21 £	2021-22 £	Total £
External Improvements	6,042,300	3,026,600	6,404,800	9,851,500	11,536,300	36,861,500
Internal Works	4,300,000	4,100,000	4,100,000	4,100,000	4,100,000	20,700,000
Energy Works	0	2,130,000	0	0	0	2,130,000
Major Projects	6,791,700	7,519,000	4,488,000	1,500,000	1,500,000	21,798,700
Environmental Improvements	4,502,900	2,099,300	2,098,500	2,089,800	2,113,800	12,904,300
Structural Works and Compliance	550,000	500,000	450,000	450,000	450,000	2,400,000
Diabled Adaptations	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	6,500,000
IT Development	500,000	500,000	500,000	500,000	500,000	2,500,000
Buybacks / 141 Receipts	0	1,301,000	3,166,700	3,166,700	3,166,700	10,801,100
New Build	11,028,000	0	0	0	0	11,028,000
Total	**35,014,900**	**22,475,900**	**22,508,000**	**22,958,000**	**24,666,800**	**127,623,600**

SPLIT:						
Improvements to Homes	19,484,000	19,075,600	17,242,800	17,701,500	19,386,300	92,890,200
Improvements to Environment	4,502,900	2,099,300	2,098,500	2,089,800	2,113,800	12,904,300
Total NPH	**23,986,900**	**21,174,900**	**19,341,300**	**19,791,300**	**21,500,100**	**105,794,500**
NBC Retained (New Build and Buy Backs)	11,028,000	1,301,000	3,166,700	3,166,700	3,166,700	21,829,100
Total Capital Programme	**35,014,900**	**22,475,900**	**22,508,000**	**22,958,000**	**24,666,800**	**127,623,600**

FINANCING:						
Major Repairs Reserve/Depreciation	13,437,000	14,013,000	14,319,000	14,535,000	14,670,000	70,974,000
Capital Receipts - Right to Buy (excl 1-4-1)	2,000,000	2,000,000	2,000,000	1,700,000	1,500,000	9,200,000
Capital Receipts - RTB 1-4-1 Receipts	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	7,000,000
Revenue/Earmarked Reserve	8,671,900	0	4,789,000	4,435,000	7,096,800	24,992,700
Borrowing	0	5,062,900	0	888,000	0	5,950,900
Section 106 - New Build	906,000	0	0	0	0	906,000
Additional Borrowing Cap re New Build	8,600,000	0	0	0	0	8,600,000
Total Financing - HRA	**35,014,900**	**22,475,900**	**22,508,000**	**22,958,000**	**24,666,800**	**127,623,600**

Appendix 3

HRA PRESSURES FOR THE MEDIUM TERM

	DIRECT IMPACT Retained or NPH	2017/2018 £	2018/2019 £	2019/2020 £	2020/2021 £	2021/2022 £
HRA Budget Pressures / Changes:						
Reduction in Rents of 1% 4 years from 16/17 and other rent adjustments	**Retained**	953,545	1,841,884	1,715,554	2,114,442	1,506,988
Reduction in Insurance claim income and tenant recharges	**Retained**	48,000	48,000	48,000	48,000	48,000
Increase in Contribution to Bad Debt Provision Budget	**Retained**	50,000	100,000	100,000	100,000	100,000
Reduction in contribution for past years pensions	**Retained**	(292,390)	(292,390)	(292,390)	(292,390)	(292,390)
Reductions in HRA Audit / Fraud and Other costs	**Retained**	(73,859)	(73,859)	(73,859)	(73,859)	(73,859)
Reduction in CDC charges to the HRA	**Retained**	(200,000)	(300,000)	(420,000)	(420,000)	(420,000)
(Reduction) / Increase in Interest and Financing costs	**Retained**	(125,630)	380,885	357,800	423,980	371,080
		359,666	**1,704,520**	**1,435,105**	**1,900,173**	**1,239,819**

Appendix 4

SCHEDULE OF SERVICE CHARGES 2017/18

SERVICE CHARGES (48 week Basis)		PRESENT	PROPOSED
		£	£
Garages		8.90	8.99
(+VAT in some cases)			
Commuter Surcharge on Garages		14.14	14.28
(+VAT in some cases)			
Communal Heating		10.25	10.56
Sheltered Charges			
- Level 1 Low		5.95	6.01
- Level 2 Medium		12.90	13.03
- Level 3 High		18.94	19.13
Brookside Meadows New Build - Service Charges			
- Tarmac and Block Paving		3.72	3.76
- Electric Gates		1.04	1.05
CCTV		3.66	3.70
Grounds Maintenance		2.00	2.02
Non- Standard Service Charges			
Electricity Communal	**Low**	0.11	0.11
	High	6.70	6.77
Estate Services - Cleaning and Caretaking			
	- Service Level 1	0.37	0.38
	- Service Level 2	0.91	0.92
	- Service Level 3	1.13	1.14
	- Service Level 4	1.50	1.52
	- Service Level 5	2.26	2.28
	- Service Level 6	3.39	3.42
	- Service Level 7	4.51	4.55
	- Service Level 8	4.51	4.55

DRAFT Schedule 5 - NPH Management Fee

		NPH				
Housing Management & Maintenance(HRA)		**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
		£	**£**	**£**	**£**	**£**
Total	**Repairs & Maintenance**	12,439,562	12,036,091	12,116,919	11,977,393	12,175,507
Total	**General Management**	5,520,118	5,284,769	5,331,916	5,250,529	5,366,091
Total	**Special Services**	3,858,218	3,757,355	3,777,561	3,742,681	3,792,207
Total	**Recharges**	3,888,031	3,888,031	3,888,031	3,888,031	3,888,031
TOTAL HRA		**25,705,929**	**24,966,245**	**25,114,426**	**24,858,634**	**25,221,836**
Housing General Fund						
Total	**Travellers Site**	180,330	180,330	180,330	180,330	180,330
Total	**Home Choice & Resettlement**	80,000	80,000	80,000	80,000	80,000
TOTAL GF HOUSING		**260,330**	**260,330**	**260,330**	**260,330**	**260,330**
TOTAL REVENUE		**25,966,259**	**25,226,576**	**25,374,757**	**25,118,964**	**25,482,166**
HRA Capital Programme		23,986,900	21,174,900	19,341,300	19,791,300	21,500,100
GRAND TOTAL		**49,953,159**	**46,401,476**	**44,716,057**	**44,910,264**	**46,982,266**

Analysed by					
Management - HRA (including Special Services)	10,984,933	10,644,899	10,713,039	10,595,407	10,762,424
Management - GF Housing	260,330	260,330	260,330	260,330	260,330
Maintenance - Managed Budget Responsive	11,335,167	11,027,437	11,089,068	10,982,685	11,133,747
Maintenance - Managed Budget Cyclical	3,385,829	3,293,910	3,312,319	3,280,542	3,325,665
Capital - Managed Budget Improvement to Homes	19,484,000	19,075,600	17,242,800	17,701,500	19,386,300
Capital - Managed Budget Improvement to Environment	4,502,900	2,099,300	2,098,500	2,089,800	2,113,800
Total	**49,953,159**	**46,401,476**	**44,716,057**	**44,910,264**	**46,982,266**
	0	0	0	0	

Notes:
(*) Recharges comprise approximately £2.1m 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 excluding inflation.
Capital programme based upon figures provided in support of the Asset Management Strategy, adjusted in line with the Draft HRA Business Plan.
All items of income associated with the service are assumed to be collected directly to the Council's account