CABINET AGENDA

Wednesday, 21 February 2018

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

6:00 pm

Members of the Cabinet:

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

Interim Chief Executive **Simon Bovey**

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

PORTFOLIOS OF CABINET MEMBERS

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

SPEAKING AT CABINET MEETINGS

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

Registration can be by:

Telephone: (01604) 837722
(Fax 01604 838729)

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

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

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

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

KEY DECISIONS

denotes the issue is a 'Key' decision:

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

NORTHAMPTON BOROUGH COUNCIL

CABINET

Your attendance is requested at a meeting to be held:

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

on Wednesday, 21 February 2018

at 6:00 pm.

S Bovey
Interim Chief Executive

AGENDA

1. **APOLOGIES**

2. **MINUTES**

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

4. **DEPUTATIONS/PUBLIC ADDRESSES**

5. **DECLARATIONS OF INTEREST**

6. **REPORT BY CHIEF FINANCE OFFICER ON ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES**

Report of the Interim Chief Finance Officer (Copy herewith)

7. **GENERAL FUND REVENUE BUDGET AND CAPITAL PROGRAMME 2018/19 AND MEDIUM TERM FINANCIAL PLAN 2018/19 - 2022/23**

Report of the Interim Chief Executive (Copy herewith)

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

Report of the Interim Chief Executive (Copy herewith)

9. **CORPORATE PLAN 2018-2023**

Report of Interim Chief Executive (Copy herewith)

10. **MAXIMISING THE SUPPLY OF NEW HOMES**

Report of the Interim Chief Executive (Copy herewith)

11. **EXCLUSION OF PUBLIC AND PRESS**

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

NORTHAMPTON BOROUGH COUNCIL

CABINET

Wednesday, 17 January 2018

PRESENT: Councillor Nunn (Chair); Councillors Hadland, Hallam, Hibbert and King

1. APOLOGIES

Apologies were received from Councillors Larratt and Eldred.

2. MINUTES

The minutes of the meeting held on the 20th December 2017 were agreed and signed by the Leader.

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

There were no items to be heard in private.

4. DEPUTATIONS/PUBLIC ADDRESSES

Mr Martin Sawyer address Cabinet in respect of Item 9 – Environmental Services Re-provision and noted the recent bankruptcy of Carillion and the potential risks of outsourcing. He commented that there appeared to be no contingency plan in place for the new contract and no fall-back position and would therefore have preferred to have seen a 5 year contract. He reported that some evidence indicated the rate of recycling would be lessened with co-mingling of waste due to contamination and requested that the amount of rubbish sent to landfill be reported and monitored by the Council.

Councillor Hallam, as the relevant Cabinet Member, responded by stating that Carillion had not been considered as a bidder and noted that they would not have been successful as the bid had been undertaken in line with EU regulations and any company that had issued a profit warning would have been barred from qualifying. He further noted that co-mingling had been requested by a large number of residents as part of the consultation process.

5. DECLARATIONS OF INTEREST

There were none.

6. ISSUES ARISING FROM OVERVIEW AND SCRUTINY COMMITTEES

There were none.

7. USE OF CIVIL PENALTIES TO FUND THE EXPANSION OF THE HOUSING ENFORCEMENT TEAM

Councillor Ashraf addressed Cabinet and commented that the Labour Group supported the recommendations and recognised the problems of rogue landlords and that there was a real need to have an enforceable policy.

Councillor Hibbert, as the relevant Cabinet Member, elaborated on the report and explained that the approval of the use of Civil Penalties would increase the control that the Council had in tackling issues surrounding rogue and irresponsible landlords. He noted that the proposal had been properly costed which was evidenced in the Business Case. It was reported that if option 2 was approved the first phase would see the inclusion of 8 additional officers to the Housing Enforcement Team.

The Leader commented that it was a fantastic piece of work and that he fully supported the work that had been undertaken that would continue to benefit residents in the private rented sector.

RESOLVED:

1. That the Business Case for using the income received from civil penalties to fund the expansion of the Housing Enforcement Team (attached to this report as Appendix A) be approved;

2. That the expansion of the Housing Enforcement Team to include an additional 8 Officers (a Housing Enforcement Manager, a Tenancy Relations Officer, 4 Environmental Health Officers and 2 Intelligence Officers) as described in Option 2 of the report be approved

3. That authority be delegated to the Chief Executive, in consultation with the Chief Finance Officer and the Cabinet Members for Finance and Housing & Wellbeing, to expand the Housing Enforcement Team by an additional 5 Officers (4 Environmental Health Officers and an Intelligence Officer), described in Option 4 of the report, subject to due diligence and the production of an updated Business Case.

8. NON-IMMEDIATE ARTICLE 4 DIRECTIONS - HOUSES IN MULTIPLE OCCUPATION (HMO) IN FAR COTTON/ DELAPRE AND CLIFTONVILLE

Councillor Birch addressed Cabinet and stated that she welcomed the extension to withdraw permitted development rights for the change of use from buildings used as Dwellinghouses to Houses in Multiple Occupation (HMOs). She reported that the planning department had been deluged with requests for conversion to HMOs and considered that overall, there had been an increase in high quality conversions. She further commented that the report included at Item 7 of the agenda complimented the recommendations contained within this report.

Councillor McCutcheon commented that there were some very good and responsible landlords who worked well and maintained their properties to a very high standard and that the proposal would provide an opportunity to tackle rogue landlords. He stated that with an expanding population there was a need to be adaptable and flexible due evolving demographics.

Councillor Hadland, as the relevant Cabinet Member, submitted his report and commented that policies had been based on local evidence and thanked members of the planning department and housing department and the local residents for their evidence-collection which had driven the project forwards. He noted that the Council had been approached from other areas in the Town and consideration would be given to them in due course.

The Leader commented that it was important to continue to monitor other areas and noted the need for all information to be evidence based.

RESOLVED:

That the Non-Immediate Article 4 Directions for Far Cotton/Delapre and Cliftonville (as shown on Map 1 and 2 of the report) made on 29th June 2017, to withdraw permitted development rights for the change of use from buildings used as Dwellinghouses (Use Class C3) to Houses in Multiple Occupation (HMOs) (Use Class C4) with effect from 29th September 2018 be confirmed.

9. ENVIRONMENTAL SERVICES RE-PROVISION

Councillor Meredith, as the Chair of the Re-provision of the Environmental Services Contract Scrutiny Working Group, commented that the concluding report submitted by the Group had been passed unanimously and noted that due diligence had been in place. He stated that he had been critical of the current contract and commented that his ward had been affected greatly by the mess and detritus that had not been dealt with by the contractors. He thanked the Cabinet Member for his support and stated that he hoped that residents would see a marked improvement once the new contract was in place.

In response, Councillor Hallam thanked Councillor Meredith for the work of the panel and for undertaking an extensive scrutiny process of the contract. He commented that he would appreciate a continuation of involvement from the panel members during the transition period.

Councillor Stone commented that she had serious concerns especially since the bankruptcy of Carillion had been announced and stated that she would like to see the service brought back in house to mitigate risk. She commented that there was a need for the Council to be entrepreneurial in their approach and noted that many other local authorities were bringing services back in house after having contract them out and questioned why further exploration of a joint contract with Kettering and Corby Councils had not been fully considered and spoke of preference that the company be British.

In response, Councillor Hallam stated that the decision to be made was about the award of contract and that the decision to not bring the contract back in house had been made at the very beginning of the process. He further reported that not only were the new contractors entrepreneurial but the innovativeness of the contract would see many new trial features. He further reported that the new contractors would comply with all relevant employment laws.

Councillor Haque congratulated the team on their hard work on the contract but voiced his concerns at the length and cost of the contract. He stated that the contract would compromise the budget for 10 years and noted concerns about outsourcing to private sector companies in light of recent news.

In response, Councillor Hallam commented that the contract length was determined partly by the age of the vehicles and the new contract would offer a lot more flexibility than the previous one.

Councillor Beardsworth commented that she was pleased to hear that due diligence had been carried out and stated that the last contract had not been performance managed well. She questioned whether the contracted staff would be offered some protection as she did not want redundancies.

In response, Councillor Hallam concurred with Councillor Beardsworth on the performance management of the current contract and noted that the new contract would be diligently managed. He thanked the Liberal Democrats for their input in the process and asked that they continue to contribute during the transitional period.

Councillor Hallam further commented that the new contract demonstrated an excellent example of joined up working and noted that the consultation had been the largest of its kind that the Council had carried out. He reported that the majority of people who had fed in to the consultation had favoured co-mingling and a much better quality of services, of which the new contract would provide.

The Leader thanked the work of the officers, the scrutiny working group and Councillor

Hallam as the relevant Cabinet member.

RESOLVED:

2.1 That, subject to confirmation of commitments after the Alcatel standstill period, Bidder B be appointed as the Preferred Bidder and agree to award the Environmental Services Contract for a period of 10 years, at a price of £97,697,867 (not including indexation /inflation), with an option to extend by mutual agreement for up to a further 10 years, subject to satisfactory performance of the contract and Cabinet approval nearer that time.

2.2 That authority be delegated to the Director of Customers and Communities, in consultation with the Cabinet Member for Environment, to do all that would be reasonably required, necessary and appropriate to implement Cabinet's decision to award the contract to the Preferred Bidder and to achieve successful completion of the environmental services procurement process, including:

- Agreeing terms and entering into leases, in line with the Preferred Bidder's property, vehicle, equipment and container proposals
- Providing final approval and execution of the contract following confirmation of commitments.

2.3 That, in accordance with the advice of the Council's Chief Finance Officer, expenditure of £11.938m into the capital programme, funded by borrowing with up to £10m of the Minimum Revenue and interest charges being offset by the use of existing reserves for the vehicles, equipment and containers that would be used to provide the new environmental services contract be approved.

2.4 That, in accordance with the advice of the Council's advisors that the Council would pay for the cost of bringing the facilities up to standard at the Council owned Westbridge Depot, at the price provided for this work by the Preferred Bidder of £450,038, the sum to be included for in the Capital programme for 2018-19 be approved.

2.5 That the impact on the revenue budget of the contract was £11.128m for 2018/19 which had been factored into the budget to be approved by Council in February 2018 be noted.

10. ST JAMES MILL LINK ROAD

Councillor Ashraf commented that the proposed St James Mill Link Road had been on the agenda for too long and that a lack of progress and a thorough timetable of was not providing assurance to local businesses. She also questioned the impact of increased air pollution in the area.

The Leader commented that there was a clear schedule in place but that discoveries in the ground might impact on the timetable in the future.
Councillor Hadland as the relevant Cabinet Member elaborated on his report and commented that the Council were currently at the point of entering into a deal with Network Rail but that this had yet to be sealed. He noted his frustrations with the delays but commented that the Council were committed to progressing and moving the proposed project forward. He reported that additional consultation with businesses would be undertaken through the planning process.

RESOLVED:

2.1 That the appointment of KierWSP (the County Council's approved highways contractor) to prepare and finalise the scheme design, inclusive of site clearance, intrusive site investigations, production of estimated costs, and to submit a planning application when appropriate be authorised.

2.2 That the informal consultation that has taken place with those business that may be directly affected by the proposed new link road be noted and that further consultation would be undertaken as a part of the proposed planning application process.

2.3 That the award of Local Growth Fund II and Growing Places Funding from SEMLEP be noted and welcomed and the agreement to further support the scheme through the use of Enterprise Zone Business Rates Uplift be noted.

2.4 That authorisation be granted for the expenditure of up to £600,000 for site clearance, site investigations, design work and the purchase of a small parcel of land from Network Rail that the route of the proposed link road would traverse.

2.5 That appropriate provision for this scheme in the capital programme over the period 2017/18 – 2019/20 inclusive, and the allocation of £600,000 into the Capital Programme from the Development Pool be approved.

2.6 That the Chief Executive, acting in consultation with the Cabinet Member for Regeneration Enterprise & Planning, the Borough Secretary & Monitoring Officer and the Chief Finance Officer be authorised to purchase, on terms to be agreed, a small parcel of land required for this scheme from Network Rail.

2.7 That the Borough Secretary & Monitoring Officer be authorised to arrange the preparation and execution of such contractual and other legal documents as are necessary to give effect to the above recommendations.

2.8 That the Chief Executive be authorised to submit a further progress report to Cabinet when appropriate.

11. FINANCE MONITORING - PERIOD 8 2017/18

Councillor Beardsworth questioned whether additional costs of the valuations of properties had been included in report.

Councillor Smith stated that there was a need for potentially homeless families to be treated as priority cases as there was a need for them to be cared for to ensure they did not face homelessness. She reported that there was a need for the housing stock to be protected and hoped that the Social Lettings Agency would assist residents who were vulnerable to homelessness.

In the absence of the Cabinet Member for Finance, the Chief Finance Officer elaborated on the report and noted that both the General Fund and the Housing Revenue Account had forecast underspends. He commented that pressures had been experienced in Homelessness and Temporary Accommodation due to sharp rise in the number of households applying to the Council for assistance under the homelessness legislation. The Chief Finance Officer further reported that Officers were currently delivering on the purchase of six properties at Princess Marina at 55% of open market value. Additionally, final payment was made in Quarter 2 for the purchase of 6 properties at Upton Place of £272k to which Cabinet budget approval was made in

2016/2017.

RESOLVED:

2.1 That the contents of the report be reviewed.

2.2 That the release of HRA capital reserves to cover the committed final expenditure for 6 dwellings at Upton Place (at paragraph 3.6.2.2 of the report) be approved.

The meeting concluded at 6.58pm

Appendices
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NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	Report by Chief Finance Officer on Robustness of Budget Estimates and Adequacy of Reserves

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	21 February 2018
Key Decision:	NO
Within Policy:	YES
Policy Document:	YES
Directorate:	Chief Executive
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	N/A

1. Purpose

1.1 To advise the Cabinet on the robustness of the estimates in the budget and the adequacy of the proposed financial reserves for the General Fund and Housing Revenue Account before recommending to Council the Council's Medium Term Financial Plan 2018/23, the Revenue Budget for 2018/19, Capital Programme 2018/23, Reserves levels and Treasury Management Strategy 2018/19.

2. Recommendations

2.1 That Cabinet recommend to Council to carefully consider the content of this report with regards to the General Fund and Housing Revenue Account prior to recommending the approval of the Council's Medium Term Financial Plan 2018/23, the Revenue Budget for 2018/19, Capital Programme 2018/23 and Treasury Management Strategy 2018/19.

3. Issues and Choices

3.1 Report Background

3.1.1 Section 25(1) of the Local Government Act 2003 requires that the Chief Financial Officer (Section 151 Officer under the Local Government Act 1972) reports to the Council when setting its Council Tax on:

- the robustness of the estimates in the budget.
- the adequacy of the proposed financial reserves.

3.1.2 Section 25(2) of the 2003 Act requires the Council to have regard to this report in approving the budget and Council Tax.

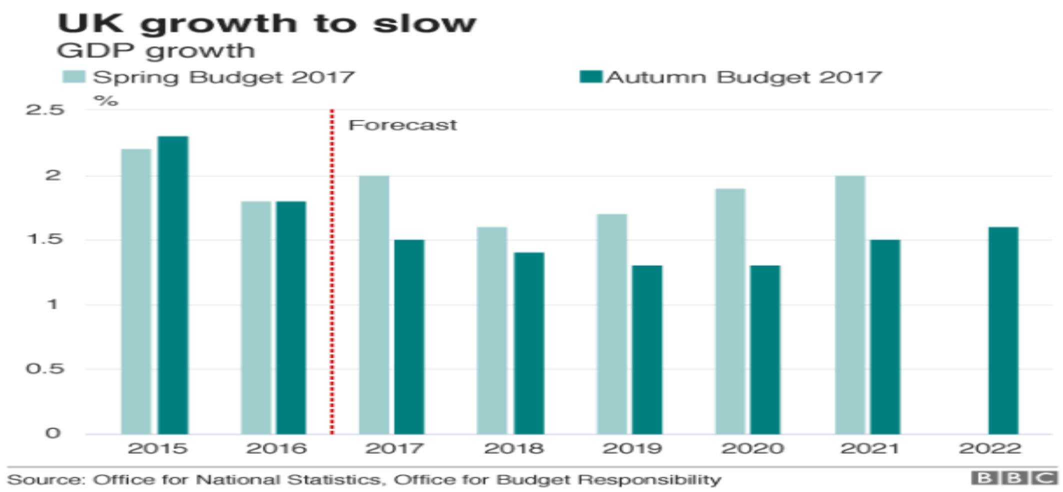
3.2 Context

3.2.1 The Council is setting its budget at a time when it faces a range of issues to contend with. In broad terms these can be split into 3 categories; economic, local government and local. Each of these are explored below.

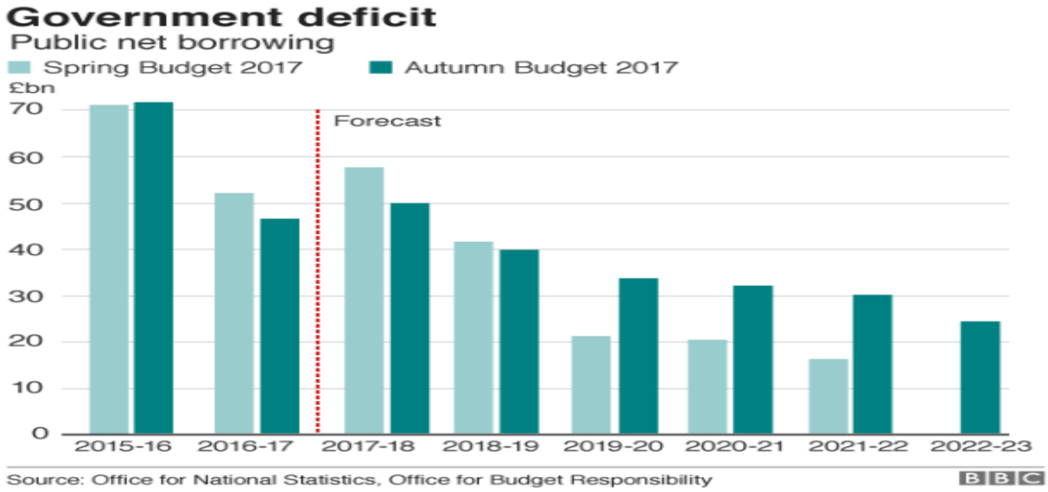
Economic

3.2.2 In 2017 the estimated annual growth in the UKs Gross Domestic Product (GDP) was around 1.5%. Based on forecasts by the Office for Budget Responsibility this growth is expected to continue for 2018, albeit at a slower rate than previously forecast as a result of uncertainties with regards to the impact of Brexit on the economy.

3.2.3 The graph below shows the forecast annual growth increase in GDP over the next 5 years. The pace of the increase has been revised downwards between the Spring and Autumn Budgets in 2017.



3.2.4 In the Autumn Budget 2017 the Chancellor announced that the new government borrowing deficit would be less than estimated in the Spring Budget 2017 for 2017/18 and 2018/19 financial years. However, the deficit is forecast to be greater in the 2019 to 2023 period. The impact of this is likely to be continued austerity measures for the public sector beyond 2020. These austerity measures are likely to be reflected in less government funding for local government and in general economic conditions which could affect collection levels on business rates/council tax and planning fee income.



Local Government

3.2.5 Since 2010 Government funding for local government has reduced by approximately 40% in real terms. New Government's were elected in May 2015 and June 2017, and subsequently made a number of announcements which have impacted on local government. The key headlines from these announcements were:

- Local Government funding will reduce from £21.9bn to £17.8bn by 2019/20
- Switch of funding toward councils with social care responsibilities
- Proposals to change the New Homes Bonus, including an £800m reduction in funding
- The introduction of "Core Spending Power", which includes assumptions from Government about increases in council tax levels and rises in the tax base
- An offer of a four year deal from Government to provide more certainty for councils to assist in planning service provision over the medium term
- Social housing changes, including a 1% per annum reduction in rents, changes to Right to Buy and a High Value Voids Levy.
- A review of how local government funding is allocated, with a view of it being fairer and based on need.
- An initial proposal to move to a 100% business rates retention scheme by 2020 has been tempered as the Government focusses on Brexit. However, the intention is still there as Pilot schemes have been announced and a 75% retention scheme announced for 2020.

3.2.6 In addition to the continuing austerity measures it is anticipated there will be further changes to Government policy which councils will be expected to implement.

3.2.7 From these changes it appears that the Government is moving slowly away from the previous 100% needs-based funding of the old formula grant towards a system where councils income is more reliant on business success and the number of home in the district. For example, Revenue Support Grant (RSG) is forecast to reduce at significant rates over the medium term and is therefore unlikely to be a primary source of funding for the Council in the future. It is being replaced by Business Rates Retention and New Homes Bonus (albeit the latter will be at lower levels than previously experienced), both of which reward those areas which can promote and deliver growth. It is expected there will be no RSG for the Council by 2019/20.

3.2.8 In October 2016 the Council accepted the Government's Four Year Funding Offer which provided certainty for some funding sources until 2020. However, there are a number of key pieces of information that councils do not have clarity on over the medium term. For example, how the enhanced Business Rates Retention scheme will work in practice, which services will be transferring to local government and how the New Homes Bonus will be applied to homes built under planning permissions granted on appeal. Even in the areas where there is perceived to be more clarity, such as the Four Year Offer, the Government still has the right to change the figures.

3.2.9 Another challenge facing local government is the continued impact of an increasing elderly population and the associated pressures on social care and health services. This has led to a re-distribution, albeit over time, of local government funding. There will be a further opportunity for Government to redirect resources when enhanced Business Rates Retention is implemented as a review of fairer funding is being undertaken which is anticipated to equalise current perceived inequality of how baseline funding from Government is allocated to councils. All of these changes present significant risks to the Council over the period of its Medium Term Financial Plan.

3.2.10 There is also the potential for change in the way local government is administered throughout England following recent announcements by Government about a local government restructure in Dorset.

Local

3.2.11 Over recent budget planning rounds the Council has implemented a financial strategy which has delivered contributions on an annual basis to its reserve levels, sold assets to finance its capital expenditure so that it does not need to rely on borrowing money and implemented efficiencies to reduce, in real terms, the council's operations.

3.2.12 During this period the Council has made good progress in delivering its Medium Term Financial Plan. The primary areas being:

- Delivery of revenue budget savings and operating within its revenue budget for 2017/18 and contributing to reserves in recent years.
- Senior management restructure.
- The transfer of support services to LGSS which has delivered savings over its five year term.

- The creation of Northampton Partnership Homes to manage the Council’s housing stock.
- Prudent financial management which has delivered efficiency savings.
- Investment in the town centre to encourage economic growth, for example improvements to Abington Street and Guildhall Road areas.
- Encouraging new business in the town through the Business Incentive Scheme.
- Regeneration and economic growth in the Waterside Enterprise Zone, for example St Peters Way roundabout, Cosworth and the railway station.

3.2.13 However, and despite the improvements mentioned above, the Council continues to face significant external challenges that it will need to manage over the medium term. There are still a number of actions and mitigations that are in the process of being implemented, pressures on the renewal of the environmental services contract, the financial position of the County Council and the impact of County Council budget proposals on the Council.

3.2.14 In addition to the existing externally driven funding pressures there is the need for the Council to fully implement the Governance Action Plan agreed by the Council’s Audit Committee in December 2016. Whilst this has progressed significantly over the last 12 months there is still work to do embedding this into the organisations culture.

3.2.15 As mentioned previously, the MTFS and the Efficiency Plan is only a plan. The biggest challenge will be for the Council to deliver it.

3.3 Medium Term Financial Plan 2018/19 to 2022/23

3.3.1 The Medium Term Financial Plan is a key part of ensuring the Council's future. The approach during the 2018/19 budget planning round has been, firstly, to update the previous year’s plans for any changes to assumptions, local policy changes, national policy changes and known risks. This has then been used as a basis to identify savings requirements for the years 2018/19 to 2022/23.

3.3.2 Secondly, the approach has been for the Management Board and Cabinet to work closely together to develop the budget proposals with a view to balancing the position across the medium term and not just for 2018/19. This work has included 3 away days which have focussed on delivering a stable and sustainable financial position.

Risks and Mitigations

3.3.3 The Budget Report presented to the Cabinet on 21 February 2018 sets out the assumptions which underpin the MTFS. These assumptions are robust and are based on the most up to date intelligence available. However, as with any assumption, there is an element of risk that the reality will be different. The following assumptions in the MTFS contain the most risk:

3.3.4 General Fund Revenue

a) **Government funding**. The current assumption is as announced in the Local Government Funding Settlement when the Council was notified by Government its allocation for 2018/19 and an indicative allocation for the 2019/20 financial year. As the Council took up the Government's Four Year Funding Offer in October 2016, in theory, the level of Government funding is certain until 2020. However, Government do have the ability to change this offer. Over this period Revenue Support Grant (RSG) is forecast to reduce from £0.9m in 2018/19 to nil in 2019/20. This is an aggressive reduction in RSG. The reductions in funding for districts councils are faster and deeper than previously envisaged as Government has changed its methodology for allocating grant on two fronts, moving monies away from rural areas to urban areas and towards councils with social care responsibilities. It should be noted there are 3 areas of significant uncertainty in the Council's funding after 2020:
   - Spending Review. The date of the next Spending Review is yet to be announced but when it is it will determine the amount of money available for local government as a whole from 2020/21.
   - Fair Funding Review. As part of the provisional settlement it was announced that a review of funding would be undertaken within local government over the next 2 years. The outcome of this review is planned to be reflected in councils funding allocations from 2020/21. Any review will see winners and losers from a funding perspective with appropriate transitional arrangements being in place.
   - Business Rates Retention (BRR). The Government has announced that it intends to extend BRR from the current 50% scheme to 75% from 2020/21. On the face of it this should benefit the Council. However, it should be noted there is the potential for Government to amend the methodology for allocating resources, as part of the Fair Funding Review, when Business Rates retention is introduced.

b) New Homes Bonus (NHB). The Government undertook a review of the NHB system in 2016. This resulted in a significant reduction in NHB available to local authorities by shortening the payment years from six to four and by introducing a baseline growth level, below which no NHB is paid. The reductions for the Council arising from this review have been reflected in the MTFS forecasts. It should be noted the Government continues to consult further on housing approvals given on appeal to determine whether they should be included in the NHB scheme from 2019/20 onwards.

c) Business Rates Retention. The current assumption is for the level of business rates in 2018/19 to be £8.3m. This consists of the baseline of £6.6m, Section 31 grant due on mandatory reliefs currently funded by Government of £1m, £0.2m generated by maximising business rates with other councils in Northamptonshire and £0.5m of actual growth achieved in 16/17. The actual level of business rates for 2018/19 will not be known until after the end of the financial year, and it should be noted there is a high level of uncertainty over the level and timing of business rates income. It is for this reason that growth achieved over and above budgeted levels from two years previous (hence £0.5m growth from 16/17) has now been released into the MTFP as this provides some certainty. However, risk still remains around business rates appeals where the Council has made assumptions regarding success rates. Currently there are 429 appeals outstanding with a total rates payable under appeal of £189m from the 2005 and 2010 ratings listing. An additional level of risk now exists following changes to the appeals process for the 2017 ratings listing, where additional assumptions have been made by the Council based on the limited information available.

A further risk to be aware of is the business rates unwinding effect of transitional arrangements in place following the revaluation in April 2017. Although this is expected to be fiscally neutral nationally it may not be at a local level and there are likely to be an increase in the volume of appeals following the revaluation.

The Government has announced that they are seeking to move to a scheme where councils retain 75% of their growth in business rates after 2020. The Government started to consult on their proposals during 2018 and will continue in 2019.

This presents the Council with a number of risks to manage, specifically:

- Delivery of the level and timing of business rate growth. The Council has incorporated achieved growth from the 2016/17 into its budget to provide a level of certainty. However, the risk of future delivery to allow this approach to continue over the medium term remains. To this end, the Council is developing an innovative approach to forecasting its level of Business Rates over the medium term with the establishment of the Business Rates Forecasting Group consisting of officers from planning, revenues and finance. The Council also has a good relationship with the Valuation Office Agency
- Business rate appeals. The Council has made a provision for historic and future appeals in its business rates forecasts. However, it should not be underestimated the amount of uncertainty around business rates appeals on the Council’s financial position.
- Other changes. In addition to appeals a number of organisations including NHS Trusts and Virgin Media have challenged how they are treated with regards to mandatory reliefs and their classification on the list. If these challenges are successful there is the potential for a significant impact on business rates income.
- The intention to move towards a 75% business rates retention scheme on the face of it, appears to be good news as councils can keep all of their business rate growth. However, its also increases the existing risks around timing/level of growth and appeals/volatility as councils will carry 75% of the risk, rather than the current 50%.

- A further risk is the fair funding review announced by Government which has the potential to shift resources within the business rates baseline.

d) **Council Tax**. The Council's strategy with regards to the level of council tax for 2018/19 is to increase by 2.99% per year in line with the maximum permitted amount by Government without triggering a referendum. Over the medium term the referendum limit is assumed to return to £5 increase per annum.

The Governments position with regards to council tax has changed significantly in recent years. At present the Government, through its Core Spending Power, are assuming councils will increase their council tax to maintain services. For Northampton Borough Council, the Government is assuming the council will increase its council tax by 2.99% in 2018/19. In addition the Government are assuming an increase in our taxbase of around 3% per annum. This is significantly ahead of housing growth experienced in recent years, as it also factors in an expected increase in council tax support contributions.

A clear strategy on the Council's policy for council tax levels over the MTFP period is an essential part of a councils financial planning. The MTFP includes an assumption that the Council will increase council tax by 2.99% in 2018/19.

e) **Delivery of proposed savings**. There are £1.8m per annum, rising to £3m per annum over the medium term, of savings to be achieved in 2018/19 onwards; those currently identified are itemised in the budget report at appendix 2.

There is risk of non-delivery of these due to the financial quantum and complexity associated with delivery. The specific proposals to mention are:

- Car parking charges. These have been assessed on a prudent basis, including taking account of the impact on demand of the new pricing policy, by the parking team.
- Housing enforcement. During the infancy of this scheme a prudent estimate has been included in the budget. However, it should be noted that the risks are enhanced during the start up phase of any new venture.
- Organisational redesign. Changes to the organisations structures need to follow due processes. Estimated timescales for these processes have been built into the financial savings figures. However, there is a risk that such proposals take longer to deliver than anticipated.

In addition to the proposed savings that form part of the Budget for 2018/19 there are budget proposals and projects approved in previous years that have increased savings and income targets in the next financial year. These include a number of housing initiatives such as Social Lettings Agency and HMO licensing.

During the forthcoming financial year the Council will need to deliver savings it identifies in its Efficiency Plan. The realisation of these will be mitigated through the use of a budget tracker to monitor progress; outputs from this will be regularly reported through the new governance arrangements in place in the Council.

f) **Environmental Services Contract**. The Environment Services contract is due for renewal in June 2018. The Council has selected a preferred bidder for the new contract, the estimated costs of which have been reflected in the Budget for 2018/19 and over the medium term. The new contract is significantly more costly than the existing one.

   In order to minimise the cost and maximise value for money in the new contract the Council has agreed to finance the assets required to deliver the contract. As such a cost of £11.1m has been included in the capital programme. The proposed way to finance these assets is by borrowing. As such the council will incur capital financing costs (interest and MRP – the capital repayment element). To pay for capital financing costs reserves of up to £10m, effectively £1m per year, will be made available and the balance to be met from revenue budgets. This approach will ensure the council maintains the maximum amount of flexibility over the use of its reserves and also benefits from using the reserves to minimise the cost of the new Environmental Services contract.

   There are risks from a financial perspective that should be considered including the change from the current provider to a new provider, any residual costs the current provider may seek to recover from the council, the agreement of the details of the new contract and potential future changes to the new contract.

g) **Northampton Partnership Homes**. The Council created Northampton Partnership Homes in January 2015 to deliver the Council's landlord function. This is being financed through a management fee paid by the Council to NPH. There are a number of general fund activities provided directly (eg certain housing responsibilities such as Housing Choice) and indirectly through recharges by NPH.

   The risks are mitigated through the governance structures and the involvement of the Chief Finance Officer and his representatives in those governance structures. This includes regular meetings between the Chief Finance Officer and NPH Resources Director.

h) **Employee Costs**. Pay inflation has been assumed to be 2% for 2018/19 and across the MTFS period. This is in line with government announcements on public sector pay. The impact of announcements regarding the National Living Wage are also reflected in budget forecasts over the medium term. In addition pressures arising from increasing national insurance contributions and employer pension contribution rates (from 2020/21) have been factored into budget plans over the medium term.

i) **Impact of budget proposals from other local authorities and partner organisations**. Significant budget pressures are being faced by the County Council and there is a Best Value inspection being undertaken by Government into their financial position. Their savings options include changes that are likely to impact on our financial position. There maybe knock on impacts of options to deliver this proposal on this Council's budget and it is unclear if the Inspection will have any implications for this Council.

This risk is being mitigated, as far as possible, through close working and joint meetings, at a member and officer level, with the County Council. The general reserves include this to assist in managing any possible financial risk.

j) **Demand led budgets.** There are some services which historically have had higher levels of financial risk associated with them, including car parking, development/planning income, and homelessness/temporary accommodation.

The position on each of the demand led budgets is reported to Management Board on an enhanced basis in the monthly financial dashboard. This provides senior management with enhanced information about the cost and service demand levels to take informed judgements about maximising demand on income generating activities and reducing/mitigating demand on cost consuming activities.

Currently homeless numbers in Northampton have seen a significant increase since 2016 which has led to costs pressures that have been reflected into the temporary accommodation budget for 2018/19. The housing service have instigated a number of programmes to reduce this pressure including establishing a Social Lettings Agency, HMO Licencing and Housing Enforcement. The financial success of these mitigating actions will need to be closely monitored during the year as part of the Efficiency Plan delivery and the savings tracker.

3.3.5 General Fund Capital

k) **Large Capital Schemes**. There are a number of high profile capital schemes to deliver over next two years, including Vulcan Works, Northampton Museum Extension, St James Mill Link Road, Horizon Park, Car Park Decking and new Environmental Services assets.

Each of these schemes will have its own unique set of risks. At an overall level the Council's governance arrangements provide greater assurance large capital schemes are being delivered effectively. Capital Programme Board, set up in 2014, has led to a more systematic approach to financial governance, capital planning and managing schemes through their lifecycle. At an individual scheme level it is expected Directors will have in place robust project management arrangements to identify and mitigated or manage risks that arise throughout the project lifecycle.

To further enhance capital governance and reduce the likelihood of schemes entering the capital programme which are poorly costed and unaffordable the programme has been split into two parts. Firstly, the Approved Capital Programme will only include those schemes which have high cost certainty and a clear, fully secured, funding source. Secondly, the Development Pool is for those schemes where a basic assessment of costs has been undertaken and a funding source is clear. To progress a Development Pool scheme into the Approved Programme a fully costed detailed design will be required and a fully assured funding source will be required. During 2017 the process was supplemented by a series of project gateway reviews which will be continued throughout 2018/19.

Specific risks for the Council to be aware of on these projects include:

- Failure to secure external funding. This is a specific risk for the Vulcan Works and St James Mill Link Road projects.
- Cost increases / Specification changes. This is a greater risk on any project that is still in the development pool and does not have price certainty.

l) Waterside Enterprise Zone. There has been significant capital investment relating to investment in improved infrastructure in the Enterprise Zone over recent years. The bridging funding of this investment is from various sources including the Growing Places Fund. The ultimate repayment of this bridging finance is reliant on the delivery of business rates uplift.

This risk is managed as per v) below.

3.3.6 Housing Revenue Account

m) Reduction in rents by 1% per annum. The Government policy to reduce rents by 1% per annum has an impact on the HRA by reducing the funding available by a further £2m (£6m in total) in 2018/19 compared to the HRA Business Plan presented to Council in February 2015. Over the period of the next four years it is anticipated this would lead to £20m less rental income being received by the HRA. This represents a major change, and therefore risk, to the HRA business plan. The risk of investing less in the Council's housing stock is that it will deteriorate over time, which will impact on the quality of life for tenants.

The strategy for managing this change has been to work closely with NPH to identify areas for reducing expenditure across the Management Fee, Repairs & Maintenance budgets and Capital Programme. NPH expect to manage the position over the coming years by being more efficient and effective in their use of resources.

The Government have announced that after 2020 rents will increase at CPI plus 1%.

n) Further Planned Government Policy Change. The Government has also announced proposals with regards to Right to Buy and high value stock. The full implications of these are not known at present. However, they are expected to have an adverse impact on the HRA.

The Council has been working closely with other councils and Capita to understand the impact of the high value voids levy which, if implemented, could see a significant additional annual charge on the HRA, which may lead to the Council having to sell some of its housing stock to finance the levy. The Council will need to continue monitoring the information about this and other potential changes being announced by Government. The potential impact for any changes will need to be assessed on the HRA 30 year business plan and the overall finances, and then managed within that context.

o) **Northampton Partnership Homes (NPH)**. NPH, a wholly owned arms length organisation of the Council, provides the Council's landlord function, plus other housing functions. NPH is funded by a Management Fee from the Council. In addition NPH receive monies to deliver repairs & maintenance services and capital improvements to the Council's housing stock. The Total Fee paid to NPH is the financial representation of the Management Agreement between the two parties and has been sub divided into six component parts. As with any arms length organisation there are risks, one risk worthy of note from a financial perspective is that the budgets are not allocated correctly between the components elements of the Total Fee.

To mitigate the risk of any change the Management Agreement includes a clear approach to managing the virement of budgets between the various elements of the Total Fee. The financial performance of NPH will be closely monitored by the Chief Finance Officer through regular meetings with the NPH Resources Director.

p) **Debt Repayment**. The current HRA business plan assumes that the level of borrowing will remain at the maximum level permitted by Government to ensure investment in the Council's housing stock. However, with reducing stock numbers expected to continue, and the potential for further stock reductions arising from Government policy change, this approach may not be prudent or sustainable for the HRA in the future. Consideration therefore should be given to making provision for the future repayment of debt on the HRA over the course of the business plan.

3.3.7 Housing Revenue Account - Capital

q) **Large Capital Schemes**. There are a large number of high profile capital schemes to deliver over next two years, including the continued improvement of council housing up to the Northampton Standard and the building of around 100 new homes using the additional borrowing cap monies allocated by Government.

The 100 homes were originally identified for delivery at Dallington and are mainly financed by an increase in the HRA borrowing cap from Government. There are strict criteria in place that the Council needs to adhere to in order to receive this increase in its borrowing cap.. If these are not met there is a risk that ability to fund from Borrowing could be reduced or removed by Government. The Council has been in dialogue with Government about a new approach and is still awaiting their confirmation of a way forward.

r) **Right to Buy Receipts**. There are specific rules the Council must adhere to with regard to monies generated from Right to Buy receipts. One of these is the need to spend these receipts within a set timeframe. During 2017/18 the Council has been able to spend all of its receipts within the allotted timeframe. Whilst the Council has a clear plan in place and undertaken a review of its arrangements to improve process to make them more effective there is still a risk the Council may have to repay these to Government if it does not spend them within the required timeframe.

To mitigate this risk the Director of Regeneration, Planning and Environment is working with closely with the housing teams (NPH and Strategic Housing) to determine a plan for optimising the use of these receipts.

3.3.8 Treasury Management

s) The Council has entered into a number of loan agreements with local partners.

Risks are assessed with due diligence undertaken. Loan agreements are in place to mitigate the risks including proposed repayment schedules; interest rates charged on the loans, assessments against state aid implications and appropriate security. The repayment of loans are monitored regularly.

t) There is a risk relating to interest rate increases.

The interest budgets have been built using latest forecasts of interest rates provided by the Council's risk management advisors, Link Asset Services.

u) **Enhanced Prudential Code and Guidance**. There is a risk that these new requirements are not fully understood and have been implemented too quickly by Government in response to councils entering into the commercial property market. The Council should ensure it follows the new Guidance and Prudential Code in any commercial property deals it enters into. In addition it should ensure all its policies, procedures and processes meet the requirements set out, particularly as these are likely to be understood in more depth as the financial year progresses.

3.3.9 Other Risks

v) **Business Rates in Waterside Enterprise Zone.** Through the Business Rates Retention Scheme, the Council retains all the growth from the Waterside Enterprise Zone which is earmarked (through a memorandum, of understanding) for use on South East Midlands Local Enterprise Partnership (SEMLEP) priorities. There is a risk that the forecasts of this business rates growth may not be achieved resulting in lower revenue streams than anticipated; this risk affects Northampton Borough Council via some of the loans to improve Enterprise Zone Infrastructure whereby the funding of principal and interest repayments are expected to come from business rates uplift; if this uplift does not occur, the responsibility for repayment remains with the Council.

This risk is mitigated through modelling of business rates uplift on a site by site basis. The Council has in place intelligence gathering and information sharing between planning, revenues & finance combined with more detailed modelling of future projections including risk and sensitivity analysis. However, it should be noted this risk is unlikely to materialise until after the end of our MTFP period.

w) **Loans to Third Parties**. The Council has made a number of loans to third parties including University of Northampton, Northampton Saints Rugby Club and Cosworth. All of these loans have been subject to due diligence before being made.

To ensure the financial position of the Council is protected regular monitoring of the financial standing of organisations the Council has loaned money to is required. This includes regular meetings with 3rd party organisations, review of progress against their business plans and review of financial statements.

x) **Sixfields and Recovery of NTFC Loan Monies**. The Council is in the process of taking action to recover the loan monies lent to NTFC. It is also taking steps to deliver value from the development of land around Sixfields Stadium. It is anticipated the monies arising from these actions will be sufficient to meet the repayment of the loan and costs associated with recovery of monies.

The Council should closely monitor progress on each of these activities to maximise its returns. In particular the costs associated with the recovery of monies will need to be monitored to ensure value for money is being achieved.

y) **Localisation of council tax support (CTS)**. The current assumption is that the shortfall arising from the Government funding for CTS in 2018/19 will be met from council tax discounts/exemptions and a 35% council tax liability for those entitled to CTS. This is the same level as in 2016/17 and is expected to be cost neutral with regards to the impact on the wider council tax payer given on-going reductions in government grant to finance the gap.

The risk is that the actual position is different from the budget at the start of the year as the final position won't be known until the end of the financial year. Extensive modelling has been undertaken to provide the Council with assurance of the financial impact. The primary reason for maintaining the liability to 35% is to ensure a cost neutral scheme for all taxpayers. Beyond 2018/19 it is assumed any additional costs arising from reduced government funding are mitigated by reductions to the CTS scheme.

3.4 Delivering the Medium Term Financial Plan and Efficiency Plan

3.4.1 As noted above the medium term financial position for the Council's general fund continues to show costs increasing at a faster rate than funding. By 2022/23 there is projected to be a £1.5m gap between expenditure and income and this could get wider over the longer term using current projections.

3.4.2 The primary reasons for the gap are increasing employee costs (pay awards, national insurance changes and pension contributions), pressures arising on maintaining the current levels of the performance on external contracts and reducing/changing funding from government.

3.4.3 The Council will need to be mindful of this position when making all strategic and policy decisions in the future.

3.4.4 In September 2016 Cabinet approved the Efficiency Plan which was submitted to Government in October 2016 to secure the Four Year Funding offer which provides a degree of certainty to our government funding levels until 2020. The core element of the Efficiency Plan has been to establish a clear set of workstreams to close the funding gap over the medium term. These workstreams are being more efficient, delivering economic growth, being more commercial, working in partnership and empowering the community; and are underpinned by a range of projects which are designed to either reduce costs or increase income for the Council.

3.4.5 As noted in Section 3 of the General Fund Budget report there has already made significant progress in reducing its funding gap by over £3m in 2018/19 to achieve a balance budget. The funding gap over the last year across the medium term has also significantly reduced from a gap of over £5m to around £2m by 2022/23 as a result of delivering against the Efficiency Plan.

3.4.6 To continue the delivery of the Medium Term Financial Plan and Efficiency Plan and the financial targets incorporated within it will not be an easy task. At a time when there is pressure on costs, reductions in funding, government policy changes planned and the Council has to implement and embed the improvements in the Governance Action Plan it is advised that the Council ensure:

- Governance action plan improvements are implemented.
- Project teams and boards are established to deliver the savings and investment programmes, and that these teams/boards are resourced to the right level, including an appropriate level of finance resource.
- A business plan approach is taken to Efficiency Plan related decisions.
- Money used to support these programmes must be on an invest to save basis, with clear criteria and expectations of return.
- Progress against the Efficiency Plan is regularly monitored, with variances and any mitigating actions reported.
- Members take future decisions that support the aim of maintaining a financially stable and sustainable Council.
- Processes, procedures and policies are review to support a more commercial approach.

3.4.7 There have been reserves set aside to support the upfront costs of implementing Efficiency Plan workstreams. For more information see section 3.9.

3.4.8 It is likely that a number of projects with the Efficiency Plan will require capital investment. In some instances this capital investment could require significant funding using General Fund borrowing sources. The Council will need to ensure any such borrowing, be it on individual schemes or collectively, meets the enhanced Prudential Code criteria of being prudent, sustainable and affordable. To achieve this the Council may not be able to undertake all the investment it would like and may need to prioritise resources.

3.5 Revenue Budget 2018/19

The Financial Position

3.5.1 The revenue budget 2018/19 is the first year of the Council's five year Medium Term Financial Plan, and is year three of the Efficiency Plan. The budget has been developed using a robust process with officer and member involvement.

Budget Process

3.5.2 An important feature of the budget process is that Directors and Heads of Service are responsible, with the support of finance staff, for the preparation and determination of their income and expenditure estimates. The active involvement of Directors and Heads of Service in determining their spending plans and income generation estimates ensures ownership of the budget and that the officers responsible for delivery of the services are happy that financial targets are achievable. During the 2018/19 budget setting cycle, all items within the base budget have been scrutinised and any changes to the figures submitted have only been incorporated with the acceptance of the Directors and Heads of Service. The Council’s Management Board have discussed and reviewed the budget on a regular basis throughout the process. In addition there have been regular meetings between the Leader, Deputy Leader, Cabinet Member for Finance, Chief Executive and Chief Finance Officer to steer the budget process.

3.5.3 In addition to the above Management Board and Cabinet members had three awaydays to develop, challenge and review budget options and proposals prior to them being presented for consultation in the draft budget.

3.5.4 Councillors have also been involved in the budget process through the Overview and Scrutiny Committee, who have investigated and challenged the proposals and Audit Committee who conducted a risk review of the budget proposals.

Budget Proposals

3.5.5 The budget includes £1.8m of savings, delivery of which will need to be managed.

3.6 Draft Capital Programme 2018/19 to 2022/23

3.6.1 The Council has had in place a Capital Strategy for a number of years. During the preparation of the budget a refreshed and updated Capital Strategy has been produced. This follows the requirement within the enhanced Capital Guidance and Prudential Code that the Council’s Capital Strategy is given greater importance in decision making.

3.6.2 Historically the Council’s General Fund Capital Programme has been funded from capital receipts, capital grants, NHB income, prudential borrowing financed from service revenue savings and prudential borrowing that is affordable within the overall revenue position. This remains largely the case, although New Homes Bonus income, which has been used to finance regeneration and economic growth related projects in recent years, is the subject of proposals by Government to significantly reduce it. This would mean there would be no new NHB income to finance the capital programme.

3.6.3 Over the period of the Medium Term Financial Plan, the General Fund Capital Programme is projected to be financed from £5m capital receipts which have not yet been received. There are risks around the delivery of this level of capital receipt. Progress on the achievement of this level of receipt will therefore be closely monitored through the Corporate Asset Board, with any amendments to capital programmes and financing through the Capital Programme Board.

3.6.4 There is £1.4m of funding provided through the, Growing Places Fund and Local Infrastructure Fund, which part of a total investment of £7.5m form these funding sources, is to be repaid from the Enterprise Zone business rate uplift; risks around the repayment of this are being managed as per 3.3.8 v) above.

3.7 Housing Revenue Account (HRA)

3.7.1 The HRA budget has been subject to a number of policy changes announced by Government, including a reduction in rents by 1% per annum and proposals around Right to Buy and high value stock. The Council has worked closely with NPH in setting its HRA budget for 2018/19, the medium term plan 2018/23 and 30 year HRA Business Plan.

3.7.2 The HRA Capital Programme is funded within the context of overall Housing Revenue Account resources and in line with the Asset Management Plan and the HRA 30 year business plan. Where there are changes in the overall resources available to the HRA, the capital plans are amended accordingly. In this context there is not a high financial risk relating to HRA capital expenditure, however significant reductions in capital investment would impact heavily on service delivery and put delivery of landlord obligations at risk.

3.7.3 Over the past 12 months the Council has been considering a proposal from NPH in relation to increasing the supply of homes in the Borough. This proposal has been reviewed, using external advisers, and refined to optimise the financial benefits as well as maximise the number of new homes that could be built. It is likely that any proposal made to Cabinet, and ultimately Council, will involve new build both within the HRA and outside the HRA. If such a scheme develops the Council will need to ensure it undertakes the appropriate level of due diligence, fully understands the risks, utilises suitably experienced organisations to deliver its plans and receives a suitable return on any assets/borrowing (that reflects risk levels) it provides into any projects.

3.8 Treasury Management Strategy 2018/19

3.8.1 The Council's Treasury Management Strategy has been updated to reflect the latest borrowing requirements of the capital programme, latest interest rate forecasts and updated for the credit criteria to reflect the changing banking environment whilst ensuring the security of the Council's investments continues to be maintained.

3.8.2 Forecasting the Council's future short term borrowing and lending costs is always a challenge, but even more so in the current climate of economic volatility and uncertainty. Nevertheless the Treasury Management budget does reflect the capital financing costs to support the approved capital programme and rates of return on investments at this time. The base rate is forecast to remain at its historical low further into the medium term and the budgets will be regularly monitored.

3.8.3 The Council should also be aware that Government has issued updated Guidance for capital expenditure and CIPFA have updated their Prudential Code. These changes are in response to councils pursuing commercial investments in property, particularly those financed by borrowing. This Council, has a number of investment properties and therefore does have an exposure to the requirements of the new Guidance and Code. However, it should be noted the Council has not undertaken any additional new borrowing for these historic investment properties. Despite this it will still be subject to the new requirements. If the Council were to pursue any future investment properties, particularly those funded by borrowing, it should take full account of the new Guidance and Code. As these change have been implemented quickly by Government the Council needs to consider its adherence to in greater depth throughout the financial year and updates its processes/procedures to reflect the changes, and if required bring any amendments through Council during the financial year.

3.9 Forecast Reserves and Balances

3.9.1 There has been a review of earmarked reserves and the minimum working balance.

Minimum Levels of Working Balance

3.9.2 The risk assessed minimum level of General Fund balances for 2018/19 is maintained at £5.5m and reflect the risks being faced by the Council. The risk assessed minimum level of general fund balances are expected to remain at this level in the medium term.

3.9.3 The working balance for the HRA continues at £5m, although it should be recognised this may need to be increased in future years depending upon the risk around implementing proposed Government policies, in particular the higher value voids levy.

3.9.4 The underlying minimum level of working balances necessary to mitigate against short to medium term risks will be reviewed, along with the levels of earmarked reserve, on an annual basis.

Use of Earmarked Reserves

3.9.5 There is a net contribution from earmarked reserves within the 2018/19 revenue budget of £0.6m.

3.9.6 In September 2016 Cabinet approved a fundamental review of earmarked reserves. The review realigned reserves to ensure they balanced managing the risks facing the Council and provided sufficient investment to support delivering the Efficiency Plan. To deliver the Efficiency Plan an investment fund was established to provide projects with sufficient funding to realise their planned benefits, the use of these reserves is aligned to the production of a business case which is reviewed in accordance with the Council's new governance processes. In addition a cash flow reserve was established to finance any shortfalls in funding whilst the projects and their benefits are being implemented.

3.9.7 A further review of reserves has been undertaken during the budget planning process for 2018/19. One of the considerations as part of the budget planning has been whether or not to utilise up to £10m of reserves to finance Environmental Services assets. It is advised this is only prudent to do so if the

Council has a strategy for reaching a balanced financial position across the medium term. To this end the proposed budget has kept the use of reserves flexible in their application. Without the use of these reserves the Council has an annual funding gap of £2.5m by 2022/23. If the Council identifies clear plans totalling £1.5m to close this funding gap then up to £10m (£1m per year) of reserves could be used to finance Environmental Services assets.

3.10 Conclusion

3.10.1 Based on the assumptions made in its Budget 2018/19 and MTFS 2018/23 for income and expenditure the Council can set a balanced financial position for 2018/19.

3.10.2 However, due to the continued reduction in government funding and forecast pressures on services the Council is facing significant annual deficit budgets of around £1.5m by 2022/23.

3.10.3 In addition there are a number of risks, or “known unknowns”, outlined in paragraphs 3.3.4 to 3.3.9.These risks may have a positive or negative impact on the Council’s financial position.

3.10.4 Whilst in the next financial year the Council’s financial position is sustainable; beyond this there are well publicised financial challenges facing the whole sector. The Council will need to ensure it makes the right decisions over the short term (next year) to ensure it rises to these challenges over the medium to long term. Such a strategy could include maximising all income streams, sharing services with other councils, being more commercial, continuing to generate efficiencies and influencing the risks faced to optimise the Council’s future financial viability. As noted in paragraph 3.9.7 there is the opportunity to utilise some reserves to finance the costs of Environmental Services assets if there are sufficient plans in place to balance the funding gap over the medium term financial plan period.

3.10.5 The Council should give proper attention and focus to delivering projects within its Efficiency Plan. A successful Efficiency Plan will lead to a stable and sustainable Council in the future and it is important recognition is taken of the issues raised in section 3.4.

3.10.6 Provided the Council carefully considers and acts upon the above analysis, and officers robustly manage the implementation of the Revenue and Capital Budgets, a positive opinion can be given under Section 25 of the Local Government Act 2003 on the robustness of budget estimates and the level of reserves.

3.9 Choices (Options)

3.9.1 Section 25(2) of the Local Government Act 2003 requires the Council to have regard to this report in approving the budget for both the General Fund and the Housing Revenue Account.

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 in order to do this effectively, the calculations used within the budgets must be robust; this report demonstrates that, in the opinion of the Chief Financial Officer, the budgets for 2018/19 are robust within the parameters outlines in this report.

4.1.2 Protecting the Council's medium to long term financial position and ensuring adequate provision for reserves allows the Council to continue to deliver services in line with its priorities.

4.2 Resources and Risk

4.2.1 The report is of a financial nature and the implications are set out within the report. This report by its nature considers risk management from a financial perspective.

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. Section 25(1) of the Local Government Act 2003 requires that the Chief Financial Officer (Section 151 Officer under the Local Government Act 1972) reports to the Council when setting its Council Tax on the robustness of the estimates in the budget and the adequacy of the proposed financial reserves.

4.3.2 Section 25(2) of the 2003 Act requires the Council to have regard to this report in approving the budget.

4.4 Equality

4.4.1 There are no equality and diversity implications arising from this report. Separate assessments will be produced as savings plans are developed over the period of the MTFP to deliver the savings yet to be identified.

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

None

5. Background Papers

5.1 General Fund Budget Report

5.2 HRA Budget Report

5.3 Treasury Management Strategy Report

Stuart McGregor, Interim Chief Finance Officer

Appendices
11

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	General Fund Revenue Budget and Capital Programme 2018/19 and Medium Term Financial Plan 2018/19 – 2022/23

AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	21 February 2018
Key Decision:	YES
Within Policy:	YES
Policy Document:	YES
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	NA

1. Purpose

1.1 To report the outcome of the consultation process on the 2018/19 General Fund Revenue and Capital Budget and the Government Funding Settlement for 2018/19.

1.2 To agree Cabinet's proposals for recommendation to Council on 26 February 2018 for the 2018/19 General Fund budgets and Council Tax level and the indicative levels for 2019/20 to 2022/23.

1.3 To outline the General Fund Capital Programme and Funding proposals for 2018/19 and future years.

2. Recommendations

2.1 That the feedback from consultation with the public, organisations and the Overview and Scrutiny and Audit Committees be considered and welcomed **(detailed at Appendices 9, 10 and 11).**

2.2 That the changes to the proposed budget (detailed at paragraph 3.2.14), in light of technical adjustments and the Local Government Funding Settlement, be agreed.

2.3 That a General Fund Revenue Budget for 2018/19 of £27.360m (excluding parishes) be recommended to Council for its own purposes (detailed in paragraph 3.2.13 and **Appendices 1 and 2**).

2.4 That the Council be recommended to increase the Council Tax for its own purposes, i.e. excluding County, Police and Parish Precepts, by £6.37 (2.99%) per year per band D property for 2018/19.

2.5 That the Cabinet recommend to Council that they approve the General Fund Capital Programme and proposed financing for 2018/19, including the inclusion of schemes in the Development Pool, as set out in **Appendix 4.**

2.6 That Council be recommended to confirm a minimum level of General Fund reserves of £5.5m for 2018/19, having regard to the outcome of the financial risk assessment, and also note the position on earmarked reserves (**Appendix 7**).

2.7 That authority be delegated to the Chief Finance Officer in consultation with the Cabinet Member for Finance, and where appropriate the relevant Director and Cabinet Member to:

- Transfer monies to/from earmarked reserves should that become necessary during the financial year.

- Update prudential indicators in both the Prudential Indicators Report and Treasury Strategy Report to Council, for any budget changes that impact on these.

2.8 That the draft Fees and Charges set out in **Appendix 8** be approved, including immediate implementation where appropriate.

2.9 That Cabinet recommend to Council that they approve the Treasury Management Strategy for 2018/19 at **Appendix 5** of this report: incorporating:

(i) The Capital Financing and Borrowing Strategy for 2018/19 including:

- 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) (England) (Amendment) Regulations 2008.

- The Affordable Borrowing Limit for 2018/19 as required by the Local Government Act 2003.

(ii) The Investment Strategy for 2018/19 as required by the CLG revised Guidance on Local Government Investments issued in 2010.

2.10 That authority be delegated to the Council's Chief Finance Officer, in liaison with the Cabinet member for Finance, to make any temporary changes needed to the Council's borrowing and investment strategy to enable the authority to meet its obligations.

2.11 That authority be delegated to the Chief Finance Officer to make any technical changes necessary to the papers for the Council meeting of 26th February 2018, including changes to the Finance Settlement and change relating to Parish Precepts and Council Tax levels associated with those changes.

3. Issues and Choices

3.1 Report Background

3.1.1 The Council is required to set a balanced budget and it's Council Tax for 2018/19 in February 2018. The proposals in this report have been developed by officers in consultation with Cabinet members and Corporate Management Board.

3.1.2 Cabinet agreed a draft budget in December and the proposals within this have been subject to a period of public consultation and reviewed by both Audit Committee and Overview and Scrutiny Panel. The outcomes of these consultations are set out in **Appendices 9, 10 and 11**.

3.1.3 The Cabinet report in December set out the national and local economic context and background to the sources of funding that underpin the budget and medium term plan.

3.2 Issues

Local Government Finance Settlement

3.2.1 The draft settlement was published on 19th December 2017 and the final settlement was issued on 7th February 2018. There were no significant changes from the draft settlement. The table below shows the figures and how they compare to those included in the draft budget for 2018/19.

	Draft Budget – Dec 2017 £k	**Final Settlement – Feb 2018 £k**	**Change £k**
Revenue Support Grant	886	886	-
Business Rates Baseline	7,826	7,826	-
New Homes Bonus	3,311	3,082	(219)
Total	**12,023**	**11,794**	**(219)**

3.2.2 The methodology for calculating central government funding includes an assumption that Council Tax is increased up to the referendum limit of 2.99% in 2018/19. The budget proposals therefore include a proposed increase in the Band D Council Tax of just under 2.99% from April 2018 and £5 per year from 2019/20 onwards.

3.2.3 New Homes Bonus for 2018/19 is lower than forecast in the draft budget due to lower than expected property growth being reflected in the allocation. This is in part due to delays in the valuation office allocating new properties to bands. This will be corrected in future years as and when this unrecognised growth feeds into the taxbase growth figures.

Medium Term Financial Plan and Efficiency Savings

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

3.2.5 Cabinet has listened to public feedback in relation to the existing Environmental Services contract and is proposing to invest and prioritise resources to make sure that our town is clean. The new Environmental Services contract, to commence in June 2018, will see a significant improvement in quality standards for street cleaning, grounds maintenance and the collection of refuse and recycling. The quality standards and service specification for the new contract have been informed by the consultation undertaken in 2017. These improvements come at a cost, with a significant increase in budget required. The final budget allows for the increased net cost of Environmental Services and related activities of around £3.2m per annum, plus an additional one-off cost of £2m in 2018/19 for contract mobilisations and to rectify current problems.

3.2.6 In order to mitigate the increased costs of Environmental Services, the Council proposes to purchase the vehicles and other equipment required for delivery of these services, and lease these to the successful contractor. This approach was approved by Cabinet in January, and utilises the lower borrowing costs available to the Council. The cost of repaying this borrowing will be met from an earmarked reserve set aside for the purpose, although the Council may utilise capital receipts for this purpose if they become available in the future. This capital funding by the Council, and utilisation of an earmarked reserve, reduces the net cost of the new contract by an estimated £1.2m per annum.

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

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

3.2.9 Further efficiencies, budget savings and income increases totalling £1.82m are set out in Appendix 2. These include significant savings in management and staffing costs through a process of redesigning the organisational structure to ensure that it meets the needs of the Borough and provides value for money. Additional income of over £1.3m will be generated, most notably through the introduction of a charge of £2 for all-day parking on Saturdays in the Council's multi-storey car parks and Sundays in all car parks. Visitors to the town will benefit from improved town centre cleanliness delivered through the new Environmental Services contract.

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

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

3.2.12 The MTFP shows a forecast further savings requirement of £1m to £1.5m each year from 2020/21 onwards. The exact figure is subject to any changes to government funding and other forecast changes to budgets. These further savings can be achieved through the strands set out in the approved Efficiency and Medium Term Financial Strategy, i.e.

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

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

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

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

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

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

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

General Fund Revenue Budget 2018/19

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

Description	2018/19 £000s
Service Base Budget	27,475
Proposed Growth	4,250
Proposed Savings	(1,822)
Corporate Budgets	67
Contribution from Reserves	(1,480)
Net Budget	**28,490**
Revenue Support Grant	(886)
Business Rates	(8,346)*
New Homes Bonus	(3,082)
Council Tax	(15,793)
Collection Fund Surplus	(383)
Total Funding	**(28,490)**
Savings to be identified	**0**

*includes baseline shown at para 3.2.1 plus growth of £520k

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

3.2.14 Further work has been undertaken since December to refine the budget. This includes the impact of the Local Government Finance Settlement and technical adjustments to the continuation budget and corporate budgets. The changes are summarised in the table below:

Summary of Changes since Cabinet December 2017	Budget 2018/19 (£)
Environmental Services – net impact	90,000
Increased Savings Forecasts	(260,000)
Technical Changes to Corporate Budgets	(50)
Contribution to/(from) Earmarked Reserves	74,595
Total Changes to Net Budget	**95,455**
Changes to Funding	
New Homes Bonus – lower allocation	219,471
Collection Fund Surplus	(32,400)
Council Tax – additional increase	(91,618)
Total Changes to Funding	**95,455**

Council Tax

3.2.15 As part of the Local Government Finance Settlement, the Secretary of State has set a referendum trigger for 2018/19 of 3% increase in the Band D Council Tax, which will apply for all lower-tier (district and borough) councils.

3.2.16 The Borough Council's draft budget for 2018/19 proposed an increase in Council Tax of £5 per Band D property, this having been the referendum limit in 2017/18. With the lower than expected level of funding from New Homes Bonus, and with inflation running at 3%, the final proposed increase has been set at 2.99% in order to maximise the total funding available to support the delivery of essential services. This will be an increase of £6.37 per year, or 12p per week, for an average Band D property.

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

	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Northampton Borough Council	207.91	207.91	207.91	212.91	219.28
Northamptonshire County Council	1,048.57	1,069.02	1,111.25	1,166.59	TBC
Northamptonshire Police & Crime Commissioner	197.04	200.96	204.96	209.04	TBC
Total	1,453.52	1,477.89	1,524.12	1,588.54	TBC

Special Expenses

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

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

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

3.2.21 As a general rule, special expenses seek to reflect the cost of the services that relate to specific areas.

3.2.22 See Appendix 6 for further details and explanation.

Capital Strategy

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

3.2.24 The aim of the Capital Strategy is to provide a clear framework for capital funding and expenditure decisions in the context of the Council's vision, values, objectives and priorities, financial resources and spending plans. The Council's capital strategy is to deliver a capital programme that:

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

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

General Fund Capital Programme 2018/19 to 2022/23

3.2.26 The proposed General Fund Capital Programme and Funding for the next 5 years is detailed in Appendix 4 and summarised in the table below. The proposed programme has been reviewed, challenged and prioritised by the Capital Programme Board. Years 2 to 5 of the programme are indicative only at this stage.

3.2.27 The total value of the proposed programme for 2018/19 is £24.648m. This total includes £21.751m of New Proposals and/or schemes within the Development Pool. These are schemes for which either costs need to be firmed up and/or confirmation of external funding is required. These schemes will be moved from the Development Pool into the approved programme during the year as and when these details are approved by the Capital Programme Board in line with the enhanced governance processes implemented during 2017/18.

3.2.28 Apart from some reprofiling of expenditure in light of the latest forecasts for 2017/18, the changes to the programme since the draft budget report in December 2017 are as follows:

- Leisure Centre Improvement Programme – the latest discussions with the Leisure Trust suggest that funding will be sought from a third party and they will take responsibility for delivering the programme. This item has therefore been removed from the Council's capital programme.

- Environmental Services Vehicles and Westbridge Depot improvements– this figure has been updated to reflect the cost estimates provided by the successful bidder.

- Fernie Fields – The sum of up to £180,000 is included in the proposed programme as a contribution towards improved stadium facilities.

3.2.29 The proposed capital programme can be contained within existing resources over the 5 year planning period. However, subject to the profile of capital receipts, some short term borrowing may be required. The proposed funding includes that in relation to Development Pool schemes.

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

Description	**2018/19**
	£000s
Disabled Facilities Grants	1,475
IT Improvements	175
Block Programmes	1,427
Development Pool	8,098
New Proposals	13,653
Total GF Capital Programme	**24,828**
Funding Source:	
Borrowing (incl. self-funded)	16,206
Growing Places Fund/ Local Infrastructure Fund	400
Capital Receipts	5,541
Grants & Developer Contributions	2,681
Total Funding	**24,828**

Earmarked Reserves and General Fund Balances

3.2.31 Earmarked Reserves are held to mitigate against specific risks and future spending pressures. They are reviewed on an ongoing basis, but specifically as part of the budget process and again at the closure of accounts. Contributions to and from reserves will be adjusted for future years as the forecasts of government funding are updated.

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

	Balance 1st April 2017	**Purpose**
Service Specific Earmarked Reserves	£2.7m	To cover specific known spending commitments
Corporate Earmarked Reserves	£17.1m	Held to mitigate against corporate risks and to fund future budget pressures
Technical Reserves	£3.2m	To deal with technical accounting differences across financial years
Minimum Level of General Reserves	£5.5m	To cover general unquantified risks
Total General Fund Reserves	**£28.5m**	

3.2.33 The unallocated balance as at 31st March 2018 on the Delivering the Efficiency Plan/MTFP Cashflow/Strategic Investment Reserves is forecast to be over £15m. It is proposed as part of the strategy to balance the MTFP that £10m of this is set aside to fund the annual cost of Environmental Services vehicle provision over the next 10 years. The remaining balances of £3m for Delivering the Efficiency Plan and £2m for MTFP Cashflow are sufficient to cover future needs and known/anticipated risks. The forecast balances on earmarked reserves are set out in **Appendix 7**.

3.2.34 As part of the budget process the Council determines a prudent minimum level of General Fund balances to hold against general risks. This minimum level is designed to cope with unpredictable circumstances, which cannot be addressed by management or policy action within the year. It is informed by a risk assessment, which currently suggests that £5.5m would be a prudent level of general reserves. This is in line with the actual level of general reserves held as at March 2017.

Robustness of Estimates and Adequacy of Reserves

3.2.35 The Local Government Act 2003 places a duty on the Chief Finance Officer to comment on 'the robustness of the estimates' included in the budget and the adequacy of the reserves for which the budget provides. This is subject to a separate report to this Cabinet meeting.

Fees and Charges

3.2.36 The draft schedule of Fees and Charges for 2018/19 is attached at Appendix 8. The Cabinet is recommended to agree the fees and charges that have been reflected in the budgeted income figures. These figures have been reviewed through the Medium Term Planning process and updated where feasible.

Treasury Management Strategy

3.2.37 The Treasury Management Strategy 2018/19 at Appendix 5 sets out the Council's policy for its debt and investment portfolios over the next financial year. It is reviewed annually and reported to Cabinet and Council as part of the budget setting process. The purpose of the 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. The resources required to deliver the Council's Treasury Management Strategy and policies over the next five years are incorporated into the Council's HRA and General Fund revenue budgets.

3.2.38 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.

3.2.39 The Treasury Management Strategy also includes the Council's policy on borrowing in advance of need and its counterparty creditworthiness policies.

Next Steps

3.2.40 The Council meeting on 26th February will consider the recommendations of this Cabinet in relation to the expenditure and tax proposals that relate to the Council's own spending.

3.2.41 In addition to the Council's own Council Tax, there are separate Council Taxes for the county, police, and the parishes. Not all of these precepting bodies have set their Council Taxes at the date of the Cabinet report being written, with the result that these will be reported to the Cabinet if known by that date and at Council on 26 February 2018 in any event.

3.3 Choices (Options)

3.3.1 It is recommended that Cabinet make the recommendations to Council as detailed in section 2 of this report, taking into account the items detailed for noting.

3.3.2 The Cabinet may choose to make amendments to the proposed budgets or to the proposed council tax increase and adjust the budget proposals accordingly, in consultation with the Chief Executive and the Chief Finance Officer. It would then recommend the amended budget and council tax (if applicable) to Council.

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

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

4.2.2 The robustness of the estimates and adequacy of the Council's reserves are subject to a separate report.

4.2.3 A report on risks and the 2018/19 budget was also considered by the Audit Committee at its meeting on 15th January 2018.

4.3 Legal

4.3.1 The Council must set a balanced budget for the next financial year by midnight on 11 March 2018 (Local Government Finance Act 1992 section 32 (10). Failure to do this would leave the Council potentially vulnerable to court action by way of judicial review. Delay in sending out Council Tax demands would result in losses being incurred by the Council.

4.3.2 The authority has specific legal duties in relation to equalities and financial decision making – see 4.4 below.

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 were considered as part of each of the medium term planning options submitted. Equality impact assessments are 'living' documents and will be updated to take into account relevant feedback from the consultation process. Where these documents identify mitigating action, this will be undertaken in implementing the relevant option should it be taken forward and approved in February 2018.

4.5 Consultation

4.5.1 Public consultation commenced with residents, businesses and interested stakeholders from the 21 December 2017 and ended 11 February 2018. The consultation period will formally close on the date the budget is approved in February 2018.

4.5.2 People were asked if they agreed with a small increase in council tax. Views were also sought in relation to the budget options proposed and respondents were also invited to suggest any other ideas that would achieve savings or generate income.

4.5.3 37 people completed online questionnaires. More than 54% of respondents agreed that the proposed Council Tax increase is about right, albeit at draft budget this was 2.34%. The proposal now is to increase up to the referendum limit of 2.99% and ii is worth noting that another 19% of respondents believed the 2.34% increase was not high enough. There were a range of suggestions as to where the Council could spend more to improve services, most notably in relation to improvement cleanliness in the town centre. Full details, including comments on proposals and alternative suggestions are available in **Appendix 9**.

4.5.4 Overview and Scrutiny Committee reviewed the budget proposals at its meeting on 29 January 2018. The views of the Overview and Scrutiny Committees are reported in **Appendix 10**.

4.5.5 Audit Committee reviewed the budget proposals from a risk perspective on 16 January 2018. The key risks identified are reported at **Appendix 11**.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 All of the discretionary investment proposals in the proposed budget reflect and/or are aligned to the corporate priorities as set out in the Corporate Plan.

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 2018/19 to 2022/23
2. General Fund MTP Savings & Growth Options
3. Capital Strategy 2018/19
4. Proposed General Fund Capital Programme and Financing 2018/19 to 2022/23
5. Treasury Management Strategy 2018/19
6. Special Expenses
7. Schedule of Earmarked Reserves
8. Draft Fees and Charges 2018/19
9. Consultation Responses – Public Consultation
10. Consultation Responses – Overview and Scrutiny Committee
11. Consultation Responses – Audit Committee

Simon Bovey, Interim Chief Executive
Stuart McGregor, Interim Chief Finance Officer

General Fund Budget Summary 2018 - 2023

Description	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
	£	£	£	£	£
Service Base Budget	27,474,793	27,576,952	27,894,472	28,094,316	28,439,914
Medium Term Planning Options					
Savings and Efficiencies	(1,822,000)	(2,478,800)	(2,702,200)	(2,923,200)	(3,033,200)
Total Savings	(1,822,000)	(2,478,800)	(2,702,200)	(2,923,200)	(3,033,200)
Growth					
Environmental Services - Net Budget Increase	4,020,000	1,934,000	2,172,000	2,409,000	2,644,000
Other Growth	230,000	230,000	230,000	230,000	230,000
Total Growth	4,250,000	2,164,000	2,402,000	2,639,000	2,874,000
Total MTP Options	2,428,000	(314,800)	(300,200)	(284,200)	(159,200)
Gross Revenue Budget	29,902,793	27,262,152	27,594,272	27,810,116	28,280,714
Corporate Budgets					
Debt Financing	1,456,000	2,670,000	2,822,000	3,023,000	3,155,000
Recharges from General Fund to HRA	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Parish Grants	(18,634)	(18,634)	(18,634)	(18,634)	(18,634)
Parish Precepts	1,129,461	1,129,461	1,129,461	1,129,461	1,129,461
Contribution to/(from) Earmarked Reserves	(1,479,197)	(1,104,963)	(1,143,000)	(1,146,000)	(1,150,000)
Total Corporate Budgets	(1,412,370)	175,864	289,827	487,827	615,827
Net Budget	28,490,423	27,438,016	27,884,099	28,297,943	28,896,541
Funding					
Revenue Support Grant	(886,014)	0	0	0	0
Business Rates Retention Scheme	(8,345,727)	(8,380,600)	(8,401,824)	(8,401,824)	(8,401,824)
New Homes Bonus	(3,082,156)	(2,760,381)	(1,625,191)	(1,253,562)	(1,029,679)
Total Government Funding	(12,313,896)	(11,140,981)	(10,027,015)	(9,655,386)	(9,431,503)
Council Tax					
Band D Council Tax	219.28	224.28	229.28	234.28	239.28
Tax Base	66,874	67,628	68,452	69,337	70,345
NBC Council Tax	(14,664,066)	(15,167,574)	(15,694,652)	(16,244,339)	(16,832,199)
Parish-related Council Tax	(1,129,461)	(1,129,461)	(1,129,461)	(1,129,461)	(1,129,461)
Total Council Tax	(15,793,527)	(16,297,035)	(16,824,113)	(17,373,800)	(17,961,660)
Surplus on Collection Fund	(383,000)	0	0	0	0
Total Funding	(28,490,423)	(27,438,016)	(26,851,128)	(27,029,186)	(27,393,163)
Budget Gap	(0)	(0)	1,032,971	1,268,757	1,503,378

MTP Savings and Growth Options

MTP Ref.		Forecast Savings 2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
	Savings Options					
E003BS	Support Service Savings - GF Share		-310,000	-438,000	-659,000	-769,000
	Organisation Redesign	-320,000	-460,000	-561,000	-561,000	-561,000
	Increased Income:					
S036CC	Increase Daily Parking to £8	-100,000	-100,000	-100,000	-100,000	-100,000
S037CC	Car Parking - £2 charge Saturday & Sunday	-875,000	-875,000	-875,000	-875,000	-875,000
	NCC Staff Parking Income	-135,000	-135,000	-135,000	-135,000	-135,000
S024CC	Staff Parking Charges	-40,000	-40,000	-40,000	-40,000	-40,000
S017CC	Market Rubbish Collection - charging	-10,000	-10,000	-10,000	-10,000	-10,000
E006REP	Planning Fee Income	-200,000	-200,000	-200,000	-200,000	-200,000
E007CC	Guildhall Accomodation Strategy	0	-50,000	-50,000	-50,000	-50,000
E019CC	Increase car park capacity in town centre	0	-75,000	-75,000	-75,000	-75,000
	Service funding reductions					
S015CC	Cost Saving on Bloom	-18,000	-18,000	-18,000	-18,000	-18,000
S018CC	Reduction in Events Programme	-30,000	-30,000	-30,000	-30,000	-30,000
S021CC	Reduction in Total Voluntary/Community Funding to £1.07m	-94,000	-94,000	-94,000	-94,000	-94,000
		-1,822,000	-2,397,000	-2,626,000	-2,847,000	-2,957,000
	Growth Proposals					
G001CC	Client Support - ES Contract	60,000	60,000	60,000	60,000	60,000
G002CC	Abington Museum - Extended Opening Hours	20,000	20,000	20,000	20,000	20,000
G006CX	Reduce Working hours to 37	150,000	150,000	150,000	150,000	150,000
		230,000	230,000	230,000	230,000	230,000

Northampton Borough Council

Capital Strategy 2018 to 2023

Contents

INTRODUCTION AND CONTEXT

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

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

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

The strategy supports the development of an approved capital programme that shows the Council's commitment to maintaining and improving its capital stock and infrastructure. This in turn underpins the delivery of high quality and value for money services and helps to secure a better environment for the people of Northampton.

OVERARCHING STRATEGY

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

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

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

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

CAPITAL FUNDING STRATEGY

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

<u>Hypothecated funding</u>

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

<u>Self-funded borrowing</u>

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

Business Rates Uplift

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

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

Revenue and Capital Reserves

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

Revenue Contributions

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

Capital Receipts

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

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

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

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

Prudential Borrowing

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

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

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

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

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

In Year Changes

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

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

HRA Capital Funding

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

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

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

Revenue Implications of Capital Projects

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

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

Minimum Revenue Provision (MRP)

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

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

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

PROGRAMME BUILD

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

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

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

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

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

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

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

COMMERCIAL PROPERTY INVESTMENTS

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

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

GOVERNANCE ARRANGEMENTS

In Year Appraisals and Variations

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

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

Delegation Levels for Appraisals and Variations

Fully Funded Schemes

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

Other Schemes

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

Below £100k – Approval by CFO

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

Over £250k – Approval by Cabinet Required

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

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

Changes to the HRA capital programme can be agreed in line with the NPH partnership agreement.

Role of the Capital Programme Board (CPB)

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

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

Block Programmes

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

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

Urgent Approvals

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

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

MONITORING THE CAPITAL PROGRAMME

Project management & monitoring

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

This includes ensuring that:

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

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

Directorate Management Teams

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

Finance

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

Capital Programme Monitoring

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

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

RISK MANAGEMENT

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

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

ASSET MANAGEMENT

Council Assets

The Council owned Property, plant and equipment assets with a total net book value of £590.5m at March 2017 (draft accounts). Council assets included around 11,650 Council dwellings, and 925 hectares of Parks and Open Spaces.

The split of value between asset classes is shown in the table below, over three-quarters being Council dwellings.

Asset Class	**Value (£m)**
Council Dwellings	459.9
Housing Land and Buildings	20.1
Other Land and Buildings	88.2
Vehicles, Plant and Equipment	1.3
Infrastructure Assets	2.0
Community Assets	14.1
Surplus Assets	0.9
Assets under Construction	4.0
Total	**590.5**

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

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

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

Project Title	Funding Source	2017-18 Latest	2018-19	2019-20	2020-21	2021-22	2022-23	Total
				Indicative				
		£	£	£	£	£	£	£
Housing - General Fund								
Disabled Facilities Grant	G, C	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	1,475,000	8,850,000
Ongoing Schemes								
IT Infrastructure	S-F	195,000	150,000	150,000	150,000	150,000	150,000	945,000
Market Stall Covers	C	20,000		20,000	20,000			60,000
Corporate EDRMS	C	25,000	25,000					50,000
Heritage Gateway	G	27,000	50,000					77,000
Block Programmes - specific schemes to be agreed								
Capital Improvements - Regeneration Areas	C	105,000	267,000	50,000	50,000	50,000	50,000	572,000
Parks/Allotments/Cemeteries Enhancements	C	164,000	250,000	250,000	250,000	250,000	250,000	1,414,000
Car Park Lifts	C	140,000	560,000					700,000
Operational Buildings - Enhancements	C	529,000	250,000	250,000	250,000	250,000	250,000	1,779,000
Commercial Landlord Responsibilities	C	135,000	50,000	50,000	50,000	50,000	50,000	385,000
Other Schemes due to complete in 2017/18	G, R, C	4,423,000	0					
Development Pool (Estimated Costs)								
Vulcan Works - reprofiled	G, C	930,000	477,000	10,057,716				11,464,716
Central Museum Development - reprofiled	C	1,352,000	5,198,000					6,550,000
St James Mill Link Road - reprofiled	G, EZ	600,000	1,260,000	140,000				2,000,000
St Peters Waterside - reprofiled	G	75,000	956,000					1,031,000
Revenues and Benefits Capital Investments	C	61,000	207,000	20,000	20,000	20,000	20,000	348,000
New Proposals								
Horizon Park	S-F	250,000	525,000	7,350,000	975,000			9,100,000
Car Park Decking	S-F		1,500,000					1,500,000
IT Tablets - Elections	C		13,200					13,200

Environmental Services Vehicles	S-F		10,960,000		63,000		63,000	11,086,000
Westbridge Depot Improvements	S-F		450,000					450,000
Fernie Fields Stadium Development	C		180,000					180,000
Billing Brook Lakes	C		25,000					25,000
Total General Fund Capital Programme		**10,506,000**	**24,828,200**	**19,812,716**	**3,303,000**	**2,245,000**	**2,308,000**	**63,002,916**

Key to Funding Sources

G - Grants & Contributions

R - Revenue and Reserves

EZ - Enterprise Zone Business Rates

SF - Self-funded Borrowing

C - Corporate Resources - Capital Receipts or Borrowing

Appendix 4

Proposed General Fund Capital Funding	2017-18 £	2018-19 £	2019-20 £	2020-21 £	2021-22 £	2021-22 £	Total £
Grants & Contributions:							
Disabled Facilities Grant - Better Care Fund	1,318,000	1,198,000	1,198,000	1,198,000	1,198,000	1,198,000	7,308,000
Heritage Lottery Funding - Delapre Abbey							0
HPDG	9,000						9,000
Local Growth Fund - Vulcan Works	930,000	477,000	4,768,000				6,175,000
Local Growth Fund - St James Mill Link Road	562,000						562,000
Section 106	230,000	50,000					280,000
Other Grants and Contributions	600,000	956,000	2,000,000				3,556,000
Sub-total Grants & Contributions	3,649,000	2,681,000	7,966,000	1,198,000	1,198,000	1,198,000	17,890,000
Revenue/Reserves	839,000						839,000
Capital Receipts - Heritage	1,452,000	5,198,000					6,650,000
Capital Receipts - Other	1,104,000	343,200	170,000	170,000	150,000	150,000	2,087,200
Growing Places Fund and Local Infrastructure Fund (to be repaid from EZ business rate uplift) - St James Mill Link Road	38,000	400,000					438,000
Self-funded Borrowing	250,000	14,295,000	10,490,000	1,038,000	0	63,000	26,136,000
Corporate Borrowing	3,174,000	1,911,000	1,186,716	897,000	897,000	897,000	8,962,716
Total Funding	**10,506,000**	**24,828,200**	**19,812,716**	**3,303,000**	**2,245,000**	**2,308,000**	**63,002,916**

Northampton Borough Council
Treasury Management Strategy
2018-19

Contents

1 Introduction

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

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

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

CIPFA Prudential Code for Capital Finance in Local Authorities

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

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

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

Treasury Management Policy Statement

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

Treasury Management Practices

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

- Main Principles;
- Schedules.

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

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

The Treasury Management Strategy

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

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

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

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

1.13 The Treasury Management Strategy incorporates:

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

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

1.15 This Treasury Management Strategy also includes the Council's:

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

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

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

Scheme of Delegation

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

General Fund and HRA

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

Equalities Statement

1.19 Equalities Impact Assessment (EIA) screening has been carried out on this Treasury Strategy, and the associated Treasury Management Practices (Main Principles and Schedules).

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

2 Current Treasury Management position

2.1 The Council's projected treasury portfolio position at 31 March 2018, with forward estimates, is summarised below. Table 1 shows external borrowing against the Capital Financing Requirement (CFR) - which is a measure of the need to borrow for capital expenditure purposes - highlighting any forecast over or under borrowing.

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

Table 1: Treasury Portfolio at 31 March 2018

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

3 Prospects for interest rates

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

Table 2: Link Asset Services Bank Rate Forecast

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

3.2 A detailed economic commentary is attached as Appendix E.

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

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

4 Borrowing strategy

Capital Financing

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

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

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

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

Borrowing

4.5 The Council as a whole is currently maintaining an under borrowed position. This means that the capital borrowing need (CFR) has not been fully funded with loan debt. Instead, cash supporting the Council's reserves, balances and cash flow has been used to fund this requirement in leui – a process known as internal borrowing.

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

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

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

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

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

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

Loans to Third Parties

4.12 The Council may make grants or loans to third parties for the purpose of capital expenditure, as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146). This will usually be to support local economic development, and may be funded by external borrowing.

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

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

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

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

Prudential & Treasury Indicators

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

Policy on borrowing in advance of need

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

4.18 The Council will:

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

Debt rescheduling

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

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

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

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

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

Affordable Borrowing Limit

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

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

Table 3: Affordable Borrowing Limit					
	2018-19	2019-20	2020-21	2021-22	2022-23
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
NBC CFR plus headroom	284	288	288	289	290
To support loans to third parties	50	50	50	50	50
Affordable Borrowing Limit	**334**	**338**	**338**	**339**	**340**

Temporary Borrowing

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

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

- Interest rates set in line with the average rate of interest achieved by the Council in the preceding period, less 0.5%;
- Quarterly review of interest rates;

- Withdrawal notice periods of 7 days;
- Termination notice of 7 days.

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

Overdraft Facilities

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

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

5 Minimum Revenue Provision

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

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

5.3 The Council's policy statement on MRP for this year is set out at Appendix D. The policy is considered by the CFO to provide for the prudent repayment of debt.

6 Investment strategy

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

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

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

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

7 Sensitivity of the forecast and risk analysis

Risk Management

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

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

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

Sensitivity of the Forecast

7.3 The sensitivity of the forecast is linked primarily to movements in interest rates and in cash balances, both of which can be volatile. Interest rates in particular are subject to global external influences over which the Council has no control. In terms of interest rates, with the forecast average investment portfolio of £77.0m for 2018-19 each 0.1% increase or decrease in investment rates equates to £77.0k, the revenue impact of which is shared between the HRA and the General Fund.

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

8 Reporting arrangements

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

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

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

8.3 Full details of the Council's treasury management reporting arrangements are contained in the Council's Schedules to the Treasury Management Practices.

9 Debt financing budget

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

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

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

10 Policy on the use of external service providers

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

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

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

11 Current and future developments

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

Codes of Pratice updates

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

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

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

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

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

Market in Financial Instruments Directive (MiFID) II

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

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

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

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

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

Enterprise Zone

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

Tax Incremental Financing

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

11.13 To this aim they are looking to introduce new borrowing powers to enable authorities to carry out Tax Incremental Financing (TIF) for infrastructure projects.

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

11.14 In determining the affordability of borrowing for capital purposes, local authorities take account of their current income streams and forecast future income. TIF will enable local authorities to borrow against a future additional uplift to their business rates base. It will be important to manage the costs and risks of this borrowing alongside wider borrowing under the Prudential Code.

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

Autumn Budget Statement

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

12 Training

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

12.2 Policies for reviewing and addressing treasury management training needs are out in the TMP Schedules.

13 List of appendices

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

Appendix A

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

Treasury Management Scheme of Delegation

Council

The Council is responsible for:

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

Cabinet

The Cabinet is responsible for:

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

Audit Committee

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

Treasury management role of the Section 151 Officer

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

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

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

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

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

The CFO is responsible for:

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

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

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

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

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

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

1.4 For the purpose of calculating interest rates:

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

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

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

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

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

Appendix C

Prudential and Treasury Indicators

The prudential indicators for 2018-19 to 2022-23 are set out below, each one with a commentary and risk analysis.

Affordability

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

Commentary

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

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

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

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

Risk Analysis

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

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

Commentary

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

Revenue budget impacts may arise from the following:

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

The figure represents the incremental impact on Council Tax from agreed capital expenditure schemes starting in 2018-19 and planned for 2019-20 to 2022-23.

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

Risk Analysis

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

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

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

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

Commentary

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

Revenue budget impacts may arise from the following:

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

The figures represent the incremental impact on weekly housing rents from agreed capital expenditure schemes starting in 2018-19 and planned for 2019-20 to 2022-23.

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

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

Risk Analysis

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

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

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

Prudence

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

Commentary

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

Gross debt and the capital financing requirement		
	2018-19 £000 **Excluding** Third Party Loans	2018-19 £000 **Including** Third Party Loans
Gross external debt	**223,146**	**273,691**
2017-18 Closing CFR (forecast)	261,675	312,220
Increases to CFR:		
2018-19	6,283	6,003
2019-20	1,527	1,247
2020-21	3,752	3,503
Adjusted CFR	**273,237**	**322,973**
Gross external debt less than adjusted CFR	**Yes**	**Yes**

Risk Analysis

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

Capital Expenditure

e) Estimates of capital expenditure

Commentary

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

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

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

Risk Analysis

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

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

f) Estimates of capital financing requirement (CFR)

Commentary

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

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

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

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

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

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

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

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

Risk Analysis

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

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

External Debt

g) Authorised limit for external debt

Commentary

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

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

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

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

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

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

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

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

Risk Analysis

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

h) Operational boundary for external debt

Commentary

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

The operational boundary represents a key management tool for in year monitoring by the CFO. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

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

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

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

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

Risk Analysis

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

i) HRA Limit on Indebtedness

Commentary

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

Indicator

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

Risk Analysis

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

Treasury Management

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

Commentary

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

Indicator

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

Risk Analysis

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

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

The Council's Treasury Management Strategy Report discusses the ways in which treasury management risk will be determined, managed and controlled.

Treasury Indicators

k) Maturity structure of borrowing

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

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

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

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

The proposed limits for the forthcoming year are:

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

Risk Analysis

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

I) Upper limits on interest rate exposures

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

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

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

The Council has chosen to express these indicators as percentages rather than absolute values. Separate indicators are set and monitored for debt and investments, as well as for the net borrowing position.

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

Upper limits on interest rate exposures - borrowing		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2017-18	100%	100%
2018-19	100%	100%
2019-20	100%	100%
2020-21	100%	100%
2021-22	100%	100%
2022-23	100%	100%

Upper limits on interest rate exposures - investments		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2017-18	100%	100%
2018-19	100%	100%
2019-20	100%	100%
2020-21	100%	100%
2021-22	100%	100%
2022-23	100%	100%

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

Upper limits on interest rate exposures – net borrowing		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2017-18	150%	150%
2018-19	150%	150%
2019-20	150%	150%
2020-21	150%	150%
2021-22	150%	150%
2022-23	150%	150%

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

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

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

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

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

Upper limit on investments for periods longer than 364 days					
	2018-19	2019-20	2020-21	2021-22	2022-23
	Upper Limit £m	Upper Limit £m	Upper Limit £m	Upper Limit £m	Upper Limit £m
Investments > 364 days	7	8	9	10	10

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

Minimum Revenue Provision Policy Statement

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

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

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

1.4 The authority is required, under the 2008 regulations, to prepare an annual statement of their policy on making MRP for submission to Council. The Council’s policy statement on MRP for 2018-19 is set out below. The policy is considered by the Chief Finance Officer (CFO) to provide for the prudent repayment of debt.

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

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

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

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

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

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

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

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

1.4.9 No MRP will be charged in respect of capital expenditure funded by borrowing where the expectation is that a future capital receipt will be applied to the CFR as a voluntary debt repayment for the borrowing - for example capital expenditure on preparing assets for sale. Where this approach is used it will be reviewed on an annual basis, in consideration of updated expectations over the timing and certainty of capital receipts, and to ensure that the latest estimate of proceeds is sufficient to cover the MRP liability.

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

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

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

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

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

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

Appendix E

Economic Commentary – Link Asset Services (LAS)

ECONOMIC CLIMATE

November 2017 saw two major UK economic developments:

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

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

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

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

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

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

FORECASTS

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

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

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

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

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

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

FORWARD VIEW

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

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

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

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

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

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

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

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

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

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

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

Appendix F

Annual Investment Strategy

1 Investment policy

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

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

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

2 Creditworthiness policy

2.1 The Council's counterparty and credit risk management policies and its approved instruments for investments are set out in the TMP Schedules. These, taken together, form the fundamental parameters of the Council's Investment Strategy.

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

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

3 Sovereign limits

3.1 The Council has determined that for 2018-19 it will only use approved counterparties from countries with a sovereign credit rating from at least one of the three main ratings agencies of at least AA. However the limit for the amount that may be invested and the duration of the investment will be banded according to the sovereign rating. These limits are set out in the table at paragraph 7.4.

4 Investment position and use of Council's resources

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

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

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

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

5 Specified investments

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

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

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

5.2 The detailed conditions attached to each of these categories are set out in the TMP Schedules.

5.3 The majority of the Council's investments in 2018-19 will fall into the category of specified investments.

6 Non-specified investments

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

6.2 The recommendation for 2018-19 is that the following non specified investments may be entered into:

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

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

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

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

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

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

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

These business cases will include:

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

7 Counterparties

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

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

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

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

7.4 The following table sets out the Council's counterparty criteria for 2018-19.

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

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

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

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

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

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

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

8 Liquidity of Investments

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

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

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

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

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

9 Investments defined as capital expenditure

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

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

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

10 Lending to third parties

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

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

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

10.2 Loans of this nature must be approved by Cabinet. The primary aims of the Investment Strategy, in order of priority, are the security of its capital, liquidity of its capital and then to obtain a return on its capital commensurate with levels of security and liquidity. These aims are crucial in determining whether to proceed with a potential loan to a third party.

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

11 Provisions for credit related losses

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

12 Banking services

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

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

13 End of year investment report

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

Special Expenses Appendix

The "Draft General Fund Medium Term Financial Plan 2018/19 – 2022/23 and Draft Budget 2018/19" report that went to Cabinet on 20th December 2017 contained an Appendix 6 on special expenses. That appendix included an illustrative example of what the 2018/19 special expenses might be. Now that the costs of the new Environmental Services contract have been built in to the final budget it is possible to set out what the actual 2018/19 special expenses will be.

2018/19 Special Expenses

Table 1 below sets out the 2018/19 special expenses.

Table 1: 2018/19 Special Expenses

Area within the Borough	Basic amount of NBC council tax before special expense redistribution	Total special expense amount in NBC budget to be redistributed	Redistributed special expense amount by parish area	Net special expenses adjustment	Total NBC tax payable
	(a)	(b)	(c)	(d)	(e)
Billing	219.28	-10.07	10.20	0.13	219.40
Collingtree	219.28	-10.07	0.00	-10.07	209.21
Duston	219.28	-10.07	4.25	-5.83	213.45
Great Houghton	219.28	-10.07	0.00	-10.07	209.21
Hardingstone	219.28	-10.07	2.39	-7.68	211.60
Upton	219.28	-10.07	0.00	-10.07	209.21
Wootton	219.28	-10.07	3.46	-6.62	212.66
East Hunsbury	219.28	-10.07	15.76	5.69	224.97
Hunsbury Meadows	219.28	-10.07	0.00	-10.07	209.21
West Hunsbury	219.28	-10.07	6.34	-3.73	215.55
Unparished	219.28	-10.07	12.01	1.93	221.21
Average	**219.28**	**-10.07**	**10.07**	**0.00**	**219.28**

In the table above:

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

The methodology for calculating special expenses is the same as has been used in previous years.

Increase in Special Expenses

The amount to be redistributed as special expenses has increased from £9.45 in 2017/18 to £10.07 in 2018/19 – this is an increase of £0.63. This increase is mainly due to the level of central government grant decreasing, which increases the amount of these costs to be recovered through council tax and special expenses.

Increase in Council Tax for Northampton Borough Council
Local authorities are required to hold a referendum if they wish to increase their council tax by 3% or more. This calculation is based on the basic amount of special expense, before the adjustment for special expenses: ie, column (a) in Table 1 above. In 2017/18 the basic amount of council tax for Northampton Borough Council was £212.91. This has increased by £6.37 to £219.28 in 2018/19. This is an increase of 2.99%.

Parish line on Council Tax Demands
If you live in a parished area, then on the Council tax demand that you receive, the special expenses charges are combined with the parish precepts to give an overall council tax that is specific to that area. Table 2 below shows these two element separately:

Table 2: Parish line on Council Tax Demands

Area within the Borough	2018/19			% change compared to 2017/18		
	NBC special expense	Parish Precept	Total specific to parished area	NBC special expense	Parish Precept	Total specific to parished area
Billing	10.20	56.82	67.01	5.5%	-0.1%	0.7%
Collingtree	0.00	38.63	38.63	n/a	-1.7%	-1.7%
Duston	4.25	84.61	88.85	7.8%	2.5%	2.7%
Great Houghton	0.00	71.45	71.45	n/a	-0.6%	-0.6%
Hardingstone	2.39	49.69	52.08	7.5%	-1.2%	-0.8%
Upton	0.00	14.61	14.61	n/a	35.0%	35.0%
Wootton	3.46	62.98	66.44	2.0%	8.2%	7.9%
East Hunsbury	15.76	46.60	62.37	7.1%	0.6%	2.2%
Hunsbury Meadows	0.00	29.07	29.07	n/a	-0.8%	-0.8%
West Hunsbury	6.34	10.91	17.25	8.4%	19.7%	15.3%

Appendix 7

Earmarked Reserves Forecast

Description	Forecast Balance 1 April 2018 £	Expected Use/ (Contribution) 2018/19 £	Forecast Balance 31 March 2019 £	Reason for Reserve/Proposed Use
Delivering the Efficiency Plan/ Strategic Investment Reserve	(2,000,000)	0	(2,000,000)	To be used for one-off investment leading to improved efficiency and savings.
MTFP Cashflow	(3,468,017)	44,197	(3,423,820)	To be retained to cover any timing delays in achieving savings targets
Environmental Services Vehicles and Plant	(10,000,000)	1,000,000	(9,000,000)	To fund borrowig costs in relation to the plant and equipment purchased for use in delivering Environmental Services contract.
Insurance Reserve	(1,083,690)	(57,000)	(1,140,690)	Actuarial valuation of future insurance costs
Other General Reserves	(5,671,967)	125,000	(5,546,967)	To fund specific corporate or service specific risks and funding needs
Total Earmarked Reserves	**(22,223,674)**	**1,112,197**	**(21,111,477)**	

Fees & Charges

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
Waste Services				
Bulky Waste Collection	Up to three Items	Non - S	30.50	30.50
Skip Collection Service	Non - Recyclable Waste - per tonne	Non - S	109.37	113.00
(to be confirmed)	Administration Fee	Non - S	62.05	64.00
	Mileage Charge - per mile	Non - S	2.11	2.17
	Waste Above one Tonne - prices available from Waste Minimisation Team			
Cemetery				
Grant of Right	Adult Grave for 1 - 5'6"	Non - S	454.31	470.00
	Adult Grave for 2 - 6'6"	Non - S	524.77	545.00
	Adult Grave for 3 - 7'6"	Non - S	596.28	615.00
	Child	Non - S	90.44	94.00
	Cremated Remains	Non - S	171.42	177.00
Internment Fee Monday - Friday	Grave Depth 7'6"	Non - S	568.94	586.00
	Grave Depth 6'6"	Non - S	497.43	515.00
	Grave Depth 5'6"	Non - S	454.31	470.00
	Child up to 12 Years	Non - S	71.51	74.00
	Still Born - 1 Month Old	Non - S	No Charge	No Charge
	Cremated Remains	Non - S	171.42	177.00
	Scattering of Ashes	Non - S	24.19	25.00
	Mausoleum	Non - S	4,149.79	4,275.00
Vault	Grant of Right and First Interment	Non - S	909.68	940.00
	Second Interment	Non - S	428.02	445.00
Memorial Erection Rights	Headstone - Adult	Non - S	123.04	127.00
	Headstone - Child	Non - S	32.60	34.00
	Vase - Plain	Non - S	No Charge	No Charge
	Vase - Inscribed	Non - S	57.85	60.00
Kerb Sets	Kerb only	Non - S	185.09	191.00
	Kerb and Headstone	Non - S	307.08	317.00
	Memorial Tablet	Non - S	57.85	60.00
	Additional Inscription	Non - S	43.11	45.00
	Grave Number Marker	Non - S	16.83	18.00
	Permanent Grave Number Marker	Non - S	26.30	28.00
	Use of Chapel	Non - S	71.57	74.00
	Use of Chapel - Winter Fuel Charge	Non - S	8.68	9.00
	Search Fee (Inc VAT) - Small Search	Non - S	No Charge	No Charge
	Search Fee (Inc VAT) - Medium search	Non - S	27.11	28.00
	Search Fee (Inc VAT) - Full search	Non - S	72.65	75.00
Non Resident Fees - families that have resided outside the Borough for more than 5 years are charged at 100% on all the above				
Allotments				
Standard Plot	10 Poles	Non - S	34.95	34.95
Half size	5 Poles	Non - S	17.48	17.48
Gate Key Fee - either £6 or £4 dependent on type of lock used				
Parks				
Some bookings may require a differing VAT treatment than that assumed below. The				
Football	Senior Pitch	Non - S	28.75	28.75
	Junior Pitch	Non - S	9.25	9.25

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
Rugby	Senior Pitch	Non - S	28.75	28.75
Gaelic Football	Senior Pitch	Non - S	28.75	28.75
Use of Changing Rooms	Changing Facilities for any activity - with showers			
	Monday - Saturday	Non - S	13.50	13.50
	Sunday	Non - S	17.50	17.50
	Changing Facilities for any activity - without showers			
	Monday - Saturday	Non - S	9.50	9.50
	Sunday	Non - S	14.50	14.50
Cricket	Day Match	Non - S	39.00	41.00
	Evening Match	Non - S	25.50	27.00
	Junior School Match	Non - S	14.00	15.00
Bowls	Rink per person, per hour	Non - S	2.80	3.00
	OAP's & Unemployed	Non - S	2.80	3.00
	Matches - 3 rinks per hour	Non - S	18.75	20.00
	Matches - 4 rinks per hour	Non - S	24.10	25.00
	Matches - 5 rinks per hour	Non - S	30.00	31.00
	Hire of Bowls per game	Non - S	2.00	2.00
	Hard Court - Per Court per hour	Non - S	6.00	6.50
	Per Court, per hour with floodlights	Non - S	11.00	11.50
	Concession	Non - S	3.00	3.00
Mini 5 a Side Football	Hire of Pitch	Non - S	5.30	5.30
Call Care				
Non - HRA	Lifelines - Inside Borough Yearly Charge	Non - S	239.20	239.20
	Lifelines - Inside Borough Charge per week	Non - S	4.60	4.60
	Lifelines - Outside Borough Yearly Charge	Non - S	239.20	239.20
	Lifelines - Outside Borough Charge per week	Non - S	4.60	4.60
	Installation Charges - Inside Borough	Non - S	60.00	60.00
	Installation Charges - Outside Borough	Non - S	60.00	60.00
	Monitoring Charges Yearly Charge	Non - S	41.60	41.60
	Monitoring Charges Charge per week	Non - S	0.80	0.80
	Environmental Health Yearly Charge	Non - S	56.28	56.28
	Environmental Health Charge per week	Non - S	1.08	1.08
Licensing Fees				
Gambling Act 2005				
Lotteries	New Application	S	40.00	40.00
	Annual Fee	S	20.00	20.00
Premises Licence New Application	New Small Casino	S	8,000.00	8,000.00
	New Large Casino	S	10,000.00	10,000.00
	Regional Casino	S	15,000.00	15,000.00
	Bingo Club	S	3,500.00	3,500.00
	Betting Premises (exc track)	S	3,000.00	3,000.00
	Tracks	S	2,500.00	2,500.00
	Family Entertainment Centre	S	2,000.00	2,000.00
	Adult Gaming Centre	S	2,000.00	2,000.00

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
Premises Licence Variation Application	Existing Casino	S	2,000.00	2,000.00
	Small Casino	S	4,000.00	4,000.00
	Large Casino	S	5,000.00	5,000.00
	Regional Casino	S	7,500.00	7,500.00
	Bingo	S	1,750.00	1,750.00
	Betting Premises (exc track)	S	1,500.00	1,500.00
	Tracks	S	1,250.00	1,250.00
	Family Entertainment Centre	S	1,000.00	1,000.00
	Adult Gaming Centre	S	1,000.00	1,000.00
Premises Licence Annual Fee	Existing Casino	S	3,000.00	3,000.00
	Small Casino	S	5,000.00	5,000.00
	Large Casino	S	10,000.00	10,000.00
	Regional Casino	S	15,000.00	15,000.00
	Bingo	S	1,000.00	1,000.00
	Betting Premises (exc track)	S	600.00	600.00
	Tracks	S	1,000.00	1,000.00
	Family Entertainment Centre	S	750.00	750.00
	Adult Gaming Centre	S	1,000.00	1,000.00
Club Machine Permits	New Application Part 2 & 3	S	200.00	200.00
	Annual Fee	S	50.00	50.00
	Variation Permit	S	100.00	100.00
Prize Gaming Permit	New Application	S	300.00	300.00
	Renewal	S	300.00	300.00
	Change of Name	S	25.00	25.00
Alcohol Licensed Premises	Notification of 2 or less machines	S	50.00	50.00
	Notification of change	S	50.00	50.00
	New application gaming machine permit	S	150.00	150.00
	Gaming machine permit existing	S	100.00	100.00
	Transfer of permit	S	25.00	25.00
	Machine Permit Annual Fee	S	50.00	50.00
	Variation Permit	S	100.00	100.00
	Change of Name	S	25.00	25.00
Copy of Permits			15.00	15.00
Copy of Licences			25.00	25.00
Unlicensed Family Entertainment Centre	New Application	S	300.00	300.00
	Renewal	S	300.00	300.00
	Change of Name	S	25.00	25.00
Licensing Act 2003 Alcohol & Regulated Entertainment				
Premises Licence New Grant/Variation	Band A (RV £0 - £4,300) *	S	100.00	100.00
	Band B (RV £4,301 - £33,000)*	S	190.00	190.00
	Band C (RV £33,001 - £87,000)*	S	315.00	315.00
	Band D (RV £87,001 - £125,000)*	S	450.00	450.00
	Band D x 2*	S	900.00	900.00
	Band E (RV £125,000+)*	S	635.00	635.00
	Band E x 3*	S	1,905.00	1,905.00
Premises Licence Annual Fee	Band A (RV £0 - £4,300) *	S	70.00	70.00
	Band B (RV £4,301 - £33,000)*	S	180.00	180.00
	Band C (RV £33,001 - £87,000)*	S	295.00	295.00
	Band D (RV £87,001 - £125,000)*	S	320.00	320.00
	Band D x 2*	S	640.00	640.00
	Band E (RV £125,000+)*	S	350.00	350.00
	Band E x 3*	S	1,050.00	1,050.00

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
Club Premises Certificate	Theft/loss etc.	S	10.50	10.50
	Change of name/rules of club & change of registered address	S	10.50	10.50
	Premises - duty to notify change of address	S	10.50	10.50
Community Premises DPS condition removal			23.00	23.00
Personal Licence				
	New Application	S	37.00	37.00
	Change of name/address	S	10.50	10.50
	Theft/loss etc.	S	10.50	10.50
Premises Licence Miscellaneous				
	Transfer Premises Licence	S	23.00	23.00
	Interim authority notice following death etc.	S	23.00	23.00
	Minor Variation	S	89.00	89.00
Provisional Statement				
	New Application	S	315.00	315.00
Right of Freeholder/Notification of interest			21.00	21.00
Temporary Event application (TEN)				
	New Application	S	21.00	21.00
	Theft/loss etc.	S	10.50	10.50
	RV = Rateable Value			
	*Exemptions may be applicable & additional fee multipliers may apply for premises used for consumption primarily for the sale of alcohol or capacities over 5,000. Fees available upon request.			
Taxi and Private Hire				
Drivers Licence/Badge 3 year Licence	Replacement badge	Non-S	20.00	20.00
	Replacement licence	Non-S	25.00	25.00
	Renewal	Non-S	140.00	140.00
	Disclosure & Barring Application	Non-S	44.00	44.00
	Replacement badge buddy	Non-S	1.50	1.50
Vehicle	New Plate	Non-S	99.00	99.00
	Renewal	Non-S	93.00	93.00
	Transfer of vehicle	Non-S	12.00	12.00
	Replacement licence	Non-S	22.00	22.00
	Replacement plate	Non-S	16.00	16.00
	Replacement bracket	Non-S	15.00	15.00
Private Hire Operators 5 Year Licence	New Application	Non-S	1,550.00	1,550.00
	Renewal 0 vehicle	Non-S	1,450.00	1,450.00
	Renewal 1 vehicle	Non-S	1,100.00	1,100.00
	Renewal 2 - 5 vehicle	Non-S	1,600.00	1,600.00
	Renewal 6 - 20 vehicle	Non-S	1,750.00	1,750.00
	Renewal 21 - 50 vehicle	Non-S	2,050.00	2,050.00
	Renewal 51 - 100 vehicle	Non-S	2,650.00	2,650.00
	Renewal 101 - 200 vehicle	Non-S	3,850.00	3,850.00
	Renewal 201 - 300 vehicle	Non-S	6,250.00	6,250.00
	Renewal 301 - 400 vehicle	Non-S	11,050.00	11,050.00
	Renewal 400+ vehicle	Non-S	20,650.00	20,650.00
	Payment Arrangement	Non-S	50.00	50.00
	Operator change of name	Non-S	220.00	220.00
New Private Hire Driver	Initial Appointment	Non-S	30.00	30.00
	Induction Day	Non-S	100.00	100.00
	Grant of 3 year licence	Non-S	190.00	190.00
	Induction re-take	Non-S	55.00	55.00

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
Miscellaneous	Recovery of returned cheque	Non-S	35.00	35.00
	Safety Awareness Course	Non-S	200.00	200.00
	Hackney Test	Non-S	55.00	55.00
Car Boots				
Registration Fee	1 - 50 pitches	Non-S	10.00	10.00
	51 - 75 pitches	Non-S	25.00	25.00
	76 - 100 pitches	Non-S	30.00	30.00
	101 - 125 pitches	Non-S	35.00	35.00
	126 - 150 pitches	Non-S	40.00	40.00
	151 - 175 pitches	Non-S	45.00	45.00
	176 - 200 pitches	Non-S	50.00	50.00
	1 - 20 pitches	Non-S	Nil	Nil
Fee Per Event	21 - 50 pitches	Non-S	15.00	15.00
	51 - 75 pitches	Non-S	20.00	20.00
	76 - 100 pitches	Non-S	25.00	25.00
	101 - 125 pitches	Non-S	30.00	30.00
	126 - 150 pitches	Non-S	35.00	35.00
	151 - 175 pitches	Non-S	40.00	40.00
	176 - 200 pitches	Non-S	45.00	45.00
Sex Shop/Entertainment Establishment				
Sex Establishments	Per Year	Non - S	750.00	750.00
Sex Entertainment Establishments	Per Year	Non - S	2,500.00	2,500.00
Street Trading				
Standard Area*				
Street Trading Standard Area	Trading 1 day per week	Non-S	240.00	240.00
	Trading 2 days per week	Non-S	480.00	480.00
	Trading 3 days per week	Non-S	720.00	720.00
	Trading 4 days per week	Non-S	960.00	960.00
	Trading 5 days per week	Non-S	1200.00	1200.00
	Trading 6 days per week	Non-S	1440.00	1440.00
	Trading 7 days per week	Non-S	1680.00	1680.00
Premium Park				
Street Trading Premium Park	Trading 1 day per week	Non-S	300.00	300.00
	Trading 2 days per week	Non-S	600.00	600.00
	Trading 3 days per week	Non-S	900.00	900.00
	Trading 4 days per week	Non-S	1200.00	1200.00
	Trading 5 days per week	Non-S	1500.00	1500.00
	Trading 6 days per week	Non-S	1800.00	1800.00
	Trading 7 days per week	Non-S	2100.00	2100.00
	* Standard Areas = Industrial Estates & Layby's. Street Trading is prohibited in town centre locations.			
Environmental Health				
Licences				
Animal Boarding Establishment	Issue of Annual Licence Traditional Border	S	155.00	175.00
Animal Boarding Establishment	Issue of Annual Licence Domestic Border	S	128.00	150.00
Dog Breeding	Licence Renewal	S	128.00	150.00
Dog Breeding	Issue of New Licence	S	128.00	150.00
Dangerous Wild Animal	Licence to Keep Certain Animals	S	275.00	300.00
Pet Shops	Annual Licence	S	128.00	150.00
Riding Establishment	Annual Licence	S	100.00	120 + Vet fees
Zoo Licence	Annual Licence	S	530.00	550 + vet fees
Scrap Metal Dealers Licence (Site Licence)	3 Year Licence	S	325.00	325.00
Scrap Metal Dealers Licence (Collectors Licence)	3 Year Licence	S	240.00	240.00
Scrap Metal Dealers Licence (Variation to Licence)	As Required	S	65.00	65.00

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
Scrap Metal Dealers Licence (Duplicate Licence issued)	As Required	S	15.00	15.00
Tattooing, Ear Piercing, Acupuncturing, Electrolysis	Registration - one off fee	S	132.00	150.00
Tattoo and Body Art Covention	Administration Fee (New for 2012/13) (Per Exhibitor)	S	33.00	40.00
Fixed Penalties and Fines				
Smoke Free Areas				
	No Notice Displayed - Fixed Penalty Notice reduced to £150 if paid in 14 days Maximum Fine on Conviction £1000	S	206.00	200.00
	Smoke Free Areas - reduced to £30 if paid within 15 days	S	52.00	50.00
Certificates & Statements				
Health Export Certificate				
	Within 3 working days of request	Non - S	80.00	85.00
Environmental Searches	Urgent Rate	Non - S	120.00	125.00
Consultancy	Contaminated Land etc	Non - S	80.00	85.00
Statement and Legal Advice (Private Cases)	Hourly Rate	Non - S	80.00	85.00
	Up to 5 Pages	Non - S	180.00	200.00
	Additional Pages	Non - S	30.00	30.00
Public Health / Environmental Protection Charges				
Funerals	LA Funerals - Claim to Banks / Treasury	S	520.00	550.00
Drainage Works Filthy	Works in Default	S	45.00	45.00
Private Drinking Water Supplies	Risk Assessment	S	520.00	500.00
	Second Visit / Investigation / Authorisation	S	105.00	100.00
	Analysing a Sample - Taken under Reg 10	S	28.00	25.00
	Analysing a Sample - Taken during check monitoring	S	105.00	100.00
	Analysing a Sample - Taken during audit monitoring	S	520.00	500.00
Filthy & Verminous Premises	Works in Default	S	45.00	50.00
Silencing of Alarms	Burglar, Car etc	S	45.00	50.00
Domestic Noise	Seizure and Storage of Noise Equipment	S	210.00	240.00
LA Environmental Regulations of Industrial Plant	LAPC / LAPPC / LA-IPPC Application for Permit / Renewal	S	set by DEFRA	set by DEFRA
Animal Welfare Service				
Stray Dogs	Stray Dog Release Fee	Non - S	60.00	tbc
Fixed Penalties - to be approved at Cabinet				
Dogs	Dog Fouling (FPN) (discounted amount £50)	S	80.00	80.00
Dogs	Dog Control (FPN) new for CN & E Act (discounted amount £50)	S	80.00	80.00
Litter	Depositing Litter (discounted amount £50)	S	80.00	80.00
Litter	Failure to comply with street litter clearing notice (discounted amount £80)	S	110.00	100.00
Litter	Failure to comply with waste receptacle notice (discounted amount £50)	S	80.00	80.00
Litter	Unauthorised distribution of litter on designated land (discounted amount £50)	S	80.00	80.00
Litter and Waste	Failure to produce waste transfer note (waster's carriers licence)	S	300.00	300.00
Graffiti / Fly Posting	Graffiti and Fly Posting (discounted amount £50)	S	80.00	80.00
Noise	Failure to nominate key holder (discounted amount £50)	S	80.00	80.00
Noise	Noise from premises - dwelling (discounted amount £80)	S	110.00	100.00
Noise	Noise from premises - licenced premises	S	500.00	500.00
Parking (cars for sale)	Nuisance premises	S	100.00	100.00
Fly Tipping	FPN (discounted amount £250)	S	400.00	400.00
Photocopying and Printing				
	First A4 sheet	Non - S	3.50	3.50
	Additional sheets	Non - S	0.50	0.50
	A3	Non - S	3.75	3.75
	Additional sheets	Non - S	0.50	0.50
	Copying Statutory Notices	Non - S	25.00	25.00

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
General	Copy of Taped Interview	Non - S	25.00	25.00
Election Fees				
	Copy of Electoral Register			
	Electronic Version - Full Register (restricted sales)	S	£20 admin fee plus £1.50 per thousand entries (or part)	£20 admin fee plus £1.50 per thousand entries (or part)
	Electronic Version - Edited	S	£20 admin fee plus £1.50 per thousand entries (or part)	£20 admin fee plus £1.50 per thousand entries (or part)
	Paper Copy - Full Register (restricted sales)	S	£10 admin fee plus £5 per thousand entries (or part)	£10 admin fee plus £5 per thousand entries (or part)
	Paper Version - Edited	S	£10 admin fee plus £5 per thousand entries (or part)	£10 admin fee plus £5 per thousand entries (or part)
	Confirmation of Registration - Individual	Non - S	15.00	15.00
Borough Secretary				
	Certifying Foreign Pensions	Non - S	10.00	10.00
	Subject Access Request	S	10.00	0
	FOI time per hour (first 18 hrs free)	S	25.00	25.00
	Postage & Packing request documents		at cost	at cost
	Provision of CCTV Footage (redaction where necessary charged in addition to recover actual costs only)		36.50 (up to 1hr of footage)	36.50 (up to 1hr of footage)
	Provision of Additional CCTV Footage (per hr)		25.00	25.00
	Photocopying (per A4 side)		0.12	0.12
Planning				
All Outline Applications	Sites up to and including 2.5 Hectares	S	385.00 per 0.1 hectare	462.00 per 0.1 hectare
	Site exceeds 2.5 Hectares £11,432 plus £138 per 0.1 Hectares in excess of 2.5 Hectares to a maximum £150,000	S	9,527; and an additional £115 for each 0.1 hectare in excess of 2.5 hectares, subject to a maximum in total of £125,000	11,432; and an additional £138 for each 0.1 hectare in excess of 2.5 hectares, subject to a maximum in total of £150,000
Householder Applications	Alterations/Extensions to a single dwelling, including works within boundary (including flats)	S	172.00	206.00
Full Applications (and first submissions of reserved matters)	Alterations/Extensions to two or more dwellings, including works within boundaries	S	339.00	407.00
	New Dwellings (up to and including 50)	S	385.00 per dwelling	462.00 per dwelling
	New Dwellings (for more than 50) £22,859 plus £138 per additional dwelling to a maximum of £300,000	S	19,049 + 115 per additional dwelling over 50, subject to a maximum of 250,000	22,859 + 138 per additional dwelling over 50, subject to a maximum of 300,000
	Erection of buildings not dwellings, agricultural, glasshouses, plant nor machinery, no increase in gross floor space or no more than 40m²	S	195.00	234.00

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
	Erection of buildings not dwellings, agricultural, glasshouses, plant nor machinery, increase of gross floor space of more than 40m² but no more than 75m²	S	385.00	462.00
	Erection of buildings not dwellings, agricultural, glasshouses, plant nor machinery, increase of gross floor space of more than 75m² but no more than 3750m²	S	385.00 for each 75m² or part of	462.00 for each 75m² or part of
	Erection of buildings not dwellings, agricultural, glasshouses, plant nor machinery, increase of gross floor space of more than 3750m² - £22,859 plus £138 for each additional 75m² to a max of £300,000	S	19,049 plus 115 for each additional 75m² to a max of 250,000.	22,859 plus 138 for each additional 75m² to a max of 300,000.
	The erection of buildings on land used for agriculture purposes with a site area of no more than 465m²	S	80.00	96.00
	The erection of buildings on land used for agriculture purposes with a site area of more than 465m² but not more than 540m²	S	385.00	462.00
	The erection of buildings on land used for agriculture purposes with a site area of more than 540m² but no more than 4,215m² - £462 for first 540m² plus £462 for each 75m² or part thereof	S	385.00 for first 540m² plus 385.00 for each 75m² or part thereof	462.00 for first 540m² plus 462.00 for each 75m² or part thereof
	The erection of buildings on land used for agriculture purposes with a site area of more than 4,215m² - £22,859 plus £138 for each additional 75m² to a max of £300,000	S	19,049.00 plus 115.00 for each additional 75m² to a max of 250,000.	22,859.00 plus 138.00 for each additional 75m² to a max of 300,000.
	Erection of glasshouses on land used for the purposes of agriculture with a floor space no more than 465m²	S	80.00	96.00
	Erection of glasshouses on land used for the purposes of agriculture with a floor space more than 465m²	S	2,150.00	2,580.00
	Erection/Alterations/Replacement of plant and machinery on a site no more than 5 hectares	S	385.00 per 0.1 hectare	462.00 per 0.1 hectare
	Erection/Alterations/Replacement of plant and machinery on a site that exceeds 5 Hectares - £22,859 plus £138 per 0.1 Hectares in excess of 5 Hectares to a maximum £300,000	S	19,049.00 plus 115.00 per 0.1 Hectares in excess of 5 Hectares to a maximum 250,000.	22,859.00 plus 138.00 per 0.1 Hectares in excess of 5 Hectares to a maximum 300,000.
Applications other than Building Works				
	Car Parks, Service Roads or Other Accesses for existing uses	S	195.00	234.00
	Waste, use of land for disposal of refuse or waste materials or deposit of material remaining after extraction or storage of minerals on a site no more than 15 hectares	S	195.00 for each 0.1 hectare or part thereof	234.00 for each 0.1 hectare or part thereof
	Waste, use of land for disposal of refuse or waste materials or deposit of material remaining after extraction or storage of minerals on a site more than 15 hectares - £34,934 plus £138 per 0.1 hectare in excess of 15 hectares up to a maximum of £78,000	S	29,112.00 plus 115.00 per 0.1 hectare in excess of 15 hectares up to a maximum of 65,000.	34,934.00 plus 138.00 per 0.1 hectare in excess of 15 hectares up to a maximum of 78,000.
	Operations connected with Exploratory Drilling for oil or natural gas on a site no more than 7.5 hectares	S	385.00 per 0.1 hectare	508.00 per 0.1 hectare

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
	Operations connected with Exploratory Drilling for oil or natural gas on a site that exceeds 7.5 Hectares £38,070 plus £151 for each 0.1 Hectare in excess of 7.5 Hectares to a max £300,000	S	28,750.00 plus 115.00 for each 0.1 hectare in excess of 7.5 hectares to a max 250,000.	38,070.00 plus 151.00 for each 0.1 hectare in excess of 7.5 hectares to a max 300,000.
	Other operations - Winning and working of a site that does not exceed 15 Hectares	S	195.00 per 0.1 hectare	257.00 per 0.1 hectare
	Other operations - Winning and working of a site that exceeds 15 Hectares - £38,520 plus £151 for each additional 0.1 Hectare in excess of 15 Hectares up to £78,000	S	29,112.00 plus 115.00 for each additional 0.1 Hectare in excess of 15 Hectares up to 65,000.	38,520.00 plus 151.00 for each additional 0.1 Hectare in excess of 15 Hectares up to 78,000.
	Operations (other than exploratory drilling) for the winning and working of oil and natural gas with a site area of not more than 15 hectares	S		234.00 per 0.1 hectare (or part thereof)
	Operations (other than exploratory drilling) for the winning and working of oil and natural gas with a site area more than 15 hectares	S		38,520.00 plus 151.00 for each 0.1 in excess of 15 hectare up to a maximum of 78,000
	Other operations not coming within any of the above categories	S	195.00 per 0.1 hectare up to a maximum of 1,690.00.	234.00 for each 01. hectare (or part thereof) up to a maximum of 2,028.00
Advertisement				
	Advertisement relating to business on the premises	S	110.00	132.00
	Advance signs which are not situated on or visible from the site, directing the public to a business	S	110.00	132.00
	All other advertisements	S	385.00	462.00
Lawful development certificates				
	LDC - Existing use - in breach of a planning condition	S	Same as full	Same as Full
	Existing use LDC - lawful not to comply with a particular condition	S	196.00	234.00
	LDC - Proposed Use	S	Half normal planning fee	Half normal planning fee
Prior Approval	Agricultural / Forestry buildings & operations or demolition of buildings	S		96.00
	Communications (previously refferred to as 'Telecommunications Code System Operations')	S		462.00
	Proposed Change of Use to State Funded School or Registerd Nursery	S		96.00
	Proposerd Change of Use of Agricultural Building to a State-Funded School or Registered Nursery	S		96.00
	Proposed Change of Use of Agricultural Building to a flexible use within Shops, Financial and Professional services, restaurants and Cafes, Business, Storage or Distribution, Hotels, or Assembly or Leisure	S		96.00
	Proposed Changes of Use of Agricultural Building to a Dwellinghouse (Use Class C3), and Associated Building Operations	S		206.00

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
	Proposed Change of Use of a building from a Retail (Use Class A1 or A2) Use or a Mixed Retail and residential Use to a use falling within Use Class C3 (Dwellinghouse), where there are **NO** Associated Building Operations	S		96.00
	Proposed Change of Use of a building from a Retail (Use Class A1 or A2) Use or a Mixed Retail and residential Use to a use falling within Use Class C3 (Dwellinghouse), and Associated Building Operations	S		206.00
	Notification for Prior Approval for a Change Of Use from Storage or Distribution Buildings (Class B8) and any land within its curtilage to Dwellinghouse (Class C3)	S		96.00
	Notification for Prior Approval for a Change of Use from Amusement Arcades/Centres and Casions, (Sui Generis Uses) and any land within its curtilage to Dwellinghouses (Class C3)	S		96.00
	Notification for Prior Approval for a Change of Use from Amusement Arcades/Centres and Casions, (Sui Generis Uses) and any land within its curtilage to Dwellinghouses (Class C3) and Associated Building Operations	S		206.00
	Notification for Prior Approval for a Change of Use from Shops (Class A1), Financial and Professional Services (Class A2), Betting Offices, Pay Day Loan Shops and Casinos (Sui Generis Uses) to restaurants and Cases (Class A3)	S		96.00
	Notification for Prior Approval for a Change of Use from Shops (Class A1), Financial and Professional Services (Class A2), Betting Offices, Pay Day Loan Shops and Casinos (Sui Generis Uses) to restaurants and Cases (Class A3), and Associated Building Operations	S		206.00
	Notification for Prior Approval for a Change of Use from Shops (Class A1) and Financial and Professional Services (Class A2), Betting Offices, Pay Day Loan Shops (Sui Generis Uses) to Assembly and Leisure Uses (Class D2)	S		96.00
	Notification for Prior Approval for a Development Consisting of the Erection or Constuction of a Collection Facility within the Curtilage of a Shop	S		96.00
	Notification for Prior Approval for the Temporary Use of Buildings or Land for the Purpose of Commercial Film-Making and the Associated Temproary Structures, Works, Plant or Machinery required in Connection with that Use	S		96.00
	Notification for the Prior Approal for the Installation, Alteration or Replacement of other Solar Photovoltaics (PV) equipment on the roofs of Non-domestic Buildings, up to a Capacity of 1 Megawatt	S		96.00
Reserved Matters	Application for approval of reserved matters following outline approval - Full Fee due, or if already paid then £462 due	S	If full fee already paid 385.01	Full fee due or if full fee already paid then 462.00 due
Approval/ Variation/ Discharge of Condition	Application for removal or variation of a condition following grant of planning permission	S	196.00	234.00

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
	Request for confirmation that one or more planning conditions have been complied with	S	28.00 per request	34.00
	Request for confirmation that one or more planning conditions have been complied with	S	97.00 per request	116.00
Change of use of a building				
	Change of use of a building to use as one or more separate dwelling houses, or other cases, no more than 50 dwellings	S	385.00 for each	462.00 for each
	Change of use of a building to use as one or more separate dwelling houses, or other cases, where change of use exceeds 50 dwelling houses	S	19,049.00 plus 115.00 for each additional dwelling house up to a maximum of 250,000.	22,859 plus 138.00 each for each additional dwelling house up to a maximum of 300,000
	Other changes of use, other material change of use of a building or land	S	385.00	462.00
Change of Use or Householder Development in areas where Permitted Development rights have been removed through an Article 4 Notice	Change of use from Dwellinghouse (Use Class C3) to Houses in Multiple Occupation (Use Class C4)	S		462.00
	Alterations/extensions to a **single dwellinghouse**, including works within boundary	S		206.00
Application for a Non-material Amendment Following a Grant of Planning Permission	Applications in respect of householder developments	S		34.00
	Applications in respect of other developments	S		234.00
Application for Permission in Principle (valid from 1 June 2018)	Site area	S		402.00 for each 0.1 hectare (pr part therof)
Copy of decision notice		Non - S	25.00	27.50
Copy Tree Preservation order		Non - S	25.00	27.50
Copy of Appeal Decision Notice		Non - S	25.00	27.50
Copy of Enforcement Notices		Non - S	25.00	27.50
Copy of Section 106		Non - S	50.00	55.00
Photocopying				
A4	per sheet	Non - S	1.50	1.50
A3	per sheet	Non - S	2.00	2.00
A2	per sheet	Non - S	6.00	6.00
A1	per sheet	Non - S	8.00	8.00
A0	per sheet	Non - S	15.00	15.00
Ordnance Survey Extracts	Set of 6 A4 extracts of 1:500 scale	Non - S	30.50	35.00
	Set of 6 A4 extracts of 1:1250 scale	Non - S	30.50	35.00
	Set of 6 A4 extracts of 1:2500 scale	Non - S	30.50	35.00
Planning Policy Documents	Consultants' Reports	Non - S	POA	POA
	Local Plans various stages of development and all supporting documents	S & Non-S	POA	POA
Pre-Application Advice	Largescale Major Developments	Non - S	POA	POA
	Other Major Development Dwellings	Non - S	15% of fee	15% of fee

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
	Other Major Development Offices/Research and Development/Light industry	Non - S	15% of fee	15% of fee
	Other Major Development Heavy Industry/Storage/Warehousing	Non - S	15% of fee	15% of fee
	Other Major Development Retail, Distribution and Servicing	Non - S	15% of fee	15% of fee
	All other major development	Non - S	15% of fee	15% of fee
	Minor Development 1 dwelling	Non - S	15% of fee	75.00
	Minor Development 2-5 dwellings	Non - S	15% of fee	250.00
	Minor Development 6-9 dwellings	Non - S	15% of fee	450.00
	All other Minor Development	Non - S	15% of fee	15% of fee
	Change of Use to House in Multiple Occupation	Non - S	90.00	110.00
	Change of Use	Non - S	15% of fee	75.00
	Householder Developments	Non - S	25.80	35.00
	Advertisements	Non - S	25.50	35.00
	Listed Building Consent to alter/extend/demolish	Non - S	90.00	110.00
	Conservation Area Consents	Non - S	90.00	110.00
	Meetings and/or Site Visits (per 30 Minutes) in addition to the pre-application charge applicable above	Non - S	92.00	95.00
Request for current use of property	All Properties	Non - S	POA	POA
Other Ancillary Charges	Householder Enquiries	Non - S	POA	POA
	Permitted Development Enquiries (other)	Non - S	POA	25.00
	History and Investigation	Non - S	POA	95.00 per half hr
	Other (not included in the above)	Non - S	POA	95.00 per half hr
Planning Performance Agreement	Individual Cases	S	negotiable on an individual case	negotiable on an individual case
	Return Invalid Planning Application Fee	Non - S		50.00
Building Control				
New Dwellings up to 300m²:				
Number of Dwellings 1 to 2 Dwellings as set out				
1	Plan Charge	S	147.20	147.2
1	Inspection Fee	S	441.63	441.63
1	Building Notice Charge	S	647.70	647.7
1	Regularisation Charge	S	686.97	686.97
2	Plan Charge	S	182.26	182.26
2	Inspection Fee	S	546.77	546.77
2	Building Notice Charge	S	801.92	801.92
2	Regularisation Charge	S	850.53	850.53
For Three or more dwellings, or if the floor area of the dwellings exceeds 300m², the charge is individually determined				
Detached garage of car port up to 40m²	Plan Charge	S	240.34	240.34
	Inspection Fee	S	Included in Plan Charge	Included in Plan Charge
	Building Notice Charge	S	265.20	265.20
	Regularisation Charge	S	260.36	260.36
Attached single storey extension of garage or car port up to 40m²	Plan Charge	S	120.00	120.00
	Inspection Fee	S	140.36	140.36
	Building Notice Charge	S	260.36	260.36
	Regularisation Charge	S	282.06	282.06
Domestic extension up to 10m²	Plan Charge	S	120.00	120.00
	Inspection Fee	S	220.48	220.48
	Building Notice Charge	S	340.48	340.48
	Regularisation Charge	S	368.85	368.85
Domestic extension 10m² to 40m²	Plan Charge	S	120.00	120.00
	Inspection Fee	S	308.60	308.60
	Building Notice Charge	S	428.60	428.60

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
	Regularisation Charge	S	464.32	464.32
Domestic extension 40m² to 100m²	Plan Charge	S	120.00	120.00
	Inspection Fee	S	420.76	420.76
	Building Notice Charge	S	540.76	540.76
	Regularisation Charge	S	585.82	585.82
A minimum charge for rooms in the roof is	Plan Charge	S	120.00	120.00
	Inspection Fee	S	288.58	288.58
	Building Notice Charge	S	408.58	408.58
	Regularisation Charge	S	442.62	442.62
A Minimum charge for rooms in the roof with dormer	Plan Charge	S	120.00	120.00
	Inspection Fee	S	343.00	343.00
	Building Notice Charge	S	463.00	463.00
	Regularisation Charge	S	501.63	501.63
Conversion of a habitable room(s)	Plan Charge	S	60.00	60.00
	Inspection Fee	S	200.36	200.36
	Building Notice Charge	S	260.36	260.36
	Regularisation Charge	S	282.06	282.06
The introduction of insulation as part of a re-roof work,	Plan Charge	S	200.28	200.28
re-rendering/plastering and replacement ground floors that	Inspection Fee	S	Included in Plan Charge	Included in Plan Charge
does not include changes to	Building Notice Charge	S	200.28	200.28
structural members	Regularisation Charge	S	216.97	216.97
Domestic external window	Building Notice Charge	S	160.22	160.22
& door replacements (up to 5)	Regularisation Charge	S	173.58	173.58
Domestic external window & door replacements (over 5)	Building Notice Charge	S	To be individually determined	To be individually determined
	Regularisation Charge	S	To be individually determined	To be individually determined
Domestic Internal Alterations, installation of fittings and/or structural work				
Estimated Cost of Building Works £				
0 - 2,000	Plan Charge	S	160.22	160.22
	Building Notice Charge	S	160.22	160.22
	Regularisation Charge	S	173.58	173.58
2,001 - 5,000	Plan Charge	S	200.38	200.38
	Building Notice Charge	S	200.38	200.38
	Regularisation Charge	S	216.97	216.97
For schemes exceeding £5,000 estimated contract price the charge is individually determined				
Charges for all Non-Domestic Building Work				
Estimated Cost of Building Works £				
0 - 2,000	Plan Charge	S	200.28	200.28
	Building Notice Charge	S	200.28	200.28
	Regularisation Charge	S	216.97	216.97
2,001 - 5,000	Plan Charge	S	240.34	240.34
	Inspection Fee	S		
	Building Notice Charge	S	240.34	240.34
For schemes exceeding £5,000 estimated contract price the charge is individually determined				

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
Electrical Work - minimum charge when not carried out in conjunction		Non - S	198.00	198.00
	Regularisation Charge	Non - S	214.50	214.50
Fees for Dealing with Dangerous Structures				
Surveyors Mileage Costs		Non - S	45p per mile	45p per mile
Surveyors Time Costs		Non - S	Between £20.00 to £31.00 per hour	Between £20.00 to £31.00 per hour
Administration		Non - S	51.00	51.00
Cost of work to make structure safe will depend on the amount and type of work involved				
Exempt Building Certificate		S	29.00	29.00
Retrieval of Plans to enable copies of Certificates to be issued		Non - S	30.50	30.50
Copies of Certificates	Per Copy	Non - S	10.00	10.00
To view Historic / Stored Files		Non - S	214.00	214.00
Letters of Confirmation of works carried out if files not available		Non - S	46.00	46.00
Street Naming and Numbering Charges				
Existing Properties				
House Name Change		S	63.00	63.00
New Properties				
Numbering / Naming	1 - 5 Plots	S	185.00	185.00
	6 - 25 Plots	S	296.00	296.00
	26 - 75 Plots	S	700.00	700.00
	76+ Plots	S	945.00	945.00
Additional charge where this includes Naming of a Building (e.g. Block of Flats)		S	126.00	126.00
Existing Streets				
Renaming of Street where requested by residents		S	220.50 plus 21.00 per property	220.50 plus 21.00 per property
New Streets				
Additional Charge to House Numbering where this includes naming of street	Per Street	S	152.00	152.00
Amendments to Schedule				
Amending Schedule of development already issued following plot change by developer	Per Plot Affected	S	39.00	39.00
Guildhall Room Hire				
Mon - Fri. 8am till 8.30pm per hr	Great Hall	Non - S	60.00	63.00
	Court Room	Non - S	40.00	42.00
	Ceremony Room (Mon-Fri after 6pm)	Non - S	25.00	26.25
	Dressing Rooms (2) (to be booked with hall only)	Non - S	20.00	21.00
	Jeyes Room	Non - S	25.00	26.25
	Gallery Room	Non - S	25.00	26.25
	Godwin Room	Non - S	25.00	26.25
	Council Chambers	Non - S	40.00	42.00
	Jeffery Room	Non - S	40.00	42.00
	Holding Room	Non - S	25.00	26.25

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
	Courtyard & Cloister (Mon-Fri after 6pm & Sat)	Non - S	30.00	31.50
	Mezzanine Area (Mon-Fri after 6pm & Sat)	Non - S	30.00	31.50
	OSS Reception Area (Mon-Fri after 5.30pm and Sat)	Non - S	30.00	31.50
Mon - Fri. per hr after 8.30pm	Great Hall	Non - S	90.00	108.00
	Court Room	Non - S	60.00	72.00
	Ceremony Room (Mon-Fri after 6pm)	Non - S	60.00	72.00
	Dressing Rooms (2) (to be booked with hall only)	Non - S	20.00	24.00
	Jeyes Room	Non - S	60.00	72.00
	Gallery Room	Non - S	60.00	72.00
	Godwin Room	Non - S	60.00	72.00
	Council Chambers	Non - S	60.00	72.00
	Jeffery Room	Non - S	60.00	72.00
	Holding Room	Non - S	60.00	72.00
	Courtyard & Cloister (Mon-Fri after 6pm & Sat)	Non - S	50.00	60.00
	Mezzanine Area (Mon-Fri after 6pm & Sat)	Non - S	50.00	60.00
	OSS Reception Area (Mon-Fri after 5.30pm and Sat)	Non - S	50.00	60.00
Saturdays per hr	Great Hall	Non - S	90.00	108.00
	Court Room	Non - S	60.00	72.00
	Ceremony Room (Mon-Fri after 6pm)	Non - S	60.00	72.00
	Dressing Rooms (2) (to be booked with hall only)	Non - S	20.00	24.00
	Jeyes Room	Non - S	60.00	72.00
	Gallery Room	Non - S	60.00	72.00
	Godwin Room	Non - S	60.00	72.00
	Council Chambers	Non - S	60.00	72.00
	Jeffery Room	Non - S	60.00	72.00
	Holding Room	Non - S	60.00	72.00
	Courtyard & Cloister (Mon-Fri after 6pm & Sat)	Non - S	50.00	60.00
	Mezzanine Area (Mon-Fri after 6pm & Sat)	Non - S	50.00	60.00
	OSS Reception Area (Mon-Fri after 5.30pm and Sat)	Non - S	50.00	60.00
Sundays & Bank Hols Per hr	Great Hall	Non - S	145.00	152.25
	Court Room	Non - S	100.00	105.00
	Ceremony Room (Mon-Fri after 6pm)	Non - S	100.00	105.00
	Dressing Rooms (2) (to be booked with hall only)	Non - S	20.00	21.00
	Jeyes Room	Non - S	100.00	105.00
	Gallery Room	Non - S	100.00	105.00
	Godwin Room	Non - S	100.00	105.00
	Council Chambers	Non - S	100.00	105.00
	Jeffery Room	Non - S	100.00	105.00
	Holding Room	Non - S	100.00	105.00
	Courtyard & Cloister (Mon-Fri after 6pm & Sat)	Non - S	100.00	105.00
	Mezzanine Area (Mon-Fri after 6pm & Sat)	Non - S	100.00	105.00
	OSS Reception Area	Non - S	100.00	105.00
Investors Suite Room Hire	Investors Suite Room Hire Per Day	Non - S	-	250.00
	Investors Suite Room Hire Per Half Day	Non - S	-	150.00
Wedding Ceremony Rates	Great Hall	Non - S	750.00	787.50
	Court Room	Non - S	500.00	525.00
	Council Chamber	Non - S	500.00	525.00
	Holding Room	Non - S	400.00	420.00
	Great Hall (Sundays & Bank Holidays)	Non - S	1,500.00	1575.00
	Court Room (Sundays & Bank Holidays)	Non - S	1,000.00	1050.00
	Council Chamber (Saturday & Bank Holidays)	Non - S	1,000.00	1050.00
	Holding Room (Sundays & Bank Holidays)	Non - S	800.00	840.00
Reception Prices	The Spencer Package	Non - S	1,900.00	1995.00
	The Jeffery Package	Non - S	1,350.00	1417.50
	The Tilley Package	Non - S	950.00	997.50
	The Godwin Package	Non - S	400.00	480.00
Party Packages per head	The Platinum Package	Non - S	33.00	Discontinued

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
	The Gold Package	Non - S	29.00	Discontinued
	The Silver Package	Non - S	25.00	Discontinued
Museum Service				
Room Hire - Northampton Museum & Art Gallery	Meeting Room Hire - Half Day	Non - S	80.00	Discontinued
	Meeting Room Hire - Full Day	Non - S	160.00	Discontinued
	Meeting Room Hire - Out of Hours (per hour)	Non - S	125+ additional staff costs	Discontinued
Abington Park Museum	Great Hall/Function Room Hire Core Day Time Rates			
	Monday/Friday and Saturday/Sunday, One Room half day: 9am - 1pm or 1pm - 5pm	Non - S	250.00	250.00
	Monday/Friday and Saturday/Sunday, Both Rooms half day: 9am - 1pm or 1pm - 5pm	Non - S	450.00	450.00
	Monday/Friday and Saturday/Sunday, One Room full day: 9am - 5pm	Non - S	450.00	450.00
	Monday/Friday and Saturday/Sunday, Both Rooms full day: 9am - 5pm	Non - S	600.00	600.00
	Tuesday - Thursday, One Room half day: 9am - 1pm or 1pm - 5pm	Non - S	350.00	350.00
	Tuesday - Thursday, Both Rooms half day: 9am - 1pm or 1pm - 5pm	Non - S	550.00	550.00
	Tuesday - Thursday, One Room full day: 9am - 5pm	Non - S	550.00	550.00
	Tuesday - Thursday, Both Rooms full day: 9am - 5pm	Non - S	800.00	800.00
	20% discount applies to registered charities			
Abington Park Museum	Great Hall/Function Room Hire Core Evening offer			
	Monday to Sunday Early evening 5pm - 8pm	Non - S	270.00	270.00
	Monday to Sunday Late evening 6pm - 11pm	Non - S	450.00	450.00
	Additional hourly daytime rate before 1pm	Non - S	62.50 per hour	62.50 per hour
	Additional hourly evening up to midnight outside core offer	Non - S	90 per hour	90 per hour
	Additional hourly evening rate after midnight outside core offer	Non - S	110 per hour	110 per hour
	20% discount applies to registered charities			
	Table hire and cloth hire - all orders incur an additional £17 delivery charge			
	6ft circular table seats up to 8	Non - S	8.70 each	8.70 each
	4ftcircular seats up to 6	Non - S	5.10 each	5.10 each
	118" cloth fits 6ft circular table	Non - S	9.54	9.54
	90" cloth fits 4ft circular table	Non - S	6.90	6.90
Abington Park Museum	Wedding ceremonies			
	Sunday to Thursday one room 2 hours	Non - S	750.00	750.00
	Sunday - Thursday additional hours	Non - S	250 per hour	250 hour
	Sunday - Thursday Full day (from 11am - 11pm)	Non - S	2,000.00	2,000.00
	Friday one room 2 hours	Non - S	1,000.00	1,000.00
	Friday additional hours	Non - S	350.00	350.00
	Friday Full day (from 11am - 11pm)	Non - S	3,000.00	3,000.00
	Saturday one room 2 hours	Non - S	1,250.00	1,250.00
	Saturday additional hours	Non - S	450.00	450.00
	Saturday Full day (from 11am - 11pm)	Non - S	4,500.00	4,500.00
	Refreshments	Non - S	1.80	1.80
Gallery Hire	AG1 per week:			
	- Non-Profit Making Organisation	Non - S	60.00	Discontinued
	- Individual Artisit	Non - S	100.00	Discontinued
	AG2 & 3 (per week)			
	- Non-Profit Making Organisation	Non - S	60.00	Discontinued
	- Individual Artisit	Non - S	100.00	Discontinued
	Shoe Lounge	Non - S	Negotiable	Discontinued

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
Talks	Talks	Non - S	63.00 plus travel costs	65.00 plus travel costs
Image Reproduction	Prints (Colour or Monochrome) from existing digital images			
	A4	Non - S	30 each	30 each
	A3	Non - S	36 each	36 each
	A2	Non - S	72 each	72 each
	A1	Non - S	108 each	108 each
	AO	Non - S	180 each	180 each
	High resolution digital image from existing digital images	Non - S	36 each	36 each
	Books			
	Print run up to 1000 units single country inner page	Non - S	36.00	36.00
	Print run up to 1000 units single country cover page	Non - S	72.00	72.00
	Print run over 1000 units single country inner page	Non - S	72.00	72.00
	Print run over 1000 units single country cover page	Non - S	240.00	240.00
	Print run over 1000 units world inner page	Non - S	120.00	120.00
	Print run over 1000 units world cover page	Non - S	360.00	360.00
	Magazines and newspapers (inc web use for same feature)			
	Local - inner page	Non - S	36.00	36.00
	Local - cover page	Non - S	72.00	72.00
	National - inner page	Non - S	96.00	96.00
	National - cover page	Non - S	240.00	240.00
	Television (cable, digital, satellite, terrestrial & web streaming / on-demand)			
	Provincial broadcast (two broadcasts)	Non - S	60.00	60.00
	Single country broadcast (two broadcasts)	Non - S	120.00	120.00
	World broadcast (two broadcasts)	Non - S	180.00	180.00
	5 year buyout	Non - S	300.00	300.00
	All retail DVD, Blu-Ray and direct pay per view will require a five year buyout rights)			
	Commercial Web, Product & Site use (eg display panels, exhibition guides, greeting cards, stationery etc)			
	One time use, local business	Non - S	90.00	90.00
	One time use, Non local business	Non - S	150.00	150.00
	5 year buyout	Non - S	300.00	300.00
	Images for use in exhbiition guides that are not for commercial gain can be utilised free of charge, subject to reasonable use. Where images are used in conjunction with an exhibition where income will be made, the above charges will apply.			
	Prices are exclusive of delivery charge			
	Creating new digital images (where images don't already exist in our library but can be made from our objects in our museum collections)			
	Scanning	Non - S	18.00	18.00
	In-house photography	Non - S	36.00	36.00
	External photography	Non - S	Negotiable	
	Delivery charges (for print and digital images)			
	By email of FTP	Non - S	Free	Free
	By CD	Non - S	6 per disc	7 per disc
	UK/International 0-25	Non - S	1.50	1.50
	UK/International 0-25	Non - S	3.00	3.00
	UK 25+	Non - S	3.00	3.00
	International 25+	Non - S	6.00	6.00
	In additional, all overseas orders (to cover payment costs)	Non - S	15.00	15.00

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
Learning Sessions	Onsite Learning sessions at Abington Park Museum, max number of pupils 35			
	History of shoes KS1 & 2 - 1.5 hours	Non - S	80.00	80.00
	Shoemaking KS2 - 1.5 hours	Non - S	92.00	92.00
	Stone Age to Iron Age KS1 & 2 - 1.5 hours	Non - S	80.00	80.00
	Archaeological Dig KS1 & 2 - 1.5 hours	Non - S	80.00	80.00
	Anglo Saxon and Viking Life KS2 - 1.5 hours	Non - S	80.00	80.00
	Toys Reception/KS1 - 1.5 hours	Non - S	80.00	80.00
	Homes in the Past KS 1 & 2 - 1.5 hours	Non - S	80.00	80.00
	Ancient Egyptians KS2 - 2 hours	Non - S	110.00	110.00
	Investigating the Victorians KS1 & 2 - 1.5 hours	Non - S	80.00	80.00
	Museum Outreach Sessions: each outreach visit lasts 2 hours & is for 2 classes of 35 pupils, one hour for each class			
	Additional classes can be booked on the same day: 1 class of up to 35 pupils - 1 hour £65; 2 classes up to 70 pupils - 2 hours £85			
	Romans/Archaeology	Non - S	105 plus mileage	105 plus mileage
	Tudors	Non - S	106 plus mileage	106 plus mileage
	Victorians	Non - S	107 plus mileage	107 plus mileage
	World War Two	Non - S	108 plus mileage	108 plus mileage
	Shoemaking	Non - S	109 plus mileage	109 plus mileage
	Toys	Non - S	110 plus mileage	110 plus mileage
	Museum Loans Boxes price for up to half a term (approx 6 weeks)			
	In our Shoes	Non - S	55.00	55.00
	Shoe Chests	Non - S	55.00	55.00
	Toys	Non - S	55.00	55.00
	Wooden Toys - Mini Box	Non - S	25.00	25.00
	The Victorian Child	Non - S	55.00	55.00
	The Victorian Home	Non - S	55.00	55.00
	The Second World War - Evacuee Suitcase	Non - S	55.00	55.00
	Second World War - The Home Front	Non - S	55.00	55.00
	Second World War - Soldier	Non - S	55.00	55.00
	World Culture Boxes	Non - S	55.00	55.00
	Medicine Through Time	Non - S	55.00	55.00
Car Parks				
Charges	Up to 1 hour	Non - S	0.60	0.60
	Up to 1 hour (MSCP only)		Free	Free
	Up to 2 hours	Non - S	1.20	1.20
	Up to 2 hours (MSCP only)		Free	Free
	Up to 3 hours	Non - S	2.40	2.40
	Up to 4 hours	Non - S	3.20	3.20
	Up to 5 hours	Non - S	4.00	4.00
	All Day	Non - S	7.00	8.00
	Evening*	Non - S	1.00	1.00
	Overnight*	Non - S	2.50	2.50
	Saturdays (MSCP only)		Free	2.00
	Sunday	Non - S	Free	2.00
	Coaches	Non - S	8.00	8.00
	* Selected Car Parks Only			
	Monthly - 7 day	Non - S	120.00	120.00
	Annual - 7 day	Non - S	1440.00	1,296.00
Permits	Town Centre Annual Parking Permits	Non - S	360.00	360.00
	Commuter Permits	Non - S	600.00	600.00
Market Stall Rents				
Permanent Trader Rates				
Winter Rates				
Standard	Tues - Thurs	Non - S	7.00	7.00
	Fri	Non - S	10.00	10.00
	Sat	Non - S	15.00	15.00
1st Class	Tues & Weds	Non - S	9.50	9.50
	Thurs	Non - S	9.00	9.00

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
	Fri	Non - S	12.50	12.50
	Sat	Non - S	17.50	17.50
2nd Class	Tues & Weds	Non - S	8.50	8.50
	Thurs	Non - S	7.00	7.00
	Fri	Non - S	11.50	11.50
	Sat	Non - S	16.50	16.50
Summer Rates				
Standard	Tues - Weds	Non - S	10.00	10.00
	Thurs	Non - S	8.00	8.00
	Fri	Non - S	12.00	12.00
	Sat	Non - S	25.00	25.00
1st Class	Tues & Weds	Non - S	16.00	16.00
	Thurs	Non - S	10.00	10.00
	Fri	Non - S	18.00	18.00
	Sat	Non - S	31.00	31.00
2nd Class	Tues & Weds	Non - S	14.50	14.50
	Thurs	Non - S	8.00	8.00
	Fri	Non - S	16.50	16.50
	Sat	Non - S	29.50	29.50
Casual Trader Rates				
Winter Rates				
Standard	Tues - Thurs	Non - S	10.00	10.00
	Fri	Non - S	12.00	12.00
	Sat	Non - S	20.00	20.00
1st Class	Tues & Weds	Non - S	12.50	12.50
	Thurs	Non - S	12.00	12.00
	Fri	Non - S	14.50	14.50
	Sat	Non - S	22.50	22.50
2nd Class	Tues & Weds	Non - S	11.50	11.50
	Thurs	Non - S	10.00	10.00
	Fri	Non - S	13.50	13.50
	Sat	Non - S	21.50	21.50
Summer Rates				
Standard	Tues - Weds	Non - S	12.00	12.00
	Thurs	Non - S	10.00	10.00
	Fri	Non - S	18.00	18.00
	Sat	Non - S	30.00	30.00
1st Class	Tues & Weds	Non - S	18.00	18.00
	Thurs	Non - S	12.00	12.00
	Fri	Non - S	24.00	24.00
	Sat	Non - S	36.00	36.00
2nd Class	Tues & Weds	Non - S	16.50	16.50
	Thurs	Non - S	10.00	10.00
	Fri	Non - S	22.50	22.50
	Sat	Non - S	34.50	34.50
Housing Fees				
Mandatory, and Additional, HMO Licence - Standard Fee	Processing Application & Granting of Licence for Mandatory/Additional HMO (5 Year Term) for upto 5 persons. For each additional person the fee will increase by £30	Non -S	714.00	735.00
Mandatory, and Additional, HMO Licence - If applied for on time	Processing Application & Granting of Licence for Mandatory/Additional HMO (5 Year Term) for upto 5 persons. For each additional person the fee will increase by £30	Non -S	561.00	585.00
Mandatory, and Additional, HMO Licence - If applied for before it expires	Processing Application & Granting of Licence for Mandatory/Additional HMO (5 Year Term) for upto 5 persons. For each additional person the fee will increase by £30	Non -S	510.00	535.00
Licensable HMO's	Cost of Officer Attendance to help complete the Online Application	Non - S	61.20	65.00
Licensable HMO's	Pre-Application Inspection. Will be charged for missed, or cancelled, inspections where 24 hours notice has not been given	Non - S	61.20	65.00
Licensable HMO's	Variation to a licence	Non - S	100.00	105.00
All privately owned Properties (including Empty homes)	Cost if served with a Suspended Improvement Notice, an Improvement Notice, a Prohibition Order or take Emergency Remedial Action	Non - S	408.00	420.00
All privately owned Properties (including Empty homes)	Cost if served with an Emergency Prohibition Order	Non - S	459.00	475.00

Activity / Item	Basis	Statutory / Non-Statutory	2017/18 Value inc VAT	2018/19 Value inc VAT
			£	£
All privately owned Properties (including Empty homes)	Cost to consider a revocation request to remove a Prohibition/Emergency Prohibition Notice	Non - S	204.00	210.00
Immigration	Request for Letter confirming property is satisfactory for intended immigrant	Non - S	204.00	210.00
Housing Act - Enforcement	Charging for taking Enforcement Action including works in default	S	Cost of work plus £250 or 15%, whichever is greater	Cost of work plus £260 or 15%, whichever is the greater
Viewing of Registers	Free Office Viewing or Internet (where applicable) – charge for copy and for Officer time if this exceeds 30 mins	Non - S	It is recommended that this charge is increased by the Council's annual fees and charges	Excluding the first 30 minutes (which is free) the cost of Officer Attendance is £65 an hour or part thereof.
RSL Framework	Registration	Non - S	NPH	NPH
Choice Based Lettings	Flat rate charge for Advertising a Property	Non - S	NPH	NPH
Travellers Site Charges	Pitch Fee	Non - S	55.00 per week	56.65 per week
	Water	Non - S	10.00 per week	10.30 per week
Land Charges				
Standard Fees	Official LLC1 + CON29 enquiries search	Non - S	98.00	108.00
	Official LLC1 only certificate of search	Non - S	48.00	48.00
Non Standard Fees	CON29O enquiries - question 4-22 inclusive when submitted with accompanying CON29R - each	Non - S	15.00	18.00
	CON29O enquiries submitted without an accompanying CON29R - additional admin fee (plus £15 per question)	Non - S	13.20	13.20
	Additional enquiries - each	Non - S	20.00	24.00
Additional Parcel Fees	CON29R additional parcels of land	Non - S	10.50	12.60
	LLC1 additional parcel fee (up to an additional 16 parcels)	Non - S	0.00	1.00
Personal Search Fees	Personal search	Non - S	0.00	0.00
	Personal search - additional parcels of land (up to an additional 16 parcels)	Non - S	0.00	0.00
Unrefined CON29R (Raw) data enquiries	Q1.1 (f-h)	Non - S	20.00	24.00
	Q3.7 (a-d, f); Q3.8; Q3.9	Non - S	2.00	2.40
	Q3.10; Q3.11	Non - S	1.00	1.20

Notes

Non S - Non Statutory
S - Statutory function

Appendix 9

Budget Consultation 2018/19 – Summary Results

1. Introduction

1.1. In December 2017 the Council launched a consultation which looked at the budget proposals for 2018/19. Comments were invited over a 6 week period, ending on 11 February 2018. The public were invited to comment on the proposed Council Tax increase and the budget options for savings and growth. This report summarises the results of the consultation.

1.2. Completed questionnaires were accepted up to 11 February 2018. The consultation period will formally close on the date the budget is approved in February 2018. This consultation followed the principles set out in the Council's Consultation Toolkit and industry standard guidance on best practice in consultation.

1.3. This appendix contains the summary results to the draft budget 2018/19 consultation. They will be used to by the Council as part of the process for informing priorities for the Council's Corporate Plan and for setting a balanced budget (including a capital programme).

2. Methodology

2.1. Residents, businesses, and other stakeholders were invited to provide feedback on the proposals for the draft budget during the consultation period.

2.2. People were able to engage in a range of ways:

- On-line survey asking people if the agreed or disagreed with the proposed Council Tax increase and the savings and growth proposals within the budget.
- Advertised through social media
- Paper questionnaires available upon request;
- Website information on consultation proposals and questionnaire available to download and complete on-line
- E-mail address, freepost address and consultation phone line set up to receive feedback;
- Staff via intranet, trade unions and as general public;
- Meeting of the Overview and Scrutiny Committee in 29 January 2018;
- Audit Committee Meeting 15 January 2018

3. Consultation questions

Q1 Northampton Borough Council is proposing a small increase in council tax in its draft budget proposals for 2018/19. A similar increase in 2017/18 enabled the Council to protect services and deliver improvements to parks and other infrastructure within the borough through a fully-funded capital programme.

We are proposing to increase council tax for all households by 2.34%. This will be the equivalent for a band D household of £5 per year.

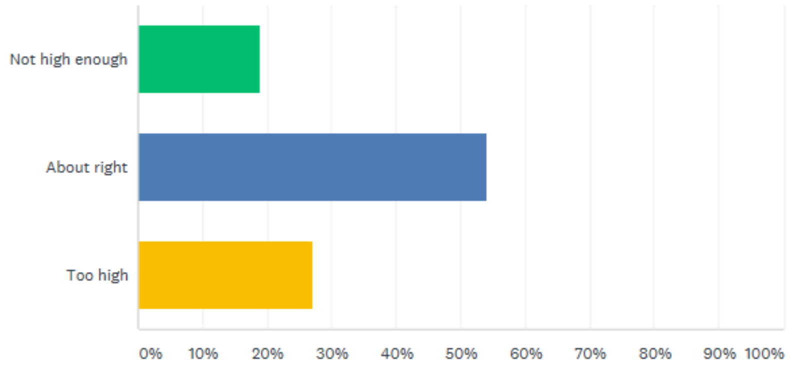
Doing this raises an estimated £334,000 in 2018/19, and this enables the Council to continue to deliver value for money services in the future.

Q1

Customize Export

Do you think that this increase is

Answered: 37 Skipped: 0



ANSWER CHOICES	RESPONSES	
Not high enough	18.92%	7
About right	54.05%	20
Too high	27.03%	10
TOTAL		37

Comments (10)

Q2

Export

Where do you feel the Borough Council should be spending additional funds? Please use this space for comments that will help us understand your response

Answered: 29 Skipped: 8

A number of the responses to this question related to the services provided by the County Council, such as social care, highways and libraries. Some of the key themes of relevance to the Borough Council's budget were:

- Cleaning up the town centre, as well as improving parks and open spaces and planting more trees.

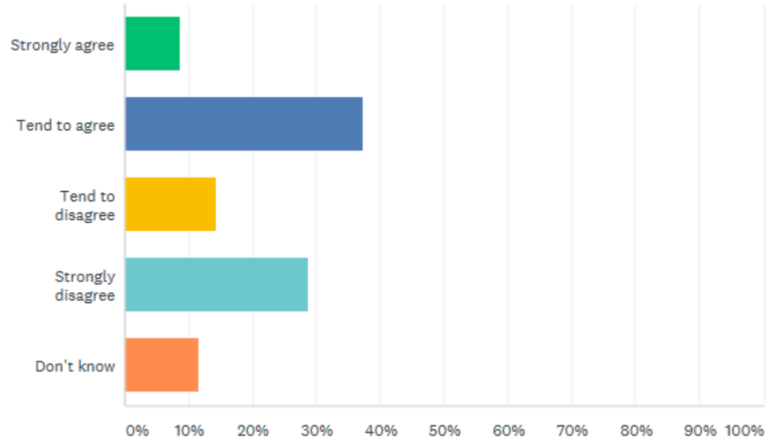
- Provision of more social housing
- Support for vulnerable people, especially the homeless

Q3

Customize | Export

Do you feel fully informed about NBC's budget setting aims and goals?

Answered: 35 Skipped: 2



ANSWER CHOICES	RESPONSES	
Strongly agree	8.57%	3
Tend to agree	37.14%	13
Tend to disagree	14.29%	5
Strongly disagree	28.57%	10
Don't know	11.43%	4
TOTAL		35

Q4

Export

How do you think we can reduce spend, generate income or do things differently to ensure that we maintain a balanced budget.Please use this space for comments that will help us understand your response

Answered: 25 Skipped: 12

RESPONSES (25) TEXT ANALYSIS MY CATEGORIES (0)

Categorize as... Filter by Category Search responses

Showing 25 responses

Key themes of relevance to the Borough Council were:

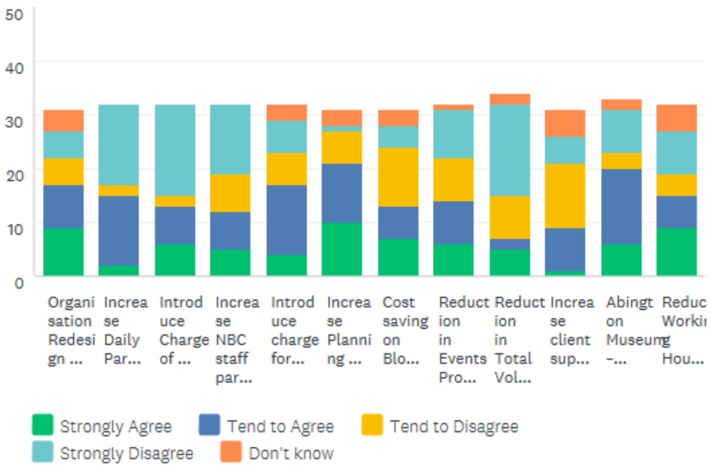
- Focus on core services, rather than items such as bronze statues.

- Reduce use of consultants and interim staff
- Ensure fees and charges are set at the right level for all services

Q5

The key proposals for budgetary savings and growth are set out in Appendix 2 of the Cabinet budget report published on our website. Please indicate your views on these proposals:

Answered: 32 Skipped: 5



These proposals are as follows (from left to right):

Organisational Redesign – to support delivery of value for money services – saving £370,000

Increase Daily Parking Charge from £7 to £8 – increased income £100,000

Introduce Charge of £2 for parking all day on Saturday and on Sunday – Increased income £700,000

Increase NBC staff parking charge to £40 per month – increased income £40,000

Introduce charge for market rubbish collection – income of £10,000

Increase Planning Fee Income - £200,000

Cost saving on Bloom - £18,000

Reduction in Events Programme - £30,000

Reduction in Total Voluntary/Community Funding to £1.07m – saving £94,000

Increase client support for new Environmental Services contract – growth of £60,000

Abington Museum – Extended Opening Hours – growth of £20,000

Reduce Working Hours to 37 per week – cost £150,000

Appendix 10

Extract of the minutes of the Overview and Scrutiny Committee – 29 January 2017

5. REPORT OF THE OVERVIEW AND SCRUTINY REPORTING AND MONITORING WORKING GROUP - GENERAL FUND MTFP 2018/2019 - 2023 AND 2018/2019 DRAFT BUDGET PROPOSALS

The Chair introduced the report of the Overview and Scrutiny Reporting and Monitoring Working Group - General Fund MTFP 2018/2019 - 2023 and 2018/2019 Draft Budget Proposals, advising that the Working Group had considered the budget proposals in detail and had decided that the following required budget scrutiny:

• Increased income – Car parking
• Reduction in events programme
• Environmental Services Contract – Net budget stream for the Environmental Services vehicles
• Challenges on temporary accommodation and homelessness budgets
• HRA stock loss and mitigation through a new build programme

Councillor Mike Hallam, Cabinet Member for Environment and Councillor Anna King, Cabinet Member for Community Safety and Engagement together with Paul Hymers, Strategic Finance Business Partner, Paul Loveday, Senior Finance Business Partner, Phil Harris, Head of Housing and Wellbeing and Derrick Simpson, Town Centre Manager provided further details:

Paul Hymers set the scene for the draft General Fund, (GF) MTFP 2018/2019 to 2022/2023 and 2018/2019 Draft Budget Proposals from both the national position and then the local perspective. He highlighted the key elements contained within the report and emphasised that the reduction in Government funding and pressures on budgets, in particular the Environmental Services contract impacted upon the funding gap.
It was confirmed that the Council had a draft balanced budget for 2018/2019 and 2019/20 but gaps beyond this are the best estimates at this stage but become increasingly uncertain into the future.

The Chair advised that the Committee was very pleased that a draft balance budget for 2018/2019 had been arrived at.

Increased income – Car parking

- Derrick Simpson apprised that parking in the multi storey carparks within the town are monitored and weekly figures provided. Over the last three years, the £2 charge would have very little change on Saturdays, as this is a busy period. Free, two hours parking, will remain Monday to Friday.

- Parking statistics in relation to service car parks are not available. However, 7 years ago, around 100,000 vehicles used the service car parks.
- On street parking on Sundays is currently free, however, as part of NCC's draft budget proposals are included to introduce on street parking charges for Sundays.
- Blue badge holders and motorcycles will still be able to park for free

The Committee asked questions, made comment and heard:

- In response to a query regarding the effect the proposed increase could have on commuters; the Committee heard that the charges were proposed to increase from £7 to £8 per day.
- £2 parking charge would apply for all day Saturday

Reduction in events programme
Derrick Simpson advised that the proposed reduction in events budget was over a number of budget heads, for example it is proposed to charge for all commercial activities, reduction in the music festival by providing £10000 of funding rather than £15000, and not providing any support to the town festival, a reduction in the Christmas budget. The Council has enough artificial Christmas trees to last for the next 4-5 years.

The Committee asked questions, made comment and heard:

- The performance of bands in the park is oversubscribed, however, putting on bands in the park on Bank Holiday Mondays is being investigated
- In response to a query whether assistance could be provided to the Irish Festival, Derrick Simpson advised that the organisers could apply for small grant funding if they so wished.
- It was confirmed that there is an oversupply of trees for Christmas and Officers are working with other within the Christmas community

Environmental Services Contract – Net budget stream for the Environmental Services vehicles

The Chair advised that the specific query that the Working Group had posed had been around the costs to the Council of purchasing the vehicles for the environmental services contract and leasing them back to the Council over 10 years.

Councillor Hallam and Paul Loveday advised that the winning bidder will be in a good position to have access to the supply chain and the Council has better access to funding. By purchasing vehicles this way, the cost of the contract is reduced. The contractor will have expertise in purchasing the vehicles and the Council will be able to access better interest rates. The Council will lease the vehicles to the contractor. All vehicles have a replacement schedule included in the contract.

The Committee asked questions, made comment and heard:

- The contractor is contracted to do the job and is therefore responsible for all maintenance costs of the vehicles. Details such as emissions, maintenance and repairs will be included in the finer details of the contract.
- The vehicles have a 10 year life span. Over ten years the vehicles will depreciate. At the end of the contract, a reprovision process will commence and will include new vehicles.

Challenges on temporary accommodation and homelessness budgets

Phil Harris, Head of Housing and Wellbeing advised that over the last two years homeless applications to the Council has doubled, in the same period, households in temporary accommodation has trebled and social housing has decreased which has led to an increase in those in temporary accommodation. The Housing Officer's caseloads has significantly increased which in turn had increased the number of outstanding decisions. For example, Officers had around 50 cases outstanding (the norm being 15); the backlog had increased and by September 2017 had peaked at 200 plus, with 150 families in temporary accommodation. The number of people living in bed and breakfast accommodation had trebled; with a number living outside the borough. An action plan was produced and 130 decisions were outsourced to a Residential Group that had helped to relieve the pressure. From September to December 2017, homeless applications had decreased from 205 to 66. Housing Officers caseloads reduced from 59 to 18 and the average wait time to see a Housing Officer reduced from 4 weeks to a few days. Further statistics were provided. This approach, through a series of Policy changes, had worked very well as it had reduced the backlog, reduced workloads etc. The Team is coping much better now but cost is a challenge. Funding from central Government is only a fraction of the actual cost to the Authority.

The Committee asked questions, made comment and heard:

- In response to a query regarding potential evictions, Phil Harris advised that people are urged to make contact with Housing Officers as soon as possible. However a lot of people do present on the day of eviction. An additional officer has been engaged to deal with those individuals that turn up as homeless. Face to face discussions are held which has proved useful in preventing homelessness.
- Demand has not reduced by has become more manageable.
- Work is ongoing with the Private Sector Letting Agency regarding reducing the cost of temporary accommodation.
- The Committee conveyed its thanks and congratulations to the Housing Team for all its work on this

HRA stock loss and mitigation through a new build programme

Phil Harris apprised that a report to Cabinet is scheduled that will set out ways of maximising supply of new homes. NPH had submitted a proposal for up to

1000 homes to be built over the next ten years. Capita had been instructed by the Council to consider the proposals and put forward recommendations. Conclusions had been that the proposal of NPH had been sub optimum and their conclusions had been shared with NPH. Revised proposals had been submitted that addressed some of the concerns regarding sub optimum. The report to Cabinet will identify these. HRA will be made the most of regarding the provision of new homes. It is estimated that 940 Council homes are likely to be sold; from Right to Buy receipts, the Council could replace 500 of these. This will be a major step forward but it will only slow the rate that Council houses are being sold off.

The Committee noted the details provided by Phil Harris and asked no further questions.

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The Cabinet Members and officers were thanked for attending the meeting and providing comprehensive details to the Committee enabling it to undertake budget Scrutiny on the five issues referred from the Reporting and Monitoring Working Group. The Committee was content with the responses and information

Appendix 11

Extract from Audit Committee Minutes 15 January 2018

9. RISK REVIEW OF 2018/19 BUDGET REPORT

The Chief Finance Officer submitted a report and elaborated thereon. He explained that the Audit Committee were being asked to consider issues in relation to risk within the budget proposals for 2018/19. Members were informed of a number of strategic risks identified within the budgets and the mitigation against them. It was explained that Government funding could potentially change and to mitigate the possible effect of this the Council was determining a prudent minimum level of General Fund balances. It was reported that the Government had carried out a spending review but figures were only available up to 2020, after which figures were unknown. It was noted however, that the Council's earmarked reserves were considered to be positive and relatively compared to other local authorities.

In response to questions asked, the Chief Finance Officer explained that cost of the Environmental Services contract would be higher in the first year as it was considered that additional work may need to be carried out in order to bring work up to a level of specification. It was noted that it was anticipated that the inflation figures would be built into the contract and would be factored into the final budget.

The Chair informed the Committee that a tracker document would be brought back to the Audit Committee updating members of the proposed risks to ensure the Council are targeting and assessing any potential risks.

RESOLVED:

That the Audit Committee considered issues in relations to risk within the budget proposal for 2018/19.

Appendices
5

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

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

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	21st February 2018
Key Decision:	YES
Within Policy:	YES
Policy Document:	YES
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	N/A

1. Purpose

1.1 To agree the Cabinet's proposals for recommendation to Council on 26 February 2018 for the 2018/19 to 2022/23 HRA budgets.

1.2 To agree the Cabinet's proposals for recommendation to Council on 26 February 2018 for the 2018/19 HRA rent setting.

1.3 To agree the HRA capital programme funding proposals for 2018/19 and future years.

1.4 To ask the Cabinet to recommend to Council that they approve the recommendations in section 2 below.

2. Recommendations

2.1 That Cabinet recommend to Council to approve:

a) An average rent decrease of 1% per dwelling, in line with the legislation and the government's national rent policy, to take effect from 2nd April 2018.

b) The HRA budget for 2018/19 of £52.1m expenditure detailed in Appendix 1.

c) The HRA capital programme for 2018/19, including future year commitments, and proposed financing as set out in Appendix 2.

d) The proposed service charges listed in Appendix 3.

e) That Cabinet be authorised, once the capital programme has been set, to approve new capital schemes and variations to existing schemes during 2018/19, subject to the funding being available and the schemes being in accordance with the objectives and priorities of the Council.

f) The Total Fees proposed for NPH to deliver the services in scope for 2018/19 detailed in Appendix 4.

2.2 That the Cabinet acknowledges the issues and risks detailed in the Chief Finance Officer's statement on the robustness of estimates and the adequacy of the reserves.

2.3 That the Council be recommended to confirm the reserves strategy of protecting balances wherever possible to allow the option of supporting future years' budgets, aiming for a minimum level of unallocated Housing Revenue Account balances of at least £5m for 2018/19 having regard to the outcome of the financial risk assessment.

2.4 That authority be delegated to the Chief Finance Officer to make any technical changes necessary to the papers for the Council meeting of 26th February 2018.

2.5 That Council be recommended to delegate authority to the Chief Executive and Chief Finance Officer to implement any retained HRA budget options and restructures.

2.6 That authority be delegated to the Chief Finance Officer in consultation with the Portfolio Holder for Finance, and where appropriate the relevant Director and Portfolio Holder to:

- transfer monies to/from earmarked reserves should that become necessary during the financial year.
- transfer monies to /from HRA working balances between the Council and NPH for cash flow purposes should that become necessary during the financial year.
- update the budget tables and appendices, prior to Council should any further changes be necessary.
- update prudential indicators in both the Prudential Indicators report and Treasury Strategy report, for Council for any budget changes that impact on these.

3. Issues and Choices

3.1 Report Background

Housing Revenue Account

3.1.1 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

3.1.2 The HRA Budget proposed for 2018/19 reflects the current service levels and service delivery. This year's HRA budget process continues to incorporate the calculations required to provide a Total Fee to Northampton Partnership Homes, (NPH) who manage the housing stock on a Management Agreement. This report provides the updated financial position and revised Total Fee for NPH for 2018/19 to provide the services in scope taking into account the reducing financial envelope brought about by Government changes in legislation in housing finance laid down in the Welfare Reform and Work Bill and the Housing and Planning Bill reflected in last years budget and medium term planning process. .

3.1.3 On 20th December 2017, Cabinet approved the Draft HRA Budget for consultation.

Developments in Housing Finance.

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

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

3.2 Draft HRA Revenue Budget 2018/19 Cabinet 20th December 2017

3.2.1 The Cabinet met on the 20th December 2017 and recommended proposals for consultation. The headlines were:

a) Proposing rent decrease in line with legislation and national rent policy of 1%;

b) A HRA budget for 2018/19 of £52.1m expenditure.

c) A Total Fee for NPH for the delivery of services over the six fee elements including a Capital Sum.

3.3 Draft HRA Revenue Budget 2018/19 - Cabinet 21th February 2018

3.3.1 Further work on the HRA budget has been undertaken to refine the estimates since 20th December 2017. This has resulted in a few technical adjustments that do not impact on the overall HRA financial envelope.

Rents and Rent Setting 2018/2019

3.3.2 Rent 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 moved away from the 10 year policy of increasing rents using Consumer Price Index (CPI) plus 1 percentage point annually.

3.3.2.1 The proposal for rent decreases in 2018/19 is therefore -1% on average across the housing stock. 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.

3.3.2.2 Target Rent- In line with the Governments guidance any dwelling that becomes void in year will automatically have its rent realigned to the Formula Rent (target rent), which takes account of average national rent, relative county earnings, number of bedrooms and relative property value. The forecast position of rents at target per property type by number of bedrooms is shown in the table below, after modelling the rents for 2018/19.

Analysis of Dwelling Stock at Target Rent by Property Type

Dwelling Type	At Target	Not At Target	Total
Bedsit	159	129	288
Bungalow	344	19	363
Flat	1205	2402	3607
House	4478	504	4982
Maisonette	37	134	171
Sheltered Bedsit	0	1	1
Sheltered Bungalow	1221	5	1226
Sheltered Flat	300	547	847
Sheltered House	2	0	2
Very Sheltered Flat	27	6	33
Total	**7773**	**3747**	**11520**

Those dwellings currently not at Target, 3,747,(compared to last years 4,205), rent are all less than their Target. The Council does not have any rents above Target. The policy of moving relet properties straight to Formula was introduced in 2014/15 with the intention of closing the rents to target over a period of time. This will continue to be monitored and any future changes to Rent Policy will be consulted on.

Service Charges

3.3.3 The schedule of proposed Service Charges for 2018/19 is attached at Appendix 3. The level of Service Charges should be set to enable the full recovery of costs incurred. It is proposed that general Service Charges for 2018/19 are increased in line with CPI as at September 2017 (3.0%). It proposed that charges in relation to Communal Heating Systems are kept at 2017/18 charges to reflect current levels of expenditure. The Service Charges have been reflected in the budgeted income figures. There are no changes proposed to the draft budget position.

NPH Management Agreement / Services Being Provided

3.3.4 The HRA is the Council's statutory account for the Housing Landlord service, which pays NPH a Total Fee to provide both the Housing Landlord services and those Housing General Fund Services in the scope. The embedding and development of NPH is planned to shape the future HRA budgets as efficiencies and improvements to services are made leading to more investment opportunities into the stock and the service. The added challenge now is to achieve this with markedly lower resources forecast to be available under the new legislation.

3.3.4.1 The Total Fee for 2018/19 has been negotiated in partnership with NPH taking into account the current level of budgets, and the changes in available funding for services in scope. The MTFP had shown a significant reduction in forecast funds due to the changes being enforced by Government policies. NPH have been working with the Council to ensure that a balanced budget can be delivered and trying to mitigate the impact on services. It should be noted that the Asset Management Plan continues to be reviewed which will lead to a reworking of the HRA 30 year Business Plan. Further Government announcements on Housing are due to be released in 2018/19 which will be interpreted and run through the HRA Business Plan model

3.3.4.2 There are no changes since draft budget proposed to the NPH total fee. A summary of the NPH total Fee proposed is shown below.

NPH Total Management Fee	Proposed Budget
Analysed by	**£000s**
Management - HRA	13,822
Management - General Fund Housing	261
Maintenance - Managed Budget Responsive and Cyclical	12,057
Capital - Improvement to Homes (Managed Budget)	20,817
Capital - Improvement to Environment (Managed Budget)	3,000
Capital - ICT Projects	500
Total Fee	**50,456**

The detailed NPH Fee schedule 5 is attached at Appendix 4. The Management Agreement provides NPH the ability to action the virement of funds within the Total Fee up to an aggregate of £2 million per annum. Any requirement for a virement above this or of the Housing General Fund element will need NBC approval through the Chief Financial Officer (Statutory section 151 Officer) This will enable the Council to have assurance that the budgets are spent in line with the budget the Council approves.

HRA Reserves

3.3.5 In previous years, Cabinet has approved the prudent set aside of funds into specific HRA Reserves to finance future HRA expenditure including capital financing, service improvements, risks of Leaseholder claims, 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 current forecast of these reserves to the end of the financial year.

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

3.3.5.1 These reserves can be drawn down as required, to finance the future strategic requirements of the service. The Capital Investment Reserve is currently earmarked for the delivery of the investment needed in the current stock and the requirement to provide replacement housing over the medium term and reflected in the Council's HRA Business Plan. The reserves will be subject to change depending on the outturn position for 2017/18 and future investment priorities driven by the Asset Management Plan and decided by the Council.

Adequacy of Working Balances

3.3.6 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 held at the current level of £5m for 2018/19. It is anticipated that in future there could be a requirement to increase this level of working balances taking into account any further government announcements. 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, NPH will continue to have available to it £1m of this working balance to call upon to maintain cash flow if required

3.4 Housing Revenue Account Capital Programme

The Financial Position

3.4.1 Alongside the implementation NPH, the Council decided to adopt the “Northampton Standard” for the maintenance and improvement of Council housing stock. This higher standard has associated increased costs which are built in to the capital programme.

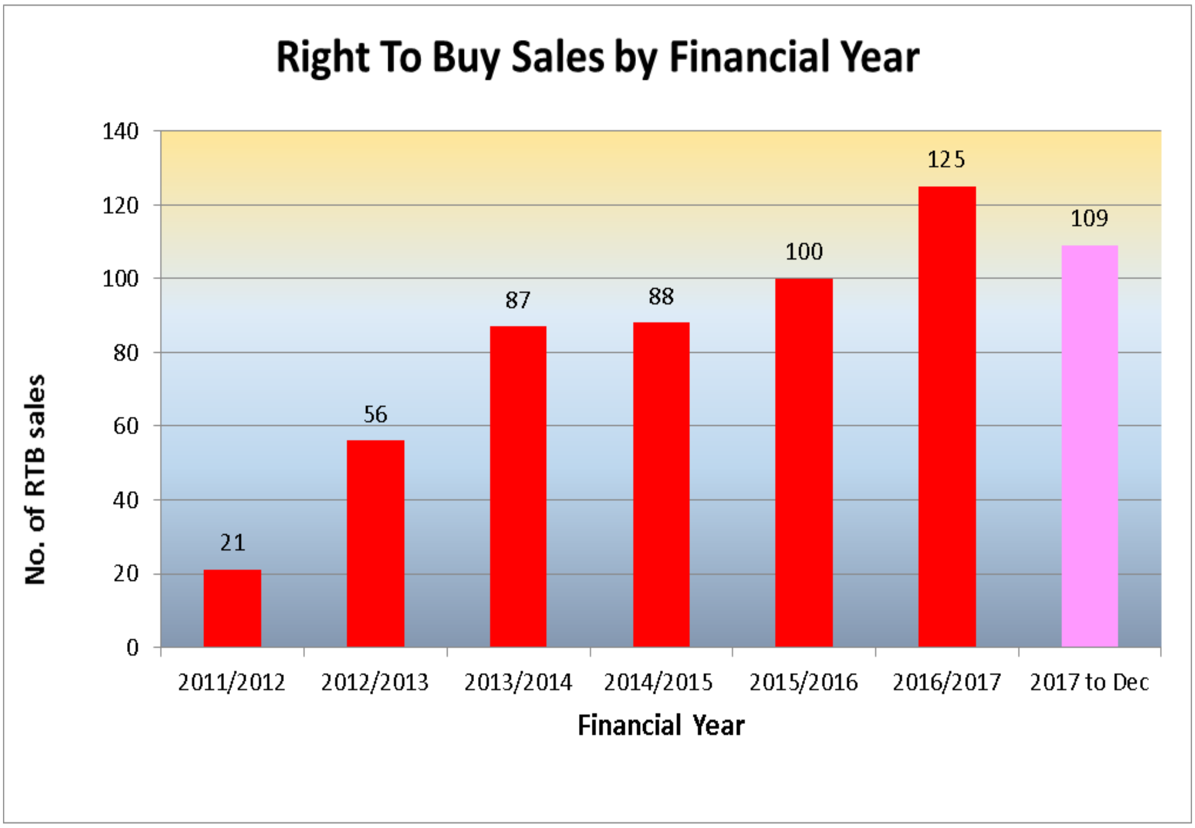
3.4.2 The HRA is subject to a debt cap set by the Government whereby it cannot borrow above the cap. For Northampton this level is £208.4m. This is one of the considerations taken into account when setting the HRA capital programme for 2018/19 onwards. The proposed capital programme for the medium term will be subject to review at the time of the update to the HRA 30 Year Business plan to ensure that it is manageable within the existing debt cap.

3.4.3 **New council House Build and 10 Year Housing Development Plan**. 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 under the Dallington scheme. The increase in debt cap awarded was £8.6m, which allowed the Council to borrow specifically for this project within a specific timeframe. The costs and borrowing for this project are forecast to be covered over the life of the project by the rental streams generated by affordable rents. This project plan has changed and as a result the Council applied to the Government in May 2016 and then again in March 2017 for a re-phasing of the increase in debt cap. Officers of the Council and NPH have been liaising with the Government to find a solution, with a view to ensuring that the additional borrowing headroom created by the awarded increase in debt cap is not lost to the Council. The Ministry of Housing Communities and Local Government, MHCLG, are currently considering a proposal from the Council to ensure that the Dallington scheme is still delivered, ensure that the Council keeps the increase debt cap to enable it to deliver other new build projects in the interim whilst progressing the Dallington scheme in a different timeframe.

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

3.4.3.2 If approved, the development plan will maximise existing HRA capacity, safeguard the use of 1-4-1 RTB receipts and enable the delivery of housing outside of the HRA using NPH as the preferred developer. The plan will be subject to a separate full report that is due to be considered by Cabinet in 2018.

3.4.4 **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 6 years and in year to end of December 2017 are shown in the graph below:



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

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

b) The additional capital receipts 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.

Building the Capital Programme.

3.4.5 Capital expenditure represents major investment in the Councils Housing assets. The capital programme has been developed through strategic discussions with Housing Management, latest stock condition survey data and with reference to the existing joint Asset Management Plan between the Council and NPH and with latest financing input from the HRA Business Plan.

3.4.6 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.

3.4.7 The proposed HRA capital programme for 2018/19 to 2022/23 is attached at Appendix 2.

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

Draft HRA Capital Programme and Funding 2018-19

	Draft 2018-19 £000s	Proposed 2018-19 £000s
Capital Programme 2018-19		
External Improvements	11,200	11,200
Internal Works	1,250	1,250
Major Projects	4,886	4,886
Environmental Improvements	3,000	3,000
Structural Works and Compliance	681	681
Disabled Adaptations	1,300	1,300
IT Development	500	500
New Build Pool	1,500	1,500
Buybacks and Spot Purchases	500	500
Total HRA Capital Programme	**24,817**	**24,817**
FINANCING:		
Major Repairs Reserve/Depreciation	9,389	9,389
Capital Receipts - RTB (excl 1-4-1)	1,975	1,975
Capital Receipts - RTB 1-4-1 Receipts	2,075	2,075
Revenue/Earmarked Reserve	5,363	5,363
Borrowing / CFR	6,015	6,015
Total Financing - HRA	**24,817**	**24,817**

3.4.9 The HRA Capital Programme has been developed within the context of the 30-year Business Plan and the latest stock condition survey information. The Capital Programme has a direct impact on the revenue position of the HRA.

3.4.10 The HRA capital programme for 2018/19 and beyond will be refined in conjunction with NPH, in line with the updated Asset Management Plan, and a HRA Business Plan review.

3.5 The Next Steps

3.5.1 The timetable for the 2018/19 budget process requires a meeting of the Council on 26th February 2018, at which consideration will be given to the recommendations of this Cabinet in relation to the expenditure, income, and rent proposals that relate to HRA spending.

3.6 Consultation

3.6.1 Public consultation commenced with residents, businesses and interested stakeholders from the 21 December 2017 and ended 11 February 2018. The consultation period will formally close on the date the budget is approved in February 2018.

3.6.2 Overview and Scrutiny Committee reviewed the budget proposals at its meeting on 29 January 2018. The views of the Overview and Scrutiny Committees can be found in the General Fund Budget report at Appendix 9.

3.6.3 Audit Committee reviewed the budget proposals from a risk perspective on 16 January 2018. The key risks identified can be found in the General Fund Budget report at Appendix 11.

3.7 Choices (Options)

3.7.1 It is recommended that Cabinet make the recommendations to Council as detailed in section 2 of this report, taking into account the items detailed for noting.

3.7.2 The Cabinet may choose to make amendments to the proposed budgets or to the proposed rent increase and adjust the budget proposals accordingly, in consultation with the Chief Finance Officer. It would then recommend the amended budget (if applicable) to Council.

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 and the Council's Asset Management Plan.

4.1.3 The Capital Programme for the HRA is set in the context of the Council's Capital Strategy.

4.2 Resources and Risk

4.2.1 HRA budgets have been updated to reflect the ongoing efficiency work of NPH, further reviews of these budgets and refinement will be undertaken as part of the regulation budget monitoring processes.

4.3 Legal

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

4.4 Equality

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

4.4.2 Equality and diversity were considered as part of each of the medium term planning options submitted. Equality impact assessments are 'living' documents and will be updated to take into account relevant feedback from the consultation process. Where these documents identify mitigating action, this will be undertaken in implementing the relevant option should it be taken forward and approved in February 2018.

4.5 How the Proposals Deliver Priority Outcomes

4.5.1 All of the discretionary investment proposals in the proposed budget reflect and/or are aligned to the corporate priorities as set out in the Corporate Plan.

4.6 Appendices

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

1 Housing Revenue Account Summary

2 Proposed Housing Revenue Account Capital Programme and Financing

3 HRA Fees and Charges

4 NPH Total Fee Detail

5 Consultation on Rent setting

5. Background Papers

5.1 None

Simon Bovey, Interim Chief Executive, ext. 7726

Stuart McGregor, Interim Section 151 Officer

Appendix 1

DRAFT Housing Revenue Account Budget Summary 2018-2023

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

Notes

(1) Rent decrease based on legislation 1% for 4 years from 16-17, then CPI (2%) plus 1% estimated increase from 2020/21
(2) Rental Income increases in 2019/20 for 53 week rent year
(3) Expenditure budgets above are proposed to be split between NBC and NPH as per the table below.

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

Appendix 2

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

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

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

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

Appendix 3

SCHEDULE OF SERVICE CHARGES 2018/19

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

DRAFT Schedule 5 - NPH Management Fee

		NPH						
Housing Management & Maintenance(HRA)		**2018/19 Estimate**		**2019/20 Estimate**		**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**
		£		**£**		**£**	**£**	**£**
Total	**Repairs & Maintenance**	12,056,634	0.331%	12,105,154	0.333%	12,154,201	12,203,697	12,253,652
Total	**General Management**	6,525,407	0.378%	6,472,481	0	6,537,909	6,531,945	6,571,097
Total	**Special Services**	3,605,737	0.447%	3,603,917	0	3,614,927	3,626,084	3,637,384
Total	**Recharges**	3,690,800	0.000%	3,690,800	0	3,690,800	3,690,800	3,690,800
TOTAL HRA		**25,878,578**	**0**	**25,872,352**	**0**	**25,997,837**	**26,052,525**	**26,152,933**
Housing General Fund								
Total	**Travellers Site**	181,268	0.084%	181,562	0.085%	181,858	182,157	182,460
Total	**Home Choice & Resettlement**	80,000	0.984%	80,000	0.984%	80,000	80,000	80,000
TOTAL GF HOUSING		**261,268**	**0**	**261,562**	**0**	**261,858**	**262,157**	**262,460**
TOTAL REVENUE		**26,139,846**	**0**	**26,133,914**	**0**	**26,259,695**	**26,314,682**	**26,415,392**
HRA Capital Programme		24,316,600	21,174,900	24,393,000	19,791,300	23,494,190	25,795,900	25,256,000
GRAND TOTAL		**50,456,446**	**21,174,900**	**50,526,914**	**19,791,300**	**49,753,885**	**52,110,582**	**51,671,392**
Analysed by								
Management - HRA (including Special Services)		13,821,944	0	13,767,198	0	13,843,635	13,848,828	13,899,280
Management - GF Housing		261,268	0	261,562	0	261,858	262,157	262,460
Maintenance - Managed Budget Responsive		9,283,608	0	9,320,969	0	9,358,735	9,396,847	9,435,312
Maintenance - Managed Budget Cyclical		2,773,026	0	2,784,185	0	2,795,466	2,806,850	2,818,340
Capital - Managed Budget Improvement to Homes		20,816,600	17,786,916	20,893,000	16,624,692	19,994,190	22,295,900	22,206,000
Capital - Managed Budget Improvement to Environment		3,000,000	3,387,984	3,000,000	3,166,608	3,000,000	3,000,000	3,000,000
Capital - Managed Budget ICT		500,000		500,000		500,000	500,000	50,000
Total		**50,456,446**	**21,174,900**	**50,526,914**	**19,791,300**	**49,753,885**	**52,110,582**	**51,671,392**

Notes:

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

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

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

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

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

Rent Review 2018/19 - Tenant Consultation

Consultation with tenants about the 2016/17 rent review and the next 3 years was undertaken through both the Rent and Welfare Reform Service Improvement Panel and the Tenant Panel.

The Rents and Welfare Reform Service Improvement Panel is a panel made up of eight tenants. The group meet monthly together with service managers to develop and improve service delivery specifically in the areas of rent income and welfare reform.

The Tenant Panel was set up in 2012 when the Council started the housing options review. Consisting sixty tenant volunteers the Panel continues to provide a key mechanism through which Northampton Partnership Homes can work in partnership with tenants to develop the housing service.

Both panels are open to all tenants.

Discussion about the rent review focused around the government's proposal for a 1% reduction in rents as set out in the Welfare Reform and Work Bill for 2016/17 and the next 3 years.

The discussion at the Rents SIP was undertaken on the 11th December 2015. While panel members welcomed the proposed reduction concern was expressed that the reduction in rents would lead to reduced service levels.

The discussion at Tenant Panel was undertaken on the 2nd February 2016. Again there were some concerns expressed that reduction could result in reduced levels of service.

There was no additional consultation session for this years rent review, the rent setting is set out in the Welfare Reform and Work Act 2016 for the 4 year period , 2018/19 being the third year of four.

Appendices:
1

NORTHAMPTON
BOROUGH COUNCIL

Report Title	CORPORATE PLAN 2018-2023

CABINET REPORT

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	21st February 2018
Key Decision:	NO
Within Policy:	YES
Policy Document:	YES
Directorate:	Chief Executive
Accountable Cabinet Member:	Councillor Nunn, Leader of the Council
Ward(s)	Council -wide

1. Purpose

1.1 This report seeks the recommendation of Cabinet to Full Council of the refreshed Corporate Plan for the five years 2018 to 2023.

2. Recommendations

2.1 Cabinet recommends to Council on the 26th February 2018 that the draft Corporate Plan for 2018 to 2023 be approved, and that the Interim Chief Executive be authorised to finalise the document and publish this alongside the Council's Medium Term Financial Plan.

3. Issues and Choices

3.1 Report Background

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

3.1.2 The attached draft Corporate Plan is for the period 2018-2023. The attached plan outlines the key priorities that the Council has over that time period.

Northampton Alive

Safer Communities

Housing for Everyone

Protecting our Environment

Love Northampton

Working Hard and Spending your Money wisely

Improving our Governance

3.1.3 In addition the draft Corporate Plan identifies three Business Development Priorities to drive the Council's efforts to support the delivery of corporate plan commitments and manage the Council's future financial challenge.

Empowering Communities

Economic Growth

Partnership Working

3.1.4 Under each of the above priorities, commitments are made to the public of Northampton to progress these priorities.

3.2 Issues

3.2.1 The key issue for any Corporate Plan is to ensure that it encapsulates the key points of direction, priority and commitment which the Council wishes to adopt. This draft is intended to do this. It has been refreshed rather than overhauled as the priorities are still appropriate. Some minor amendments were made to bring the plan up to date which included:

- Removal of the reference to Joint Planning Committee as it is no longer relevant
- Updated figures for the forecast gap
- Removal of the free car parking offer in Northampton Alive commitments
- A continued commitment to invest in the town centre car parks
- A commitment to ensure a smooth transition to the new environmental services provider and to work with our new environmental services

contractor to raise the standard of cleanliness and maintenance across the entire town

- A change to the wording for the Museum to read:
  Transform the Northampton Museum and Art Gallery by significant expansion and development of the museum service.
- A commitment to continue to expand the range of partner organisations co-located in the One Stop Shop to support customers
- A commitment to monitor closely and deliver the commitments outlined in the council's efficiency plan

3.2.2 Cabinet is asked to advise if anything should be altered, whilst noting that a fuller review of the Corporate Plan will be performed prior to the start of the new financial year (2018/19). Please note that officers and members are aware of the current financial situation with NCC. and any potential impact on Northampton will be addressed in the full review of the plan.

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

3.3 Choices (Options)

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

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

3.3.3 The plan is subject to final confirmation at Full Council on the 26th February.

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

4.2.1 The draft Corporate Plan guides the content of the Medium Term Financial Plan (MTFP) and the deployment of resources therein. Risks are constantly assessed in delivery and management of resources towards plan goals and commitments within the Council risk management framework.

4.3 Legal

4.3.1 There are no specific legal implications from this report

4.4 Equality

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

4.5 Consultees (Internal and External)

4.5.1 The Leader of the Council and Corporate Management Board have been consulted on the draft Corporate Plan and individual commitments have previously been subject to a varying and wide-ranging amount of consultation.

4.6 How the Proposals deliver Priority Outcomes

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

5. Background Papers

5.1 None.

Simon Bovey, Interim Chief Executive

Securing Northampton's Future

Corporate Plan

2018-2023

Northampton is a growing Town. It is growing in its attractiveness to businesses, residents, students and visitors.

This growth is leading to a transformation in the local economy and in the quality of life offered to everyone who lives in the Borough. We have some great businesses here and the positive enterprise climate that is provided in Northampton and the opportunities afforded by Northampton Alive, the Enterprise Zone, and other development in and around the Borough give cause for continued optimism about the town's economic performance.

Supporting this growth and establishing Northampton ever more as a place to come and visit stay and live, the town's cultural offer is also coming forward in leaps and bounds. The nationally and internationally renowned Royal and Derngate Theatre, with its wide cultural offer, sits at the heart of the growing and exciting cultural quarter. The development of a new and expanded Museum and Art Gallery alongside creative and cultural businesses, a new home for the National Leather Collection making it accessible to visitors, and quality hotels and food, is driving a renaissance in the attractiveness of Northampton.

Where people live is also changing in Northampton. Not only are new housing developments happening, but the Council is working hard with its partners to ensure that as much as possible of this housing is affordable whilst also working to improve its own housing stock with our housing partner Northampton Partnership Homes, and working with landlords and others to improve the private rented housing offer in the town. At the same time the health and wellbeing of residents is being promoted through a wide range of initiatives aimed at getting and keeping people healthy and feeling well across the Borough, through our excellent partner Northampton Leisure Trust.

More people are coming to live in Northampton every year. The population is also becoming older, with more diverse needs and support requirements. New development brings pressures as well as opportunities, not least in addressing the infrastructure needed to support growth. The Council will continue to advocate that growth and infrastructure need to be managed well together if growth is to be successful.

Change also brings a considerable challenge to the doors of the Council and our partners in Northampton and around the county and region. The Council will support positive enhancement of the town and the county. This corporate plan spells out the steps, many of which arise from the manifesto the public voted for nearly three years ago, that the Borough Council will take - working with partners - to deliver this vision of a brighter more attractive place for Northamptonians to live, work and play in. Northampton is alive with enterprise, innovation and opportunity.

All public services face financial constraint over the coming years. For the Borough Council this means that in 2022/23 we have a forecast gap in our net General Fund budget of 5% or about £1.5m compared to this year. We are not alone in this challenge and the Council is committed to ensuring that we plan ahead to manage this downturn whilst still making progress towards the ever better Northampton that we want and the people need.

Doing this means that in addition to looking to support Northampton as a place, support local people in their lives, and delivering key services and projects, the

Council must also look to how it can work more cheaply and efficiently to maintain our proud record of balancing the books for the public. This Corporate Plan therefore also spells out the business development priorities of the Council.

We must continue to drive to gain the benefits of growth to develop and provide public services in the future, meeting ambitious targets set out in the latest national financial settlement for local government.

We must further strengthen partnership with other organisations, building on our record of combining and sharing with other Councils. Whilst maintaining our community leadership role, we will work to combine the delivery of services wherever that makes most sense for the future. We must also look to empower and engage communities to ensure that where finance is not available now or in the future communities have sufficient resilience, ability and strength to support and develop themselves with encouragement and facilitation from the Council and our partners.

Plans continue to be developed for how the Council will use these business development priorities to meet the financial challenge ahead and continue to balance the books going forward.

We recognise the importance of good governance in driving to achieve our priorities and in order to achieve improvement in this we have adopted a Governance Action Plan with implementation overseen by the Council through its Audit Committee. Implementation and further development of the Plan will ensure high standards of governance including in decision-making, risk management, financial control and assurance, accountability and ensure compliance with these expected standards throughout the Council.

Nothing in this plan is achievable without the hard work and skills of the Council's workforce. They work constantly to deliver public services in difficult times. They need to be recognised for their efforts and it is our responsibility to work with them to develop a culture which empowers them and enables the Council to continue to improve for the benefit of the public. This culture change programme is a central part of our commitments in this corporate plan.

Northampton is on the right track. Our plans will further develop over the coming years, but we plan with confident expectation that in difficult times both the public of Northampton and your Council can and will rise to the challenges ahead.

Councillor Jonathan Nunn
Leader of the Council

Our Priorities

The corporate plan priorities are cascaded through all that we do and deliver:

Northampton Alive

A vibrant successful town for now and the future

Safer Communities

Making you feel safe and secure

Housing for Everyone

Helping those that need it to have a safe and secure home
Ensuring that a buoyant market provides a wide choice of homes for all ages

Protecting Our Environment

A clean and attractive town for residents and visitors

Love Northampton

Enhancing leisure activities for local people and encouraging participation

Working Hard and Spending your Money Wisely

Delivering quality modern services

Improving Our Governance

Implementing the Governance Action Plan

Priority: Northampton Alive

A vibrant successful town for now and the future

Northampton to be an excellent place to do business with a talented workforce that meets the needs and expectations of existing and potential employers in the town and a successful Enterprise Zone

Working with our partners in local and national government, the health sector, the community and the private sector to lobby for infrastructure that is appropriate for sustainable growth including working with the County Council and other infrastructure providers.

Projecting Northampton onto a regional and national stage to promote the town as a great place to live, work, shop and do business, working with partners to promote the town, supporting improvements to the Town Centre and supporting the economic development of Northampton

Promoting economic growth

Northampton Alive commitments

Preparing for and welcoming the opening of University, as well as work with them to ensure a smooth integration of the new Campus and its students close to the town centre, in the heart of the Enterprise Zone

Further review the options to ensure that the Greyfriars development will deliver what is best for the town, through housing, leisure and complementary retail

Continue the drive towards the development of station car park and surrounding area
Continue to develop and grow the Enterprise Zone

Regenerating a key prominent site – Horizon House, in the heart of the Enterprise Zone

Promote and enable the first Phase of the Four Waterside development

Look to develop market facilities and an offer that will benefit shoppers and traders

Promote and support the Business Incentive Scheme

Support Business Improvement Districts in Town Centre and Brackmills

Promote and enhance the towns key gateways, in particular the Heritage Gateways to the Town centre

Welcome the opening of Delapre Abbey and support its' first year of full operation

Commence the delivery of the St James Mill Road link

Work towards completing the redevelopment of the St Edmund's site

Have planning policies that include for the provision infrastructure first and that oppose inappropriate development on the edge of the borough

Ensure that the emerging Local Plan reflects local priorities

Continue the free weekday parking offer in council owned car parks

Continue to support and promote the economy of the town

Work with partners and developers to deliver the North West bypass/Northern Orbital Road – much needed infrastructure - at the earliest opportunity

Priority: Safer Communities

Making you feel safe and secure

Northampton to be a great place to live, feeling safe and secure, and without fear

Seek to improve partnership working with the Police to reduce crime and make the town safer through Community Safety Partnership

Safer Communities commitments

Keep our communities safe by utilizing the benefits of our digitised CCTV system

Implement CCTV enhancements on Market Square to combat Crime and anti-social behaviour

Fully sponsor a full time police officer to deal with crime and anti-social behavior in and around the town centre area

Utilise community payback, volunteers, community and voluntary organisations and local businesses to support environmental issues in priority areas

Use licensing powers to ensure the people of Northampton are kept safe

Work with the Police and other partners to reduce begging and street drinking and take a hard line on intimidating behavior by ‘chuggers’ through the Public Spaces Protection Order, utilising anti-social behavior legislation, tools and powers to tackle individuals causing annoyance, nuisance and distress

Utilise anti-social behavior legislation, tools and powers to tackle individuals causing annoyance, nuisance and distress

Encourage reporting of anti-social behavior and hate crime by raising awareness

Support vulnerable people, by coordinating partnership activity to reduce incidents of sexual violence and domestic abuse, prevent child exploitation, including promotion of internet safety and undertake domestic homicide reviews

Utilise national days and weeks of celebration, action and commemoration to bring partners, including the voluntary and community sector together, to raise awareness and support the most vulnerable people in our communities

Support the community and local priorities, through Women’s, Youth, Pensioner’s, Disabled, Diverse, LGBT Forums and Parish Councils with their new Forum

Celebrate the diversity of the Town, foster good relationships and promote understanding, through community events

Priority: Protecting Our Environment

A clean and attractive town for residents and visitors

Work with local communities to keep Northampton clear, tidy and well maintained

Protecting Our Environment commitments

Ensure a smooth transition to the new environmental services provider

Work with the Council's new environmental services provider to improve and ensure the best service throughout the town for the people of Northampton

Work with the new environmental services provider to raise the standard of cleanliness in the town centre

Continue to invest in the Council owned Town centre Car Parks

Address match day parking issues, taking into account the report/outcome of Match Day Parking Working Group

Maintain high standards in our parks and green spaces and increase the number of Green Flag awards

Retain and encourage both existing and new Park Management Committees, to ensure they give the representative community an active say in the running of our parks and address specific park needs and ensure they address specific park needs

Commit to holding a wide range of events in each park such as the bands in park programme in Abington Park and to view each park has a focal point for community activity and as a 'community centre without a roof'

Enhance the standard of play equipment in parks and play areas by maintaining a specific budget for play equipment and encouraging grant funding for new areas of play equipment

Support residents wanting a new allotment, and work with existing committees to help improve current allotment sites and facilities

Improve the standard of tree maintenance continuing to invest £100.000 per annum in this work

Adopt a zero tolerance to fly-tipping, littering, dog fouling and other environmental nuisances by issuing fines via our new environmental enforcement contract

Utilise all powers provided under our PSPO to protect the environment of our town

Continue to support the Neighbourhood Wardens and Park Ranger Services and to embrace technology to help them better undertake their duties

Continue with Northampton in Bloom and participation in Britain in Bloom to help promote community involvement in improving the look and feel of the town

The Council will develop the action and implementation plan for its Low Emissions Strategy

Priority: Housing for Everyone

Helping those that need it to have a safe and secure home

All neighbourhoods to be desirable places to live with homes appropriate for people at different points in their lives, attractive and well-kept buildings and open spaces, good roads and public transport and a comprehensive range of community events and facilities.

Continue to manage the impact of welfare reform and other pressures

New, affordable and decent housing, in accordance with a new Housing Needs Analysis

Manage the increasing demand for temporary accommodation by seeking new ways to meet housing need

Help people to achieve and maintain independence, including through the Disabled Facility Grant

Housing for Everyone commitments

Delivery of affordable housing in significant numbers to tackle the housing crisis that exists, through innovative means of delivery

Take a robust approach through planning process to ensure developers deliver significant affordable and appropriate homes

Take a tough stance on anti-social behavior and irresponsible tenants who adversely affect the quality of life of their neighbours

Support Northampton Partnership Homes delivering key services to housing tenants on behalf of the Council as landlord

Protect the role of mobility and older persons' housing

Transform housing services using the wellbeing model

Reducing the cost of Temporary Accommodation

Protect residents against inappropriate Houses of Multiple Occupancy, through multi-agency working, an online register accessible to all, the introduction of further Article 4 Directions and the expansion of the Housing Enforcement Team

Maintain the Social Lettings Agency working with private landlords

Take a tough stance on criminal, rogue and irresponsible landlords, through the expansion of the Housing Enforcement Team

Continue to support and work with the Countywide Traveller Unit in taking a proactive and prompt approach to dealing with illegal encampments

Continue to implement “Together we change lives”, the Rough Sleepers Strategy

Building on the great success of the night shelter, continue to support and develop its facilities/services

Safeguard Call Care service and further extend Call Care to private users

Continue to implement the Rough Sleepers Strategy

Manage the increasing demand for temporary accommodation by seeking new ways to meet housing need, such as the social lettings agency

Priority: Love Northampton

Enhancing leisure activities for local people and encouraging participation

Northampton to have a great community spirit, with people actively participating in local democracy, taking pride in Northampton, its environment and its communities

Encourage high quality cultural and sporting events and attractions for residents and visitors to experience, with a range of places for visitors to stay

Children and young people should have access to a range of activities to enable them to make a positive contribution to their communities and to realise their potential and talent

Local people having good health and wellbeing with the Council playing a leading role in tackling the underlying root causes of poor health and the issues that affect wellbeing

Love Northampton commitments

Work with the cultural quarter partners to provide a vibrant, exciting and welcoming offer for visitors

Transform the Northampton Museum and Art Gallery by significant expansion and development of the museum service.

Redevelop the Vulcan Works as part of the Cultural Quarter

Support the town's sports clubs with partners

Promote tourism for Northampton by celebrating the town's history, heritage and culture

Invest in enhancing assets relative to visitor attractions

Develop and implement a Cultural Strategy and Action Plan

Ensure Armed Forces Community Covenant continues as a key Council policy

Provide a range of quality events to support the economic vibrancy of the town

Retain Councillor Community Fund to support local groups

Work with Voluntary Impact Northampton and others to strengthen the local voluntary community sector

Support and encourage volunteering

Continue to deliver the outcome of the street lighting scrutiny report

Priority: Working Hard and Spending Your Money Wisely

Delivering quality modern services

The Council at all times aims to:

ensure the Council is economic, efficient and effective

get the best from the resources available and develop an agile workforce culture

recognise, support and empower Council employees better through changing the Council's culture to do so

Working Hard and Spending Your Money Wisely commitments

Implement the culture change mission, vision and values to empower staff to perform in their roles

Under the new Chief Executive review the Council's officer structure

Reduce the number of interim staff

Develop the Asset management and investment strategy

Retain Living Wage commitment to directly employed staff and consider its application in future contracts

Support apprenticeship schemes across the Borough Council

Retain transparent approach on consultants and limit their use

Support local businesses who want to work with the council

Manage, monitor and review the implementation of the Governance Action Plan

Working with other districts and boroughs to seek the best possible Unitary Governance solution for Northampton, in accordance with established policy

Monitor closely and deliver the commitments outlined in the council's Efficiency Plan.

Our priorities are financially supported by the Councils budget process. Each of the key programmes of work are planned and costed to ensure delivery, value for money and sustainability. The Corporate Plan, Service Plans and projects are monitored and reported regularly to management, to Cabinet and to relevant Committees.

Business Development Priorities

Facing the financial challenge ahead

In accordance with the introduction to this plan, it is outlined that there are three business development priorities that support the corporate plan and contribute to managing the Council's future financial challenge. The Council aims to be able to continue to deliver for the public of Northampton but must do so at a substantially lower net cost.

Empowering Communities	Delivering a better Northampton relies upon the engagement of communities in shaping their own futures with support and community leadership from the Council, its councillors and partners. As resources decline it is essential that communities are empowered to be part of delivering change and services. We will aim to do this by establishing actively involved communities that have a strong sense of ownership, responsibility and local pride and who are fully empowered, equipped and supported to improve the neighbourhoods where they live to help make everywhere in Northampton a great place to live, visit, work, study and invest. This priority will build on existing positive work between councillors and Parish Councils, residents groups, interest groups and community organisation. Empowering communities will enhance wellbeing as well as enable future challenges to be addressed.

Economic Growth	Economic growth in Northampton is essential to meet the financial targets set in the national financial settlement for local government and to develop new income to support local public services both in the Borough and the County. Northampton's track record on delivering growth is excellent and needs to continue to be driven forward. Building on the success of Northampton Alive to date, the Borough Council will continue to: lead on the development and delivery of the Northampton Alive programme, which includes key physical projects as part of the overall regeneration programme for the Borough. provide a comprehensive business support and growth service for both new and existing enterprises investing into the Borough. This includes available land and property advice, together with other support services such as the Business Incentive scheme work with other key stakeholders to meet the towns strategic regeneration aims including the delivery of the Northampton Waterside Enterprise Zone provide a corporate asset function which oversees both existing stock whilst advising on strategic opportunities
Partnership Working	The Council has a record of working in partnership with other local authorities, community organisation and partners to deliver a wide range of services. To meet the financial challenge ahead whilst still delivering a better Northampton, the Council will also: drive to release the benefits of working and combining together in partnership in order to strive towards increased efficiency, reduce duplication and maximise benefits and opportunities work proactively and collaboratively with partners to improve the housing, health and wellbeing of people living and working in the Borough and ensure that Northampton is a great place to live, visit, work, study and invest build strong and effective relationships with partners , based on a coherent, consistent and clearly defined approach to partnership working, in order to improve efficiency and effectiveness and provide better outcomes

Appendices
2

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	Maximising the supply of new homes

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	21 February 2018
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Chief Executive's
Accountable Cabinet Member:	Councillor Stephen Hibbert
Ward(s)	All

1. Purpose

1.1 Northampton Partnership Homes has submitted a proposition to deliver a new-build housing programme that can deliver around 1,000 new homes over the next 10 years.

1.2 The purpose of this report is to inform Members of the outcome of the Council's due diligence appraisal of Northampton Partnership Homes' proposition and to ask Cabinet to approve a new, 3-track approach to housing delivery that will expand the range of options available to the Council to deliver new housing across all tenures.

1.3 As well as seeking approval for the creation of a charitable Community Benefit Society and the expansion of Northampton Partnership Homes' role, this report asks Cabinet to recommend to Full Council that the appropriate funding and governance arrangements are put in place to ensure that, when suitable sites are identified for development, the necessary funding is supported and decisions are made in a timely manner.

1.4 The report also advises Cabinet (Section 4.3 Legal) that, whilst endorsing the principles and seeking authority from Full Council to proceed, detailed business cases will still need to be produced as appropriate.

2. Recommendations

2.1 It is **recommended** that Cabinet:

(a) Approves the 3-track approach to housing development (described in Paragraph 3.1.32 of this report);

(b) Approves the establishment of a charitable Community Benefit Society that will utilise grants, loans, land and 1-4-1 Right To Buy receipts to invest in or fund new affordable rented housing within the Borough of Northampton;

(c) Approves the principle of the Council and/or Northampton Partnership Homes acquiring and/or building homes for market rent or sale;

(d) Approves the expansion of Northampton Partnership Homes’ role to include the delivery of new housing (including affordable rented housing, market rented housing and housing for sale) outside of the Housing Revenue Account and within the Northampton Related Development Area (NRDA);

(e) Instructs Officers to commence negotiations to set up a minority-interest Community Benefit Society, propose appointments for the initial members and trustees of the Community Benefit Society and prepare the necessary draft paperwork for approval by Full Council;

(f) Recommends to Full Council that the appropriate funding (subject to detailed business cases, as appropriate), development agreements and governance arrangements are put in place to ensure that, when suitable sites are identified for development, the Community Benefit Society and Northampton Partnership Homes are supported to secure the necessary funding and decisions are made in a timely manner;

(g) Notes that, in approving this 3-track approach, it does not preclude the Council from also pursuing other options such as forming a Housing Development Company itself or in conjunction with appropriate partners such as NPH (see Paragraph 3.1.39 of this report); and

(h) Instructs Officers to bring regular reports back to Cabinet seeking approvals for the key documents required to implement the recommendations in this report and the governance arrangements approved by Full Council.

3. Issues and Choices

3.1 Report Background

<u>Housing need in Northampton</u>

3.1.1 At the end of December 2017, there were 3,136 households on Northampton's Housing Register (1,820 of whom were presenting with an urgent housing need) and more than 200 homeless households living in temporary accommodation.

3.1.2 Based on household projections, and a detailed analysis of past trends and current estimates of households considered to be in housing need – but excluding any losses from existing stock (due to demolition, clearance or sales) or the return to use of vacant stock – it is estimated that, from 2016 to 2029, an additional 17,000 households in Northampton will require housing. Of these, around 6,000 households (one third) are expected to require affordable housing. [**Source:** Objectively Assessed Need, West Northants Joint Planning Unit Housing Market Evidence, September 2017]

3.1.3 Using the criteria set out in Planning Practice Guidance, it is estimated that there are approximately 2,250 households in Northampton that are currently in housing need and unable to afford housing that meets their needs.

<u>Replacement of the homes sold under the Right To Buy</u>

3.1.4 The Council is committed to using all of its retained 1-4-1 Right To Buy (RTB) receipts to replace the council homes that have been sold.

3.1.5 To this end, Northampton Partnership Homes (NPH) is already delivering an HRA-funded programme of conversions, acquisitions and new build.

3.1.6 To date, 17 new homes have been created by reconfiguring Eleanore House, Dover Court and Woodstock, and by converting hubs in Bunting Road, Hunters Close, Kingsthorpe Grove, Pennycross Place, Stitchman House, Spencer Haven and Grace John Court. Another 4 new homes are being created, through conversion, in Moat Place, St Barnabas, Hardy Drive and Castle.

3.1.7 12 newly-built homes have been purchased, 'off plan', from developers and construction of the first 16 homes in NPH's new build programme (14 in Lower Bath Street and 2 in Althorp Street) are due to be completed later this month. Another 63 new council homes are under construction in Little Cross Street and on the site of the new older persons' housing scheme, Lakeview House.

3.1.8 NPH has an active pipeline of another 700 homes (in regeneration schemes and on former garage sites and other HRA land) that are either in the feasibility stage or are awaiting the outcome of a planning application.

3.1.9 Northampton's new build programme makes use of retained 1-4-1 RTB receipts (limited to 30% of total scheme costs) and HRA land which is used at nil value. Any 1-4-1 RTB receipts that are not used for an eligible purpose within 3 years must be paid to the Government with interest at 4% above the base rate.

3.1.10 One of the main constraints on the size of NPH's programme of conversions, acquisitions and new build – and, indeed, on its contribution to helping the Council maximise the supply of new homes – is the HRA debt cap which limits the amount of borrowing that is permitted for investment in new council homes and the repair and improvement of existing council homes.

<u>Delivery of new housing to meet Northampton's needs</u>

3.1.11 Between 2011 -17, the total number of net additional dwellings provided in the borough (including all tenures) was 4,273; an average of 712 per annum. This is just over half the number of extra homes that Northampton needs, each year, between now and the year 2029.

3.1.12 Between them, a wide range of housing delivery players – including private developers, Registered Providers and NPH – provide a range of new homes across all tenures: social rented; affordable rented; market rented; rent-to-buy; shared ownership; market sale.

3.1.13 Northampton's Land Availability Assessment 2017 has assessed 510 sites in the borough and concluded that, of these, 129 sites are considered to be "suitable, available and achievable", offering development potential for 8,460 homes.

3.1.14 Windfall developments – sites that are unexpected or have not been identified, so have not been allocated for development – have formed a significant part of the overall supply of past residential development in the Borough. This trend is expected to continue, at least in the short to medium term, due to Government changes to permitted development rights, the contents of the National Planning Policy Framework and policies that will be included in the Local Plan Part 2.

3.1.15 Evidence to support the Joint Core Strategy indicates that small windfall developments (excluding large sites and exceptional events such as the reorganisation of secondary schools) could generate up to 300 dwellings a year.

3.1.16 To prevent double counting, no allowance has been made for windfall developments in 2017/18 or 2018/19 because they have already been accounted for in the Council's calculations. However, it is assumed that, between 2019/20 and 2023/24, the number of new homes that are provided through windfall developments will increase, incrementally, to 300 per annum.

3.1.17 However, it should be noted that the Land Availability Assessment is not definitive – it is a snapshot that informs the Local Plan process. Apart from windfalls, sites that are suitable for new housing and do not already have planning permission will need to be allocated through the Local Plan process.

Northampton Partnership Homes' ORIGINAL development proposition

3.1.18 NPH submitted to the Council a proposition to create and deliver a house building programme that will initially result in between 80 and 100 new council homes being built each year over the next 10 years.

3.1.19 NPH originally proposed that the Council and NPH enter into a non-legally binding development agreement that would operate as a framework under which the two organisations would seek to identify sites that can be developed on the basis of either Model A or Model B:

- **Model A** – Development will be undertaken by NPH (as the Council's development agent) on HRA land and funded through the HRA; and

- **Model B** – Development within NPH where funding within the HRA is not available; land will be transferred from the Council to NPH at minimum cost and the development will proceed within NPH ownership.

3.1.20 The business case put forward by NPH was multi-faceted and identified a series of benefits that would be derived from the new development arrangements, including:

- An increased supply of affordable rented housing
- More diversity in the local housing market (with different tenures and rents, and the option of housing for sale)
- Extra revenue from rents, council tax, inward public and private investment, and the New Homes Bonus
- Benefits for the local economy, resulting from development activity and improving land values
- Protection from rent reductions and the RTB requirements

<u>Due diligence appraisal of Northampton Partnership Homes' ORIGINAL proposition</u>

3.1.21 Capita was appointed to assist the Council with its due diligence appraisal of the proposition and the draft development agreement, in order to confirm and ensure that the proposition is capable (under current legislation, rules and regulations) to deliver the 10-year programme whilst maximising financial benefit to NPH, the retained Housing Revenue Account (HRA) and the General Fund.

3.1.22 In October 2017, Capita completed its review of the NPH proposition and provided the Council with two reports on its findings and recommendations, including an 'Executive Summary' (attached to this report as **Appendix A**).

3.1.23 Referring to **<u>Model A</u>**, Capita affirmed that new build within the Council's HRA has a number of advantages over other options:

- The Council retains ownership and control over the housing
- 1-4-1 RTB receipts can be used (they cannot be used where ownership is with an entity controlled by the Council, such as NPH)
- There are no tax implications
- Any revenues are retained by the Council in the HRA
- New housing can be managed by NPH with minimal marginal costs
- Borrowing does not impact on the General Fund Capital Financing Requirement

3.1.24 Whilst reviewing the NPH proposition, Capita prepared an up to date HRA business plan model that indicates that, over the next 10 years, the development costs of 500 new homes can be largely funded from HRA borrowing and 1-4-1 RTB receipts.

3.1.25 Referring to **<u>Model B</u>**, Capita confirmed that NPH's initial proposition had a number of advantages:

- NPH already exists, has a core development team and its leadership is ambitious to pursue a development partnership with the Council. It is already managing the Council's existing housing stock and is acting as development agent for the current new build programme

- Unlike the Council's HRA, NPH is not constrained by the debt cap and is able to borrow to fund the cost of the new development (Model B) that would not otherwise be affordable within the HRA

- NPH can build affordable rented and market rented housing, shared ownership and market sale housing

- NPH is not a registered provider so, under the current rules, the housing that it owns will not be covered by the Right To Buy and will not be subject to HCA rent controls

- The Council will be able to generate revenue by charging a higher rate of interest to NPH than it would incur through its own borrowing or receive from its balances. Charging NPH interest means that NPH can deduct its interest charges from taxable profits

- New Homes Bonus – New affordable rented housing attracts government funding equivalent to the national average Band D council tax + £350 per dwelling for each of the four years following construction
- Land transfers – Any capital receipt from the disposal of land to NPH would not be subject to capital receipts pooling and would be usable for any legitimate capital purpose.

3.1.26 However, describing NPH's proposition as **"sub-optimal"**, Capita confirmed a number of adverse financial implications arising from NPH's corporate status:

- 1-4-1 RTB receipts – The rules prevent these from being used by a body (such as NPH) in which the Council has a controlling interest. This means that, without an alternative development partner, the Council will have to repay 1-4-1 RTB receipts of around £6m plus interest during the first 10 years and around £11m plus interest within 30 years.

- NPH's non-charitable status means that it is unable to obtain relief from corporation tax.

- NPH's status as a company limited by guarantee means that the Council is unable to receive a share of the profits that are generated by development activity and which could have benefited the General Fund.

- NPH's unregistered status and its status as a company limited by guarantee mean that no relevant provider of group Stamp Duty Tax Relief is available in relation to land disposals from the Council to NPH.

3.1.27 Capita recommended that the Council considers the creation of a charitable Community Benefit Society which would own the new affordable rented housing that is funded, in part, from the 1-4-1 RTB receipts that the Council is unable to use within the HRA because of the HRA debt cap.

3.1.28 Capita also recommended that the Council considers other options, including a partnership arrangement with one or more Registered Providers and/or setting up a wholly owned, or jointly owned, company which could develop a wide range of housing (including affordable rented housing, market rented housing and housing for sale) and generate profits that could benefit the General Fund.

3.1.29 However, in its appraisal, Capita acknowledged the urgent need for more affordable rented housing in Northampton and the fact that it will be an expedient and inexpensive option to set up a structured mechanism, with NPH, to generate a pipeline of development schemes.

Northampton Partnership Homes' REVISED development proposition

3.1.30 Building on Capita's recommendations and appraisal of the options available to maximise the supply of new homes, NPH has put forward a revised, 3-track development proposition that seeks to address the weaknesses in its initial proposition and can be implemented quickly.

3.1.31 The revised proposition incorporates a charitable Community Benefit Society (CBS) that will work alongside the Council and NPH. The CBS would be established on terms that permit the Council to have a level of influence, but influence which falls short of constituting a controlling interest.

3.1.32 In its revised proposition, NPH has suggested a 3-track approach:

- **Model A** – **New build within the HRA**
  Development / acquisition will be undertaken by NPH (as the Council's development agent) where schemes are funded through 1-4-1 RTB receipts. Using the maximum 30% 1-4-1 RTB receipts, the development or acquisition will be supported by provision of HRA capital and land. Completed schemes will be retained by the Council within the HRA.

- **Model B – New build within a Community Benefit Society**
  Development / acquisition will be undertaken by NPH (as the CBS' development agent) where no HRA capital funding is available and 1-4-1 RTB receipts are available. The Council will pay grant to the CBS (in the form of 1-4-1 RTB receipts) and provide the CBS with a loan (using prudential borrowing) of up to 70% of the scheme costs. Land may be transferred, or leased, to the CBS by the Council.

- **Model C** – **New build within Northampton Partnership Homes**
  Development / acquisition will be undertaken by NPH where no HRA capital funding is available and 1-4-1 RTB receipts have been exhausted. Land will be transferred, or leased, to NPH by the Council which will also provide NPH with a loan (using prudential borrowing) to fund the development. The homes will be owned and managed by NPH.

Due diligence appraisal of Northampton Partnership Homes' REVISED proposition

3.1.33 After appraising NPH's revised proposition, Capita produced an 'Addendum Report' (attached to this report as **Appendix B**) in January 2018, setting out its findings, observations and recommendations.

3.1.34 In its ‘Addendum Report’, Capita has reiterated the advantages of the Council working with NPH to develop new homes and confirmed that, compared with the CBS or another alternative entity, such an arrangement would ensure that the Council is able to retain control of the housing through its wholly owned subsidiary.

3.1.35 Capita has confirmed that the primary weakness in NPH’s original proposition – that, as a Council-controlled company, NPH could not access any unused 1-4-1 RTB receipts and that, without an alternative development partner, approximately £11m of funding would be lost – has been satisfactorily addressed by the inclusion of a charitable CBS that will work alongside the Council and NPH.

3.1.36 By including the CBS (as an ‘exempt’ charity) in its revised proposition, NPH has also addressed two of the other shortcomings in the original proposition, namely:

- In common with HRA new build, any surpluses that the CBS generates on its sub-market rented housing operation would not be subject to corporation tax.
- Any land that is transferred to the CBS (or is acquired by the CBS from the Council) for sub market rented housing development will be exempt from Stamp Duty Land Tax.

3.1.37 Of the other weaknesses in NPH’s original proposition (see Paragraph 3.1.26), Capita has acknowledged that:

- Although NPH’s non-charitable status means that it is unable to obtain relief from corporation tax and Stamp Duty Land Tax, the cashflows can be managed in a manner that minimises the corporation tax implications.
- Whilst NPH’s status as a company limited by guarantee (rather than limited by shares) means that the Council is unable to receive profits derived from development activity in the form of dividends – or, indeed any other for-profit entity in which it does not hold an equity stake – Capita’s modelling indicates that distributable surpluses are unlikely to be available for the first 30 years.
- Even though the Council could set up a new housing development company that is limited by shares and is able to distribute dividends to the Council, its ownership of NPH’s assets and balances means that it is able to influence their use through the Management Agreement and by agreeing the Delivery Plan.

3.1.38 For these reasons, Capita has concluded that the status of NPH as a company limited by guarantee should not preclude it from being a development partner as envisaged within the revised proposition.

3.1.39 In its ‘Addendum Report’, Capita has recommended that the agreement the Council reaches with NPH should provide the Council with the flexibility to step outside of the framework.

3.2 Issues

Capacity to build homes within the Housing Revenue Account

3.2.1 As explained earlier in this report, the extent to which the Council is able to invest in the provision of new council homes and the repair and improvement of existing council homes is determined by the borrowing limits imposed by the HRA debt cap.

3.2.2 Whilst undertaking its due diligence appraisal of NPH's original development proposition, Capita prepared an up to date HRA business plan model that indicates that, over the next 10 years, the development costs of 500 new council homes can be largely funded from HRA borrowing and 1-4-1 RTB receipts.

3.2.3 However, as Capita is projecting that 940 council homes will be sold under the Right To Buy during the next 10 years, the number of council homes will still reduce by around 440 even if 500 new homes are built between now and the year 2026/27.

The purpose and merits of a Community Benefit Society

3.2.4 As it is proposed that the Community Benefit Society will become the first alternative to HRA new build where 1-4-1 funding is available, it will be provided with access to the excess of retained RTB receipts that the HRA is unable to use.

3.2.5 Community Benefit Societies are registered with the Financial Conduct Authority (FCA) under the Co-operative and Community Benefit Societies Act 2014.

3.2.6 The Mutual Societies Registration Unit of the FCA currently registers CBSs and a CBS must have a minimum of 3 members and a Secretary.

3.2.7 A CBS must be established for the benefit of the community.

3.2.8 As the Community Benefit Society will be established as an 'exempt' charity, it will benefit from corporation tax exemptions on its charitable activities (including affordable rented housing) and exemption from Stamp Duty Land Tax (on land acquired for charitable purposes).

3.2.9 Capita has confirmed that the inclusion of the CBS in NPH's revised proposition addresses the bulk of the shortcomings identified in NPH's initial proposition.

Establishing a Community Benefit Society

3.2.10 Section 1 of the Localism Act 2011 provides local authorities with the power to do anything an individual may do subject to a number of limitations (this is referred to as the General Power). A local authority may exercise the General Power for its own purposes and/or for the benefit of others. Section 95 of the Local Government Act 2003 provides an almost identical power and the Council can rely on one or both of these powers to set up the CBS.

3.2.11 Section 2 of the Localism 2011 limits the exercise of the new general power where it overlaps with the power which predates it, such as Section 95 of the Local Government Act 2003. Whether the Council relies on the General Power and/or Section 95 of the Local Government Act 2003, it is prudent for it to comply with the requirements and limitations to which Section 95 is subject. These are set out in Regulation 2 of the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 (the Order) which requires a Business Case to be prepared and approved by the Council before a company starts training.

3.2.12 Regulation 2(4) of the Order defines “Business Case” as a comprehensive statement of:

- The objectives of the business;
- The investment and other resources required to achieve those objectives;
- Any risks the business might face and how significant these risks are; and
- The expected financial result of the business, together with any other relevant outcomes that the business is expected to achieve

3.2.13 Before approving the Business Case, the Council will need to satisfy itself that the document contains the relevant information required by the Order.

3.2.14 If a Community Benefit Society is established, the Council will determine the rules and purposes of the organisation, appoint the initial members and trustees of the CBS and produce a deed of covenant that would require that the rules of the CBS could not be changed without the Council’s consent.

3.2.15 As explained earlier in this report, the Council would have no other control mechanisms over decision-making by the CBS, but could impose additional controls through covenants and conditions on any land, grant or loan facilities.

<u>Ensuring the independence and integrity of the Community Benefit Society</u>

3.2.16 As the primary role of the Community Benefit Society is to receive and use the excess of retained RTB receipts that the HRA is unable to use, it is imperative that there is no question about its independence from the Council.

3.2.17 As a non-controlled company, the Community Benefit Society will be legally independent from the Council and NPH, and it will ultimately be at liberty to develop its business as its board sees fit. However, in practice, the Council can exert some influence over the future direction of the CBS as follows:

- By careful recruitment of the initial board members of the CBS (meaning that the Council’s objectives are likely to be ingrained in the culture of the organisation);
- By including clauses in the loan agreement that require the Council to approve the CBS’ business plan (this is important not only to protect the Council’s investment in the CBS but also because it provides a mechanism for controlling the future direction of the CBS); and
- By drafting appropriate clauses in lease documentation where land is to be transferred from the Council to the CBS.

3.2.18 NPH’s revised proposition envisages that the Community Benefit Society’s board will comprise 4 board members, including one officer from the Council and three officers / board members from NPH.

3.2.19 Capita has recommended that the Chair of the CBS is someone who can objectively be seen to be independent of NPH and the Council – given the imperative that there should be no doubt about the CBS' independence from the Council – and that s/he has the casting vote. For the same reason, Capita has recommended that, if there are 4 board members, no more than one should be a nominee of the Council and no more than one should be a nominee of NPH.

3.2.20 It is recommended that, for the time being, the Council's nominee on the CBS board is the Head of Housing & Wellbeing and that NPH's nominee on the CBS board is an independent member of the NPH board.

3.2.21 If the quorum for board meetings is set at two and the board includes two board members that are independent of the Council and NPH, the board would remain able to attend to any business relating to transactions with the Council and/or NPH without there being a potential conflict of interest.

Establishing a housing development company

3.2.22 A growing number of local authorities have established trading companies (including housing development and management companies), using the "general power of competence" under the Localism Act 2011.

3.2.23 Whilst the Council could establish a Company Limited by Shares – either wholly owned or as a joint venture with either NPH or a third party – to provide homes for rent and sale on a commercial basis, the quickest and easiest way of achieving this would be for the Council to use NPH as its development company because NPH is already operational and fit for purpose.

3.2.24 Although it is possible that the housing development company would eventually generate a dividend to the Council from long-term profit-making activities, Capita has confirmed that this is unlikely during the next thirty years.

3.2.25 NPH has already made excellent progress in developing a pipeline that has the potential to deliver approximately 1,000 new homes over the next 10 years. Developing and acquiring new homes through NPH (rather than through Registered Providers and the CBS) will ensure that the Council is able to retain control of the housing through its wholly owned subsidiary.

Funding and support for the Community Benefit Society and NPH

3.2.26 The Community Benefit Society will receive the excess of retained RTB receipts that the HRA is unable to use, together with loans – and, possibly, land – from the Council. In recognition of the CBS' delivery of affordable rented housing, it is proposed that the Council would not charge a full commercial rate on its loans.

3.2.27 NPH will be provided with loans, by the Council, at a reduced commercial rate to reflect its provision of affordable housing. Land will be transferred or leased to NPH by the Council.

3.2.28 The Council will provide the CBS and NPH with the necessary funding through prudential borrowing and on-lending.

3.3 Choices (Options)

3.3.1 Consideration has been given to four Options.

OPTION 1

3.3.2 Cabinet can decide to do nothing.

3.3.3 Although the Council will be able to continue using the 1-4-1 RTB receipts to support its HRA-funded new build programme within the limits of the HRA debt cap, it will be necessary for the Council to pay to the Government unused 1-4-1 RTB receipts of up to £6m (plus interest) during the next 10 years unless the monies are transferred to a Registered Provider to provide affordable rented housing.

3.3.4 If this Option is chosen, this will severely limit the amount of housing (including affordable rented housing, market rented housing and housing for sale) that can be built within the NRDA.

OPTION 2

3.3.5 Cabinet can decide to adopt NPH's original development proposal.

3.3.6 This will involve NPH building homes within the HRA and, where this is not viable or appropriate, land being transferred from the Council to NPH at minimum cost with a view to the new development being undertaken by NPH within its ownership.

3.3.7 Although the Council will be able to continue using the 1-4-1 RTB receipts to support its HRA-funded new build programme within the limits of the HRA debt cap, it will be necessary for the Council to pay to the Government unused RTB receipts of up to £6m (plus interest) during the next 10 years unless the monies are transferred to a Registered Provider to provide affordable rented housing.

3.3.8 If this Option is chosen, more housing (affordable rented, market rented and housing for sale) will be built and the Council will be able to generate additional revenue (for the benefit of its General Fund) by charging NPH a higher interest rate than it is charged by the Public Works Loan Board or receives in relation to its financial reserves. As NPH is not a Registered Provider, the new housing that it owns will not be subject (under current rules) to Right To Buy or rent controls.

3.3.9 As well as resulting in the loss of 1-4-1 RTB receipts, this Option could result in NPH being liable for Corporation Tax and, in the case of land transfers (even at nominal cost), being liable for Stamp Duty Land Tax on the land's market value.

OPTION 3

3.3.10 Cabinet can decide to adopt one of the housing delivery models recommended by Capita during its appraisal NPH's original proposal.

3.3.11 This could involve NPH developing new homes within the HRA, the creation of a charitable Community Benefit Society (CBS) that will own and manage new affordable rented housing, and the creation of a new Development Company (limited by shares and either wholly owned by the Council or jointly owned by the Council and NPH or a third party) that will build affordable rented housing and properties for sale or market rent.

3.3.12 If this Option is chosen, the Council will be able to make full use of the 1-4-1 RTB receipts, more housing (affordable rented, market rented and housing for sale) will be built and the Council will be able to generate additional revenue (for the benefit of its General Fund) by charging the CBS and NPH a higher interest rate than it is charged by the Public Works Loan Board or receives from its reserves.

3.3.13 If the Council establishes a Development Company (either on its own or jointly with a third party, such as NPH), the General Fund could benefit from any distributive profits generated from market rented housing and housing for sale.

3.3.14 As an 'exempt' charity, the Community Benefit Society will be able to operate without any liability for Corporation Tax and Stamp Duty Land Tax and, as NPH is not a Registered Provider, the new housing that NPH owns will not be subject (under current rules) to Right To Buy or rent controls.

3.3.15 The main disadvantage of this Option is that it will involve setting up two new entities (a Community Benefit Society and a Development Company) that will require the preparation of appropriate contractual and governance arrangements in order to protect the Council's interests. This is likely to cause delay and result in significant additional costs being incurred.

<u>OPTION 4</u>

3.3.16 Cabinet can decide to adopt the 3-track approach that NPH has proposed in response to Capita's recommendations and appraisal of the options available.

3.3.17 At this point in time, this approach (described in Paragraph 3.1.32 of this report) is considered to be **"optimal"** (and the preferred Option) for the following reasons:

- It will ensure that all 1-4-1 RTB receipts are invested in the provision of affordable rented housing

- It will ensure that the Community Benefit Society and NPH have access to sufficient funding to deliver new homes outside of the HRA

- It will minimise the housing providers' liability for Corporation Tax and Stamp Duty Land Tax

- It will help to maximise the supply of new homes (affordable rented, market rented and housing for sale)

- It is likely to be one of the quickest and easiest Options to implement.

3.3.18 Although this Option does not afford the Council the opportunity to receive distributable profits (for the benefit of the General Fund) and it could result in NPH being liable for Corporation Tax and Stamp Duty Land Tax, it is likely that any profits made from market rented accommodation and house sales will be used to cross-subsidise the provision of new affordable rented housing.

3.3.19 Consideration has been given to Capita's recommendation (see Paragraph 3.1.39) that the Council ensures that it has the flexibility to select an alternative development partner and/or decide whether or not to proceed with a scheme on the basis of a scheme appraisal.

3.3.20 In order to maximise the supply of new homes, NPH will require a degree of certainty about its ability to proceed with its pipeline schemes. It is proposed, therefore, that responsibility for allocating schemes (or a programme of schemes) to a specific delivery model (Model A, Model B or Model C) will rest with the Council's Housing Delivery Group (chaired by the Head of Housing & Wellbeing) in conjunction with the Chief Finance Officer.

3.1.21 Given the urgent requirement for more affordable rented housing in Northampton and the momentum that NPH has already created in relation to the delivery of new housing, this Option is the one that is recommended.

3.1.22 One of the principal advantages of this Option (and the 3-track approach) is that it will afford the Council and NPH the flexibility to respond quickly to any future changes in the HRA debt cap, the income from 1-4-1 RTB receipts, the availability of funding, the Council's appetite for development, and local and national priorities.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The establishment of a Community Benefit Society and the expansion of NPH's role in delivering new housing outside of the Housing Revenue Account and within the NRDA will help the Council to meet its policy objectives in relation to homelessness, meeting housing need and maximising the supply of new homes.

4.2 Resources and Risk

4.2.1 The HRA-funded new build programme already makes use of 1-4-1 Right to Buy receipts (limited to 30% of total scheme costs) which are then match-funded with 70% of the total scheme costs from HRA capital expenditure. The Agreement rules prevent these receipts from being used by a body (such as NPH) in which the Council has a controlling interest. This means that, without an alternative development partner, the Council will have to repay 1-4-1 RTB receipts of around £6m plus interest during the first 10 years and around £11m plus interest within 30 years or divert necessary investment away from existing HRA stock.

4.2.2 This report seeks approval (subject to a full Business Case) to establish a charitable, minority interest Community Benefit Society to provide affordable rented housing, and to expand the role of NPH (as the Council's development agent) in order to maximise the supply of new homes for rent and sale.

4.2.3 The acquisition and development of new affordable housing through a CBS will help mitigate the risk of the Council having to repay any of the Right to Buy receipts that it is unable to use on the acquisition or construction of new homes within 3 years.

4.2.4 A separate report will be presented to Full Council, making recommendations in relation to the funding and governance arrangements that will need to be put in place to ensure that, when suitable sites are identified for development, the Community

Benefit Society and NPH are able to secure the necessary funding and permissions in a timely manner.

4.2.5 Based on the modelling undertaken by Capita (see Page 7 of **Appendix B**) and estimated development costs of £143,000 per unit, it is projected that over the next 10 years, the Council may need to provide the CBS with 'match funding' of approximately £12m to build or acquire a total of 119 affordable rented homes.

4.2.6 If the Council borrows the money, the revenue implications of the debt management costs (interest and principal repayments) and the associated return on investment will need to be incorporated into the General Fund budget. The negotiation and finalisation of any loan agreements, together with the decision to release funding, will be subject to satisfactory due diligence and will be undertaken in accordance with the Council's Constitution, Standing Orders and financial regulations.

4.3 **Legal**

4.3.1 Cabinet is being asked to agree to establish a Community Benefit Society ("CBS") and expand the role of NPH in maximising the supply of new homes, including affordable rented housing, market rented housing and housing for sale. The CBS will have a distinct legal identity; will need to be registered by the Financial Conduct Authority and will need nominated trustees. The Council will not, under the proposed model have legal control over the CBS. However, the exact makeup of the CBS will need member consideration and approval considering carefully the roles and potential conflicts of various participants. Various powers, across a number of legislative provisions can be utilised to implement the recommendations in this report. Legal advice sought by Capita (Devonshires Solicitors), on behalf of NBC and advice sought by NPH (Trowers and Hamlins Solicitors) outline the various powers that can be utilised and confirm, subject to exceptions and further considerations, the vires of what is proposed in this report. Some of these are outlined below.

4.3.2 Further consideration and review will need to be taken whether there is need for a section 95 Local Government Act 2003 (power to trade), Business Case, distinct from the comprehensive analysis of the Capita reports, appended to this report.

4.3.3 Section 1 of the Localism Act 2011 provides local authorities with the power to do anything that an individual may do, subject to a number of limitations. It is by nature and design a wide and facilitative power (this is referred to in the General Power of Competence, "GPC").

4.3.4 Section 111 of the Local Government Act 1972, provides councils with the power to do anything which is incidental, conducive or calculated to facilitate the exercise of any of their functions. This would include the exercise of functions under section 1 of the Localism Act and s.95 of the Local Government Act 2003.

4.3.5 Various powers under the Housing Act 1985; Local Government Act 1972; and Local Government Act 1988; will be utilised to implement various aspects of the deal structure and transactions.

4.3.6 Implementation of the models outlined in this report will require various associated transactions and activities, including transfers of land, (market rate and undervalue); provision of financial assistance; Loan agreements and Grants. These will include reliance on various powers and obligations, including criteria under General Disposal Consent Orders and specific legislation, such as section 123 of the Local

Government Act 1972. Each transaction will require compliance and will be considered on a case by case basis, with relevant approvals and authorisations either through Cabinet or through delegated officer/member decisions.

4.3.7 Careful legal structuring would need to take place in relation to the implementation of the models to ensure that procurement regulations are not breached. This would include, for example, structuring the transaction in a way that enables it to rely on Teckel exemption.

4.3.8 In accordance with the Council's Constitution, any capital funding requirements for the CBS and NPH will need to be allowed for in the Council's General Consent Orders budget strategy which needs to be approved by Full Council. The same applies to any prudential borrowing.

4.3.9 The process by which land (either held under HRA or General Fund powers) is transferred or disposed of by the Council to the CBS or NPH will need to be determined, and all legal requirements met to ensure that the council is meeting its duty to make the best use of its resources. The disposal method is fundamental to how the Capital Financing Requirement (CFR) will be calculated for both the General Fund and the Housing Revenue Account.

4.3.10 Cabinet in making the decisions concerning the formation of a CBS and making investments and loans to the CBS and NPH should give proper consideration to the risks and rewards of approving any recommendations. In practice, Cabinet will want to consider whether the Council will achieve an appropriate return for its risk and that the Council has minimised the risk and potential cost to it if the CBS and/or NPH became insolvent and/or defaulted on its loan(s).

4.3.11 Financial assistance to a third party (as is the deal structure here) could and will very likely trigger the State Aid rules, so great care will need to be taken to ensure that the assistance does not amount to unlawful State Aid. State Aid, is designed to prevent cross border distortion of Competition. Breach of the rules are enforced by the European Commission, who have extensive sanction powers and by the Courts. The Council will need to ensure, for example, that any loan interest rates comply with EC published reference rates or exemptions allowed under European law are properly applied.

4.3.12 Given the scale and complexity of this project, further external, specialist legal advice, including advice from Counsel will be sought through the Borough Secretaries department through the whole implementation of project and completion of key phases, as appropriate. Such additional expenditure will need to be factored within the project costs in the normal way.

4.4 Equality

4.4.1 A full Community Impact Assessment has been completed.

4.4.2 The action that is proposed in this report will help to improve the housing conditions and life chances of people with protected characteristics, including homeless people, people with disabilities and families with children. They will therefore have a positive impact on Equality and Diversity.

4.4.3 Maximising the supply of new homes is part of the Council's commitment to improving communities and our town as a place to live. In implementing the changes, the Council will have due regard to its Public Sector Duty and will continue to work to tackle discrimination and inequality and help to create a fairer society.

4.5 Consultees (Internal and External)

4.5.1 Housing and Planning Officers at Northampton Borough Council, together with Councillors and the tenants, staff and board members of NPH, have been supportive of the proposal to establish a Community Benefit Society and expand the role of NPH in maximising the supply of new homes.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The action proposed in this report will help meet 2 of the priorities in the Council's Corporate Plan:

- **Housing for Everyone**: Maximising the supply of new homes will improve housing choice and social mobility within the NRDA, and help people to meet their housing needs and to achieve and maintain their independence in new, affordable, decent housing.

- **Working Hard and Spending your Money Wisely:** Establishing a Community Benefit Society will avoid the need for the Council to repay unused RTB receipts (with interest), and the increased supply of affordable rented housing will help meet housing need and reduce the use and cost of temporary accommodation for homeless households.

Appendices

Appendix A – Review of Housing Development Proposition (Executive Summary)
Capita, October 2017

Appendix B – Review of Housing Development Proposition (Addendum Report
Capita, January 2018

Background Papers

NPH's Original Affordable Housing Development Proposition (September 2016)
NPH's Revised Affordable Housing Development Proposition (October 2017)
Community Impact Assessment
Devonshires Solicitors – Legal Advice (Capita) – Confidential Document
Trowers & Hamlins Solicitors – Legal Advice (NPH) – Confidential Document

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CAPITA

Northampton Borough Council

Review of Housing Development Proposition - Executive Summary October 2017

CAPITA

1. Contents

1. Introduction

Northampton Partnership Homes (NPH) have prepared a proposition and draft Development Agreement for the creation of a new 10-year new build housing programme.

The approach set out within the proposed development agreement is that the Council and NPH will enter into a non-legally binding development agreement which operates as a framework under which the Council and NPH will seek to identify sites which can be developed to achieve 80 new homes per annum for 10 years. The developments will proceed either on the basis of Model A or Model B

- Model A - Development will be undertaken by NPH as a development agent for NBC on HRA land.

- Model B – Where RTB 1-4-1 receipts have been exhausted or schemes are to be developed with properties for sale or market rent or where development within the HRA is not viable, land will be transferred from NBC to NPH at minimum cost and the new development undertaken within NPH ownership.

The business case put forward by NPH is multifaceted but stems from the need for more affordable rented housing. Other benefits identified within the Development Agreement as supporting the business case are:

- Strategic mechanism for the use of RTB retained 1-4-1 receipts

- Diversity within the housing market – different tenures and rents as well as the option for market sale housing

- Revenue from rents, council tax, inward public and private investment and the new homes bonus

- Benefits for the local economy, stemming from development activity and improving land values

- Protection from rent decreases and RTB requirements

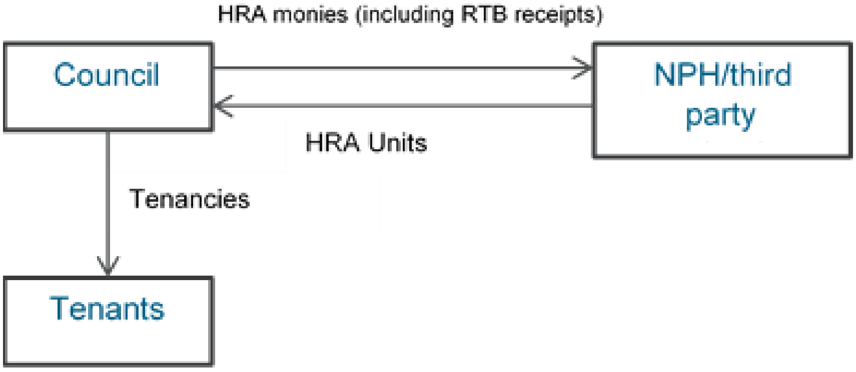
2. Legal Framework

Model A involves development within the Council’s HRA.

The Council is entitled to rely on its powers under Section 9 of the Housing Act 1985 to justify the development of housing for housing need within its administrative area. There are no other powers that the Council needs to rely upon in the context of Model A.

From a procurement perspective, we would anticipate that the relationship between NPH and the Council is such that the Teckal exemption can be relied upon in relation to the procurement of NPH's services. The build works, whether contracted for directly by the Council or via NPH will need to be subject to public procurement regulations.

Diagrammatically, Model A looks like this:-



With Model B there are a number of additional legal considerations. These involve the statutory provisions associated with the transfer of land, the provision of financial assistance and state aid rules:

- Subject to state aid compliance, vacant HRA land which is to be developed as privately let accommodation can be transferred to NPH at any price provided the Council is not entitled to manage or maintain the properties under a pre-existing agreement or arrangement; and

- If the disposal is at an undervalue (as Model B anticipates) and involves general fund land, the recipient of that land must be a registered provider (which NPH is not).

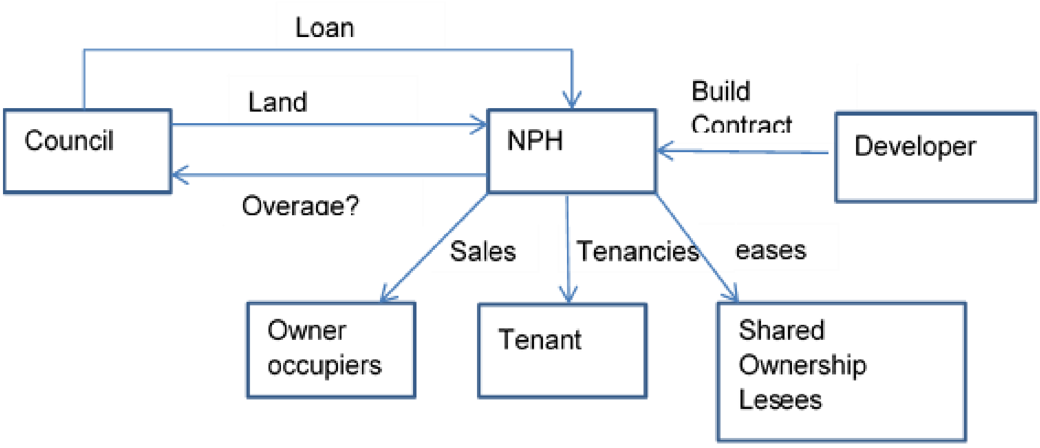
- The council is able to provide financial assistance which takes the form of a loan or a grant for the purposes of (or in connection with) the provision of privately let accommodation.

- Where a local authority is providing financial assistance to a third party, consideration needs to be given to whether it is providing that assistance in compliance with state aid rules. There are two exemptions which are noteworthy within the context of this report and NPH's proposals:

    i. The market economy investor principle. This asserts that a public body is not providing state aid when it is acting like a private investor in the market economy. The test is whether a private investor would invest on comparable terms.

ii. where the financial assistance is provided to facilitate the provision of assets which are of social or general economic interest (**SGEI**), that assistance may constitute permitted state aid. Social (or affordable) housing is capable of benefitting from this exemption.

Diagrammatically, Model B looks like this:



The reference to "overage?" is intended to flag the fact that some form of contractual arrangement would need to be in place for the Council to benefit from any future uplift in value realised in relation to units developed with the benefit of the Council's funding – due to NPH's asset lock.

3. HRA Capacity for funding new build

To evaluate what is affordable within Model A we have prepared an up to date HRA business plan model to test the capacity for the HRA to support additional new provision.

At the start of 2017/18 there was £5.7m unused RTB 141 receipts available to support the associated costs. This component of total RTB receipts have to be used within three years on eligible new provision expenditure, otherwise they must be paid to the government with interest at 4% above the base rate. However, a significant constraint arises as only 30% of eligible costs can be met from RTB 141 receipts, so the balance must be met from other capital resources.

Our modelling indicates that:

- The Council is not able to fully use all the projected 141 receipts because its available resources (to fund the 70% proportion) are constrained. Unless the Council can work with a partner then we are projecting that from 2020/21 a proportion of RTB 141 receipts will have to be repaid. These repayments are expected to total £6m by 2026/27. In addition the interest charge on these repayments is expected to total £855k.

- In addition to the 192 new dwellings included in the existing HRA capital programme, there is capacity for a further 308 new dwellings over the next 10 years, making 500 in total to year 2026/27.

4. Advantages of Model B

Advantages of Model B include:

- NPH already exists, has a core development team and its leadership is ambitious to pursue a development partnership with the council. It is already managing the existing NBC housing stock and is acting as development agent for the current new build programme.

- Unlike the Council's HRA NPH is not constrained by a debt cap and is able to borrow to fund the cost of new development.

- NPH can build affordable rented and market rented housing, shared ownership and market sale housing

- NPH is not a registered provider. Under current rules the housing it owns will not be covered by the right to buy and will not be subject to HCA rent controls.

- Margin on loan to NPH - The council will be able to generate revenue by charging a higher rate of interest to NPH than it incurs either through its own borrowing or use of balances. Charging NPH interest at a commercial rate means that NPH can deduct its interest charges from taxable profits.

- New Homes Bonus – New affordable rented housing attracts government funding equivalent to the national average band D council tax + £350 for each of the four years following construction. Our modelling indicates this will bring in £3.4m of revenue between 2022/23 and 2034/35.

- Land Transfers – Any capital receipt from the disposal of land to NPH would not be subject to capital receipts pooling and would be usable for any legitimate capital purpose. There will need to be a downward adjustment to the HRA capital financing requirement (and a consequent impact on General Fund capital charges) if the receipt from housing land disposals is used for any purpose other than housing or regeneration.

5. Alternative Models

Our approach, in identifying alternative options, has been to focus on aspects of NPH's offer which are arguably sub-optimal. We identify these to be the following:

- RTB 141 Receipts - The rules concerning the use of RTB 141 receipts prevent these receipts being used by a body in which the council has a controlling interest. Without an alternative development partner the council will continue to be required to repay an estimated £11m of 141 receipts and £1.6m of interest (30 years);

- NPH's status as a company limited by guarantee, meaning that the Council is unable to receive profits derived from development activity in the form of distributions which can be received as revenue within the general fund;

- NPH's non charitable status meaning it is unable to obtain relief from corporation tax

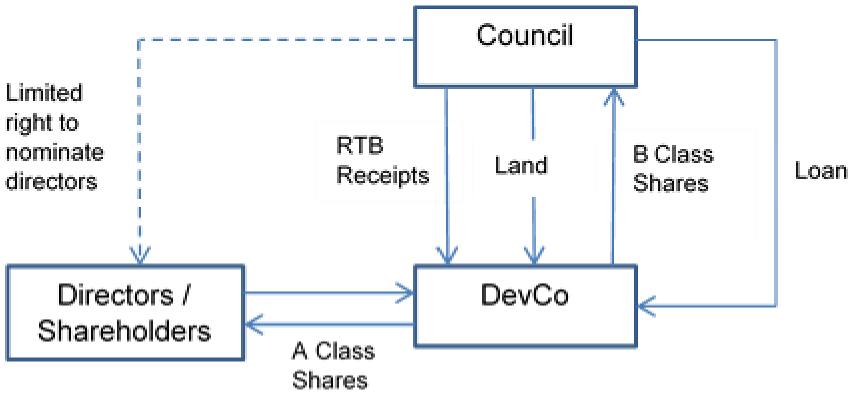
- NPH's unregistered status and its status as a company limited by guarantee – meaning that no relevant housing provider or group SDLT relief is available in respect of land disposals from the Council to NPH.

Having regard to these shortcomings three alternative options are considered:

5.1 Option 1 – Invest in independent DevCo

This involves the establishment of one new entity to undertake all development activity envisaged. This entity would be established as a company limited by shares but structured so that the Council's influence falls short of constituting a controlling interest, whilst it remains the primary beneficiary of distributable profits. A means by which this can be achieved is creating two classes of shares, one which entitles the shareholder to dividends (but few or no voting rights) and one that entitles the shareholder to voting rights but little or no dividends. This would mean it would be able to receive RTB 141 receipts from the council (NPH cannot receive RTB 141 receipts) and distribute profits back to the council.

Diagrammatically, Alternative Option 1 looks like this:



5.2 Option 2 – Controlled DevCo and Independent Charity

Option 2 involves the establishment of two separate entities, a company limited by shares (DevCo) and a community benefit society (CBS).

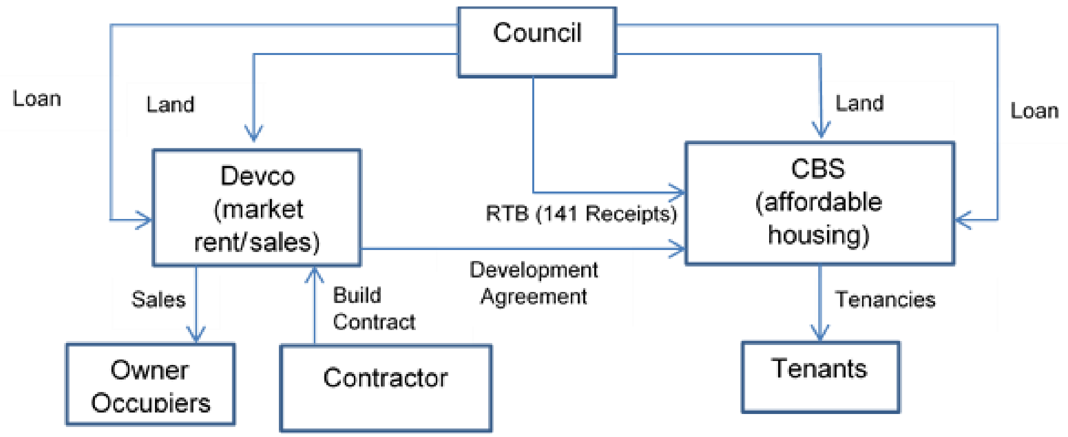
The DevCo would undertake the development of:

- Affordable rented housing - to be owned and managed by the CBS.
- Market rented / market sale housing – to be owned and managed by the DevCo.

This entity could be wholly owned by the Council or jointly owned with NPH or another person. By establishing the DevCo as a company limited by shares, profits generated within the entity would be capable of being distributed to its shareholders. Any monies flowing back to the Council through distributions would be payable into the general fund. If the Council owned more than 75% of the share capital in the company it may also benefit from SDLT group relief in respect of any land transferred by the council.

The CBS would purchase and manage the affordable rented housing envisaged within Model B. It would be established on terms which permit the Council to have a level of influence, but influence which falls short of constituting a controlling interest. This would enable RTB 141 receipts to be received by that entity, thus maximising the RTB monies available to the Council. The CBS could be established with or without charitable objects.

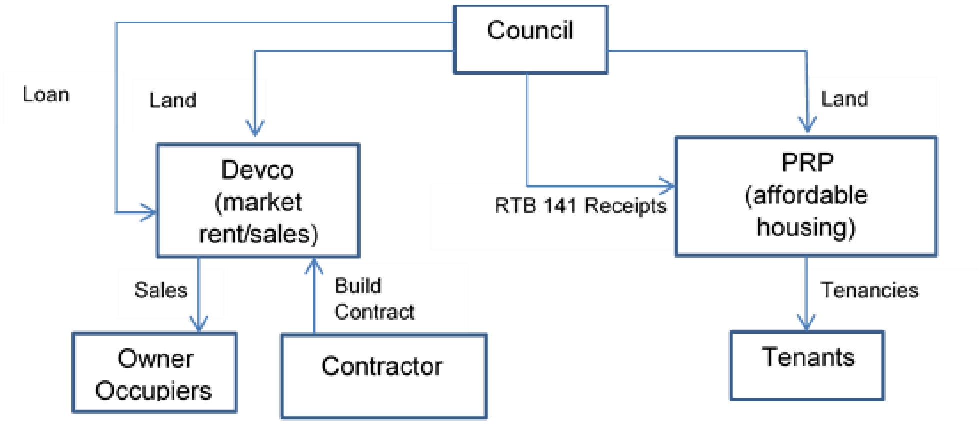
Diagrammatically, Alternative Option 2 looks like this:



5.3 Option 3 – Controlled DevCo and PRP Grant Funding

This is a variant on Option 2 but relies on an existing PRP to fund and deliver affordable rented housing in return for grant (funded from RTB 141 receipts). Grant funding a PRP is a traditional route to funding affordable rented housing. Typically, the local authority provides resources for the PRP to develop new homes in return for giving the council nomination rights over the development.

As with Option 2 a controlled DevCo could develop market rented housing, with council support in the form of loans and land. This is illustrated below.



This option protects the council from exposure to development risk in respect of the affordable rented housing. This is weighed against the lack of ownership and control on the council's part. Nomination rights will be subject to negotiation and may be limited.

Although this provides an option to use 1-4-1 receipts that would otherwise be returned to government in some cases it may prove difficult to find a local provider able to use the receipts within the Council's timescale.

6. Emerging Government Policy Implications

6.1 Context

Since the introduction of self-financing there have been a host of government policy initiatives that have been to the detriment of local authority housing finances:

- A series of government imposed 1% rent reductions for 4 years from 1 April 2016;
- Encouraging right to buy (RTB) by increasing RTB discounts;
- Extending the RTB (and the associated discounts) to housing association tenants to be paid for by a levy charged to local authorities;
- The introduction of Universal Credit and Benefit Cap;
- Local Housing Allowance from 2019/20 - housing benefit received by tenants will be capped at this level and thus where/if rents are greater than the LHA there will be a greater likelihood of rent arrears and bad debts;

- Spare Room Subsidy which, since April 2013 has limited the level of housing benefit available to tenants who have one or more 'spare' bedrooms and are therefore deemed to be under occupying.

The Housing White Paper, published in February 2017 included the following headline proposals:

- Improving Accountability – A standardised approach for assessing housing requirements and a new housing delivery test will be introduced.

- Expanding the definition of affordable housing – To include Starter Homes, Discounted Market Sale Housing, Affordable Private Rented Housing and Intermediate Housing.

- Reducing the emphasise on Starter Homes – The requirement that 20% of all homes on developments over a certain size be Starter Homes is to be dropped and replaced by an expectation that 10% of homes on housing sites be a mix of affordable housing types

- Extended support for the Help to Buy Equity Loan Scheme - £8.6bn committed to 2021

- Build to Rent – There is a separate consultation on a range of measures to support Build for Rent. The new Affordable Private Rented tenure, now included in the definition of affordable housing, is suitable for development under this scheme

- Right to Buy – The government want to see tenants of local housing companies offered a right to buy (equivalent to what is available to tenants of council owned housing)

More recently at the Conservative Party conference on 4th October Teresa May pledged to spend an additional £2bn on affordable housing. She said "We will encourage councils as well as housing associations to bid for this money and provide certainty over future rent levels".

Following the conference further details on the government's proposals for rent increases were published. Increases are to be capped at CPI + 1% for 5 years from 2020. The modelling prepared for this report is based on increases of CPI + 0.5% during this period so this announcement will be beneficial both in respect of the council's HRA and the viability of social and affordable rented housing development.

6.2 What does this mean for Northampton?

The implications of policy changes since 2012 and the 2017 White Paper announcements are pertinent because:

1. Expectations for the capacity of the HRA to contribute to the delivery of new affordable homes has fallen as a result of the significant loss of HRA revenues resulting from the imposition, through the Welfare Reform and Work Act, of 1% rent reductions between 2016 and 2019. From 2019/20 HRA finances will come under further pressure as a result of the Higher Value Voids Levy.

2. Following the 4th October speech by the prime minister there is now a prospect of some government support for local authority new build

3. There is an emphasis on neighbourhood development plans. Authorities will be required to have a rolling programme of potential sites and an appraisal mechanism which offers local communities an opportunity to have a voice in the design of new housing.

4. The White Paper emphasises the government's backing for Local Authorities to build and its intention to address issues that hold back house building

7. Evaluation

7.1 Modelling Assumptions

For the purpose of this review we have prepared a bespoke financial model based on the delivery of new units from 2020/21 which, when combined with the HRA affordable programme, result in 80 new dwellings per year. Our programme therefore delivers 480 new (non HRA) dwellings as set out below.

Year	HRA Programme	Used to Evaluate Model B	Total
2017.18	24	0	24
2018/19	106	0	106
2019/20	141	0	141
2020/21	41	39	80
2021/22	39	41	80
2022/23	39	41	80
2023/24	38	42	80
2024/25	24	56	80
2025/26	24	56	80
2026/27	24	56	80
2027/28	29	51	80
2028/29	31	49	80
2029/30	31	49	80
Totals	**591**	**480**	**1071**

We have added a scheme of 100 market/intermediate rented units, being constructed in 2020/21 to the programme of 480 affordable rented homes. Rents of £160 per week have been modelled for these dwellings, compared to an average of £115 per week for the affordable rented housing. The inclusion of market rented housing is for three reasons:

1. The government has indicated that it will not be supportive of the use of council owned companies to get around HRA borrowing constraints. However, mixed tenure housing programmes, addressing a wider set of priorities than HRA newbuild, are likely to be more acceptable.

2. There is a need for more good quality market/intermediate rented housing in Northampton

3. Revenues from market/intermediate rented housing will improve investment returns on a programme otherwise focussed entirely on affordable rented housing.

We have made two further changes to the assumptions used by NPH:

- We have assumed that rather than being at a nominal value, land transfers from the council will be at an indicative market value.

- We have used 52 rent weeks rather than 48.

7.2 Model A – HRA Housing

New build within the council's HRA has a number of advantages over other options:

- The council retains ownership and control over the housing
- RTB 141 receipts can be used (they can't be used where ownership is with an entity controlled by the council, such as NPH)
- There are no tax implications
- Any revenues are retained by the council in the HRA
- New housing can be managed by NPH with minimal marginal costs
- Borrowing does not impact on the general fund Capital Financing Requirement

Using NPH as the development agent is advantageous because:

- There are already close links between the council and NPH
- NPH already acts as the council's development agent
- NPH should not have to pay corporation tax in respect of any profits generated from this activity. Grant Thornton have advised NPH that confirmation from HMRC should be obtained in advance that the proposed design and build services would still qualify for ALMO status and not be subject to corporation tax. The council should make sure this confirmation is obtained.

An alternative development agent may have greater experience of developing schemes and procuring contractors but it is likely that NPH could buy in any additional expertise required and develop further its own development team. In our main report we have identified where we consider there are gaps in the existing NPH staff structure.

7.3 Model B – Development Partnership Arrangements

We have reviewed each of the alternative partnership arrangements. They each present differing financial attributes which we have set out in the table below.

	Use of 141 Receipts	Access Distributable Profits	SDLT Relief	Corporation Tax Relief	Avoid RTB	Avoid Rent Controls
NPH - Model B NPH - Ltd by guarantee / Wholly owned	x	x	x	x	√	√
Alternative Option 1 DevCo - Ltd by shares / not controlled / Could be PRP	√	√	√ (only where RP & HCA funding)	x	√ (if not RP)	√ (if not RP)
Alternative Option 2 DevCo Ltd by shares - controlled by NBC Market Sales Market Rent CBS - not controlled Affordable Rent	√	√ (in respect of DevCo operations)	√ (DevCo - group relief; CBS charity or not for profit RP or grant funded RP)	√ (if CBS charitable)	√ (if CBS not RP)	√ (if CBS not RP)
Alternative Option 3 DevCo Ltd by shares - controlled by NBC Market Sales Market Rent Independent PRP Affordable Rent	√	√ (in respect of DevCo operations)	√ (DevCo - group relief; PRP charity or not for profit RP or grant funded RP)	√ (if PRP charitable)	x	x
Approx. Value of Attribute	£18.7m years 3-12	Opt 1 - £83m Opt 2 - £30m Opt 3 - £31m years 33-50	£392k years 3-12	NPH - £39m Opt 1 - £46m Opt 2 & 3 - £11m years 8-50	mitigated by cost floor rules	Dependant on future rent policy

When modelled against our indicative programme these variations in attributes mean that the financial implications of delivering a development programme differ quite considerably between the options.

The net present value of the cashflows arising from the respective options are summarised below along with the year when associated council lending would be repaid.

50 Year Net Present Value (5% discount rate – no residual value)					
Structure Options	**Council** £m	**DevCo** £m	**CBS** £m	**Total NPV** £m	**NBC Debt Repaid**
NPH	(7.1)	(12.4)		(19.4)	Year 28
Alternative Option 1	3.1	(7.7)		(4.6)	Year 22
Alternative Option 2	1.0	(2.6)	2.9	1.3	Year 21
Alternative Option 3	7.2	(2.8)		4.4	Year 10

Case for the NPH Proposition

Given the urgent requirement for more affordable rented housing in Northampton it is important that a structured mechanism is established to generate a pipeline of development schemes. There is some momentum behind the NPH proposition and it will be a quick and relatively cheap option to set up.

Alternative Options 1 and 2 both require partnerships with companies that will not be controlled by the council. This will require the preparation of appropriate contractual and governance arrangements so that the council's interests are protected.

Our risk assessment identifies greater risks associated with the alternative Options 1 and 2. The difference primarily concerns the possibility of delays and extra costs setting up new companies and the risk of failing to realise the revenues from RTB 141 receipts, either because of a change in government policy or a reduction in RTB sales.

Case for Options 1 & 2

During the ten year construction phase in our modelling the biggest single cause of the variance between the NPH proposition and options 1 and 2 is the availability of RTB 141 receipts.

The two alternative partnership options evaluated deliver improved investment returns, both in respect of total revenues and revenues directly attributable to the council.

Whilst Alternative Option 1 provides the higher NPV for the council, Option 2 provides the greater overall NPV with surpluses accruing within the CBS being ring-fenced in accordance with its charitable objects and, subject to contract terms, within Northampton. The Council is able to repay its debt under Options 1 and 2 six years and seven years earlier respectively than under the NPH proposition.

Case for Option 3

Option 3 is the traditional housing association grant funding approach but with, for the sake of a consistent evaluation against the other options, a scheme of market/intermediate rented dwellings being delivered through a wholly owned company limited by shares.

The financial assessment reveals a higher NPV and earlier debt repayment for this option compared with any other option. It would also be the simplest option to implement, with no new corporate entity required in respect of the affordable rented housing. The risk profile associated with this option is also lower than with any other option.

However, against these advantages we need to consider:

1. Whether there will be a willing PRP, prepared and able to develop affordable rented housing in Northampton and to grant nomination rights to the council in respect of that housing in return for RTB 141 receipts funding at 30% of the development costs.

2. In our modelling of this option (and the other options) we assumed council land would be sold at market value. If an arrangement with a PRP partner relied on land being transferred at a nominal value this would reduce the resulting NPV for the council.

3. Under this option the council would not have a long term interest or control in the affordable rented housing, other than through nomination rights which are likely to be limited.

8. Recommendations

8.1 HRA Development

Explore scope to obtain government agreement to a relaxation in HRA financial controls so that additional affordable rented housing can be funded from within the HRA and, following Teresa May's 4th October speech, explore the potential for attracting government funding to support HRA new build.

Work with NPH to develop a legally binding development services agreement with respect to HRA new build schemes (Model A) but review the wording of that Agreement, as set out in Chapter 5 of our main report.

8.2 Partnership with a PRP

The council needs to consider whether long term influence over the entity that owns the affordable rented housing is an overriding priority. If so, the PRP grant funding route (Alternative Option 3) should be set aside or at least its financial and practical merits weighed against the requirement for long term control of the housing.

If, however, the council's priority is new affordable rented housing, whether or not owned by the council or a council influenced entity, then a partnership arrangement with one or more existing PRPs is recommended as the most efficient way of achieving this. This will however rely on the council finding suitable PRP partners, able to deliver a long term programme and enter into a financial arrangement which is satisfactory to the council.

In this event the council could also invest in new market/intermediate rented housing either through NPH or by setting up a new entity which is more tax efficient and able to distribute surpluses back to the council.

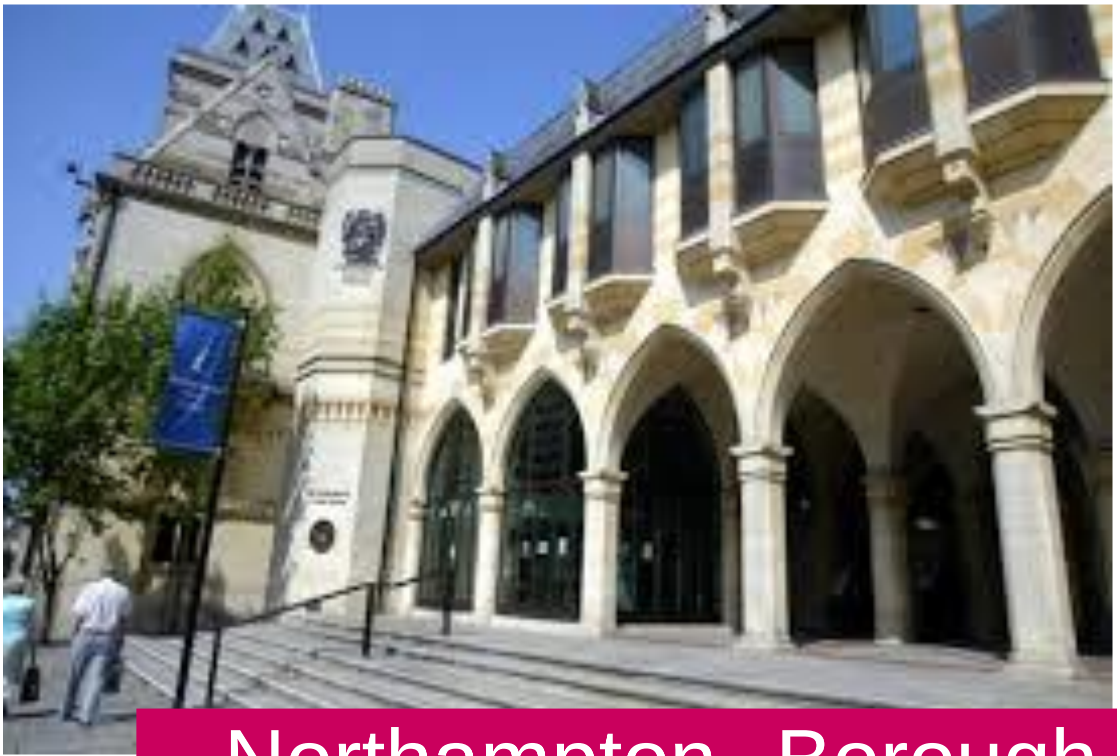
8.3 Alternative Options

NPH could become a constituent of the approach envisaged for Option 2. This could be achieved by setting up a subsidiary company, limited by shares and jointly owned by NPH and the council, and also an independent community benefit society to take ownership of the affordable rented housing. NPH could then enter into a management agreement to manage the affordable rented housing on behalf of the CBS.

This would protect profits from the affordable rented housing business from corporation tax and provide an exemption from SDLT. The CBS, as under Option 2, could also be a recipient of RTB 141 receipts. The new subsidiary could operate the market/intermediate rented housing business and distribute any profits to the council.

If insufficient progress can be made with obtaining government financial support, partnering with an existing PRP and/or making the NPH proposition work, as set out above, then Option 2 (Council owned DevCo and independent CBS) is our preferred option. Of the options that give the council a residual and long term interest in the housing it delivers the best overall investment return and enables council loans to be repaid the earliest.

CAPITA



Northampton Borough Council

Review of Housing Development Proposition - Addendum (January 2018)

CAPITA

1. Contents

1. Introduction

During 2017 Northampton Partnership Homes (NPH) prepared a proposition and draft Development Agreement for the creation of a 10-year new build housing programme.

Capita were appointed by the council to undertake a due diligence review of the NPH proposition. This was completed in October 2017 and a report setting out the advantages and shortcomings associated with the proposition along with alternative solutions was submitted to the Council.

The Council and NPH have since considered the identified shortcomings and NPH have submitted a revised proposition. This paper considers the extent to which the new proposition addresses the identified shortcomings.

2. Original Proposition

The original proposal was that the Council and NPH enter into a non-legally binding development agreement under which sites could be developed to achieve 80 new homes per annum for 10 years. It was based on developments proceeding either on the basis of Model A or Model B:

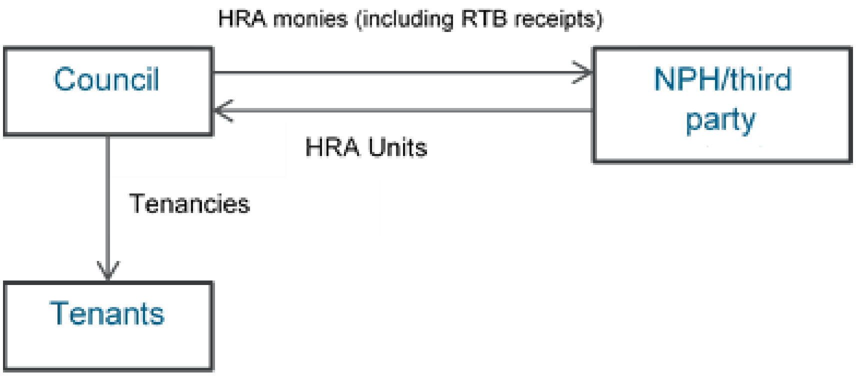
- Model A - Development to be undertaken by NPH as a development agent for NBC on HRA land.

- Model B – Where RTB 1-4-1 receipts have been exhausted or schemes were to be developed with properties for sale or market rent or where development within the HRA was not viable, land would be transferred from NBC to NPH at minimum cost and the new development undertaken within NPH ownership.

We reported that the Council is entitled to rely on its powers under Section 9 of the Housing Act 1985 to justify the development of housing for housing need within its administrative area. There are no other powers that the Council needs to rely upon in the context of Model A.

From a procurement perspective, we reported that the relationship between NPH and the Council is such that the Teckal exemption could be relied upon in relation to the procurement of NPH's services. The build works, whether contracted for directly by the Council or via NPH would need to be subject to public procurement regulations.

Diagrammatically, Model A looked like this:-



With Model B there were a number of additional legal considerations. These involved the statutory provisions associated with the transfer of land, the provision of financial assistance and state aid rules:

- Subject to state aid compliance, vacant HRA land which is to be developed as privately let accommodation can be transferred to NPH at any price provided the Council is not entitled to manage or maintain the properties under a pre-existing agreement or arrangement; and

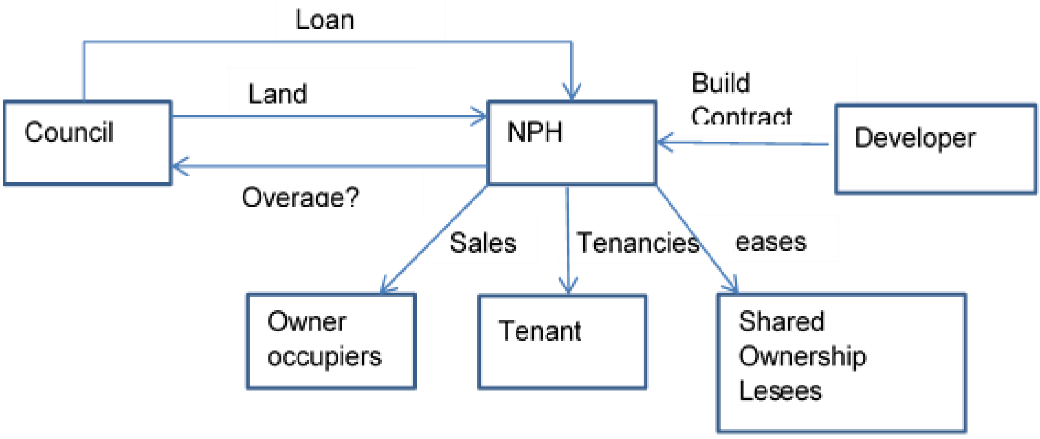
- If the disposal is at an undervalue (as Model B anticipates) and involves general fund land, the recipient of that land must be a registered provider (which NPH is not).

- The council is able to provide financial assistance which takes the form of a loan or a grant for the purposes of (or in connection with) the provision of privately let accommodation.

- Where a local authority is providing financial assistance to a third party, consideration needs to be given to whether it is providing that assistance in compliance with state aid rules. There are two exemptions which are noteworthy within the context of this report and NPH's proposals:

  i. The market economy investor principle. This asserts that a public body is not providing state aid when it is acting like a private investor in the market economy. The test is whether a private investor would invest on comparable terms.
  ii. where the financial assistance is provided to facilitate the provision of assets which are of social or general economic interest (**SGEI**), that assistance may constitute permitted state aid. Social (or affordable) housing is capable of benefitting from this exemption.

Diagrammatically, Model B looks like this:



The reference to “overage?” indicates that some form of contractual arrangement would need to be in place for the Council to benefit from any future uplift in value realised in relation to units developed with the benefit of the Council’s funding – due to NPH’s asset lock.

3. Advantages of Original Proposition

There are approximately 3,600 applications on Northampton’s housing register, of which approximately 2,000 are presenting with an urgent housing need. Our modelling indicates that the council only has capacity to deliver approximately 500 new homes within its HRA over the next 10 years.

In the context of this shortfall of social and affordable rented housing the advantages associated with the original proposition were:

- NPH already exists, has a core development team and its leadership is ambitious to pursue a development partnership with the council. It is already managing the existing NBC housing stock and is acting as development agent for the current new build programme

- Unlike the Council’s HRA NPH is not constrained by a debt cap and is able to borrow to fund the cost of new development (Model B) that wouldn’t otherwise be affordable within the HRA

- NPH can build affordable rented and market rented housing, shared ownership and market sale housing

- NPH is not a registered provider. Under current rules the housing it owns will not be covered by the right to buy and will not be subject to HCA rent controls.

- Margin on loan to NPH - The council will be able to generate revenue by charging a higher rate of interest to NPH than it incurs either through its own borrowing or use of balances. Charging NPH interest at a commercial rate means that NPH can deduct its interest charges from taxable profits.

- New Homes Bonus – New affordable rented housing attracts government funding equivalent to the national average band D council tax + £350 per dwelling for each of the four years following construction.

- Land Transfers – Any capital receipt from the disposal of land to NPH would not be subject to capital receipts pooling and would be usable for any legitimate capital purpose. There will need to be a downward adjustment to the HRA capital financing requirement (and a consequent impact on General Fund capital charges) if the receipt from housing land disposals is used for any purpose other than housing or regeneration.

4. Shortcomings of Original Proposition

Our report on the original proposition highlighted that the corporate status of NPH gave rise to a number of adverse financial implications, as follows:

- RTB 141 Receipts - The rules concerning the use of RTB 141 receipts prevent these receipts being used by a body in which the Council has a controlling interest (like NPH). Without an alternative development partner the Council will continue to be required to repay an estimated £11m of 141 receipts and £1.6m of interest (30 years);

- NPH's status as a company limited by guarantee, meaning that the Council is unable to receive profits derived from development activity in the form of distributions which can be received as revenue within the general fund;

- NPH's non charitable status meaning it is unable to obtain relief from corporation tax

- NPH's unregistered status and its status as a company limited by guarantee – meaning that no relevant housing provider or group SDLT relief is available in respect of land disposals from the Council to NPH.

Having regard to these shortcomings NPH have submitted a new proposition.

5. New Proposition

The new proposition incorporates a new independent charity, referred to as a Community Benefit Society (CBS), to work alongside the Council and NPH.

The CBS would be established on terms which permit the Council to have a level of influence, but influence which falls short of constituting a controlling interest.

The intention is that identified development schemes will in the first instance be carried out within the Council's HRA and with NPH acting as the development agent. The council will own these new affordable rented homes and manage them through NPH along with the rest of the Council housing stock. There will be no VAT or corporation tax associated with net rent surpluses and 30% of the development costs will be funded from ring-fenced RTB 141 receipts.

As we highlighted in our main report the capacity of the HRA to support new development is constrained by the HRA debt cap. We have assessed that approximately 500 units could be provided over the next 10 years through the HRA. However, there are not sufficient capital resources to fully exploit all the available RTB 141 receipts. The primary weakness in the original proposition was that NPH, being a Council controlled company, could not access the unused RTB 141 receipts and hence, without an alternative development partner, approximately £11m of funding would be lost.

Under the new proposition the CBS would be able to access the RTB 141 receipts that the HRA would be unable to use. It would therefore become the first alternative to HRA new build. The intention is that it would be established as an 'exempt' charity and would in that case benefit from corporation tax exemptions on its charitable activities, including affordable rented housing, and exemption from Stamp Duty Land Tax (on land acquired for charitable purposes).

The inclusion of the CBS in the development proposition addresses the bulk of the shortcomings identified in respect of the original proposition, namely:

- It allows for the use of RTB 141 receipts that could not otherwise be applied
- As with HRA new build, surpluses generated by the CBS on its sub-market rented housing operation would not be subject to corporation tax
- The CBS would be exempt from SDLT on land transferred or acquired from the council for sub market rented housing development

Being a non-controlled company it should be recognised that the CBS would be legally independent from the Council and at liberty to develop its business as its board sees fit. However, in practice the Council can exert some influence over the future direction of the CBS as follows:

- By careful recruitment of the initial board members of the CBS (meaning that the Council's objectives are likely to be ingrained in the culture of the organisation).
- By imposing clauses in the loan agreement that require the Council to approve the CBS's annual business plan; this is important not only to protect the Council's investment in the CBS but also provides a mechanism for controlling the future direction of the CBS.

- By drafting appropriate clauses in lease documentation where land is to be transferred from the Council to the CBS.

Expected New Build dwelling numbers (HRA and CBS)

Estimates of numbers of new homes that could be funded are very much dependent upon the accuracy of our development cost projections. For the purpose of this assessment we have assumed approximately £143k per unit (2017/18 price base and including a land component). If actual unit costs come in below this rate then the number of units that will be deliverable will grow.

Under the new proposition, with the CBS receiving the unused RTB 141 receipts and borrowing from the Council to fund the remaining 70% of development costs, we estimate that the cumulative number of new homes that could be funded between the Council and the CBS over the next 10 years would rise to 619 (see table below). However, it is important to note that over the same period we are projecting 940 RTB sales.

	New Provision - Number of Dwellings							
	Existing schemes	Residual Capacity in HRA	HRA Total		CBS (using spare 141 receipts + 70% match funding)	Total CBS + HRA		RTB Projection
2017.18	24		24			**24**		**104**
2018.19	68	38	106			**106**		**99**
2019.20	100	41	141			**141**		**99**
2020.21		41	41		2	**43**		**94**
2021.22		39	39		8	**47**		**94**
2022.23		39	39		18	**57**		**90**
2023.24		38	38		15	**53**		**90**
2024.25		24	24		27	**51**		**90**
2025.26		24	24		24	**48**		**90**
2026.27		24	24		24	**48**		**90**
	192	308	500		119	**619**		**940**

The new proposition then provides for any additional housing to be developed, owned and managed by NPH.

We have already identified the advantages of working with NPH. In particular, compared with the CBS or another alternative entity, the Council would ultimately retain control of the housing through its wholly owned subsidiary. In respect of the identified shortcomings of working with NPH these are mitigated as follows:

- RTB 141 Receipts – The primary concern under the original proposition was that NPH was not able to receive RTB 141 receipts. Under the new proposition this is no longer a concern because any unused RTB 141 receipts can be channelled towards CBS development;

- NPH's status as a company limited by guarantee (rather than limited by shares), meaning that the Council is unable to receive profits derived from development activity in the form of dividends - In respect of the new proposition the council would also not be in a position to receive distributable profits from the CBS or any another for-profit entity in which it didn't hold an equity stake. An alternative would be to establish a new housing development company, limited by shares, which would be able to distribute dividends to the council. However, given that:

  - our modelling indicates that distributable surpluses are unlikely to be available for a considerable time (approximately 30 years)
  - that the Council ultimately owns the assets and balances of NPH and is therefore able to influence their use (through the agreeing of NPH's delivery plan in accordance with the management contract between the Council and NPH)

  we would conclude that the status of NPH as a company limited by guarantee should not preclude it as a development partner as envisaged within the new proposition;

In practice we would recommend that the agreement with NPH should ultimately give the Council the flexibility step outside the framework described in the new proposition and allow it to select an alternative development partner where it considers a better outcome may be achievable, whether that be working with NPH, the CBS, or another entity (such as an existing housing association). In these circumstances the selection of a partner (and indeed the decision to proceed or not), particularly where no further RTB 141 receipts are available, should be based on scheme appraisals, taking into account:

1. The cashflows associated with the scheme – do they represent good value for money?

2. NPH's non charitable status meaning it is unable to obtain relief from corporation tax and stamp duty land tax (SDLT) - It may well be the case that the cashflows can be managed to minimise the corporation tax implications of a scheme to such a degree that ownership of the housing through NPH is preferable to ownership by the CBS

3. The availability of additional funding or other resources specific to the delivery partner. For example:
   a. It might in some instances be advantageous to work with a housing association or other third party developer where they are able to offer specific advantages, such as greater development efficiency, the scope

to apply RCGF monies towards the scheme or cross subsidy from market sale or market rent schemes and/or land

b. NBC may be offered grant or a relaxation of its HRA debt cap making additional development within the HRA viable

c. The tax savings available from the charitable CBS may be considered to be of greater value than the benefit available from indirect ownership through the Council's wholly owned subsidiary

The arrangement arising from this new proposition should therefore incorporate provision for the Council to make its own assessment concerning the viability and delivery mechanism of individual schemes.

6. Ownership and Control of the CBS

NPH's proposition envisages:-

- the CBS' board comprising of 4 board members; and
- the initial board comprising of one officer of NBC and three appointees of NPH (involving a mix of NPH officers and board members).

No assumption is made regarding the shareholders in the CBS. Given that the CBS would be established as a charity, the rules of the CBS will not allow the distribution of any surpluses to its shareholders.

We make the following observations in the context of this aspect of NPH's proposition:-

(a) the size of the CBS board should reflect the level of activity anticipated; a board of four may, therefore, be adequate at the outset.

(b) if it is to be four, we would recommend that the Chair of the CBS is afforded a casting vote;

(c) the Chair ought to be someone who can objectively be seen to be independent of NPH and the Council – given the imperative, from the Council's perspective, that there is no question over the CBS' independence from the Council (and the implications in terms of RTB 1-4-1 monies if the Council is held to have control over the CBS).

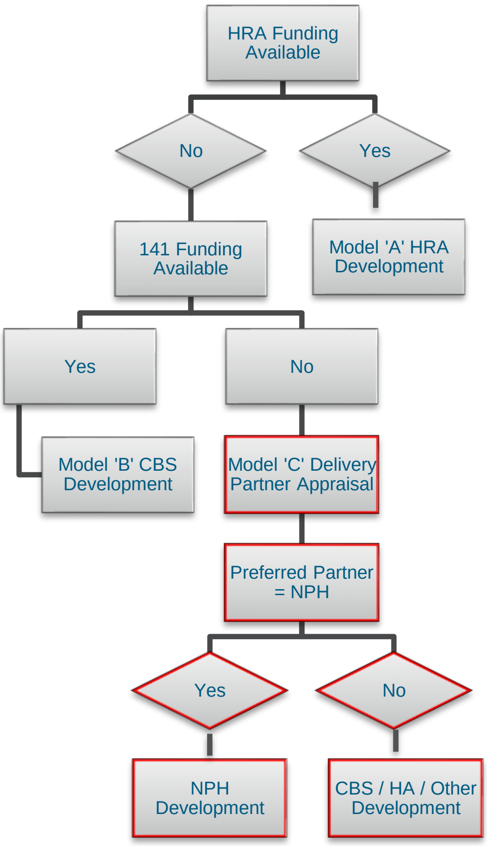
(d) NPH's proposition assumes a number of the CBS' board members are officers or board members of NPH. We take the view that care should be taken in this regard (given the independence imperative referred to above) and the assumption made about the role that NPH will play in the provision of services to the CBS. The CBS' board will need to approve entry into contracts with the Council and NPH and will need to monitor performance. Any individuals on the board that are connected to the Council or NPH will have an interest in that matter and there is scope, in certain circumstances, for that interest to constitute a conflict.

(e) In our view, therefore, ideally, a board of four would involve no more than one board member that is also connected to the Council and one that is connected with NPH; that would leave two board members that are independent of both organisations. If the quorum for board meetings were to be set at two, the board would remain able to attend to any business relating to transactions with the Council and /or NPH where those individuals step aside from those board items.

(f) We would envisage the board members (from time to time) being the shareholders of the CBS (a commonly adopted structure on CBSs in the housing sector). Given the not-for-profit status of the CBS, the role of shareholders will be limited; their main function being to act as the guardians of the CBS' constitution.

7. Conclusions

The new proposition document prepared by NPH incorporated a filter diagram to illustrate the process for deciding which entity (the Council, the CBS or NPH) should undertake a development. We have reproduced that diagram below but added (highlighted in red) an evaluation process in respect of schemes for which no RTB 141 funding is available.



The mechanism illustrated above is broadly in line with NPH's new proposition but includes provision for the council to assess the relative merits of alternative development partners where it considers better outcomes may be obtainable. This should be a fairly straight forward process of examining the tax, level of council control and specific funding implications of the alternative arrangements.

The selection of the board of CBS should reflect the imperative that there is no question over the CBS' independence from the Council. We suggest that with a four person board this could be achieved by:

1. Having no more than one board member that is also connected to the Council and one that is connected with NPH;

2. Appointing a Chair who can objectively be seen to be independent of NPH and the Council