



**NORTHAMPTON**  
**BOROUGH COUNCIL**

# **CABINET AGENDA**

**Wednesday, 12 December 2018**

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

6:00 pm

**Members of the Cabinet:**

**Councillor:** Jonathan Nunn (Leader of the Council)

**Councillor:** Phil Larratt (Deputy Leader)

**Councillors:** Mike Hallam, Tim Hadland, Stephen Hibbert, Brandon Eldred, Anna King and James Hill.

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**Chief Executive**

**George Candler**

If you have any enquiries about this agenda please contact  
[democraticservices@northampton.gov.uk](mailto:democraticservices@northampton.gov.uk) or 01604 837722

## PORTFOLIOS OF CABINET MEMBERS

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

### SPEAKING AT CABINET MEETINGS

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

Registration can be by:

Telephone: (01604) 837722  
(Fax 01604 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](mailto:democraticservices@northampton.gov.uk)

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

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

### KEY DECISIONS

 denotes the issue is a 'Key' decision:

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

**NORTHAMPTON BOROUGH COUNCIL  
CABINET**

Your attendance is requested at a meeting to be held:  
in The Jeffrey Room, The Guildhall, St. Giles Square, Northampton, NN1  
1DE

on Wednesday, 12 December 2018  
at 6:00 pm.

**George Candler  
Chief Executive**

**AGENDA**

- 1. APOLOGIES**
- 2. INTENTION TO HOLD PART OF THE MEETING IN PRIVATE IF NECESSARY**
- 3. DEPUTATIONS/PUBLIC ADDRESSES**
- 4. DECLARATIONS OF INTEREST**
- 5. COUNCIL TAX BASE -2019 -2020**

Report of the Head of Finance (Copy herewith)

- 6. LOCAL COUNCIL TAX REDUCTION SCHEME**

Report of Head of Finance (Copy herewith)

- 7. DRAFT GENERAL FUND MEDIUM TERM FINANCIAL PLAN 2019/20 - 2022/23  
AND DRAFT BUDGET 2019/20**

Report of Head of Finance (Copy herewith)

- 8. HOUSING REVENUE ACCOUNT (HRA) BUDGET, RENT SETTING -2019/20  
AND BUDGET PROJECTIONS 2020/21 TO 2022/23**

Report of Head of Finance (Copy herewith)

- 9. 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.”



Appendices  
1



**NORTHAMPTON**  
BOROUGH COUNCIL

## CABINET REPORT

<b>Report Title</b>	<b>COUNCIL TAX BASE 2019 -2020</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	12 <sup>th</sup> December 2018
<b>Key Decision:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorate:</b>	Finance & Resources
<b>Accountable Cabinet Member:</b>	Brandon Eldred
<b>Ward(s)</b>	All

### 1. Purpose

- 1.1 The report sets out the calculation of Northampton Borough Council's Tax Base for the year 2019/20 under the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) regulations 2003 (SI 2003/3012) and amendments made in the Local Government Act 2012.
- 1.2 The report sets out the option to change the level of premium for long term empty properties in accordance with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill, which comes into effect in April 2019, assuming Royal Assent is achieved in time.

## 2. Recommendations

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- 2.1 That Cabinet recommend to Council to approve the tax base for 2019/20 at 68,418.55 Band D equivalent properties and associated parish tax bases within this report.

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

	2018/19	2019/20	Change
Billing	2,761.23	2,804.54	43.31
Collingtree	522.7713	528.47	5.70
Duston	5,521.83	5,562.62	40.79
Great Houghton	290.3029	294.81	4.50
Hardingstone	804.9904	816.31	11.32
Upton	3,015.72	2,723.61	-292.11
Wootton, Wootton Fields & Simpson Manor	2,958.24	2,980.14	21.90
East Hunsbury	3,462.75	3,510.44	47.69
West Hunsbury	1,650.38	1,661.73	11.35
Hunsbury Meadow	505.4516	888.34	382.89
Northampton (Unparished)	45,380.28	46,647.54	1,267.26
Total tax base	66,873.95	68,418.55	1,544.60

- 2.2 That Cabinet delegate to the Section 151 Officer in consultation with the Cabinet member for Finance to make any technical adjustments necessary arising out of the Local Government draft settlement which impacts on the tax base, and to confirm, and inform the relevant authorities, the estimated surplus/deficit on the Collection Fund and how much would be attributable to each council, including NBC, after the statutory date of the 15th January 2019.
- 2.3 The above figures include the movement of properties between Upton and Hunsbury Meadow as part of the boundary change.
- 2.4 The detailed breakdown of how the tax base and the associated parish tax bases are calculated is shown as a band D equivalent in appendix 1.
- 2.5 Cabinet to recommend that the long-term empty property premium of 100% is implemented for properties vacant for over two years to Council, to take effect from the 1<sup>st</sup> April 2019.

### 3. Issues and Choices

#### 3.1 Report Background

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

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

3.1.2 A summary of the key financial movements in the tax base and collection fund is summarised below.

2018/19		2019/20	Additional yield	NBC element
96,412	Properties	97,509		
165.10	Growth	608.76	751,378	104,783
65%	Council Tax Reduction Scheme	65%	-	-
97.8%	Change in forecast BDP in tax base	98.3%	543,789	75,834
100%	Change in BDP in Collection Fund	80%	2,003,218	279,351
		<b>Total</b>	<b>3,298,385</b>	<b>459,967</b>

[The additional yield figures (total in £s) are calculated using the 2018/19 precepts.]

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

2018/19		2019/20
74,486.26	Tax Base (Band D equivalent)	74,651.36
-204.83	Growth in tax base (note 1)	271.11
535.33	Planning Assumptions (note 2)	388.89
-165.40	Exemptions & Discounts (note 3)	-51.24
-6,273.09	Council Tax Reduction Scheme (note 4)	-5,658.35
-1,504.32	Non-Collection (note 5)	-1,183.23
66,873.95	Taxbase for Council Tax	68,418.55

3.1.4 Note 1 – The number of properties completed by the builders since November 2017 has been in line with the estimate. There has been an increase of 1,097 properties from the 2018/19 tax base to the 2019/20 tax base. However due to the additional work carried out to maximise the New Homes Bonus, additional growth has also been identified.

3.1.5 Note 2 – This is an estimate of the properties that the builders expect to complete in the next financial year, plus any that are due to be completed between the 1<sup>st</sup> December 2018 and the 31<sup>st</sup> March 2019. There is currently a

reduction of 50% of the potential banding applied to the estimated new build figures to allow for part year liability, discounts and exemptions.

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

3.1.6.□.1 Severe Mental Impairment and Carer cases, this is due to continued awareness, with more customers remaining in their homes for longer and the reduction in awards for CTRS.

3.1.6.□.2 Single Person Discount awards, currently NCC are considering funding a countywide review, which historically has resulted in a significant reduction in claims.

3.1.6.□.3 Charity exemptions, this is primarily due to housing associations being able to claim an exemption for empty properties.

Please see appendix 2 for a list of all breakdown of all exemptions, discounts and disregards, as at the 30th November, used for the 2018/19 and 2019/20 tax bases.

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

3.1.8 Note 5 - The collection rate of council tax has been increased from 97.8% to 98.3% for the 2019/20 tax base setting. Collection rates have improved in recent years, especially against arrears, to a level where a surplus has been declared in the Collection Fund. The collection rate is reviewed each year as part of the tax base setting process.

3.1.9 There is an estimated surplus apportioned on the Collection Fund, detailed in the draft budget report to December Cabinet, which potentially could change prior to the formal notification on the 15<sup>th</sup> January 2019. The £3.656m, would be distributed as follows, £0.510m for NBC (which would equate to £2.669m for NCC and £0.477m for NPCC. This surplus also includes a reduction in the bad debt provision from 100% to 80%, due to continued improvement in collection rates.

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

a) Up to 100% for homes empty between 2 and 5 years (this would come into effect in April 2019, assuming Royal Assent is achieved in time)

b) Up to 200% for homes empty between 5 and 10 years (to come into effect from April 2020) and



c) Up to 300% for homes empty for 10 years or more (to come into effect from April 2021)

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

### **3.2 Issues**

3.2.1 The report represents the application of a prescribed process.

3.2.2 The proposal to change council tax long term empty premium must be seen in the wider context of delivering a balance budget for 2019/20 and is part of a number of options to achieve the same.

### **3.3 Choices (Options)**

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

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

3.3.3 To decide whether or not, to increase the existing premium charge from 50% to 100% for property empty and unfurnished for two years and over, with effect from the 1<sup>st</sup> April 2019.

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

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

3.3.6 To approve the recommendations in the report

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 None

### **4.2 Resources and Risk**

4.2.1 No resource required. The base has to be determined by the 31st January 2019 by Full Council

4.2.2  The proposal to change council tax long term empty premium must be seen in the wider context of delivering a balance budget for 2019/20 and is part of a number of options to achieve the same.

- 4.2.3 The premium only applies to properties that unoccupied and unfurnished, should a property become furnished at any time then the premium would no longer be applicable, even if it remained unoccupied.
- 4.2.4 Currently there are 174 properties in the borough of Northampton where the increase in premium from 50% to 100% could be applied. If applied, this would increase the 19/20 tax base by 67.50 band d equivalent properties. Based on the estimated precepts for 19/20 this has the potential to raise the following income.

NBC	16,420.79
NCC	81,839.36
Fire	4,101.98
Police	15,730.01
	<u>118,092.15</u>

- 4.2.5 It should also be noted that of these properties identified, 13 belong to NBC, 10 of which are at Toms Close. If these properties were to remain empty for the whole of 19/20, there would be a cost to NBC of £9,338.70, to offset against the increase income.
- 4.2.6 A risk of the premium for long term empty properties in raising additional income, is that customers may take steps to evade this, or avoiding informing us that the property has become empty.
- 4.2.7 The Government has announced an intention to develop guidance on considerations for properties subject to long term empty premium, but this not available to date. However, it will be necessary for the Council to consider any recommendations when available.
- 4.2.8 That the above policy position in respect of the Local Council Tax Reduction Scheme be kept under review in respect of future years
- 4.2.3 That the above policy position in respect of discretionary discounts and exemptions be kept under review in respect of future years

### **4.3 Legal**

- 4.3.1 These are covered within the body of the report.

### **4.4 Equality**

- 4.4.1 No direct impact on equality context, however any resulting impact on options/ consultations for budgets will have to be considered individually.
- 4.4.2 No direct impact on equality has been identified, however we will monitor to ensure unforeseen equality issues are identified and used to inform future reviews of this policy.

#### **4.5 Consultees (Internal and External)**

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

4.5.2 External: None

#### **4.6 How the Proposals deliver Priority Outcomes**

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

#### **4.7 Other Implications**

4.7.1 None

#### **5. Background Papers**

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None

**Ian Tyrer, Revenues & Benefits Technical Manager Financial  
Extension 7451, [ityrer@northampton.gov.uk](mailto:ityrer@northampton.gov.uk)**

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

Appendix 1

<b>Northampton</b>	<b>18/19</b>		<b>19/20</b>
BAND	Total		Total
Number on list	96,575.00		97,509.00
less exemption	1,932.00		1,920.00
plus disabled from higher band	424.00		406.00
less disabled going into lower band	424.00		406.00
less number of one adult resident household x25%	8,078.25		8,224.63
less number of properties with no residents but not exempt x50%	-32.25	-	112.25
less number of second home properties with no residents but not exempt x10%	162.00		181.00
∞ long-term empties x no discount	1,398.00		1,468.00
less CTRS	-8,429.63	-	7,601.43
plus f y e for new properties	589.00		450.50
Total	78,756.37		80,325.70
conversion to band d equivalent band d equivalent	68,378.27		69,601.78
<b>Assume 97.8% collection</b>	<b>66,873.95</b>	<b>Assume 98.3% collection</b>	<b>68,418.55</b>

<b>Duston</b>	<b>18/19</b>		<b>19/20</b>
BAND	Total		Total
Number on list	7292.00		7,300.00
less exemption	73.00		91.00
plus disabled from higher band	39.00		41.00
less disabled going into lower band	39.00		41.00
less number of one adult resident household x25%	562.25		582.00
less number of properties with no residents but not exempt x50%	-0.50	-	2.00
less number of second home properties with no residents but not exempt x10%	4.00		9.00
Ⓞ long-term empties x no discount	70.00		54.00
less CTRS	-393.70	-	354.77
plus f y e for new properties	0.00		2.50
Total	6263.55		6,276.73
conversion to band d equivalent band d equivalent	5646.05		5,658.82
<b>Assume 97.8% collection</b>	<b>5,521.83</b>	<b>Assume 98.3% collection</b>	<b>5,562.62</b>

<b>Collingtree</b>	<b>18/19</b>	<b>19/20</b>
BAND	Total	Total
Number on list	434.00	433.00
less exemption	3.00	1.00
plus disabled from higher band	7.00	8.00
less disabled going into lower band	7.00	8.00
less number of one adult resident household x25%	21.00	23.75
less number of properties with no residents but not exempt x50%	-4.00	- 9.00
less number of second home properties with no residents but not exempt x10%	1.00	1.00
10 long-term empties x no discount	4.00	3.00
less CTRS	-10.69	- 9.93
plus f y e for new properties	0.00	0.50
Total	403.31	407.82
conversion to band d equivalent band d equivalent	534.53	537.61
<b>Assume 97.8% collection</b>	<b>522.77</b>	<b>Assume 98.3% collection 528.47</b>

<b>Billing</b>	<b>18/19</b>	<b>19/20</b>
BAND	Total	Total
Number on list	3,866.00	3,912.00
less exemption	29.00	33.00
plus disabled from higher band	29.00	24.00
less disabled going into lower band	29.00	24.00
less number of one adult resident household x25%	303.75	306.63
less number of properties with no residents but not exempt x50%	3.00	-
less number of second home properties with no residents but not exempt x10%	2.00	4.00
→ long-term empties x no discount	31.00	33.00
→ less CTRS	-431.29	- 392.07
plus f y e for new properties	41.50	-
Total	3,140.46	3,180.30
conversion to band d equivalent band d equivalent	2,823.35	2,853.04
<b>Assume 97.8% collection</b>	<b>2,761.23</b>	<b>Assume 98.3% collection</b>
		<b>2,804.54</b>

<b>Great Houghton</b>	<b>18/19</b>	<b>19/20</b>
BAND	Total	Total
Number on list	284.00	284.00
less exemption	0.00	-
plus disabled from higher band	1.00	1.00
less disabled going into lower band	1.00	1.00
less number of one adult resident household x25%	17.25	17.75
less number of properties with no residents but not exempt x50%	-0.50	- 2.00
less number of second home properties with no residents but not exempt x10%	0.00	1.00
12 long-term empties x no discount	3.00	1.00
less CTRS	-10.69	- 7.48
plus f y e for new properties	0.00	-
Total	256.56	260.77
conversion to band d equivalent band d equivalent	296.83	299.91
<b>Assume 97.8% collection</b>	<b>290.30</b>	<b>Assume 98.3% collection 294.81</b>



<b>Hardingstone</b>	<b>18/19</b>	<b>19/20</b>
BAND	Total	Total
Number on list	1,001.00	1,003.00
less exemption	6.00	7.00
plus disabled from higher band	11.00	9.00
less disabled going into lower band	11.00	9.00
less number of one adult resident household x25%	77.00	74.75
less number of properties with no residents but not exempt x50%	0.00	-
less number of second home properties with no residents but not exempt x10%	3.00	3.00
13 long-term empties x no discount	7.00	8.00
less CTRS	-61.34	- 56.37
plus f y e for new properties	0.00	-
Total	856.66	864.88
conversion to band d equivalent band d equivalent	823.10	830.42
<b>Assume 97.8% collection</b>	<b>804.99</b>	<b>Assume 98.3% collection 816.31</b>

<b>Upton</b>	<b>18/19</b>	<b>19/20</b>
BAND	Total	Total
Number on list	3,355.00	3,254.00
less exemption	54.00	50.00
plus disabled from higher band	17.00	13.00
less disabled going into lower band	17.00	13.00
less number of one adult resident household x25%	283.00	289.75
less number of properties with no residents but not exempt x50%	0.00	0.50
less number of second home properties with no residents but not exempt x10%	12.00	7.00
14 long-term empties x no discount	54.00	52.00
less CTRS	-254.80	- 235.19
plus f y e for new properties	307.50	38.00
Total	3,070.70	2,716.56
conversion to band d equivalent band d equivalent	3,083.56	2,770.72
<b>Assume 97.8% collection</b>	<b>3,015.72</b>	<b>Assume 98.3% collection 2,723.61</b>

<b>Hunsbury Meadow</b>	<b>18/19</b>	<b>19/20</b>
BAND	Total	Total
Number on list	498.00	884.00
less exemption	3.00	7.00
plus disabled from higher band	2.00	2.00
less disabled going into lower band	2.00	2.00
less number of one adult resident household x25%	30.75	58.00
less number of properties with no residents but not exempt x50%	0.00	-
less number of second home properties with no residents but not exempt x10%	0.00	1.00
15 long-term empties x no discount	2.00	6.00
less CTRS	-16.92	- 33.05
plus f y e for new properties	0.00	57.50
Total	447.33	843.45
conversion to band d equivalent band d equivalent	516.82	903.71
<b>Assume 97.8% collection</b>	<b>505.45</b>	<b>Assume 98.3% collection 888.34</b>

<b>West Hunsbury</b>	<b>18/19</b>	<b>19/20</b>
BAND	Total	Total
Number on list	1,868.00	1,868.00
less exemption	14.00	13.00
plus disabled from higher band	14.00	13.00
less disabled going into lower band	14.00	13.00
less number of one adult resident household x25%	121.50	125.00
less number of properties with no residents but not exempt x50%	-1.50	- 3.00
less number of second home properties with no residents but not exempt x10%	3.00	2.00
16 long-term empties x no discount	9.00	13.00
less CTRS	-97.92	- 93.48
plus f y e for new properties	0.00	-
Total	1,636.08	1,639.52
conversion to band d equivalent band d equivalent	1,687.50	1,690.47
<b>Assume 97.8% collection</b>	<b>1,650.38</b>	<b>Assume 98.3% collection 1,661.73</b>

<b>Wootton, Wootton Fields &amp; Simpson Manor</b>	<b>18/19</b>	<b>19/20</b>
BAND	Total	Total
Number on list	3,013.00	3,014.00
less exemption	20.00	19.00
plus disabled from higher band	15.00	12.00
less disabled going into lower band	15.00	12.00
less number of one adult resident household x25%	170.00	178.50
less number of properties with no residents but not exempt x50%	1.00	1.50
less number of second home properties with no residents but not exempt x10%	4.00	6.00
long-term empties x no discount	29.00	28.00
less CTRS	-88.13	- 73.04
plus f y e for new properties	0.00	-
Total	2,733.87	2,741.96
conversion to band d equivalent band d equivalent	3,024.78	3,031.68
<b>Assume 97.8% collection</b>	<b>2,958.24</b>	<b>Assume 98.3% collection</b>
		<b>2,980.14</b>

<b>East Husbury</b>	<b>18/19</b>	<b>19/20</b>
BAND	Total	Total
Number on list	4,135.00	4,136.00
less exemption	29.00	26.00
plus disabled from higher band	18.00	18.00
less disabled going into lower band	18.00	18.00
less number of one adult resident household x25%	293.00	284.50
less number of properties with no residents but not exempt x50%	0.38	0.38
less number of second home properties with no residents but not exempt x10%	4.00	6.00
18 long-term empties x no discount	72.00	61.00
less CTRS	-138.08	- 111.29
plus f y e for new properties	0.00	-
Total	3,674.55	3,713.83
conversion to band d equivalent band d equivalent	3,540.64	3,571.15
<b>Assume 97.8% collection</b>	<b>3,462.75</b>	<b>Assume 98.3% collection 3,510.44</b>

<b>Unparished</b>	<b>18/19</b>	<b>19/20</b>
BAND	Total	Total
Number on list	70,829.00	71,421.00
less exemption	1,701.00	1,673.00
plus disabled from higher band	271.00	265.00
less disabled going into lower band	271.00	265.00
less number of one adult resident household x25%	6,198.75	6,284.00
less number of properties with no residents but not exempt x50%	-30.13	- 98.63
less number of second home properties with no residents but not exempt x10%	129.00	141.00
19 long-term empties x no discount	1,117.00	1,209.00
less CTRS	-6,926.08	- 6,234.74
plus f y e for new properties	240.00	352.00
Total	56,273.30	57,679.88
conversion to band d equivalent band d equivalent	46,401.11	47,454.27
<b>Assume 97.8% collection</b>	<b>45,380.28</b>	<b>Assume 98.3% collection 46,647.54</b>

Appendix 2

	<b>EXEMPTIONS</b>	<b>18/19</b>	<b>19/20</b>
	Charity	12	24
	Liabile Person detained	21	15
	In hospital / residential care	89	91
	Awaiting Probate	224	210
	Probate < 6 months	41	49
	Occupation prohibited	5	5
	Religious occupation	1	2
	Receiving personal care	8	8
	Student	-	2
	Mortgagee	10	7
	Student Hall of Residence	22	22
	Student household	1,144	1,074
20	Visiting forces	2	1
	Bankrupt	13	5
	Under 18 years	28	24
	Difficult to let	5	4
	Severe Mental Impairment	294	364
	Foreign Diplomat	1	1
	Granny annex	12	12
		<b>1,932</b>	<b>1,920</b>

	<b>DISCOUNTS</b>		
	Single Person Households	31,589	32,176
	Job related Second Homes	3	2
	Second homes or Furnished unoccupied*	162	181
	Empty unfurnished*	1,398	1,468
		<b>33,152</b>	<b>33,827</b>

	<b>DISREGARDS</b>		
	Person in Detention	7	8

\*These classes are currently awarded 0% discount (pay full charge)



Mentally Impaired	230	246
Child Benefit Payable	25	18
Student	446	449
Student Nurse	11	10
Apprentice	12	7
Hospital Patient	5	5
Patient in Home	52	48
Carer	51	60
Hostel Resident	4	2
Religious Community	3	3
School Leaver Under 20	-	1
	<b>846</b>	<b>857</b>

End of Report

Appendices: 3



**NORTHAMPTON**  
BOROUGH COUNCIL

Report Title

**LOCAL COUNCIL TAX REDUCTION SCHEME**

## CABINET REPORT

**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	12 <sup>th</sup> December 2018
<b>Key Decision:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorate:</b>	Finance
<b>Accountable Cabinet Member:</b>	Brandon Eldred
<b>Ward(s)</b>	All

### 1. Purpose

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- 1.1 This report recommends the Council Tax Reduction Scheme for 2019/20, including amendments.
- 1.2 The report follows a period of consultation and provides the recommended scheme for approval at Council.

### 2. Recommendations

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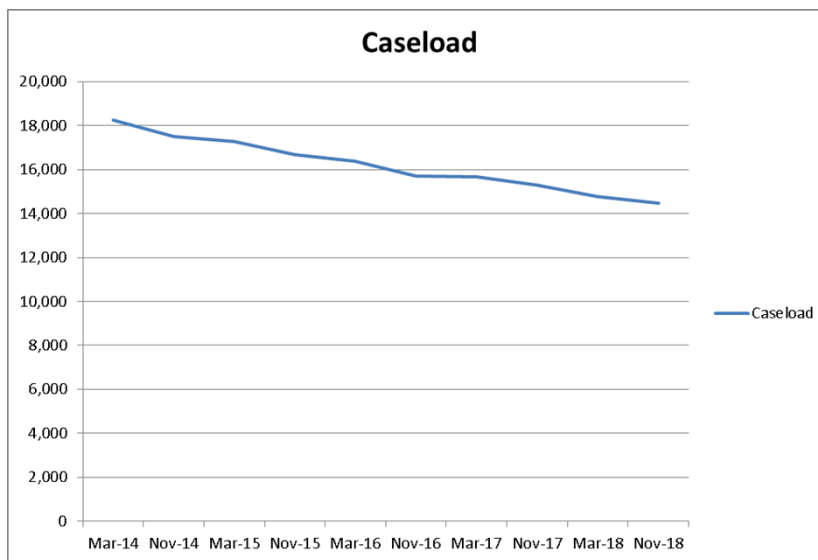
- 2.1 That Cabinet approve the recommendation for the Council Tax Reduction Scheme (CTRS) to remain at a 35% reduction in 2019/20.
- 2.2 That Cabinet recommends the CTRS for approval at Council on the 14th January 2019.

### 3. Issues and Choices

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#### 3.1 Report Background

- 3.1.1 Local Authorities are required to set up their own CTRS from the general funding allocation. This allocation is reducing annually at a forecasted rate of approximately 10% per annum until at least 2019, possibly longer.
- 3.1.2 Reduced funding means the Council is required to consider how to meet its commitment to the CTRS.
- 3.1.3 The graph below demonstrates that the CTRS caseload has continued to reduce each year. Monitoring closely over the period that the CTRS has been operating, has enabled modelling of final expenditure to be estimated more accurately.



- 3.1.4 Central Government suggested that Local Authorities could meet the funding deficit by implementing other changes, to ensure that Local Authorities maximise their opportunities to be financially efficient with the current budgetary pressures. As part of the implementation of the CTRS from 1<sup>st</sup> April 2013 we have already:
- Reconfigured funding, in particular its transfer of services to LGSS.
  - Used the new flexibility over Council Tax to remove the reliefs in respect of second homes and some empty properties; and other reforms of the council tax system, including the use of an electronic leaflet and removal of expensive printing costs traditionally associated with the annual billing process.
- 3.1.5 Under management from the Department for Communities and Local Government (DCLG), using devolved power under the Local Government Finance Act 1992 (as amended); Northampton Borough Council has been operating a means tested local reduction. This saw a 35% reduction in the support available to working age customers in 2018/19.

- 3.1.6 Local Authorities are expected to ensure their CTRS is suitable for its local community and promotes the Governments position on Welfare Reform, by protecting the vulnerable and encouraging work for those of working age.
- 3.1.7 Pensioners will not be affected by the proposed changes to our CTRS and will remain fully protected. This means that NBC will continue to administer protection for year 2019/20 for approximately 6,802 pensioners.
- 3.1.8 Claimant's aged between 18 and 62 are classed as working age (not of pensionable age) and are subject to the CTRS. Approximately 7,868 customers fall into this group and will be affected for collection and financial purposes by a reduction of their existing award. The reduction is applied by a reduction in benefit after all calculations have been made.
- 3.1.9 A full income disregard of War Widows Pension and War Disablement Pension will continue. This was originally adopted as part of the 2013/14 CTRS in Northampton. Protection for working age customers in receipt of these benefits will also continue.
- 3.1.10 Additional protection will continue for those in receipt of disablement benefits and **Appendix A** provides the groups afforded additional support under the scheme. The scheme will also continue to support people back into work through a 4-week run on period of support.
- 3.1.11 Part of the feedback from previous consultations is that people feel that reducing the amount of support would probably cause hardship for some people.

## **3.2 Issues**

- 3.2.1 The options for amending the CTRS, as detailed in 3.3 below, were consulted upon. These would reduce or mitigate the impact of the reduced funding for the CTRS.
- 3.2.2 Positive responses from the consultation centred on the concept of 'fairness' and everyone having to contribute to protect services
- 3.2.3 Negative responses included concerns about being able to afford increasing contributions toward Council Tax bills, in addition to already increasing priority bills and static incomes.
- 3.2.4 Questions were raised about how those already on a low income being able to afford additional money and the impact on their ability to afford necessities and increased debt.
- 3.2.5 It was also raised that the proposed percentages were too high and that any increase be kept to a minimum to support those most vulnerable
- 3.2.6 It was highlighted that these changes could impact vulnerable people and low income families.
- 3.2.7 Awareness was demonstrated of the impact of non-payment and subsequent increase on recovery costs.

### **3.3 Local Council Tax Reduction options for 2019/20**

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

This would mean that CTRS is calculated the same as in 2018/19.

#### **3.3.2 Option 2: Increase the maximum amount of CTRS from 65% to 70%.**

This is where the council decreases the % that each recipient has to pay. This would result in the recipients of a reduction needing to pay less Council Tax, and the Council would need to find further additional funding for 2019/20 due to funding reductions in the local government finance settlement and increased CTRS expenditure.

#### **3.3.3 Option 3: Reduce the maximum amount of CTRS from 65% to 60%.**

This is where the Council increases the % that each recipient has to pay. This would result in the recipients of a reduction needing to pay more Council Tax.

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

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

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

The funding for the existing scheme will reduce again in 2019/20, resulting in the Council being expected to find additional monies from other sources to protect the existing level of support afforded through CTRS. However the drop in caseload over the last year, as demonstrated in 3.1.3 has meant the current scheme remains self-funding.

Funding for the existing scheme would not change for the combined Northamptonshire County Council, Northamptonshire Police and Crime Commissioner, and Northampton Borough Council.

When the Council consulted for the 2019/20 scheme, this was the most popular option overall, whether in receipt of CTRS or not, and regardless of age, gender, or disability status.

#### **3.4.2 Option 2: Increase the maximum amount of CTRS from 65% to 70%.**

Funding for the existing scheme will reduce again in 2019/20 and therefore the Council would have been left to find £55,331 from other sources to provide this increased level of support from CTRS.

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

When the Council consulted for the 2019/20 scheme, this was the least popular option overall, with only 38% of respondents in favour. This figure increased to 67% when looking at just those in receipt of CTRS.

This also means that the Council will need to fund the difference between the

additional paid by the working age CTRS recipients and the funding available and will impact on the wider community in Northampton.

### **3.4.3 Option 3: Reduce the maximum amount of CTRS from 65% to 60%.**

Funding for the CTRS scheme will reduce again in 2019//20 and reducing the level of support from CTRS in this way would provide £55,331 of additional income.

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

When the Council consulted for the 2019/20 scheme, respondents felt that the new proposals would cause additional hardship, that the proposed increase was too high, and suggested alternative ways of funding the shortfall by reviewing Council spending on other projects.

There was concern that increasing the amount payable to 40% would cause considerable difficulties for both individuals and the council in terms of collecting the shortfall in support.

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

## **3.5 Recommended Option (Chosen CTR Scheme)**

- 3.5.1 A reduction of 35% in CTRS from working age recipients from 1st April 2019. This option balances the financial position in 2019/20.
- 3.5.2 Protection as set out in Appendix A will be continue to be afforded to ensure the Council protects disabled and vulnerable citizens, whilst ensuring there remains an incentive to work.
- 3.5.3 Alongside this the Council will continue to provide protection for recipients of war widows and war disablement pension. Therefore income and capital disregards for this group will be retained.
- 3.5.4 A four–week period of extended payments will continue to be provided for customers moving into work. This period will mean that benefit rates are retained for 4 weeks before any reduction is made.
- 3.5.5 The Council will review carefully the position in 2019/20. Alongside this it will ensure its policies and procedures to support those in hardship meet the needs of our citizens in providing or referring for financial advice.

## **4 Implications (including financial implications)**

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### **4.1 Policy**

4.1 The report outlines options for our CTRS, which if chosen, will set policy.

### **4.2 Resources and Risk**

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

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

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

4.2.4 In 2019/20 it is forecast that CTRS caseloads will continue to fall. Central government funding is also continuing to fall. However, in 2019/20 the council is also forecasting some growth in business rates, which will partially offset the reduced central government funding. That means that in 2019/20 it will be possible to maintain the scheme at 35% and still break even against the notional funding level.

4.2.5 The current financial modelling undertaken on the recommended CTRS for 2019/20 is based on the latest intelligence around collection rates and government funding forecasts and is considered to be self-funding. However, the position would need to be closely monitored during the financial year and the position re-assessed for 2020/21.

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

4.2.7 If the Council fails to agree and implement an amended scheme by 31st January 2019 we will need to retain our current scheme.

### **4.3 Legal**

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

#### **4.4 Equality**

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

- 4.4.1 The equality impact assessment recognises that the amendment to the CTRS will place an additional financial burden on working age customers in 2019/20. Included within this group will be individuals and families with vulnerable characteristics.
- 4.4.2 In order to mitigate against the impact on this group and in particular those vulnerable citizens the Council has continued to afford protection within the more generous means-tested element of the CTRS. This can be found at **Appendix A**. Alongside this the Council will continue to consider fair debt collection principles and provide or refer those under financial pressure for debt advice.

#### **4.5 Consultees (Internal and External)**

- 4.5.1 Local Authorities are obligated to carry out a thorough consultation in-line with the Governments Consultation Principles July 2012, in order to reduce the opportunity for the scheme not to reflect the needs of the local population. The methodology and results of the consultation is attached at **Appendix B**.
- 4.5.2 Consideration required that any consultation that occurred be proportional to the needs of the community and time barred in line with good practice
- 4.5.3 Care must be given to ensure that all members of the community have access to this consultation to ensure that everyone is given a right to be heard on CTRS.
- 4.5.4 The Council's methodology and approach included the following:
  - On-line survey
  - News release(s)
  - Social media (Facebook, Twitter, etc.)
  - Northampton Borough [Council's internet pages](#)
  - All e-mail communication from the Benefit, Council Tax and Customer Services mailboxes included an invitation link to take-part in the consultation
  - Display screens in the One Stop Shop
  - Details of the consultation were emailed to the Multi Agency Forum and our welfare partners, including registered social landlords.
  - Invitations to participate was sent to key stakeholders, including Precepting Authorities, parishes, local Councillors and Members of Parliament
  - Engagement with housing associations and voluntary and community sectors via their various networks
  - Northampton Borough Council's Community Forum members were invited to take part
  - 31,694 email invitations were issued to email addresses held on the Benefit and Council Tax database



#### 4.5.5 Consultation results:

- The website was viewed 1,421 times during the consultation period. Facebook and Twitter posts were viewed by 11,666 people, with 184 following links to the consultation documents. This demonstrates that media coverage of the consultation was active.
- A total of 2,800 people completed the on-line survey.
- 159 people expressed an interest in attending the drop-in information sessions, with 4 actually attending.
- 920 individual comments were received in response to the consultation questions.

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

#### 4.6 How the Proposals deliver Priority Outcomes

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

#### 4.7 Other Implications

None

### 5. Background Papers

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

**Stuart McGregor, Chief Finance Officer (s151), Northampton Borough Council**  
**Robin Bates, LGSS Head of Revenues & Benefits**

## **Northampton Borough Council's Council Tax Reduction Scheme**

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

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

### **Applicable Amounts:**

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

### **Dependants' Allowance**

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

### **Family Premium**

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

### **Disability Premium**

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

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

### **Severe Disability Premium**

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

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

### **Enhanced Disability Premium**

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

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

### **Disabled Child Premium**

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

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

### **Carer premium**

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

### **Council Tax Reduction Scheme – Weekly Applicable Amount Rates**

These are based on the 2018/19 figures, although the Department of Work and Pensions may increase these figures in-line with the Housing Benefit annual up-rating due by the end of January 2019. We also expect the applicable amounts for pensioners to be increased by the Department of Communities and Local Government.

<b>Applicable Amount Rates (Working Age)</b>	<b>April 2018 Rates</b>
<b>Personal Allowances</b>	
<b>Single</b>	
16 to 24	£57.90
25 or over	£73.10
Any age – entitled to main phase Employment & Support Allowance	£73.10
<b>Lone Parent</b>	
Under 18	£57.90
18 or over	£73.10
Any age – entitled to main phase Employment & Support Allowance	£73.10
<b>Couple</b>	
Both under 18	£87.50
One or both over 18	£114.85
Any age – entitled to main phase Employment & Support Allowance	£114.85
Dependent Children (for each child)	£66.90
<b>Premiums</b>	
Family Premium	£17.45
Family Premium (lone parent rate)	£22.20
<b>Disability Premium</b>	
Single	£33.55
Couple	£47.80
<b>Severe Disability Premium</b>	
Single Rate	£64.30
Couple Rate – One member qualifies	£64.30
Couple Rate – Both members qualify	£128.60
<b>Enhanced Disability Premium</b>	
Single Rate	£16.90
Disabled Child Rate	£23.55
Couple Rate	£25.48
Disabled Child Premium	£62.86
Carer Premium	£36.00

## **Treatment of Income:**

### **Increased Earnings Disregards**

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

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

<b>Earnings Disregards</b>	<b>April 2018 Weekly Rates</b>
Single person	£5.00
Couple	£10.00
Disability or Severe Disability Premium	£20.00
Carer Premium	£20.00
Lone parent	£25.00

A further £17.10 a week is also disregarded for:

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

### **Disregard of Disability Benefits**

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

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

### **Non-Dependant Deductions:**

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

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

<b>Non-Dependent Deductions</b>	<b>April 2018 Weekly Rates</b>
In receipt of state Pension Credit or in receipt of IS, JSA(IB), or ESA(IR)	Nil
Aged 18 or over and in remunerative work	
-gross income greater than £436.90	£11.90
-gross income not less than £351.65 but less than £436.90	£9.95
-gross income not less than £202.85 but less than £351.65	£7.90
-gross income less than £202.85	£3.90
Others aged 18 or over	£3.90

### **Childcare:**

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

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

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



## **Council Tax Reduction Scheme Consultation (CTRS)**

Author            Ian Tyrer  
Version          2.0  
Status            Report

## INTRODUCTION:

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

Northampton's scheme for 2018/19 is based on the former Council Tax Benefit Scheme with the exception that all working age claimants could only claim a discount for 65% of the amount they would have received under the old CTB scheme. The council has to carry out an annual review of its CTRS scheme.

The findings from this consultation will help inform any changes that may be required. The scheme for 2019/20 must be agreed by the 31st January 2019.

This consultation took place from 17 September 2018 to 11 November 2018.

## METHODOLOGY

Our approach included the following:

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

The following companion documents were made available:

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



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

- Dedicated email address for enquiries
- Our Customer Service teams were made available to help the public complete the on-line form to mitigate any accessibility issues.
- Five drop in-sessions were made available to provide a personal illustration on what the proposed changes would mean – to enable people to provide a fully informed response. Sessions were offered as follows:
  - ✓ Thursday 20 September 2018 (1pm to 4pm)
  - ✓ Thursday 4 October 2018 (9am to 12pm)
  - ✓ Tuesday 16 October 2018 (9am to 12pm)
  - ✓ Tuesday 25 October 2018 (12:30pm to 15:30pm)
  - ✓ Tuesday 6 November 2018 (4:30pm to 6:30pm)
  - ✓ Those who could not attend were invited to contact us to discuss their situation and how the potential proposals might affect them.

#### **RESULTS:**

The website was viewed 1,421 times during the consultation period, by 1,271 people.

Posts made on Twitter on 19/9/18, 17/10/18, and 5/11/18 were seen by 4,827 people, with 58 people clicking on the link attached.

Posts on Facebook on 18/9/18, 4/10/18 and 29/10/18 were viewed by 6,839 people, with 126 people clicking on the link attached.

This demonstrates that media coverage of the consultation was active.

A total of 2,800 people completed the on-line survey, though not everyone completed every question.

159 people expressed an interest in attending the drop-in information sessions but only 4 people attended.

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

#### **SUMMARY OF FINDINGS:**

In total 2,800 people completed at least one question of the on-line survey and the 3 key questions all have over 2,700 responses. There were also 920 comments made which are summarised below. The full detail of the comments have retained within the Revenues & Benefits service should they be required at a future date.

## **KEY RESULTS:**

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

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

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

Responses are summarized below.

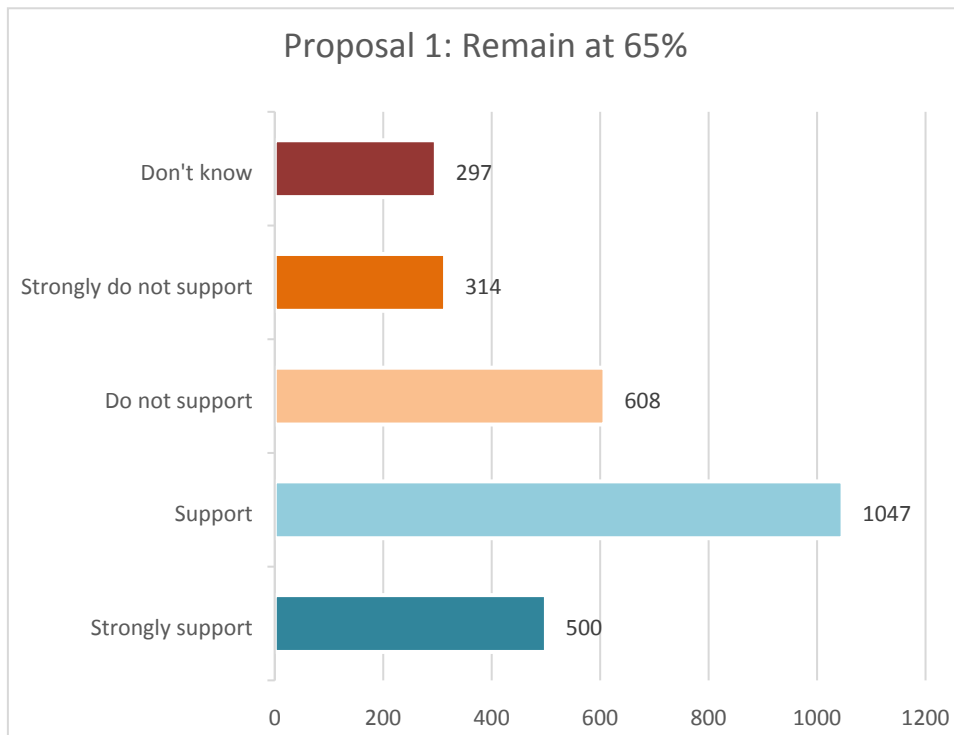
### **Question 2:**

Proposal 1: No change. Maximum amount of CTRS remains at 65%.

This is where the Council continues with the same scheme as 2018/19 and makes no further changes. This means the Council Tax contribution rate for those in receipt of CTR will remain at 35%. However, the council may need to find additional funding for 2019/20 due to funding reductions in the local government finance settlement. To see further details of how this might affect you, please see our website

To what extent do you support this proposal?

2,766 responses were made, with 306 further comments.



The key comments received were as follows:

- 56 respondents stated that the level of support should be reduced. 44 of these confirmed that they were not in receipt of CTRS. 0 stated they were in receipt, and 12 did not say.
- 47 respondents commented that those in receipt of CTRS are already struggling to meet the current liability. There was an even split between those in receipt of CTRS and those not.
- 38 respondents agreed with this proposal. 9 were in receipt of CTRS and 23 were not.
- 27 respondents thought that the level of support should be increased. 7 of these were in receipt of CTRS and 18 were not.
- 24 respondents thought that the council had mismanaged funds in the past.
- 13 respondents wanted more information to be able to make a decision.
- 13 respondents felt that they received poor value for money from the council tax that they paid.
- 12 respondents seem to have misunderstood the proposal as their comment relates to council tax rates rather than CTRS.
- There were 73 other responses to this question that covered a wide range of subjects including tackling fraud, increasing efficiency, and raising or lowering tax.

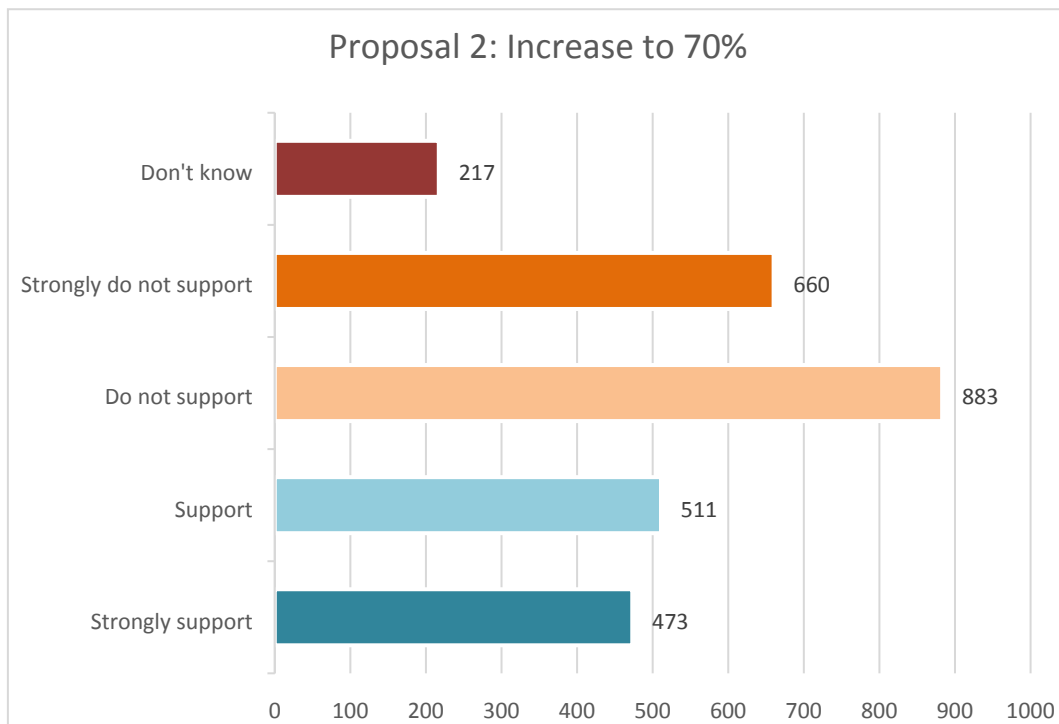
**Question 3:**

Proposal 2: Increase the maximum amount of CTRS from 65% to 70%.

This is where the Council changes the approach of previous years, to reduce financial pressures on customers. This would result in the recipients of a reduction needing to pay less Council Tax, however the Council would need to find additional funding for 2019/20 due to funding reductions in the local government finance settlement. To see further details of how this might affect you, please see our website.

To what extent do you support this proposal?

2,744 responses were made, with 338 further comments.



The key comments received were as follows:

- 81 respondents disagreed with this proposal. 15 of these were in receipt of CTRS, 56 were not, and 10 did not specify.
- 45 respondents agreed with this proposal. 17 of these were in receipt of CTRS, 19 were not, and 9 did not specify.
- 24 respondents stated that they were struggling financially with an even split between those in receipt of CTRS and those not.
- 20 respondents thought that the council had mismanaged funds in the past.
- 13 respondents felt that more support should be provided through CTRS. 4 of these were in receipt of CTRS, 4 were not, and 5 did not specify.
- 13 respondents felt that less support should be provided through CTRS. 0 of these were in receipt of CTRS. 8 were not, and 5 did not specify.
- 10 respondents wanted more information about how this proposal would be funded.

- There were 132 other responses to this question that covered a wide range of subjects including increasing efficiency, raising or lowering tax, and providing poor value for money.

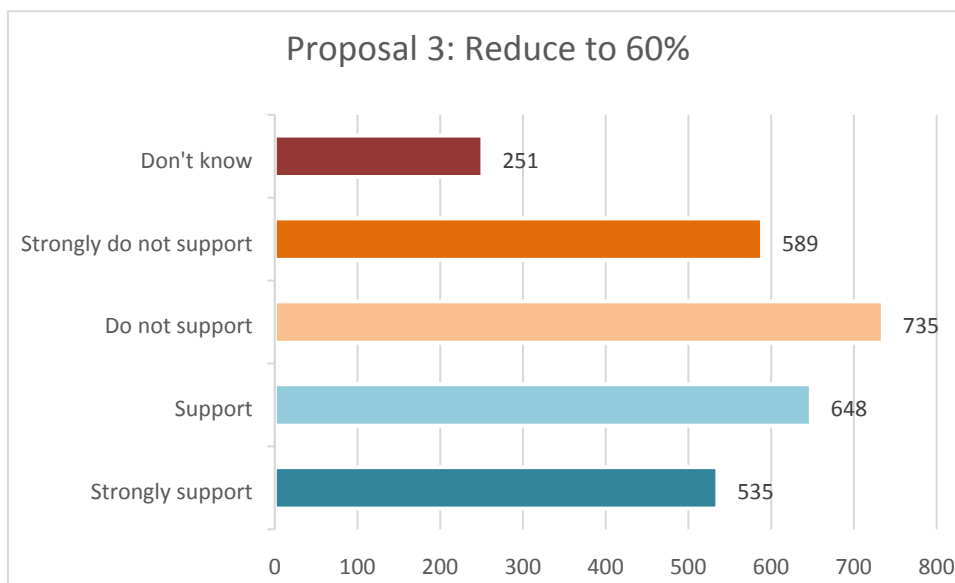
**Question 4:**

Proposal 3: Reduce the maximum amount of CTRS from 65% to 60%.

This is where the Council continues with the existing policy to increase the % that each taxpayer has to pay in line with national changes. This would result in the recipients of a reduction needing to pay more Council Tax, as the Council would need to find additional funding for 2019/20 due to funding reductions in the local government finance settlement. To see further details of how this might affect you, please see our website.

To what extent do you support this proposal?

2,758 responses were made, with 276 further comments.



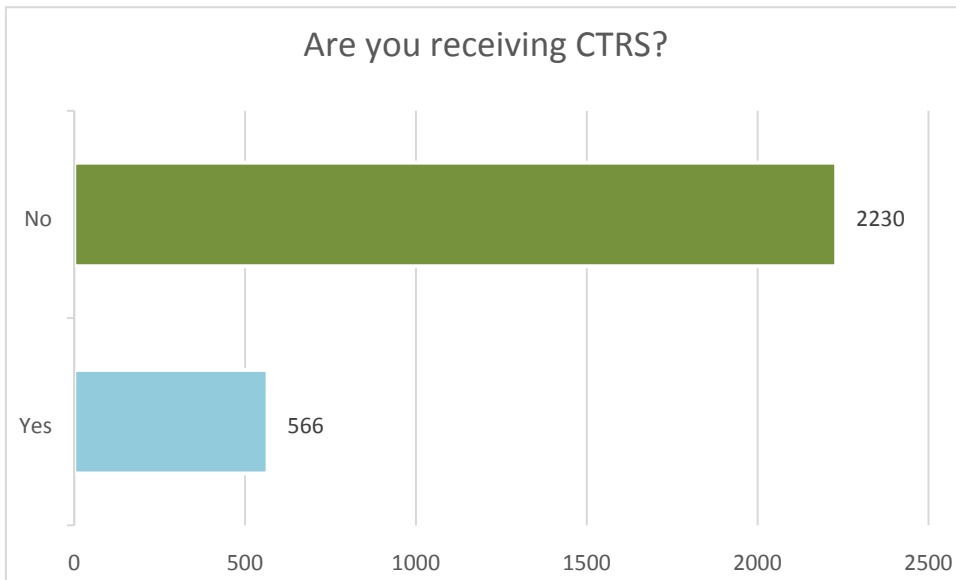
The key comments received were as follows:

- 80 respondents stated that they disagreed with this proposal. 27 were in receipt of CTRS, 38 were not, and 15 did not specify.
- 45 respondents stated that they agreed with this proposal. 3 were in receipt of CTRS, 33 were not, and 9 did not specify.
- 25 respondents indicated that they were currently struggling financially. 13 were in receipt of CTRS, 9 were not, and 3 did not specify.
- 20 respondents felt that less support should be provided. 2 were in receipt of CTRS, 16 were not, and 2 did not specify.
- 14 respondents thought that the council had mismanaged funds in the past.
- There were 88 further responses to this question that covered a wide range of subjects including increasing efficiency, increase tax, and supporting more.

**Question 5**

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

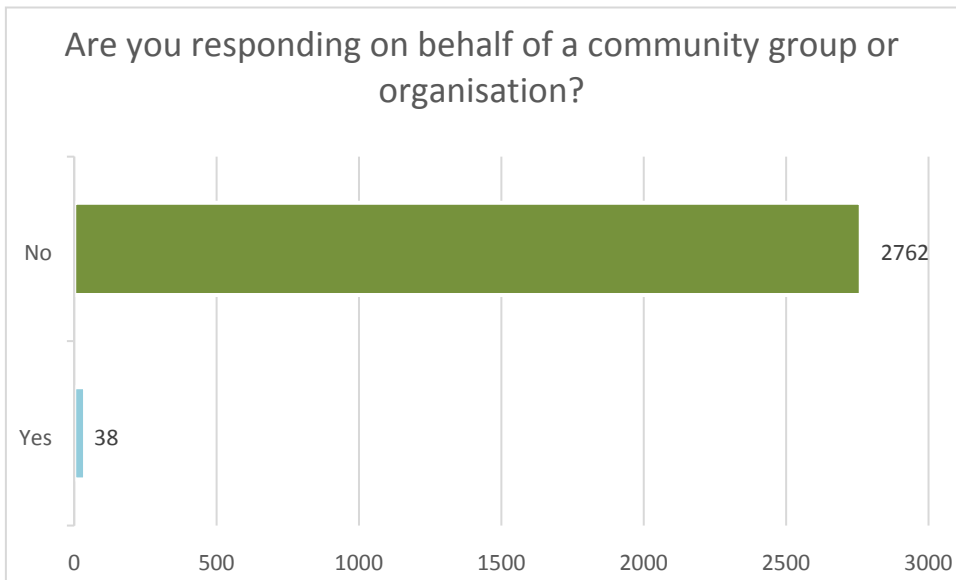
2,230 responses were made.



**Question 6**

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

2,762 responses were made.



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

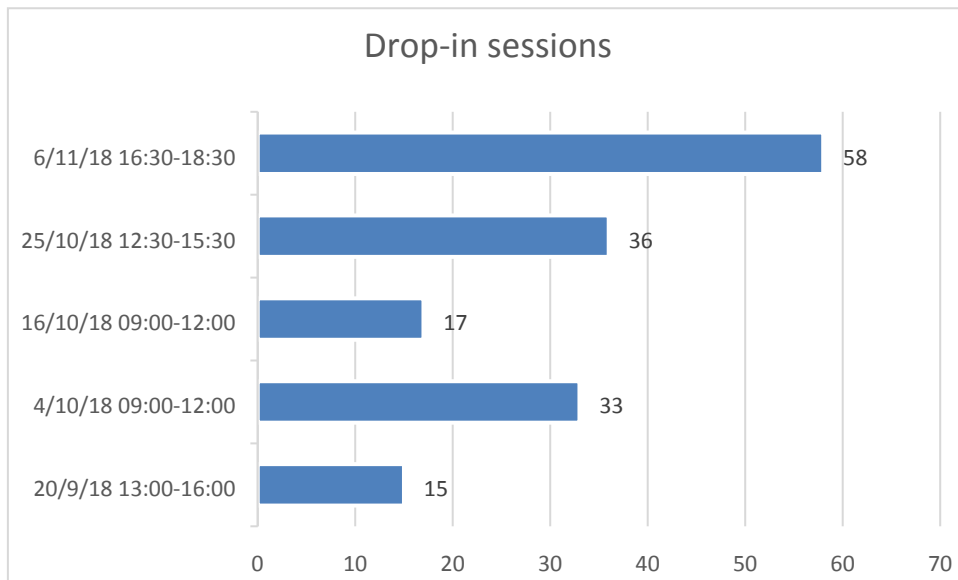
- Afghan Community Northampton
- Northampton House
- Methodist Homestead Charity
- Moving On Up (Northampton) Ltd

- Association of British Commuters Eastern Region
- Bridge Program
- Northampton Sea Cadets.

**Question 7**

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

159 people expressed an interest in attending one of the drop-in sessions. Only 4 people did actually attend. Improving attendance will be a focus for next year.



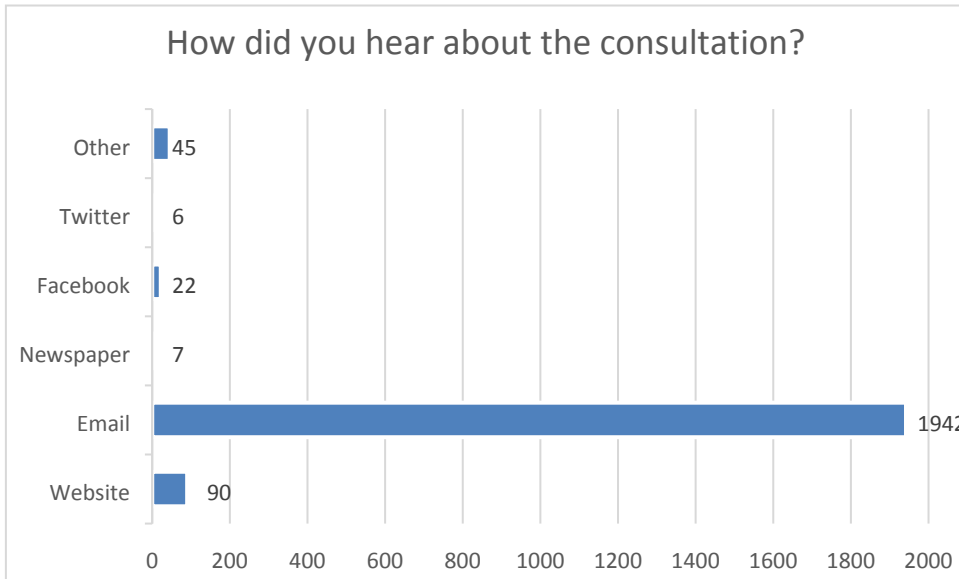
**Question 8**

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

**Question 9**

How did you hear about this consultation?

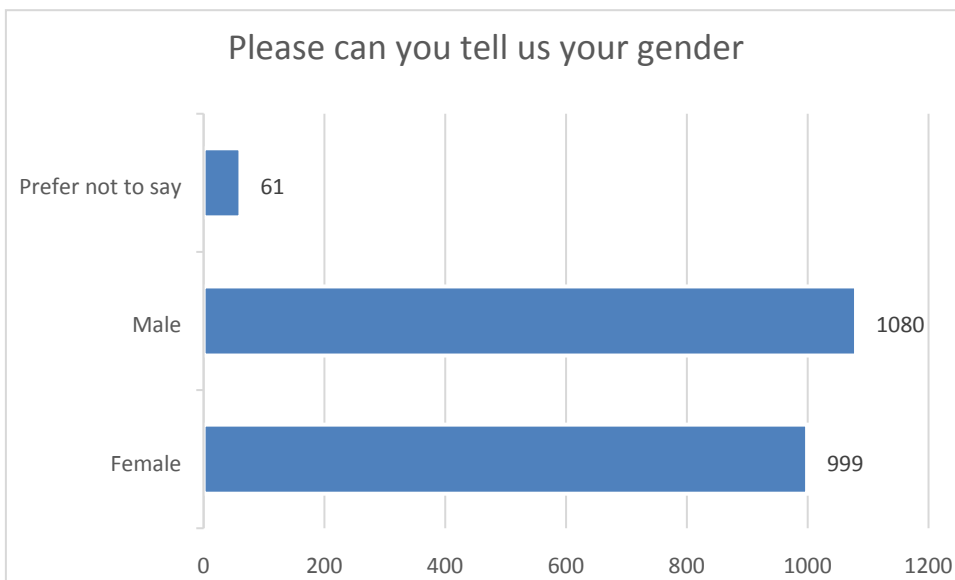
2,112 responses were made.



**Question 10**

Please can you tell us your gender.

2,140 responses were made with a close to even split between male and female.

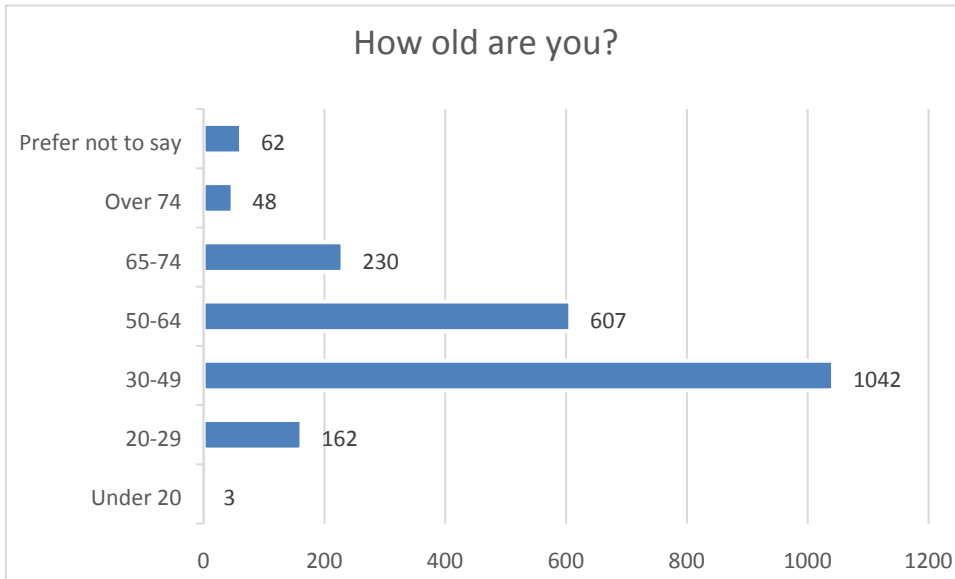




**Question 11**

How old are you?

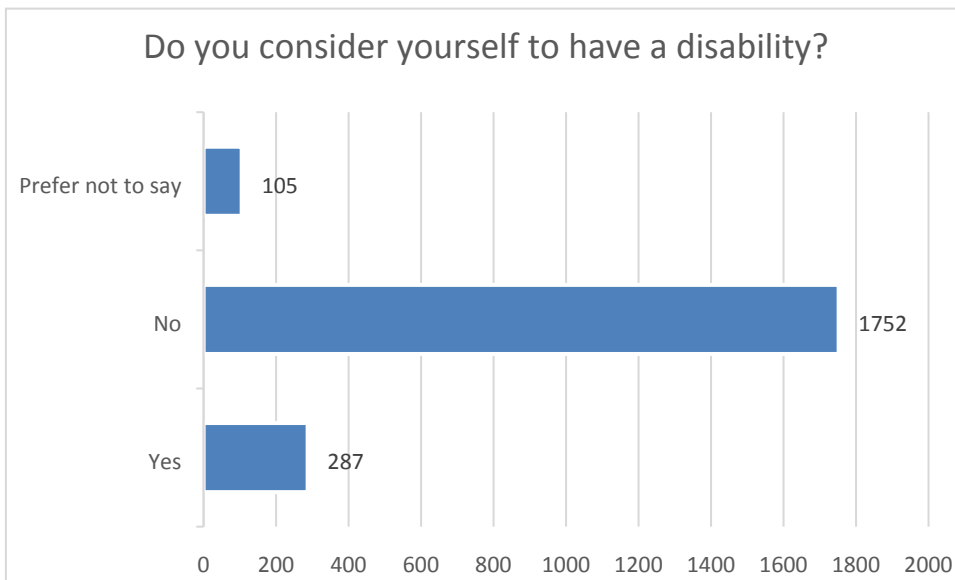
2,154 responses were made.



**Question 12**

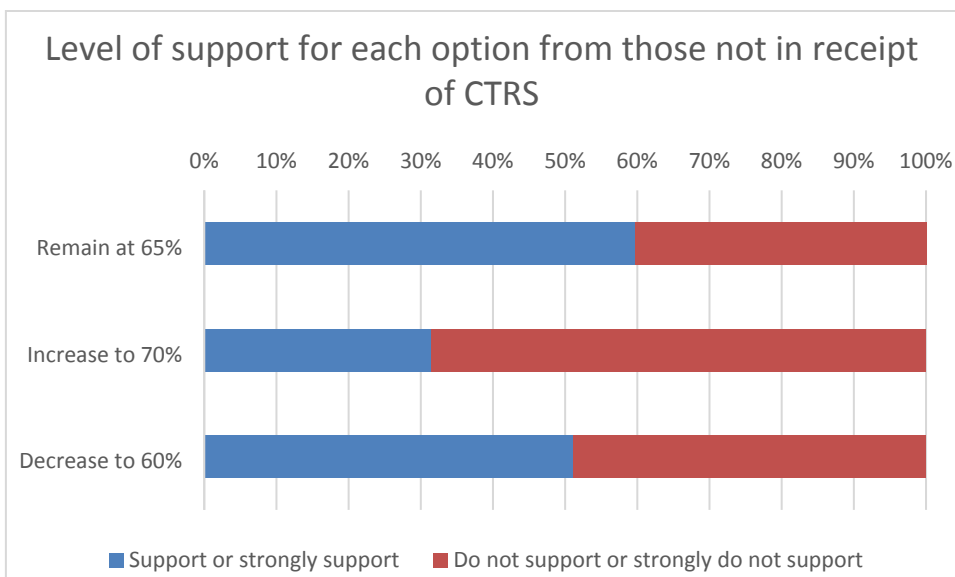
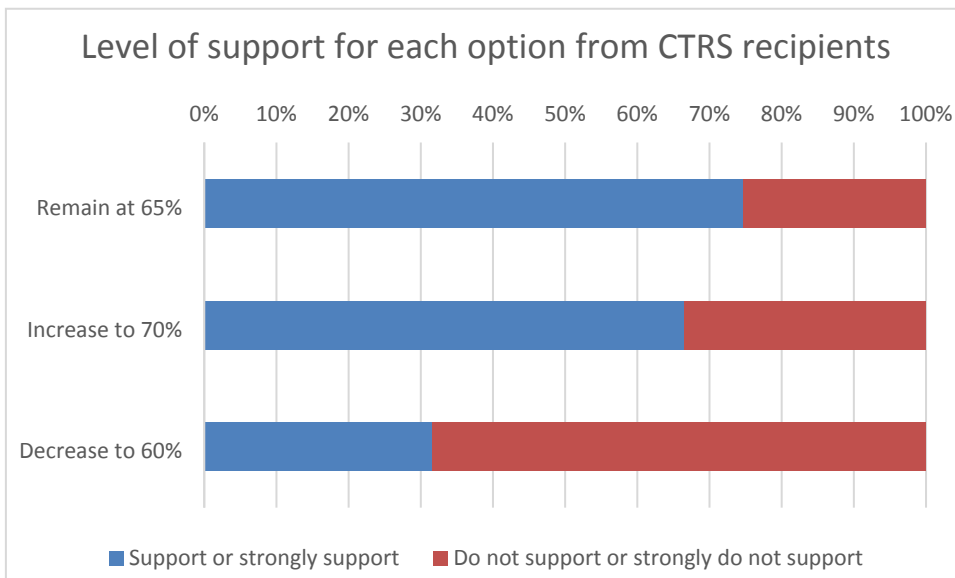
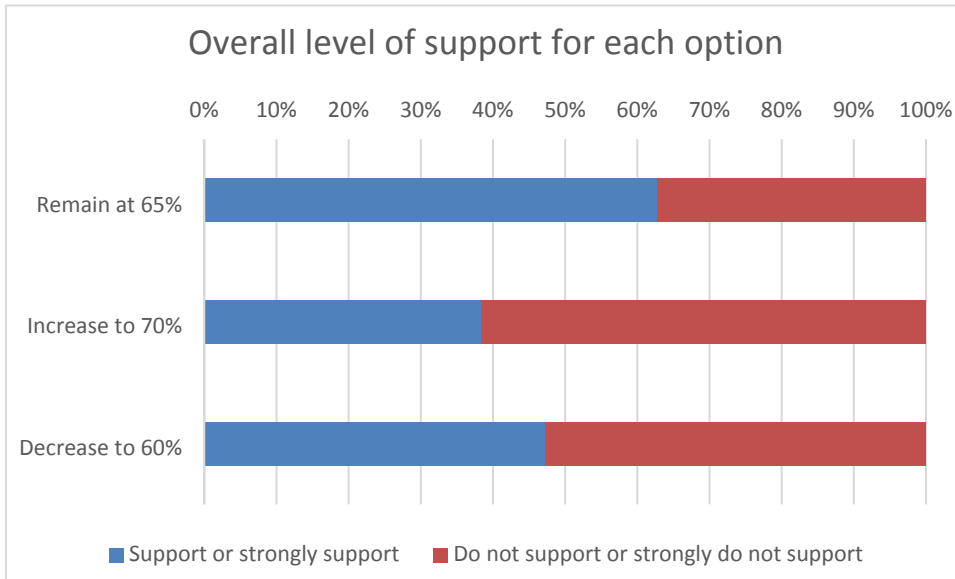
Do you consider yourself to have a disability?

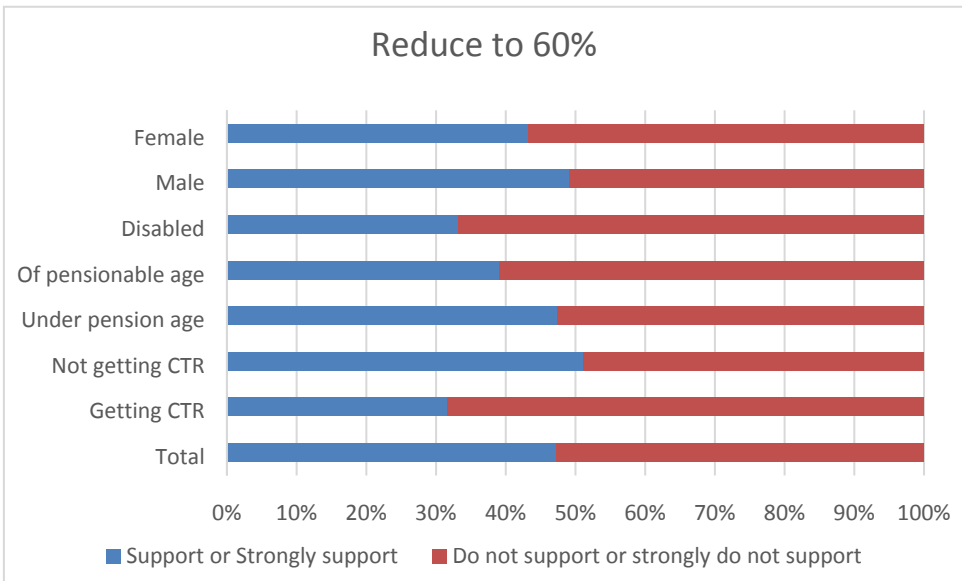
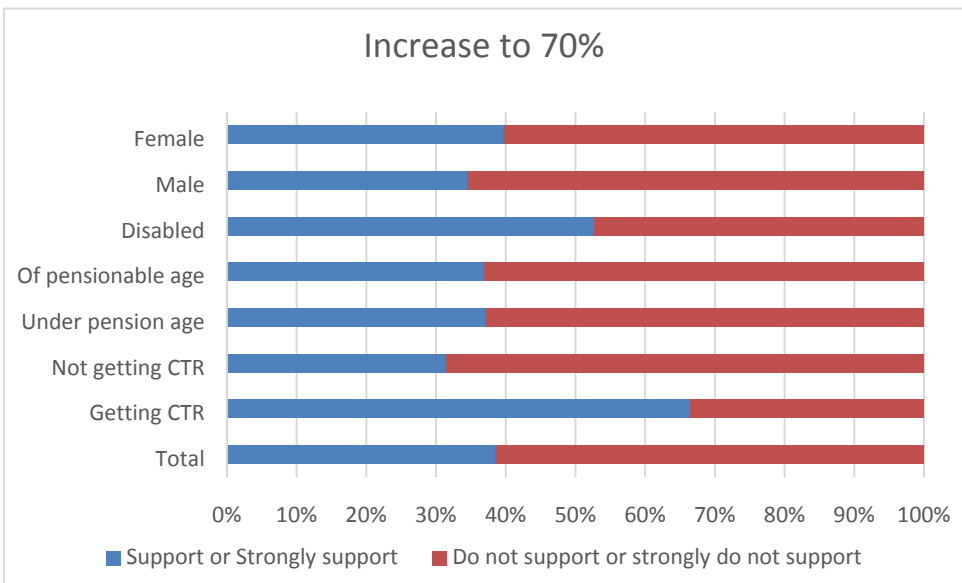
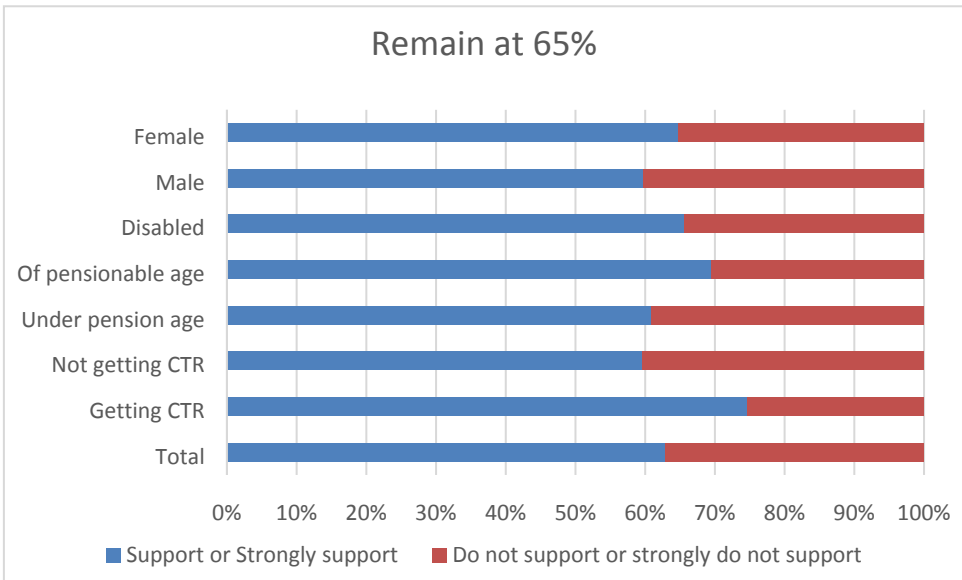
2,144 responses were made.



**FURTHER ANALYSIS:**

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





# Equality Impact Assessment

## Council Tax Reduction Scheme (CTRS)

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

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

<b>Name of policy/activity/project/practice</b>	<b>This is:</b>
Council Tax Reduction Scheme 2019/20	A change to existing policy/activity/practice

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

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

Northampton Borough Council is considering making amendments to its Council Tax Reduction Scheme (CTRS) from the 1<sup>st</sup> April 2019 to ensure it remains financially sustainable.

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

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

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

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

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

Groups who are protected from the proposed amendment are:

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

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

The initial options for consideration in respect of 2019/20 include:

1. **No change – the maximum amount of CTRS to remain at 65%.**
2. **Increase the maximum amount of CTRS from 65% to 70%.**
3. **Decrease the maximum amount of CTRS from 65% to 60%.**

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

- The proposed changes outlined above will have a disproportionate impact on low income working age households because Council Tax Reduction is designed to provide financial support for low income working age households.
- The Council's budget cannot cover a further shortfall in Government funding without using reserves, increasing the Council Tax or reducing Services. Increasing the Council Tax charge has a knock on effect of increasing the CTR scheme cost as all awards would be based on the higher charge. Consequently, the proposed options, which aim to bridge the funding gap, are unlikely to impact on the wider community in Northampton.

## Evidence Base for Screening

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


Equality Group	<p>The following relates to each of the groups listed on the left:</p> <ul style="list-style-type: none"> <li>• CLG Localising Council Tax Equality Impact Assessment and update</li> <li>• Northampton Council tax database</li> <li>• Council Tax Reduction database</li> <li>• EIA's from other NBC departments that are relevant for this assessment.</li> <li>• Past consultation responses</li> <li>• Unemployment by Constituency Research Paper (June 2017)</li> <li>• Public Health England - Health Profile 2017</li> <li>• Government briefing paper: CTR Schemes: Sept 2017</li> <li>• Family Resources Survey: financial year 2015/16</li> <li>• Nomis – official labour market statistics</li> </ul>
Age	
Disability	
Carers (for elderly, disabled or minors)	
Sex	
Gender Reassignment	
Pregnancy and Maternity (incl. breastfeeding)	
Race	
Religion or Belief	
Sexual Orientation	
Human Rights	
Marriage and Civil Partnership	

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

## Step 2: Involvement and Consultation

Outlined below is the previous consultation exercise that was conducted in relation to this policy in 2017:

Equality Group	<p>A similar consultation was carried out in 2017, as part of the implementation of our year 6 CTR scheme.</p>  <p>17-11-15 CTRS VI - Cabinet Report (App</p>
Age	
Disability	
Carers (for elderly, disabled or minors)	
Sex	
Gender Reassignment	
Pregnancy and Maternity (incl. breastfeeding)	
Race	
Religion or Belief	
Sexual Orientation	
Human Rights	
Marriage and Civil Partnership	

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

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

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



### Step 3: Data Collection and Evidence

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

The previous full consultation was undertaken and ran from the 16<sup>th</sup> October 2017 to the 12th November 2017.

The consultation included the following:

- On-line survey
- News release
- Social media (Facebook, Twitter, etc.)
- Northampton Borough Council's internet and intranet pages
- All e-mail communication from the Benefit, Council Tax and Customer Services mailboxes included an invitation link to take-part in the consultation
- Display screens in the One Stop Shop
- Details of the consultation was emailed to the Multi Agency Forum and our welfare partners, including registered social landlords
- Invitations to participate was sent to key stakeholders, including Precepting Authorities, parishes, local Councilors and Members of Parliament
- Engagement with housing associations and voluntary and community sectors via their various networks
- Northampton Borough Council's Community Forum members were invited to take part
- 1,350 email invitations were issued to email addresses held on the Benefit and Council Tax database

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

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

## Step 4: Assessing impact and strengthening the policy

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

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

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

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

## **Proportionality**

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

Based on Northampton Borough Council's caseload data from August 2018 we have 14,670 applicants in receipt of a CTRS discount. Of these 5,507 are of pension age and are protected from these proposed changes.

This leaves 9,163 working age CTRS recipients who will be impacted based on one of the proposed options being adopted. This is because they will receive a different amount of financial support as of 1<sup>st</sup> April 2019 depending on the option selected. This equates to 62% of our CTR caseload.

20% of the working age LCTR caseload are currently employed but still require some level of financial support through the CTR scheme because their wages are relatively low.

26% of the working age LCTR caseload are in receipt of disability benefits. Many of these disabled people are unable to improve their financial circumstances by moving into work and their disability benefits are essentially provided to cover specific costs arising from their disability rather than to meet housing costs or Council Tax liability.

37% of the working age LCTR caseload are single parents (predominantly female) with one or more children.

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

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

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

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

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

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

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

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

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

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

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

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

Please see table above and Step 6 below

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

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

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

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

- All information about the scheme, including an electronic application form will be published on our website, along with other national websites.
- We provide a range of methods by which the service can be accessed:
  - On-Line
  - By telephone
  - In person at the One Stop Shop
  - Home visits
  - Use of Language Line and interpreters.
- The service is also promoted by the Jobcentre and the Pension Service along with a wide range of other welfare partners.
- Training and briefing sessions will be arranged for all affected internal staff, plus external welfare partners to ensure everyone is aware of the scheme and the changes.

## Step 5: Procurement and partnerships

Consideration of external contractor obligations and partnership working:

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

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

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

## Step 6- Making a Decision

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

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

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

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

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

## Collection & Recovery of Council Tax

In-year collection of Council Tax from the CTR cohort as of 31st August 2018 for CTR claimants is 39.93% compared to 39.89% in 2017/18. We have a specific recovery approach for customers in receipt of a CTR discount who also have Council Tax arrears:

- Recovery action commences after three months of arrears as opposed to two months for non CTR recipients.
- Small debts may not be summonsed, which means court costs are not added. These debts are reviewed regularly and will continue to be reviewed in-line with the impact if the proposed changes are implemented.
- To support CTRS we endeavour to contact customers separately before the issue of a summons, where telephone and email addresses as known, to make repayment arrangements wherever possible. These arrangements are then closely monitored to ensure those customers who are making every effort who help themselves do not incur the additional cost of a summons. This additional support comes at an additional cost to NBC.
- If we are unable to contact the customer by phone a voicemail message is left and an additional letter issued asking the customer to contact us.
- In the event that the debt still needs to be passed for Enforcement Agent recovery these are sent as a specialist welfare case, so that a more lenient approach is taken.
- For those customers that cannot, or won't, make an arrangement, they will be issued with a summons. Although customer attendance at court is low, we will still make an arrangement at this stage.
- Where customers are making realistic arrangements to pay these are often small amounts, over a long period of time, regardless of what point of the recovery cycle a customer has reached. Customers have struggled to maintain even these small value arrangements and this increases the cost to the Council to administer.
- There has been a 6.8% decrease in the number of reminders, final notices and summons issued in the first five months of the financial year. This compares to a 4.4% drop in the CTR caseload.
- Where a Liability Order is obtained, the Council's preferred option is to serve an attachment of benefit, and the use of this method of repayment is on the increase compared to previous years. The Council currently collects £29.1k per month through AOB, as compared to £26.2k last year.



- It should be noted that the maximum amount of money that can be deducted is £3.70 per week, regardless of how much a customer owes, and the recovery of council tax is not a priority debt for deduction by the DWP. The maximum a customer in these circumstances can repay is £192.40 per year. In 18/19, an unparished band A property with two adults would be liable for £1,119.07, reducing by maximum CTR would leave the customer liable to pay £391.67. The issue of a summons would add a further £79.90, leaving a customer with an annual charge of £279.17 more than the Council is able to recover.
- There is also a process to support customers whose debt is passed to Enforcement Agents, similar to that provided by the Council.
- The council will also consider writing debts off in exceptional requests of hardship.

The Council is unable to readily gauge the likely impact that any proposed increase in the liable percentage contribution for those of working age in 2019/20 would have on collection performance. However, it is very likely to result in further recovery action and administration, with an increase in the number of Council Taxpayers taken to Court.

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

## **Step 7 – Monitoring, evaluating and reviewing**

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

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

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

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

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

This will provide a broad view of how people are responding to the repayment of an increased amount of Council Tax.

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

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

**3) Monitoring Debt Levels:**

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

**4) Feedback from other partners:**

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

## Step 8 –Action Plan

Actions	Target date	Responsible post holder	Monitoring post holder
Publish EIA	December 2018	Robin Bates	Jon Owst
Liaison with Northampton Borough Council's Money Advice service to establish what scope they have to support affected customers who may require advice and budgeting support.	December 2018	Robin Bates	Jon Owst
Consider communication to working age CTR recipients prior to annual billing to promote the national Money Advice Service and Northampton Borough Council's financial inclusion service.	December 2018	Robin Bates	Jon Owst
Review the Council Tax recovery process for those receiving CTR	January 2019	Robin Bates	Jon Owst
Offer training and/or support to other services (both internal/external) so they are aware of changes to CTR and the impact on their clients.	February 2019	Robin Bates	Jon Owst
Full training to be provided to all Revenues & Benefits staff so they are aware of the changes and can ensure customers can be sign-posted to Northampton Borough Council's financial inclusion service.	February 2019	Robin Bates	Jon Owst
Internal Review by reporting and analysing the public response to annual billing.	March 2019	Robin Bates	Jon Owst
Review of CTR Year 7 project as a 'lessons-learned' exercise to identify other potential avenues to increase response to any future CTR consultations – particularly areas that focus on groups with protected characteristics.	April 2019	Robin Bates	Jon Owst
Review the impact of summons and other recovery actions on accumulated debt from 2018/19	July 2019	Robin Bates	Jon Owst

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**For the record**

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

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

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

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

## **Equality Duties to be taken into account include:**

### **Prohibited Conduct under the Equality Act 2010 including:**

Direct discrimination (including by association and perception e.g. carers); Indirect discrimination; Pregnancy and maternity discrimination; Harassment; discrimination arising from disability.

### **Public Sector Duties (Section 149) of the Equality Act 2010 for NBC and services provided on its behalf:**

NBC and services providing public functions must in providing services have due regard to the need to: **eliminate unlawful discrimination, harassment and victimisation; advance equality of opportunity and foster good relations between different groups.** 'Positive action' permits proportionate action to overcome disadvantage, meet needs and tackle under-representation.

### **Rights apply to people in terms of their "Protected Characteristics":**

Age; Gender; Gender Assignment; Sexual Orientation; Disability; Race; Religion and Belief; Pregnancy; Maternity. But Marriage and Civil Partnership do not apply to the public sector duties.

### **Duty to "advance equality of opportunity":**

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

### **Duty to 'foster good relations between people'**

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

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

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

**Human Rights** – under the Human Rights Act 1998 which gives effect to the European convention: right not to be subjected to degrading treatment; right to a fair trial (**civil and criminal issues**); right to privacy (**subject to certain**

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

Appendices

6



**NORTHAMPTON**  
BOROUGH COUNCIL

## CABINET REPORT

<b>Report Title</b>	<b>DRAFT GENERAL FUND MEDIUM TERM FINANCIAL PLAN 2019/20 – 2022/23 AND DRAFT BUDGET 2019/20</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	12 December 2018
<b>Key Decision:</b>	NO
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Service Area:</b>	Chief Finance Officer
<b>Accountable Cabinet Member:</b>	Cllr B Eldred
<b>Ward(s)</b>	N/A

### 1. Purpose

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- 1.1 To present for consultation draft budget proposals for 2019/20 and forecast budgets for 2020/21 to 2022/23, covering both General Fund Revenue (as set out in Appendix 1) and Capital (Appendix 4).
- 1.2 The report also presents for approval the Council's draft Capital Strategy (Appendix 3) and draft Treasury Management Strategy (Appendix 5).

### 2. Recommendations

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- 2.1 That the draft General Fund Revenue budget 2019/20, as summarised in Appendix 1, be approved for public consultation.
- 2.2 That the proposed growth and savings options set out in Appendix 2 be approved for public consultation.
- 2.3 That the proposed Council Tax increase for 2019/20 of 2.99% per Band D property be approved for public consultation.

- 2.4 That the draft General Fund Capital Programme and Financing 2019/20 to 2022/23, as detailed in Appendix 4, be approved for public consultation.
- 2.5 That the draft Capital Strategy as set out in Appendix 3 be approved for consultation.
- 2.6 That the draft Treasury Management Strategy as set out in Appendix 5 is approved for consultation.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 The Council is required to set a balanced budget and its Council Tax for 2019/20 by 1 March 2019. The proposals in this report have been developed by officers in consultation with Cabinet Members. Management Board has reviewed and endorsed the draft budget.
- 3.1.2 The draft budget proposals and options presented in this report will be subject to a period of public consultation prior to final recommendations being made to Council by Cabinet in February 2019.

#### **3.2 Issues**

##### **Economic Context**

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

##### **Medium Term Financial Strategy**

- 3.2.2 In October 2018 Cabinet approved the Medium Term Financial Strategy, which provides the framework and context for the development of the detailed budget and Medium Term Financial Plan.
- 3.2.3 The Medium Term Financial Strategy included the following strategic principles:
  - The Council will, within available resources, seek to maximise delivery of services and levels of performance and ensure that resources are targeted to meeting its objectives and priorities
  - The Council will set a balanced budget, which is stable and sustainable and fully represents the cost of providing the levels of service and performance set out in the Corporate Plan and Service Plans
  - Income streams will be maximised through the delivery of high quality, cost effective services.
  - Council Tax will be increased up to the maximum allowed without requiring a referendum.
  - Investment decisions will take into account both revenue and capital implications.



- Where requirements to undertake borrowing are identified, the costs and benefits of doing so will be assessed as required in line with CIPFA's Prudential Code.
- Financial implications will be underpinned by a robust risk assessment.
- Decision making will be business case lead. There will be a focus on the short, medium and long-term financial implications of decisions.
- Reserves will be utilised to fund investments that will deliver a long-term sustainable financial position.

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

### **Medium Term Financial Plan**

3.2.5 The Medium Term Financial Plan provides a forecast of the Council's expenditure and income over the next four years. This is set in the context of the proposed local government reorganisation and creation of a new unitary authority. Whilst this means that NBC will cease to exist in its current form beyond 2019/20, the budget set for that year must be sustainable. Therefore, forecasts are prepared for three financial years beyond 2019/20 on a no-change basis. The forecasts, detailed in Appendix 1, include efficiency and other savings as well as growth requirements.

3.2.6 Savings proposals of £1.024m and growth proposals of £1.020m for 2019/20 are set out in appendix 2. Implementation of the proposed savings listed in Appendix 2 will enable the Council to set a balanced budget for 2019/20.

3.2.7 Included within the 2019/20 budget is a planned reduction in the bulky waste charge for a three month trial period to monitor the effect on recycling rates.

3.2.8 The Medium Term Financial Plan shows a forecast further savings requirement of £1.1m in 2020/21 rising to £2.5m in 2022/23. 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 Medium Term Financial Strategy, i.e.

- Growth – realising the benefits of growth through the generation of additional business rate income, Council Tax and New Homes Bonus.
- Partnerships – working with other local authorities, private sector and community partners to deliver high quality and cost effective front-line and support services.
- Use of IT/Digital channels – to reduce transaction costs and increase staff productivity through the use of technology.
- Maximise income generation – ensure that income is maximised by setting charges at an appropriate level, as well as increasing demand through effective marketing.
- Review service and staffing structures – to ensure that these are fit for purpose and are appropriate to the Council's changing needs and priorities.

- Investment/commercial opportunities – realising opportunities to undertake appropriate investments that will generate a commercial return.
- Realise opportunities from new Environmental Services contract – the new contract will provide significantly improved quality and provide opportunities to reduce the costs involved in rectifying shortfalls in current service provision.

### **Sources of Funding**

3.2.9 The main sources of funding for the Council's net General Fund revenue budget are Council Tax, Business Rates and New Homes Bonus. 2019/20 is the first year that the Council will not receive the Revenue Support Grant.

3.2.10 The total funding from government and income from retained business rates has declined substantially over the last five years, from a total over £16m in 2014/15 to around £12m projected for 2019/20. Over that period Revenue Support Grant will have reduced from £6.9m to nil. Under the four-year funding deal, funding is fixed until 2019/20. The position beyond this is unknown and will be determined by both the current review of funding formulae and the nature of a new unitary authority. The current forecasts are based on prudent assumptions of the funding that would be available to NBC in its current form.

3.2.11 Council Tax – The Band D Council Tax for Northampton Borough Council was frozen or reduced for 4 years until 2016/17, supported initially by a Council Tax Freeze Grant. The increase forecast for 2019/20 (and future years of the Medium Term Financial Plan) is an increase of 2.99%, which is the maximum allowed without triggering a referendum. This is consistent with the increase in the last year, 2018/19.

3.2.12 Business Rates – following the introduction of the Business Rate Retention Scheme in April 2013, the Council now benefits from growth in the rateable value in the Borough. On the flipside, the Council also bears the risk of volatility, including successful appeals by business against their rateable value. A prudent forecast of future business rates is built in to the budget assumptions.

3.2.13 New Homes Bonus (NHB) – this has provided an additional source of funding, but the total available through this funding source has also been reduced by central government through the reduction of the reward period from 6 to 4 years and the introduction of a baseline level of growth. Income from this source has declined from a peak of £4.9m in 2016/17 to a projected £1.8m in 2022/23.

### General Fund Revenue Budget 2019/20

3.2.14 The proposed net budget for 2019/20 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	2019/20 £000s
Service Base Budget	29,851
Proposed Growth	1,020
Proposed Savings	(1,024)
Corporate Budgets	(976)
Contribution from Reserves	(119)
<b>Net Budget</b>	<b>28,752</b>
Business Rates	(8,880)
New Homes Bonus	(2,800)
Council Tax	(16,562)
Collection Fund Surplus	(510)
<b>Total Funding</b>	<b>(28,752)</b>
<b>Savings to be identified</b>	<b>0</b>

### Fees and Charges

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

### Council Tax

3.2.16 The draft budget for 2019/20 assumes an increase in the annual Council Tax of 2.99% per average band D property. This is the maximum increase allowed without triggering a referendum.

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

	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Northampton Borough Council	207.91	207.91	212.91	219.28	225.84
Northamptonshire County Council	1,069.02	1,111.25	1,166.59	1,236.35	TBC
Northamptonshire Police & Crime Commissioner	200.96	204.96	209.04	221.04	TBC
<b>Total</b>	<b>1,477.89</b>	<b>1,524.12</b>	<b>1,588.54</b>	<b>1,676.67</b>	<b>TBC</b>

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

3.2.22 See Appendix 6 for further details and explanation.

### General Fund Capital Programme 2019/20 to 2022/23

3.2.23 The draft General Fund Capital Programme and Funding for the next 5 years is detailed in Appendix 4 and summarised in the table below. The value of the proposed programme for 2019/20 is just over £45.1m. Proposed new schemes include support for the North West Relief Road, new office developments/town centre regeneration schemes, street light repairs and temporary accommodation for homeless people.

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

3.2.25 Further significant schemes supporting the achievement of the Medium Term Financial Strategy may be brought into the capital programme over the next 12 months, supported by robust capital appraisals and business cases.

<b>Description</b>	<b>Budget 2019/20</b>
	<b>£000s</b>
Schemes in the current Capital Programme	4,594
Scheme where approval has been given for development work only	8,982
Schemes in the current Development Pool awaiting formal approval	1,705
New Proposals	29,840
<b>Total GF Capital Programme</b>	<b>45,122</b>
Funding Source:	
Self-funded schemes	20,312
Borrowing	4,952
Capital Receipts	2,885
ESIF and LGF funding for Vulcan Works	7,470
s106 funding	5,700
Other grants and contributions	3,802
<b>Total Funding</b>	<b>45,122</b>

### **Earmarked Reserves**

3.2.26 As part of the budget process the Council determines a prudent minimum level of General Fund balances to hold against general risks. This is informed by a risk assessment, which has been refreshed in the development of the draft budget and currently suggests that £4.0m remains a prudent level of general reserves. This may change as the budget is finalised and any change in the Council's exposure to risk is identified.

3.2.27 General Fund Reserves at 1<sup>st</sup> April 2019 are forecast to be at a total of £26.6m. A breakdown is shown in the table below.

<b>Reserves</b>	<b>Forecast Balance 1<sup>st</sup> April 2019</b>	<b>Purpose</b>
Service Specific Earmarked Reserves	£1.4m	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	£4.1m	To deal with technical accounting differences across financial years
Minimum Level of General Reserves	£4.0m	To cover general unquantified risks
<b>Total General Fund Reserves</b>	<b>£26.6m</b>	

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

### **Treasury Management Strategy**

3.2.29 CIPFA defines treasury management as “The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

3.2.30 The Treasury Management Strategy covers the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance. The strategy for 2019/20 covers two main areas:

- Capital
  - the capital expenditure plans and the associated prudential indicators;
  - the minimum revenue provision (MRP) policy.
- Treasury Management
  - the current treasury position;
  - treasury indicators which limit the treasury risk and activities of the Council;
  - prospects for interest rates;
  - the borrowing strategy;
  - policy on borrowing in advance of need;
  - debt rescheduling;
  - the investment strategy;
  - creditworthiness policy; and
  - the policy on use of external service providers

## **Consultation**

3.2.31 Formal consultation with the public and stakeholders including local businesses will be launched in December 2018 and will continue until the budget is formally adopted in February 2019 in line with an agreed consultation programme. An online questionnaire will be available until 28 January 2019.

## **3.3 Choices (Options)**

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

## **4. Implications (including financial implications)**

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### **4.1 Policy**

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

### **4.2 Resources and Risk**

4.2.1 In addition to the Borough Council's own Council Tax, there are separate Council Taxes for Northamptonshire County Council, the Police and Crime Commissioner and Parish Areas. Information on these will be included in the report to the Council meeting in February 2019.

### **4.3 Legal**

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

### **4.4 Equality and Health**

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

4.4.2 Equality and diversity is considered as part of budget construction and an Equality and Community Impact Assessment is published as part of the budget consultation documents. Equality and diversity were considered as part of each of the medium term planning options submitted. Equality impact assessments are 'living' documents and will be updated to take into account relevant feedback from the consultation process. Where these documents identify mitigating action, this will be undertaken in implementing the relevant option should it be taken forward and approved in February 2019.

## **4.5 Consultees (Internal and External)**

- 4.5.1 Internally heads of service and budget managers have been consulted and Management Board has carried out a detailed challenge of the budget with Members. As options developed relevant stakeholders were engaged as appropriate.
- 4.5.2 This paper is to agree to put out a draft capital and revenue budget and Council Tax to public consultation, which will be undertaken with the general public, partners of the Council and businesses. This is in line with best practice and the statutory requirements of the Local Government Finance Act 1992.

## **4.6 How the Proposals deliver Priority Outcomes**

- 4.6.1 The draft budget is a key ingredient of effective financial governance, which contributes to the priority of “spending your money wisely”. More broadly, the Council’s budget is the financial representation of the Council’s plans, and so setting a balanced budget contributes to all of the Council’s priority outcomes.

## **4.7 Other Implications**

- 4.7.1 None not already covered above.

## **5. Background Papers**

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5.1 None

5.2 Appendices

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

## **6. Next Steps**

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- 6.1 The final General Fund Revenue and Capital budgets for 2019/20 will go back to Cabinet in February 2019, and also to Full Council for approval in February 2019.

**Stuart McGregor, Chief Finance Officer**



**General Fund Draft Budget Summary 2019 - 2023**

Description	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
	£	£	£	£
<b>Service Base Budget</b>	<b>29,850,749</b>	<b>31,243,353</b>	<b>31,825,228</b>	<b>32,674,969</b>
Total Savings	(1,023,994)	(1,698,994)	(1,698,994)	(1,698,994)
Total Growth	1,020,408	1,020,408	1,020,408	1,020,408
<b>Total MTP Options</b>	<b>(3,586)</b>	<b>(678,586)</b>	<b>(678,586)</b>	<b>(678,586)</b>
<b>Gross Revenue Budget</b>	<b>29,847,163</b>	<b>30,564,767</b>	<b>31,146,642</b>	<b>31,996,383</b>
<b>Corporate Budgets</b>				
Debt Financing	2,122,295	2,351,210	2,686,838	2,706,898
Recharges from General Fund to HRA	(2,550,000)	(2,600,000)	(2,650,000)	(2,700,000)
Parish Grants	(18,630)	(18,634)	(18,634)	(18,634)
Parish Precepts	1,110,827	1,129,461	1,129,461	1,129,461
Other Corporate Budgets	(1,640,000)	(1,046,000)	(538,000)	(573,000)
Contribution to/(from) Earmarked Reserves	(119,418)	(614,408)	(682,408)	(663,000)
<b>Total Corporate Budgets</b>	<b>(1,094,926)</b>	<b>(798,371)</b>	<b>(72,743)</b>	<b>(118,275)</b>
<b>Net Budget</b>	<b>28,752,237</b>	<b>29,766,396</b>	<b>31,073,899</b>	<b>31,878,108</b>
<b>Funding</b>				
Revenue Support Grant	0	0	0	0
Business Rates Retention Scheme	(8,880,000)	(8,880,000)	(8,880,000)	(8,880,000)
New Homes Bonus	(2,800,000)	(2,500,000)	(2,200,000)	(1,800,000)
<b>Total Government Funding</b>	<b>(11,680,000)</b>	<b>(11,380,000)</b>	<b>(11,080,000)</b>	<b>(10,680,000)</b>
<b>Council Tax</b>				
Band D Council Tax	225.84	232.59	239.54	246.71
Tax Base	68,419	69,395	70,284	71,091
NBC Council Tax	(15,451,410)	(16,140,504)	(16,835,978)	(17,538,595)
Parish-related Council Tax	(1,110,827)	(1,129,461)	(1,129,461)	(1,129,461)
<b>Total Council Tax</b>	<b>(16,562,237)</b>	<b>(17,269,965)</b>	<b>(17,965,439)</b>	<b>(18,668,056)</b>
Surplus on Collection Fund	(510,000)	0	0	0
<b>Total Funding</b>	<b>(28,752,237)</b>	<b>(28,649,965)</b>	<b>(29,045,439)</b>	<b>(29,348,056)</b>
<b>Budget Gap</b>	<b>0</b>	<b>1,116,431</b>	<b>2,028,460</b>	<b>2,530,052</b>

**Draft General Fund Budget Savings and Growth Proposals**

<b>Savings Proposals</b>	<b>2019/20</b> £	<b>2020/21</b> £	<b>2021/22</b> £	<b>2022/23</b> £
Business Incentive Scheme	-50,000	-50,000	-50,000	-50,000
Facilities Management Efficiencies	-68,994	-68,994	-68,994	-68,994
Car Parking Scheme Review	-625,000	-625,000	-625,000	-625,000
ICT Managed Budget Savings	-50,000	-50,000	-50,000	-50,000
Reduced Training Budget	-10,000	-10,000	-10,000	-10,000
1% Vacancy Factor	-135,000	-135,000	-135,000	-135,000
Corporate Services Saving	-10,000	-10,000	-10,000	-10,000
Environmental Services Contract Review	-75,000	-750,000	-750,000	-750,000
<b>Total Savings</b>	<b>-1,023,994</b>	<b>-1,698,994</b>	<b>-1,698,994</b>	<b>-1,698,994</b>

<b>Growth Proposals</b>	<b>2019/20</b> £	<b>2020/21</b> £	<b>2021/22</b> £	<b>2022/23</b> £
Continuation of Northampton's Nightshelter	135,000	135,000	135,000	135,000
Restructure of Housing Options & Advice Team	583,000	583,000	583,000	583,000
Restructure of Economic Growth Team	172,408	172,408	172,408	172,408
Digital Officer to support the move to paperless	30,000	30,000	30,000	30,000
Reduction in shop income	100,000	100,000	100,000	100,000
<b>Total Growth</b>	<b>1,020,408</b>	<b>1,020,408</b>	<b>1,020,408</b>	<b>1,020,408</b>

**Northampton Borough Council**

**Draft Capital Strategy 2019 to 2023**

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Sources of Capital Finance

Capital Funding Strategy

Programme Build

Governance Arrangements

Capital Monitoring

Risk Management

Asset Management

**INTRODUCTION AND CONTEXT**

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

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

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

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

**OVERARCHING STRATEGY**

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

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

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

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

### **CAPITAL FUNDING STRATEGY**

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

#### **Hypothecated funding**

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

#### **Self-funded borrowing**

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

#### **Business Rates Uplift**

Capital improvements within the Enterprise Zone may be funded by borrowing which will eventually be repaid through the increase in business rate income flowing from new or expanded businesses. The borrowing is undertaken via the South East

Midlands Local Enterprise Partnership (SEMLEP) through the Growing Places Fund or Local Infrastructure Fund. This is to manage the timing difference between the investment in the Enterprise Zone and the consequent increase in business rates.

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

### Revenue and Capital Reserves

The Council has, as part of its overall financial strategy, set aside reserves in order to provide additional capital funding. These include the Strategic Investment Reserve, used to fund the purchase of properties that may in the future provide a good return on investment. The Delivering the Efficiency Plan Reserve was created in October 2016 to support any project that delivers efficiency savings and/or additional income over the medium term. This may include funding of capital expenditure where this supports these aims.

### Revenue Contributions

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

### Capital Receipts

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

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

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

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

### Prudential Borrowing

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

Under the Local Government Act 2003 councils operate within the rules contained in the 'Prudential Code'. These allow local authorities to set their own limits with regard to borrowing undertaken to support capital expenditure. Borrowing may be

undertaken, provided that it is, and can be shown to be, prudent, affordable and sustainable. This method of financing capital expenditure is called “prudential borrowing”.

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

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

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

### **Minimum Revenue Provision (MRP)**

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

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

The authority is required, under the new regulations, to prepare an annual statement of their policy on making MRP for submission to Council. The Council’s policy statement on MRP is set out in the annual Treasury Strategy, which is agreed by Council during Feb/March each year.

### **In Year Changes**

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

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

## **PROGRAMME BUILD**

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

- A firm and fully funded programme for the following year. This includes continuations from previous years as well as new starts in year
- Continuation schemes and forecasts for the subsequent 4 years
- Development Pool – includes schemes for which costs require refinement and/or a business case is required. These schemes will be moved into the approved programme once this additional work is satisfactorily completed.

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

In addition to specific capital schemes the programme includes a number of “Block Programmes”. Specific projects within these blocks are agreed during the year 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.

## **GOVERNANCE ARRANGEMENTS**

### **In Year Appraisals and Variations**

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

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

### **Delegation Levels for Appraisals and Variations**

#### Fully Funded Schemes

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

#### Other Schemes

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

Below £100k – Approval by CFO

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

Over £250k – Approval by Cabinet Required

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

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



## **Role of the Capital Programme Board (CPB)**

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

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

## **Block Programmes**

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

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

## **Urgent Approvals**

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

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

## **MONITORING THE CAPITAL PROGRAMME**

### **Project management & monitoring**

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

This includes ensuring that:

- Only capital expenditure is charged to the capital project
- Only expenditure properly attributable to the scheme is coded to the scheme
- The scheme expenditure is contained within the agreed budget, and that any 'unavoidable' variations are dealt with appropriately
- Realistic expenditure profiles are determined
- A realistic forecast outturn for the financial year and the project as a whole are calculated and kept under regular review. Changes must be input into Agresso Planner on a monthly basis, along with clear explanations for any variation.

- Any proposed carry forward from current to future years is identified and added to Agresso Planner.
- Any grants or third party funding is applied for and all grant conditions met
- The source of any revenue funding is identified

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

### **Directorate Management Teams**

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

### **LGSS Finance**

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

### **Capital Programme Monitoring**

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

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

### **RISK MANAGEMENT**

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

<b>Risk</b>	<b>Mitigation</b>
Project Overspend	Project managers update financial forecasts on a monthly basis. Any forecast overspend must be dealt with immediately – identifying savings elsewhere within the

	programme or alternative sources of funding.
Project Slippage	Any forecast carry forwards are also identified on a monthly basis. The impact of these carry forwards on the associated funding is reflected in the overall monitoring reported to Capital Programme Board.
Capital receipts – delay or non-receipt	As part of the funding capital receipts are not allocated or committed prior to receipt or certainty that they will be received

**ASSET MANAGEMENT****Council Assets**

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

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

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

## Proposed General Fund Capital Programme 2019-20 to 2022-23

	Funding Source	2019-20	2020-21	2021-22	2022-23	Total
		£	£	£	£	£
<b>Schemes in the current Capital Programme</b>						
Capital Improvements - Regeneration Areas	C	50,000	50,000	50,000	50,000	200,000
Central Museum Development	C	2,215,065	152,701	-	-	2,367,766
Commercial Landlord Responsibilities	C	50,000	50,000	50,000	50,000	200,000
Disabled Facilities Grant	G	1,457,202	1,457,202	1,457,202	1,457,202	5,828,808
Environmental Services Vehicles	C		63,000	-	63,000	126,000
IT Infrastructure	S-F	150,000	150,000	150,000	150,000	600,000
Market Stall Covers	C	20,000	20,000	-	-	40,000
Operational Buildings - Enhancements	C	250,000	250,000	250,000	250,000	1,000,000
Parks/Allotments/Cemeteries Enhancements	C	250,000	250,000	250,000	250,000	1,000,000
Revenues and Benefits Capital Investments	C	152,135	14,925	14,925	14,925	196,910
		<b>4,594,402</b>	<b>2,457,828</b>	<b>2,222,127</b>	<b>2,285,127</b>	<b>11,559,484</b>
<b>Scheme where approval has been given for development work only</b>						
Vulcan Works	G, C, S-F	8,982,293	1,075,680	-	-	10,057,973
		<b>8,982,293</b>	<b>1,075,680</b>	-	-	<b>10,057,973</b>
<b>Schemes in the current Development Pool awaiting formal approval</b>						
Billing Brook Lakes	C	25,000	-	-	-	25,000
Car Parking Scheme	S-F	1,500,000	-	-	-	1,500,000
Fernie Fields Stadium Development	C	180,000	-	-	-	180,000
		<b>1,705,000</b>	-	-	-	<b>1,705,000</b>
<b>New schemes</b>						
78 Dergate	C	200,000	-	-	-	200,000
Abington Park Lake Footpath	C	250,000	-	-	-	250,000
Car Parking Machines	C	40,000	20,000	20,000	20,000	100,000
Drapery Improvements	S-F	150,000	-	-	-	150,000
Economic Regeneration Property Schemes	S-F	10,000,000	-	-	-	10,000,000
Mayorhold Car Park	C	500,000	-	-	-	500,000
Modifications to Guildhall Road Property	C	1,000,000	-	-	-	1,000,000
North West Relief Road	G	4,200,000	-	-	-	4,200,000
Office Development Build	S-F	5,000,000	10,000,000	-	-	15,000,000
Rectory Farm	C	250,000	-	-	-	250,000
Street Lighting	C	750,000	100,000	100,000	100,000	1,050,000
Temporary Accommodation/Housing	C	3,000,000	3,000,000	-	-	6,000,000
Town Centre Regeneration	S-F	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Unitary Transformation work	C	500,000	-	-	-	500,000
Upton Country Park	G	1,500,000	500,000	-	-	2,000,000
Vulcan Works	S-F	1,000,000	-	-	-	1,000,000
Vulcan Works Roof	C	500,000	-	-	-	500,000
		<b>29,840,000</b>	<b>14,620,000</b>	<b>1,120,000</b>	<b>1,120,000</b>	<b>46,050,000</b>
						-
<b>General Fund Capital Programme - Total 2</b>		<b>45,121,695</b>	<b>18,153,508</b>	<b>3,342,127</b>	<b>3,405,127</b>	<b>70,022,457</b>

## Key to Funding Sources

G - Grants &amp; Contributions

R - Revenue and Reserves

EZ - Enterprise Zone Business Rates

SF - Self-funded Borrowing

C - Corporate Resources - Capital Receipts or Borrowing

# Northampton Borough Council Treasury Management Strategy 2019-20

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## 1. Introduction

### Background

- 1.1. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.2. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.4. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.
- 1.5. CIPFA defines treasury management as:

“The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.6. Revised reporting is required for 2019/20 due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is reported separately.

## Reporting Requirements

### *Capital Strategy*

- 1.7. The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:
  - a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
  - an overview of how the associated risk is managed;
  - the implications for future financial sustainability;
- 1.8. The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 1.9. This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:
  - The corporate governance arrangements for these types of activities;
  - Any service objectives relating to the investments;
  - The expected income, costs and resulting contribution;
  - The debt related to the activity and the associated interest costs;
  - The payback period (MRP policy);
  - For non-loan type investments, the cost against the current market value;
  - The risks associated with each activity.
- 1.10. Where a physical asset is being bought, details of market research, advisors used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.
- 1.11. Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.
- 1.12. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.
- 1.13. To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

### **Treasury Management Reporting**

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

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

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

b) **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. If applicable. In addition, this Council will receive quarterly update reports.

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

### **Treasury Management Strategy**

1.15. The strategy for 2019/20 covers two main areas:

#### **Capital;**

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

#### **Treasury Management;**

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

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



### Training

- 1.17. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management have access to training in treasury management. The Council's treasury advisory contract includes provision for annual delivery of member training. The training needs of treasury management officers are periodically reviewed.

### Treasury Advisors

- 1.18. The Council uses Link Asset Services (LAS) as its external treasury management advisors.
- 1.19. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors.
- 1.20. 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.

### Non-treasury Investment Advise

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

## 2. Current Treasury Management position

- 2.1. The Council's projected treasury portfolio position at 31 March 2019, 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:

<b>Table 1: Treasury Portfolio at 31 March 2019</b>						
<b>£m</b>	<b>2019-20 Estimate</b>	<b>2020-21 Estimate</b>	<b>2021-22 Estimate</b>	<b>2022-23 Estimate</b>	<b>2023-24 Estimate</b>	<b>2024-25 Estimate</b>
<b>External borrowing</b>						
Borrowing at 1 April	207	202	207	206	200	192
Expected change in borrowing	(5)	5	(1)	(6)	(8)	-
<b>Borrowing at 31 March (1)</b>	<b>202</b>	<b>207</b>	<b>206</b>	<b>200</b>	<b>192</b>	<b>192</b>
<b>CFR (exc 3<sup>rd</sup> Party Loans) at 31 March (2)</b>	<b>299</b>	<b>326</b>	<b>331</b>	<b>336</b>	<b>333</b>	<b>330</b>
<b>Under/(over) borrowing (2-1)</b>	<b>97</b>	<b>119</b>	<b>125</b>	<b>136</b>	<b>141</b>	<b>138</b>
<b>Investments</b>						
Investments (exc 3 <sup>rd</sup> Party Loans) at 1 April	55	45	23	19	10	6
Expected change in investments	(10)	(19)	(4)	(9)	(4)	-
<b>Investments (exc 3<sup>rd</sup> Party Loans) at 31 March (3)</b>	<b>45</b>	<b>23</b>	<b>19</b>	<b>10</b>	<b>6</b>	<b>6</b>
<b>Net borrowing (exc 3<sup>rd</sup> Party Loans) (1-3)</b>						
	<b>157</b>	<b>184</b>	<b>187</b>	<b>190</b>	<b>186</b>	<b>186</b>

2.3. The Council's prudential and treasury indicators for 2019-20 to 2023-24 are set out at Appendix 3.

### 3. Interest Rates

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

Link Asset Services Interest Rate View														
	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

- 3.2. The flow of generally positive economic statistics after the quarter ended 30<sup>th</sup> June meant that it came as no surprise that the Bank of England's Monetary Policy Committee (MPC) came to a decision on 2<sup>nd</sup> August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth has been healthy since that meeting, but is expected to weaken somewhat during the last quarter of 2018. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.
- 3.3. The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.00 – 2.25% in September 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We have, therefore, seen US 10 year bond Treasury yields rise above 3.2% during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets.

- 3.4. Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.
- 3.5. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.
- 3.6. Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

### **Investment and borrowing rates**

- 3.7. Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- 3.8. Borrowing interest rates have been volatile so far in 2018-19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years. However, this position will be carefully monitored to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure or the refinancing of maturing debt.
- 3.9. There will remain a cost of carry (the difference between higher borrowing costs and lower investment returns) to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

## 4. Borrowing Strategy

- 4.1. The Council is currently maintaining an under-borrowed position against borrowing capacity. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.
- 4.2. Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The CFO will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- if it was felt that there was a significant risk of a sharp **FALL** in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will likely be postponed, and potential rescheduling from fixed rate funding into short term borrowing may be considered.
  - if it was felt that there was a significant risk of a much sharper **RISE** in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in bank rate, an increase in global economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding may be drawn whilst interest rates are lower than they are projected to be in the next few years.
- 4.3. Any decisions will be reported to Cabinet at the next available opportunity.

### Policy on Borrowing In Advance of Need

- 4.4. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 4.5. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanisms.

### Debt Rescheduling

- 4.6. As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).
- 4.7. The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
  - helping to fulfil the treasury strategy;
  - enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 4.8. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 4.9. All rescheduling will be reported to the Cabinet at the earliest meeting following its action.

### **Municipal Bonds Agency**

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

### **Temporary Borrowing**

- 4.11. The Council may occasionally undertake short-term temporary borrowing if this is needed to cover its cash flow position.
- 4.12. The CFO may also authorise the taking of short-term deposits under mutually agreed and documented terms from other local not-for-profit organisations.

## **5. Annual Investment Strategy (AIS)**

- 5.1. The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).
- 5.2. The Council’s investment policy has regard to the following:
- MHCLG’s Guidance on Local Government Investments (“the Guidance”);
  - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”);
  - CIPFA Treasury Management Guidance Notes 2018 .
- 5.3. The Council’s counterparty and credit risk management policies and its approved instruments for investments are set out in Appendix 7. The Council’s investment priorities will be security first, liquidity second and then yield (return) – in that order.
- 5.4. The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

## Appendix 5

- 5.4.1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
  - 5.4.2. Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
  - 5.4.3. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
  - 5.4.4. This Council has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Appendix 7 under the categories of ‘specified’ and ‘non-specified’ investments:
    - Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.
    - Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
  - 5.4.5. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix 7.
  - 5.4.6. Transaction limits are set for each type of investment in Appendix 7.
  - 5.4.7. This authority will set a limit for the amount of its investments which are invested for longer than 365 days.
  - 5.4.8. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.
  - 5.4.9. This authority has engaged external consultants to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
  - 5.4.10. All investments will be denominated in sterling.
- 5.5. However, this authority will also pursue value for money in treasury management and will monitor the yield from investment income against an appropriate time-

weighted benchmark for investment performance. Regular monitoring of investment performance will be carried out during the year.

### **Significant Changes to Risk Management Approach Since Last Approved Strategy**

#### ***UK Banks – Ring-Fencing***

- 5.6. The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.
- 5.7. Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.
- 5.8. While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

#### **Approach to Investments**

- 5.9. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.
  - If it is thought that Bank Rate is likely to **RISE** significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short-term or variable.
  - Conversely, if it is thought that Bank Rate is likely to **FALL** within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods



### Loans to Third Parties

- 5.10. The Council may make grants or loans to third parties for the purpose of capital expenditure, as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146). This will usually be to support local economic development, and may be funded by external borrowing.
- 5.11. The Council also has powers to provide financial support to organisations under general powers of competence under the Localism Act 2011.
- 5.12. Enhancement to the governance and due diligence in respect of the awarding of grants and third party loans has been developed. This covers:
- Checklists and a manual;
  - The incorporation of external independent advice as part sign-off process.
- 5.13. Loans of this nature that remain outstanding have been lent to Northampton Town Rugby Football Club (NTRFC), Cosworth and University of Northampton (UoN).

**Enterprise Zones**

- 5.14. 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**

- 5.15. 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. infrastructure projects.
- 5.16. 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.
- 5.17. 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.
- 5.18. 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.

**Prudential & Treasury Indicators**

- 5.19. The Council's prudential and treasury indicators for 2019-20 to 2023-24 are set out at Appendix 3.

**Outturn Report**

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

**6. List of appendices**

- Appendix 1: Treasury Management Scheme of Delegation and Role of Chief Finance Officer (Section 151 Officer)
- Appendix 2: Policy for attributing income and expenditure and risks between the General Fund and the HRA
- Appendix 3: Prudential and Treasury Indicators
- Appendix 4: Minimum Revenue Provision (MRP) Policy Statement
- Appendix 5: Interest Rate Forecast Commentary
- Appendix 6: Economic Commentary
- Appendix 7: Annual Investment Strategy

## **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.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.

## **Appendix 5**

### **Appendix 1 cont.**

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

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

- 1.1 The Council is required to have a clearly agreed policy for attributing income and expenditure and risks between the General Fund and the HRA.
- 1.2 The Council uses a two pool approach to splitting debt between the HRA and General Fund, whereby loans are assigned to either the HRA or the General Fund.
- 1.3 The Council applies the requirements of the CLG Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012 in recharging debt financing and debt management costs between the HRA and the General Fund. The interest rates to be applied are determined as follows:

<b>Principal Amount</b>	<b>Interest Rate</b>
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.

## Appendix 5 Appendix 2 cont.

- 1.6 Risk associated with external loans sit with either the GF or HRA depending on which of these the loan has been earmarked to. This will include interest rate risk, for example the risk of interest rate rises associated with variable loans.
- 1.7 Similarly, risk associated with any external investment of earmarked medium term HRA reserves sits with the HRA. This will include the risk of impairment, in the event of the failure of a counterparty.
- 1.8 Where risk cannot be earmarked specifically to either the General Fund or HRA, it is apportioned fairly between the two, using relevant available data. For example, in the event of impairment of an investment counterparty, the loss will be apportioned between the two funds based on an estimated proportion of cash balances held.

## Prudential and Treasury Indicators

The prudential indicators for 2019-20 to 2023-24 are set out below, each one with a commentary and risk analysis.

### Affordability

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

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

<b>Financing costs to net revenue stream</b>					
	2019-20	2020-21	2021-22	2022-23	2023-24
	Estimate %	Estimate %	Estimate %	Estimate %	Estimate %
General Fund	7.82	8.42	9.03	8.96	8.89
HRA	30.13	30.28	29.43	29.08	28.88

##### *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.



## **Prudence**

### **Capital Expenditure**

#### **b) Estimates of capital expenditure**

##### ***Commentary***

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

The draft capital programme for 2019-20 to 2023-24 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.

**c) 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.

<b>Gross debt and the capital financing requirement</b>		
	2019-20 £m <b>Excluding</b> Third Party Loans	2019-20 £m <b>Including</b> Third Party Loans
<b>Gross external debt</b>	<b>202</b>	<b>272</b>
2018-19 Closing CFR (forecast)	268	318
Increases to CFR:		
2019-20	31	31
2020-21	27	(3)
2021-22	5	5
<b>Adjusted CFR</b>	<b>331</b>	<b>351</b>
<b>Gross external debt less than adjusted CFR</b>	<b>Yes</b>	<b>Yes</b>

***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.

**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.

## Appendix 5 Appendix 3 cont.

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

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

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

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

<b>Capital Financing Requirement (Closing CFR)</b>					
	2019-20	2020-21	2021-22	2022-23	2023-24
	31 March	31 March	31 March	31 March	31 March
	£m	£m	£m	£m	£m
General Fund	84	97	96	95	92
HRA	215	229	235	241	241
<b>Total</b>	<b>299</b>	<b>326</b>	<b>331</b>	<b>336</b>	<b>333</b>
Loans to third parties (GF)	50	20	20	19	19
<b>Total</b>	<b>349</b>	<b>346</b>	<b>351</b>	<b>355</b>	<b>352</b>

### ***Risk Analysis***

The capital financing requirement will vary from the estimates if there are changes to capital programme plans that result in reduced or increased borrowing to support expenditure. This will include adjustments between years as a result of carry

forwards in the capital programme, which can impact on the profile of capital expenditure and the profile of the minimum revenue provision.

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

## **External Debt**

### **d) Authorised limit for external debt**

#### ***Commentary***

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

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

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

This limit is based on 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 applicable.

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

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

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

<b>Authorised limit for external debt</b>					
	2019-20	2020-21	2021-22	2022-23	2023-24
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
Borrowing	330	335	335	335	335
Other long-term liabilities	5	5	5	5	5
<b>Total</b>	<b>335</b>	<b>340</b>	<b>340</b>	<b>340</b>	<b>340</b>

### ***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.

#### **e) Operational boundary for external debt**

##### ***Commentary***

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

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

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

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

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

<b>Operational boundary for external debt</b>					
	2019-20	2020-21	2021-22	2022-23	2023-24
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
Borrowing	320	325	325	325	325
Other long-term liabilities	5	5	5	5	5
<b>Total</b>	<b>325</b>	<b>330</b>	<b>330</b>	<b>330</b>	<b>330</b>

### **Risk Analysis**

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

### **Treasury Indicators**

#### **f) Maturity structure of borrowing**

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

The indicator represents the amount of projected borrowing that is maturing in each period expressed as a percentage of total projected borrowing at the start of the period 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:

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

### ***Risk Analysis***

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

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

Under the Local Government Act 2003 and the MHCLG Guidance on Local Authority Investments (revised 2018), all Councils are permitted to invest for periods exceeding 1 year (or 365 days). The Council is required to set a limit to the level of such investments it might wish to make.

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

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

**Appendix 5**  
**Appendix 3 cont.**

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

<b>Upper limit on investments for periods longer than 365 days</b>					
	2019-20	2020-21	2021-22	2022-23	2023-24
	Upper Limit £m	Upper Limit £m	Upper Limit £m	Upper Limit £m	Upper Limit £m
Investments > 365 days	14	12	10	10	10

This upper limit has been calculated at a prudent level with regard to cashflow liquidity, capped at the maximum of 20% of forecast average (HRA & GF) cash balances in each 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

## Appendix 5

### Appendix 4 cont.

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 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.
- 1.4.11 The Council will take advantage of any transitional arrangements introduced to minimise or negate the impact of retrospective accounting adjustments as a result of new accounting guidance or proper practice.
- 1.4.12 In respect of loans to third parties supported by borrowing, where these are treated as capital expenditure, and contractual terms are in place to secure repayment over a period not exceeding the life of the asset, the Council will not charge MRP on the related expenditure; the CFR will be reduced by the third party loan repayments as and when these are received.
- 1.4.13 In respect of infrastructure improvements and other capital schemes where repayment of the funding (principal and interest) will be met from business rates uplift in line with the Enterprise Zone financial model, and

**Appendix 4 cont.**

## **Appendix 5**

- 1.4.14 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 Efficiency Plan. Any required amendments or changes will be brought back to Council for approval.

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

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

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

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

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

### Balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008.

This means that the neutral rate of interest in an economy (i.e. the rate that is neither expansionary nor deflationary) is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- Brexit: if it were to cause significant economic disruption and a major downturn in the rate of growth;
- Bank of England monetary policy: MPC takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate;
- A resurgence of the Eurozone sovereign debt crisis;
- Weak capitalisation of some European banks;
- Further increases in interest rates in the US; this could spark a sudden flight of investment funds from more risky assets e.g. shares, into bonds yielding a much improved yield;
- Concerns around US corporate debt: levels have swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions;

- Geopolitical risks: especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

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

- Brexit: if both sides were to agree a compromise that removed all threats of economic and political disruption;
- Bank of England monetary policy: MPC 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;
- The US misjudging the pace and strength of increases in interest 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;
- UK inflation: whether domestically generated or imported, inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

## Economic Commentary – Link Asset Services (LAS)

**GLOBAL OUTLOOK;** World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China, overall world growth is likely to weaken. Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is probably about a year behind in a similar progression.

**KEY RISKS;** Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period has already started in the US, and more recently in the UK, of reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This now means that both asset categories are vulnerable to a sharp downward correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. The potential for central banks to get this timing and strength of action wrong are now key risks.

The world economy also needs to adjust to a sharp change in liquidity creation over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt. In addition, the European Central Bank has cut back its QE purchases substantially and is likely to end them completely by the end of 2018.

**UK;** The flow of positive economic statistics since the end of the first quarter this year has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in

GDP was followed by a return to 0.4% in quarter 2; quarter 3 is expected to be robust at around +0.6% but quarter 4 is expected to weaken from that level.

At their November meeting, the MPC reiterated that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate (where monetary policy is neither expansionary or contractionary) than before the crash; indeed they gave a figure for this of around 2.5% in ten years time but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor has held back some spare capacity to provide a further fiscal stimulus if needed.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring next year. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019. The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

**Inflation;** The Consumer Price Index (CPI) measure of inflation fell from 2.7% to 2.4% in September. In the November Bank of England quarterly inflation report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's inflation report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

As for the labour market, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.1%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 0.7%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

**USA;** The US easing of fiscal policy is fuelling a temporary boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2% (annualised rate) in quarter 1 to 4.2% in quarter 2 and 3.5% (3.0% y/y) in quarter 3, but also an upturn in inflationary pressures. In particular, wage rates were increasing

at 3.1% y/y in October and heading higher due to unemployment falling to a 49 year low of 3.7%. With CPI inflation over the target rate of 2% and on a rising trend towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being the fourth increase in 2018. They also indicated that they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US (China in particular) could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019. However, a combination of an expected four increases in rates of 0.25% by the end of 2019, together with a waning of the boost to economic growth from the fiscal stimulus in 2018, could combine to depress growth below its potential rate, i.e. monetary policy may prove to be too aggressive and lead to the Fed having to start on cutting rates. The Fed has also been unwinding its previous quantitative easing purchases of debt by gradually increasing the amount of monthly maturing debt that it has not been reinvesting.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation. The results of the mid-term elections are not expected to have a material effect on the economy.

**Eurozone;** Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this is probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank has indicated it is likely to end all further purchases in December 2018. Inflationary pressures are starting to build gently so it is expected that the ECB will start to increase rates towards the end of 2019.

**China;** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

**Japan;** Japan has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.



## Appendix 5 Appendix 6 cont.

**Emerging countries;** Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

## **Annual Investment Strategy**

### **1 Investment policy**

- 1.1 The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.
- 1.2 The Council's appetite for risk must be clearly identified in its strategy report. The Council affirms that its investment policies are underpinned by a strategy of prudent investment of funds held on behalf of the local community. The objectives of the investment policy are firstly the security of funds (protecting the capital sum from loss) and then liquidity (keeping money readily available for expenditure when needed). Once approved levels of security and liquidity are met, the Council will seek to maximise yield from its investments, consistent with the applying of the agreed parameters. These principles are carried out by strict adherence to the risk management and control strategies set out in the TMP Schedules and the Treasury Management Strategy.
- 1.3 Responsibility for risk management and control lies within the Council and cannot be delegated to an outside organisation.

### **2 Creditworthiness policy**

- 2.1 The Council's counterparty and credit risk management policies and its approved instruments for investments are set out below. These, taken together, form the fundamental parameters of the Council's Investment Strategy.
- 2.2 The Council defines high credit quality in terms of investment counterparties as those organisations that:
  - Meet the requirements of the creditworthiness service provided by the Council's external treasury advisors 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 2019-20 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 below.

#### **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 investment balances (excluding third party loans):

	<b>2019-20</b> <b>£m</b>	<b>2020-21</b> <b>£m</b>	<b>2021-22</b> <b>£m</b>	<b>2022-23</b> <b>£m</b>	<b>2023-24</b> <b>£m</b>
Forecast Investment Balances (at 31 <sup>st</sup> March)	45	23	19	10	6

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

4.3 The Council is currently maintaining an under-borrowed position against its capacity to borrow. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt, but cash supporting the Council’s reserves, balances and positive cash flows have been used to fund capital expenditure as a temporary measure. This strategy is prudent at this time as the cost of raising additional borrowing outweighs the potential investment returns achievable. Furthermore, applying cash balances in this manner assists in managing counterparty risk.

#### **5 Specified investments**

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

- (i) Specified investments – broadly, sterling investments, not exceeding 365 days and with a body or investment scheme of high credit quality.
- (ii) Non-specified investments – do not satisfy the conditions for specified investments. This may include investment products that would normally be considered as specified investments, but are judged to have a higher level of risk than normal attached to them.

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

5.3 The majority of the Council’s investments in 2019-20 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 2019-20 is that the following non-specified investments may be entered into:

6.2.1 Long-term investments (those for periods exceeding 365 days), which could prudently be used where interest rates are favourable and funds are not required for short-term cashflow management. Amounts deposited for over 365 days will be determined by liquidity considerations and by whether longer term interest rates are favourable, and all deposits will be in accordance with counterparty limits. Only counterparties in the Council's current approved counterparty list that have duration limits of over 365 days will be used for such investments. Any overall stricter limits in force in the Council's investment counterparty policies at any time will take precedence.

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;

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

## **7 Counterparties**

7.1 Over-arching policies for the management of counterparty and credit risk are set out in the TMP Schedules. The Council's approach to counterparties for 2019-20 is set out below.

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

**Appendix 5**  
**Appendix 7 cont.**

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 2019-20.

<b>Investments may be placed with counterparties recommended by the Council's external treasury advisors, and which meet the following criteria</b>			
	<b>Counterparty Type</b>	<b>Limit; per individual counterparty or banking group</b>	<b>Limits; Duration</b>
<b>(1a)</b>	UK Government	£20m	5 years
<b>(1b)</b>	UK nationalised or part nationalised banking institutions	£20m	1 years
<b>(1c)</b>	Other UK counterparties	£15m	3 years
<b>(1d)</b>	Other Local Authorities	£10m	3 years
<b>(2a)</b>	Non UK counterparties having a sovereign rating of AAA	£15m	3 years
<b>(2b)</b>	Non UK counterparties having a sovereign rating of AA+	£10m	2 years
<b>(2c)</b>	Non UK counterparties having a sovereign rating of AA	£5m	1 year
<b>(3)</b>	Money Market Funds (CNAV/LNAV) having a credit rating of AAA	£15m	N/A - Liquid deposits
<b>(4)</b>	Pooled Property Funds	£10m	5 years

- 7.5 Maximum counterparty limits may be temporarily exceeded by small amounts and for very short periods where interest is added by the counterparty to the principal investment amount, for example in the case of some call and deposit accounts. In such instances the interest amounts will be withdrawn back to the Council's main bank account as soon as reasonably practicable.
- 7.6 Any types of investments that fall within the category of specified investments as set out in the TMP Schedules and any types of non-specified investments approved as part of this document may be made within the bounds of the counterparty policies.
- 7.7 The total value of investments over 365 days at any one time is restricted by the treasury indicator for the upper limit on investments for periods longer than 365 days.
- 7.8 The Council may enter into forward agreements up to 3 months in advance of the investment commencing. If forward deposits are to be made, the forward period plus the deal period should not exceed the limits above.
- 7.9 The CFO has discretion during the financial year to lift or increase the restrictions on the counterparty list and/or to adjust the associated lending limits on values and periods should it become necessary to enable the effective management of risk in relation to investments. At all times the Council's minimum level of credit risk, 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 365 days as specified investments, or 5 years as non-specified investments. When deciding the length of each investment, regard is had to both cashflow needs and prevailing interest rates. As cash balances available for investment are forecast to be somewhat reduced compared to previous years, the preservation of liquidity will be a critical determinant for treasury officers when determining the value and duration of investments.
- 8.3 Amounts deposited for over 365 days will also be determined by liquidity considerations and by whether longer term interest rates are favourable, and all deposits will be in accordance with counterparty limits and the treasury indicator for investments over 365 days. Long term investments of over 2 years will only be made in exceptional circumstances and with approval of the CFO.
- 8.4 For short term and overnight investment, the Council makes full use of triple A rated Money Market Funds (CNAV and LNAV) and bank call and deposit accounts offering competitive rates and, in most instances, instant access to funds.
- 8.5 The Council may occasionally undertake short-term temporary borrowing if this is needed to cover its cash flow position.

**9 Investments defined as capital expenditure**

- 9.1 The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1) (d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded from capital or revenue resources and will be classified as 'non-specified investments'.
- 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 Council's capital, financial due-diligence must be completed prior to any loan or investment being agreed. The Council will use specialist advisors to complete financial checks to ascertain the creditworthiness of the third party. 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 It is the Council's intention that, should the event of the credit rating downgrade of the provider of its banking services lead to that bank falling below the Council's minimum investment criteria, the bank may continue to be used for short-term liquidity requirements (kept under daily review).

## **13 End of year investment report**

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



## **Special Expenses**

### **Introduction: What are Special Expenses?**

Special Expenses are a part of the overall council tax charged by the Borough. The majority of the Borough's council tax is evenly distributed across all areas of the Borough. However, special expenses allow some specific costs to be distributed according to where the services are provided.

Special expenses relate to expenditure deemed solely to apply to a part of the Borough where precepting authorities in other parts of the Borough have chosen to precept and supply the same service separately. These are known as concurrent services.

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

### **Legal Regulations**

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

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

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

### **Methodology for Calculating Special Expenses**

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

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

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

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

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

### Position for 2019/20

The draft budget for 2019/20 is based on an average band D council tax for NBC of £225.84. However, this figure is only an average figure across all areas of the Borough – this figure will vary from area to area due to special expenses.

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

The table below shows the draft special expenses adjustments made in each area of the Borough for 2019/20:

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	225.84	-9.77	9.97	0.19	226.03
Collingtree	225.84	-9.77	0.00	-9.77	216.06
Duston	225.84	-9.77	4.18	-5.59	220.25
Great Houghton	225.84	-9.77	0.00	-9.77	216.06
Hardingstone	225.84	-9.77	2.34	-7.43	218.40
Upton	225.84	-9.77	0.00	-9.77	216.06
Wootton	225.84	-9.77	3.41	-6.37	219.47
East Hunsbury	225.84	-9.77	15.44	5.66	231.50
Hunsbury Meadows	225.84	-9.77	0.00	-9.77	216.06
West Hunsbury	225.84	-9.77	6.25	-3.52	222.32
Unparished	225.84	-9.77	11.60	1.82	227.66
<b>Average</b>	<b>225.84</b>	<b>-9.77</b>	<b>9.77</b>	<b>0.00</b>	<b>225.84</b>

In the table above:

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

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

The total special expense amount to be distributed in 2018/19 was £10.07. The draft figure of £9.77 in the table above is a decrease of £0.30, or 3%. This change is due to changes to the costs of maintaining parks and open spaces; the reduction of central government funding, which increases the amount of these costs to be recovered through council tax and special expenses; and an overall increase in the tax base.

Appendices  
4



**NORTHAMPTON**  
BOROUGH COUNCIL

## CABINET REPORT

<b>Report Title</b>	<b>Housing Revenue Account (HRA) Budget, Rent Setting 2019/20 and Budget Projections 2020/21 to 2022/23</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	12 December 2018
<b>Key Decision:</b>	NO
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Management Board
<b>Accountable Cabinet Member:</b>	Cllr B Eldred
<b>Ward(s)</b>	N/A

### 1. Purpose

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- 1.1 The purpose of this report is to present for consultation the Cabinet's draft budget proposals for 2019/20, including Rent setting for 2019/20, and forecast budgets up to 2022/2023 for the draft Housing Revenue Account (HRA) and the draft HRA Capital Programme and financing proposals.
- 1.2 To note the draft capital programme new build programme that is expected to deliver over 400 new council homes over the next 3 years.
- 1.3 The report also outlines the draft Total Fees for Northampton Partnership Homes (NPH) based on the draft 2019/20 budgets.

### 2. Recommendations

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- 2.1 That Cabinet approve the draft Housing Revenue Account (HRA) budget including charges and rents as detailed in Appendices 1 and 4 for public consultation.
- 2.2 That Cabinet approve the draft HRA Capital Programme and financing, as detailed in Appendix 2 for public consultation.
- 2.3 That Cabinet note the draft Total Fees proposed for NPH to deliver the services in scope.

### 3. Issues and Choices

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#### 3.1 Report Background

- 3.1.1 Local housing authorities are required by Section 754 of the Local Government and Housing Act 1989 (the 1989 Act) to keep a HRA. The HRA reflects a statutory obligation to account separately for local authority housing provision. It identifies the major elements of the HRA expenditure and how these are funded, mainly from rents. The HRA budget process incorporates the calculation for the continuation of delivery of the HRA services by NPH. The details of the arrangements and indicative financial Total Fees were presented to Cabinet on the 12th November 2014. This report provides the updated financial position and indicative Total Fee for NPH for 2019/20 to provide the services in scope. It should be noted that the Total Fee for NPH in 2019/20 will be subject to approval of the HRA and General Fund Budgets by Council at its meeting in February 2019.
- 3.1.2 The Council has statutory responsibility for the HRA and will therefore retain management of the HRA. NPH, as part of their responsibilities, will provide the Council with information on its activities and advice on how best to make use of the resources within the HRA.

#### 3.2 Issues

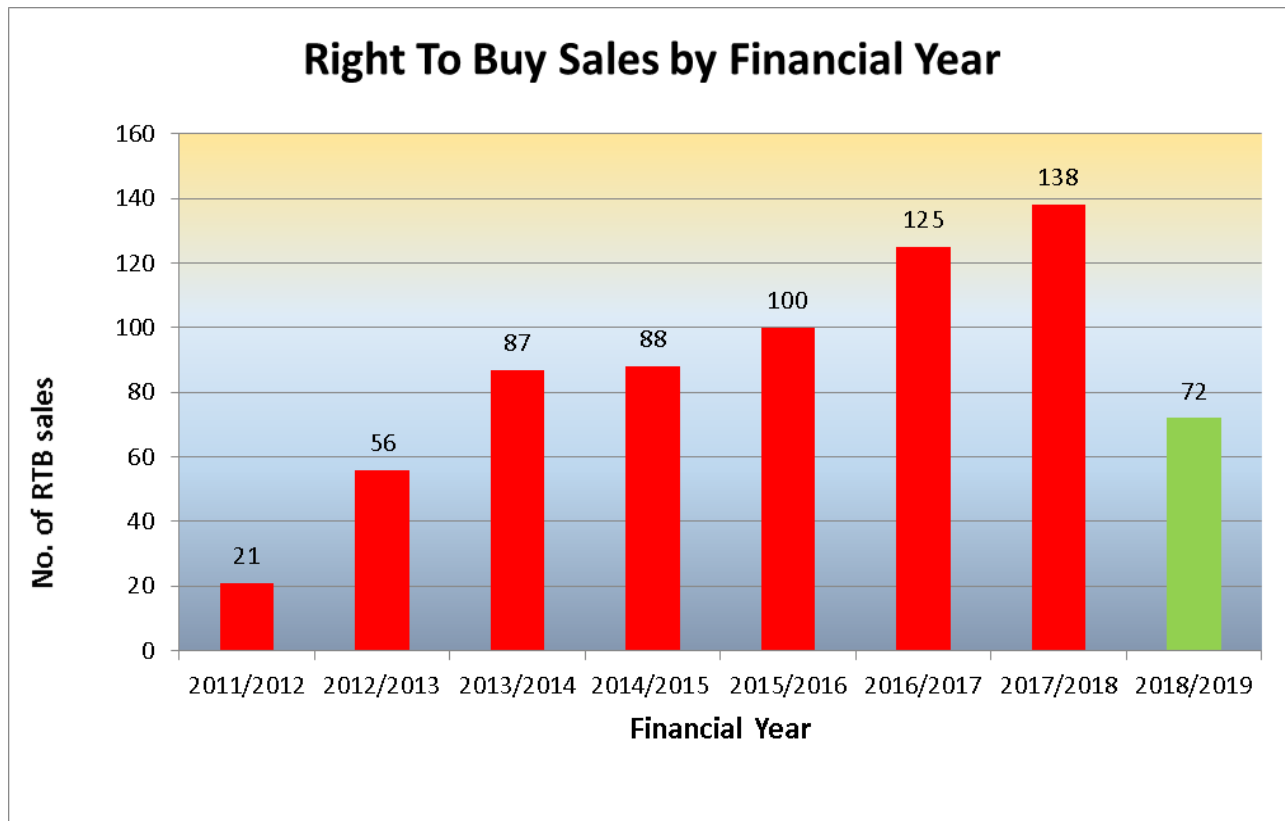
##### Economic Context

- 3.2.1 There continues to be uncertainty around the national and global economic outlook, caused by various factors including the UK's planned withdrawal from the European Union. Therefore the draft budget is built on prudent assumptions around inflation, interest rates, the continuing strong demand for housing and the impact of high numbers of instances of homelessness.
- 3.2.2 The Governments Autumn budget announced with immediate effect the removal of the HRA Debt Cap. The debt cap was introduced at the time of self-financing and placed a limit of the total amount of borrowing the HRA could take out, for Northampton this was £208.4m. The removal of this restriction allows the Council to prudentially borrow within the HRA to pursue the policy of building new Council housing.

##### National and Local Policy

- 3.2.3 Since the introduction of self-financing in 2012 there have been a host of government policy initiatives that have impacted upon housing finances. Some of the major impacting ones are the legislative backed 1 % rent reductions for 4 years from 1 April 2016, the encouraging of right to buy (RTB) by increasing RTB discounts, and the introduction of Universal Credit and Benefit Cap.
- 3.2.4 More recently the Government has pledged to spend an additional £2bn on affordable housing and firm proposals for future rent increases from 2020/21 were released with increases to be capped at CPI plus 1% for 5 years.
- 3.2.5 **Right to Buy (RTB)** sales have increased compared to recent years following an increase in discount levels introduced from April 2012. The current years

sales at the end of October, (72), are running slightly behind last years, (79), at the same point in time. The total RTB sales by financial year, including the current year to date is shown in the graph below:



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

- a) Additional pressure is placed on the revenue budgets through reduced rental income; assumptions around this have been built into the HRA budgets being considered in the draft budget; and
- b) The additional capital receipts, (retained “141” RTB receipt element 2019/20, must be used towards the provision of new social housing and can only be used to finance 30% of this cost. If the Council does not spend the capital receipts within a 3 year rolling timeframe, the receipts, plus an amount for interest, are payable to Government. Paragraph 3.2.10 provides more detail.

**3.2.6 Extension of Right to Buy and Higher Value Void sales** policy extended the RTB to housing association tenants and to compensate housing associations for the discount given under the scheme from the proceeds of selling “high value” council houses as they became available. This was due to commence from 2017/18 but was then delayed. This policy has been withdrawn.

**3.2.7 Pay to Stay** The Housing and Planning Bill 2016 made provision for the charging “high income social tenants” with reference to the market rate or

other factors based on income and housing area. The Government decided not to proceed with the policy in its current compulsory form. Local authorities and housing associations have discretion as to whether to implement the policy for tenants with incomes over £60k. This policy is currently not applied by the Council.

- 3.2.8 **New Council House Build** and the Use of 1-4-1 RTB Receipts. The Council submitted a request for Additional Borrowing Headroom with the HRA as part of the Governments scheme. This has been superseded by the announcement to abolish the HRA Debt Cap and move to prudential borrowing with the HRA as mentioned in paragraph 3.2.2 above. The plans that formed the bid have been included in the draft capital programme figures for New Build and form the basis for an ambitious programme of new build Council housing over the medium term.
- 3.2.9 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 10 Year development plan will need to be revisited with NPH in light of the removal of the debt cap to ensure that it continues to maximise existing HRA capacity, safeguard the use of 1-4-1 RTB receipts and where there is a business case enable the delivery of housing outside of the HRA using NPH as the preferred developer.
- 3.2.10 **1-4-1 RTB Receipts** -. The removal of the HRA debt cap and the introduction of prudential Borrowing to the HRA will enable borrowing that is affordable to fund the part of new build expenditure that 141 RTB receipts cannot meet under the rules. The 1-4-1 RTB receipts have to be used to fund up to a maximum of 30% of new build, additionality projects or grants to Housing Association schemes. The RTB receipts have to be spent within 3 years from receipt under the rules of the 2012 agreement the Council signed up to, otherwise they are paid back to Treasury with interest at 4% above base. There is currently a government consultation which could increase the flexibilities around use of 1-4-1 RTB receipts. The outcome of that consultation will be factored into the final budget report in February 2019.

### **Housing Revenue Account Budget 2019/2020**

- 3.2.11 The HRA is a ring-fenced account that represents the costs of holding the Council housing stock. There are strict rules surrounding the costs and income that can be charged to this account. Much of the income and expenditure is dictated by legislation and regulation leaving the Council with direct control over a limited number of these budgets. The HRA Budget proposed for 2019/20 reflects the current service levels and the changes in service delivery from 5 January 2015,
- 3.2.12 The HRA budget estimates are attached at Appendix 1 to this report. The main areas to the HRA are reported below

- 3.2.13 **Rental income**, by far the largest single budget within the HRA, has previously been calculated in accordance with national rent policy. For 2016/17 the Welfare Reform and Work Bill legislated that rents in the social sector should decrease by 1% for 4 years, 2019/20 will be final year of reductions. This was a move away from the 10 year policy of increasing rents using Consumer Price Index (CPI) plus 1 percentage point annually. Under the legislation specialised supported housing can be excepted from the decrease, namely designated Sheltered Accommodation. The Council has not applied for excepted status so it is proposed again that the 1% reduction is applied to all HRA dwellings which is reflected in the draft budget. The HRA finances have been helped by the recent commitment to return to the CPI +1% rent increase cap for 5 years from 2020, which has been built into the HRA Business Plan
- 3.2.14 The proposal for rent decreases in 2019/20 is therefore 1% on average across the housing stock in line with the legislation.
- 3.2.15 **Service Charges**. The schedule of draft Service Charges for 2019/20 is attached at Appendix 3. The level of Service Charges should be set to enable the full recovery of eligible costs incurred, further work is ongoing to review the position. It is proposed that general Service Charges are increased in line with CPI as at September 2018 (2.1%). The Service Charges have been reflected in the draft budgeted income figures.
- 3.2.16 **Repairs and Maintenance**. The revenue repairs and maintenance budget represents the non-capital costs of responsive and cyclical maintenance programmes. These are determined both with current service levels and the latest stock condition survey information.
- 3.2.17 **Capital Financing Costs**. The interest fixed rate costs to the HRA, (approx. £7.3m), are reflective of the move to a Self-financing HRA in 2012 where the Council under the Governments prescription took on the debt for its stock as calculated by the Self Financing Determinations. They reflect the preferential rates provided to Councils at that time from the Public Works Loans Board (PWLb). The debt is subject to close management with rigorous monitoring to ensure that the financial position for the HRA is optimised. In addition to this the draft budget also reflects an increase in prudential borrowing to fund the gearing up of the new build programme.
- 3.2.18 The Business Plan since Self-financing model in 2012 assumed a level of increasing balances available to repay debt in the future. The changes imposed by government through the rent decreases, increasing reductions in housing stock, and the current economic outlook have undermined this position and therefore these surpluses are forecast not to materialise until later in the life of the 30 year plan. It is still proposed to start setting aside annually a sum to repay debt when it becomes due. This is currently being examined by officers as one measure to prudently protect the future sustainability of the HRA but currently has not been built into the 2019/20 budget. The draft budget also needs to be put through the 2019/2020 HRA Business Plan model which could see some changes to the financial envelope available over the medium term.
- 3.2.19 **Welfare Reform**. Universal Credit (UC) and other welfare reform is available to people who are on a low income or are out of work. It aims to make the



welfare system simpler by replacing six benefits and tax credits with a single monthly payment. The Council initially went live with the delivery of UC in November 2015 for certain aspects. The DWP have now rolled out the full Digital service for new UC cases, which went live for the Council on 19<sup>th</sup> November this year. New claims to legacy benefits are now closed and the migration of existing benefit claims will follow, expected to be completed by March 2022. The Council continues to monitor closely the impact of welfare reforms which will have an impact on rent collection for the Council and therefore impact on the overall HRA position. The level of arrears and required level of bad debt provision will continue to be monitored closely throughout 2018/19 financial year and future years in light of the welfare reform roll out and the performance levels in the management of arrears.

**3.2.20 NPH Management Agreement / services being provided** The Council pays NPH a Total Fee to provide both the Housing Landlord services and those Housing General Fund Services in scope. NPH receive what is defined in the Management Agreement as the “Total Fee” which will comprise of the majority of HRA budgets including the Capital Programme; Repairs and Maintenance and Operations Budgets. The Capital Programme (Improvement Programme) and the Repairs and Maintenance budgets are managed budgets, whilst the Operations budget is a devolved budget. NPH will receive some Housing General Fund (HGF) budgets in relation to relevant service attributable to these. NPH operate using the management fee and manage the capital programme budget and revenue repairs and maintenance budget in accordance with what has been agreed by the Council.

**3.2.21 The Draft NPH Total Fee** has been worked through in partnership with NPH taking into account the current level of budgets, the detailed 30 year Draft HRA Business Plan and the changes in available funding services in scope. The Asset Management Plan has been updated for the purposes of setting the draft budget. It should be noted that the HRA Business Plan is to be updated between Draft budget and Final which could lead to changes. The Draft NPH fee will be formerly confirmed by the NPH Board at its meeting scheduled in February 2019. The table below shows a summary of the draft 2019/20 Total Fee proposed. Further breakdown and detail can be found at Appendix 4.

**Summary Table of Total Fee to NPH for 2019/20**

	<b>NPH Management Fee £'000s</b>
Management - HRA	14,085
Management - General Fund Housing	262
Maintenance - Responsive & Cyclical (Managed Budget)	12,156
Capital - Improvements to Homes (Managed Budget)	39,457
Capital - Improvement to Environment (Managed Budget)	3,000
Capital - Managed Budget ICT	400

<b>Total Fee</b>	<b>69,360</b>
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3.2.22 The funding pressures for 2019/2020 created mainly by the 1% rent reduction has been managed jointly by NBC and NPH, working together to maximise resources out of current budgets and minimising, where possible, any re-phasing of the capital programme. Prior to the final HRA budget being approved in February 2019 the Council will continue to work closely with NPH in relation to the draft budgets and the medium, term financial plan. Medium term planning pressures and any emerging pressures will need to be built into NPH future budget plans.

3.2.23 A summary of the overall draft HRA budget for 2019/20 and 2020 to 2023 is contained in Appendix 1.

### **HRA Reserves**

3.2.24 In previous years, Cabinet has approved the prudent set aside of funds into specific HRA Reserves to finance future HRA expenditure including capital financing, risks of Leaseholder claims, Service Improvements, and an Insurance reserve. The use of the capital reserve is incorporated into the capital programme financing considerations included later in this report. The table below shows the forecast opening balance on the reserves as at 1 April 2019. Any variations in the current financial year that requires the use of reserves not currently known will reduce this forecast starting position and impact on the finances available

### **Summary of HRA Earmarked Reserves and Working Balances**

<b>Summary</b>	<b>Balance B/f 1 Apr 2019</b>	<b>Earmarked in Year</b>	<b>Applied in Year</b>	<b>Balance C/f 31 Mar 2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
HRA Reserves	(5,013)	0	4,742	(271)
HRA Supporting People Reserve	(0)	0	0	(0)
HRA Reform Reserve	0	0	0	0
HRA Leaseholder Reserve	(500)	0	0	(500)
HRA Service Improvement Reserve	(1,000)	0	0	(1,000)
HRA Insurance Reserve	(300)	0	0	(300)
<b>Total HRA Reserves</b>	<b>(6,813)</b>	<b>0</b>	<b>4,742</b>	<b>(2,071)</b>
<b>Min Level of Working Balances</b>	<b>(5,000)</b>	<b>0</b>	<b>0</b>	<b>(5,000)</b>
<b>Total HRA Reserves</b>	<b>(11,813)</b>	<b>0</b>	<b>4,742</b>	<b>(7,071)</b>

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

#### **Adequacy of Working Balances**

- 3.2.26 A prudent level of working balance, along with appropriate application of reserves, should be part of the overall budget. The Chief Finance Officer reviews the level of balances required to support the Housing Revenue Account spend annually as part of a robust risk assessment. This risk assessment suggests that the minimum level of balances, taking all known risks into account should remain at the current level of £5m for 2019/20. This minimum level is designed to cope with unpredictable circumstances, which cannot be addressed by management or policy action within the year. Under the Management Agreement with NPH to recognise the change in service delivery NPH will continue to have available to it £1m of this working balance to call upon to maintain cash flow if required. Further work is ongoing, taking into account the government's latest budget, to assess the level of working balances in conjunction with NPH and any changes will be reported to Cabinet in February 2019.
- 3.2.27 This does not represent a medium to long term safe level of reserves. The level can only accommodate the impact of significant events up to the level set, and would need to be replenished if one or more such events actually occur.

#### **Housing Revenue Account Capital Programme**

- 3.2.28 Capital expenditure is essential for the Housing Revenue Account in order to maintain and improve the Council's housing stock. The HRA is an asset driven service and as such the capital programme plays a key part in the delivery of the HRA service
- 3.2.29 The proposed HRA capital programme for 2019/20 to 2022/23 is attached at Appendix 2 and summarised in the table below for 2019/20. The value of the total proposed HRA capital programme for 2019/20 is £42.86m.

## Draft HRA Capital Programme Funding 2019-20

	HRA £000's
Capital Programme 2019/20	
External Improvements	10,600
Internal Works	3,500
New Build Programme / Major Projects	23,107
Environmental Improvements	3,000
Structural Works and Compliance	450
Disabled Adaptations	1,300
IT Development	400
Buybacks / Spot Purchases / Pool	500
<b>Total HRA Capital Programme</b>	<b>42,857</b>
Funding Source	
Borrowing	13,110
Major Repairs Reserve/Depreciation	9,642
Capital Receipts	10,168
Revenue/Earmarked Reserve	9,937
<b>Total Funding</b>	<b>42,857</b>

3.2.30 The Asset Management Plan has been reviewed and updated by NPH with the latest information from the stock condition surveys. In addition to this included in the draft capital programme is a significant increase to the Councils' New Build and Major works 2019/2020 programme, (£23M to deliver over 100 new homes in year), reflecting the removal of the HRA Debt cap from October 2018 and the new ability to prudentially borrow within the HRA. This has been included in the draft budget and will inform the refresh of the Council's HRA Business Plan for 2019/2020. The HRA Capital Programme has been developed within the context of the 30-year Business Plan and the existing Asset management plan. The capital programme has a direct impact on the revenue position of the HRA.

3.2.31 Although the main focus of the Capital Programme is to maintain and improve the Council's homes, there is also a focus on environmental improvements and an increased focus on the development of new homes to help address the shortage of affordable housing in the Borough. The New Build/ Major projects draft budget and indicative budgets from the following 2 years is expected to deliver over 400 new council homes.

3.2.32 The detail of the HRA capital programme for 2019/20 and beyond will be refined in line annual updates to the Business plan, Asset management plan, and any changes to government policy and legislation.

### **Capital Strategy**

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

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

### **3.3 The Next Steps**

- 3.3.1 The timetable for the 2019/20 budget process requires a meeting of the Council in February 2019, at which consideration will be given to the recommendations of this Cabinet in relation to the expenditure, income, and rent proposals that relate to HRA spending.

### **3.4 Consultation**

- 3.4.1 Formal consultation with the public and stakeholders including local businesses will be launched in December 2018 and will continue until the budget is formally adopted in February 2019 in line with an agreed consultation programme. An online questionnaire will be available until 28 January 2019.

### **3.5 Choices (Options)**

- 3.5.1 Cabinet can agree that the budget proposals for 2019/20 for the HRA and HRA Capital program and indicative budgets for 2020/21 to 2022/23 as summarised in the appendices to this report can be approved for consultation.
- 3.5.2 Cabinet can agree the proposed Rent decrease of 1% for 2019/20 and increases in service charges.
- 3.5.3 Cabinet can choose to make amendments to the proposed budgets and the proposed rent and service charge increases prior to agreeing the budget to consult on, subject to the advice of the Chief Finance Officer.

## **4. Implications (including financial implications)**

### **4.1 Policy**

- 4.1.1 The revenue and capital budgets are set in support of the Council's priorities.
- 4.1.2 The HRA revenue budget is set in the overall context of the HRA 30 year business plan.
- 4.1.3 The Capital Programme for the HRA is set in the context of the Council's Capital Strategy and HRA 30 year Business Plan.

### **4.2 Resources and Risk**

- 4.2.1 HRA budgets may be subject to further changes to reflect the Governments settlement and any Housing White Papers.
- 4.2.2 The HRA 30 Year Business Plan for 2019/2020 is currently being built and will be subject to external review to assess for accuracy and robustness, the result of which could require revisions to the HRA Capital programme. This will be reported on and reflected in the final budget report.

### **4.3 Legal**

- 4.3.1 The Council has a legal duty to set a balanced budget each year, bearing in mind its fiduciary duties to the taxpayer, and the HRA is not allowed to go into deficit by law. In exercising these duties the Council 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 2019.

### **4.5 Consultees (Internal and External)**

- 4.5.1 Internally heads of service and budget managers have been consulted, along with finance officers of NPH. Management Board has carried out a detailed challenge of the budget with Members.

### **4.6 How the Proposals Deliver Priority Outcomes**

- 4.6.1 Consulting on the draft budget is a key ingredient of effective financial governance, which contributes to the priority of "spending your money wisely" and specifically for the HRA contributes to the priority of "more homes better homes". More broadly, the Council's budget is the financial representation of the Council's plans, and so setting a balanced budget contributes to all of the Council's priority outcomes.

### **4.7 Appendices**

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

- 1 Housing Revenue Account Summary
- 2 Proposed Housing Revenue Account Capital Programme and Financing
- 3 HRA Fees and Charges
- 4 NPH Total Fee

## **5. Background Papers**

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- 5.1 None

George Candler, Chief Executive  
Stuart McGregor, Section 151 Officer

**DRAFT Housing Revenue Account Budget Summary 2019-2023**

Description	Note	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23
<b>INCOME</b>					
		£	£	£	£
Rents - Dwellings Only	(1) (2)	(49,027,400)	(49,784,200)	(51,431,500)	(53,071,900)
Rents - Non Dwellings Only		(1,058,800)	(1,070,800)	(1,083,100)	(1,095,400)
Service Charges		(2,268,692)	(2,308,078)	(2,345,813)	(2,385,724)
Other Income		(4,000)	(4,000)	(4,000)	(4,000)
<b>Total Income</b>		<b>(52,358,892)</b>	<b>(53,167,078)</b>	<b>(54,864,413)</b>	<b>(56,557,024)</b>
<b>EXPENDITURE</b>					
Repairs and Maintenance	(3)	13,860,195	14,106,191	14,381,097	14,727,074
General Management	(3)	8,365,992	8,467,431	8,576,698	8,660,188
Special Services	(3)	4,655,762	4,673,504	4,735,351	4,798,898
Rents, Rates, Taxes & Other Charges		289,300	289,300	289,300	289,300
Increase in Bad Debt Provision		600,000	600,000	600,000	600,000
<b>Total Expenditure</b>		<b>27,771,249</b>	<b>28,136,426</b>	<b>28,582,446</b>	<b>29,075,461</b>
<b>Continuation Budget</b>		<b>(24,587,643)</b>	<b>(25,030,652)</b>	<b>(26,281,967)</b>	<b>(27,481,563)</b>
<b>Medium Term Planning Pressures</b>			<b>(845,277)</b>	<b>(1,579,757)</b>	<b>(2,204,878)</b>
Net Recharges from the General Fund		2,550,000	2,600,000	2,650,000	2,700,000
Interest & Financing Costs					
- Interest on balances		(46,532)	(34,117)	(34,085)	(34,086)
- Mortgage interest		(400)	(300)	(200)	(100)
- Internal Borrowing (Over funded CFR)		(2,380)	(1,587)	(793)	0
- Interest Fixed Rate		7,250,182	7,802,558	8,408,933	8,737,160
Revenue Contributions to Capital		9,936,698	5,474,039	6,644,676	7,790,595
Depreciation		9,642,224	10,035,335	10,193,193	10,492,872
Contribution to / (from) Reserves		(4,742,149)	0	0	0
<b>Remaining Deficit / (Surplus)</b>		<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>

**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.

(4) Medium Term Planning Pressures could affect NPH Fee in future years

Description	£'000
Repairs and Maintenance	13,860
General Management	8,366
Special Services	4,656
Less NBC Retained Budgets	(641)
<b>NPH Budget as per Appendix 4</b>	<b>26,241</b>

**Proposed Capital Programme 2019-20 to 2022-23 - HRA**

**Appendix 2**

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
External Improvements	10,600,000	11,500,000	11,250,000	11,250,000	44,600,000
Internal Works	3,500,000	3,500,000	3,500,000	3,500,000	14,000,000
Environmental Improvements	3,000,000	3,000,000	3,000,000	3,000,000	12,000,000
Structural Works and Compliance	450,000	500,000	450,000	450,000	1,850,000
Disabled Adaptations	1,300,000	1,300,000	1,300,000	1,300,000	5,200,000
IT Development	400,000	0	0	0	400,000
New Build Programme/Major Projects	23,107,400	17,359,400	9,820,000	11,600,000	61,886,800
Buybacks and Spot Purchases	500,000	500,000	500,000	500,000	2,000,000
<b>Total</b>	<b>42,857,400</b>	<b>37,659,400</b>	<b>29,820,000</b>	<b>31,600,000</b>	<b>141,936,800</b>

<b>SPLIT:</b>					
Improvements to Homes	15,850,000	16,800,000	16,500,000	16,500,000	65,650,000
Improvements to Environment	3,000,000	3,000,000	3,000,000	3,000,000	12,000,000
IT Development	400,000	0	0	0	400,000
New Build Programme/Major Projects	23,107,400	17,359,400	9,820,000	11,600,000	61,886,800
<b>Total NPH</b>	<b>42,357,400</b>	<b>37,159,400</b>	<b>29,320,000</b>	<b>31,100,000</b>	<b>139,936,800</b>
NBC Retained - Buy Backs	500,000	500,000	500,000	500,000	2,000,000
<b>Total Capital Programme</b>	<b>42,857,400</b>	<b>37,659,400</b>	<b>29,820,000</b>	<b>31,600,000</b>	<b>141,936,800</b>

<b>FINANCING:</b>					
Major Repairs Reserve/Depreciation	9,642,224	10,035,335	10,193,193	10,492,872	40,363,624
Capital Receipts - RTB (excl 1-4-1)	3,133,700	3,219,300	3,297,700	3,378,100	13,028,800
Capital Receipts - RTB 1-4-1 Receipts	7,034,606	5,357,820	3,096,000	3,630,000	19,118,426
Revenue/Earmarked Reserve	9,936,698	5,474,039	6,644,676	7,790,595	29,846,008
Borrowing / CFR	13,110,172	13,572,581	6,588,255	6,308,434	39,579,442
<b>Total Financing - HRA</b>	<b>42,857,400</b>	<b>37,659,076</b>	<b>29,819,824</b>	<b>31,600,000</b>	<b>141,936,300</b>



**SCHEDULE OF SERVICE CHARGES 2019/20**

<b><u>SERVICE CHARGES (48 week Basis)</u></b>		<b>PRESENT</b>	<b>PROPOSED</b>
		<b>£</b>	<b>£</b>
<b>Garages</b> (+VAT in some cases)		9.26	9.45
<b>Commuter Surcharge on Garages</b> (+VAT in some cases)		14.71	15.02
<b>Communal Heating</b>		10.56	10.56
<b>Sheltered Charges</b>			
- Level 1 Low		6.19	6.32
- Level 2 Medium		13.42	13.70
- Level 3 High		19.70	20.12
<b>Brookside Meadows New Build - Service Charges</b>			
- Tarmac and Block Paving		3.87	3.95
- Electric Gates		1.08	1.10
<b>CCTV</b>		3.81	3.89
<b>Grounds Maintenance</b>		2.08	2.12
<b><u>Non- Standard Service Charges</u></b>			
<b>Electricity Communal</b>	<b>Low</b>	0.12	0.12
	<b>High</b>	6.97	7.12
<b>Estate Services - Cleaning and Caretaking</b>			
	- Service Level 1	0.39	0.40
	- Service Level 2	0.94	0.96
	- Service Level 3	1.17	1.20
	- Service Level 4	1.56	1.60
	- Service Level 5	2.35	2.40
	- Service Level 6	3.52	3.60
	- Service Level 7	4.69	4.79
	- Service Level 8	4.69	4.79

## DRAFT Schedule 5 - NPH Management Fee

		NPH				
		2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Housing Management & Maintenance(HRA)		£	£	£	£	£
<b>Total</b>	<b>Repairs &amp; Maintenance</b>	12,155,771	12,378,890	12,632,529	12,951,326	12,951,326
<b>Total</b>	<b>General Management</b>	6,836,510	6,929,602	7,032,389	7,113,905	7,113,905
<b>Total</b>	<b>Special Services</b>	4,021,839	4,039,806	4,098,100	4,158,701	4,158,701
<b>Total</b>	<b>Recharges</b>	3,226,928	3,257,928	3,289,228	3,321,328	3,321,328
<b>TOTAL HRA</b>		<b>26,241,049</b>	<b>26,606,226</b>	<b>27,052,246</b>	<b>27,545,261</b>	<b>27,545,261</b>
<b>Housing General Fund</b>						
<b>Total</b>	<b>Travellers Site</b>	182,004	182,603	183,214	183,837	183,837
<b>Total</b>	<b>Home Choice &amp; Resettlement</b>	80,000	80,000	80,000	80,000	80,000
<b>TOTAL GF HOUSING</b>		<b>262,004</b>	<b>262,603</b>	<b>263,214</b>	<b>263,837</b>	<b>263,837</b>
<b>TOTAL REVENUE</b>		<b>26,503,053</b>	<b>26,868,828</b>	<b>27,315,460</b>	<b>27,809,098</b>	<b>27,809,098</b>
<b>HRA Capital Programme</b>		42,857,400	37,659,400	29,820,000	31,600,000	19,500,000
<b>GRAND TOTAL</b>		<b>69,360,453</b>	<b>64,528,228</b>	<b>57,135,460</b>	<b>59,409,098</b>	<b>47,309,098</b>
<b>Analysed by Funding Pots</b>						
	Management - HRA (including Special Services)	14,085,277	14,227,336	14,419,718	14,593,935	14,593,935
	Management - GF Housing	262,004	262,603	263,214	263,837	263,837
	Maintenance - Managed Budget Responsive	9,359,944	9,531,745	9,727,047	9,972,521	9,972,521
	Maintenance - Managed Budget Cyclical	2,795,827	2,847,145	2,905,482	2,978,805	2,978,805
	Capital - Managed Budget Improvement to Homes	39,457,400	34,659,400	26,820,000	28,600,000	16,500,000
	Capital - Managed Budget Improvement to Environment	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
	Capital - Managed Budget ICT	400,000	0	0	0	0
<b>Total</b>		<b>69,360,453</b>	<b>64,528,228</b>	<b>57,135,460</b>	<b>59,409,098</b>	<b>47,309,098</b>

**Notes:**

Recharges comprise approximately £1.3m from LGSS and £2.3m from the General Fund

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

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

Capital programme based upon figures provided in support of the revised Asset Management Strategy which takes into account the removal of the HRA Debt Cap, adjusted in line with the Draft HRA Business Plan

Indicative year 5 included to comply with management agreement (based on 2022/23 figures)

Medium Term Planning Pressures could affect NPH Fee in future years