



**NORTHAMPTON**  
BOROUGH COUNCIL

## **CABINET REPORT**

<b>Report Title</b>	<b>General Fund Revenue Budget and Capital Programme Budget 2015/16 and Medium Term Financial Plan 2015/16 – 2019/20</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	18 February 2015
<b>Key Decision:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	YES
<b>Directorate:</b>	Management Board
<b>Accountable Cabinet Member:</b>	Cllr A Bottwood
<b>Ward(s)</b>	N/A

### **1. Purpose**

- 1.1 To report the outcome of the Consultation process on the 2015/16 General Fund Revenue and Capital Budget and the Final Formula Funding Settlement for 2015/16.
- 1.2 To agree the Cabinet's proposals for recommendation to Council on 23 February 2015 for the 2015/16 to 2019/20 General Fund budgets, Council Tax level for 2015/16 and indicative levels for 2016/17 to 2019/20.
- 1.3 To outline the General Fund Capital Programme funding proposals for 2015-16 and future years.
- 1.4 To ask the Cabinet to recommend to Council that they approve the recommendations in paragraph 2 below.

### **2. Recommendations**

- 2.1 That the feedback from consultation with the public, organisations and the Overview and Scrutiny and Audit Committees be considered and welcomed (detailed at **Appendices 1, 2, and 3**).

- 2.2 That the changes to the proposed budget (detailed at paragraph 3.57), in light of the consultation responses, equalities issues, technical adjustments and the Final Formula Funding Settlement, be agreed.
- 2.3 That a General Fund Revenue Budget for 2015/16 of £29.1m (excluding parishes) be recommended to the Council (detailed in paragraph 3.47 and **Appendices 4, 5 and 6**) for its own purposes.
- 2.4 That the Council be recommended not to increase the Council Tax for its own purposes that is, excluding County, Police, and Parish Precepts for 2015/16.
- 2.5 That the Cabinet recommend to Council that they approve the General Fund Capital Programme for 2015-16, including future year commitments, and proposed financing as set out in **Appendix 7**.
- 2.6 That the Council be recommended to confirm the outcomes of the Reserves Strategy Review. Aiming for a minimum level of unallocated general fund balances of at least £4.9m for 2015/16 having regard to the outcome of the financial risk assessment and also note the position on earmarked reserves (**Appendix 8**).
- 2.7 That authority be delegated to the Chief Finance Officer in consultation with the Cabinet Member for Finance, and where appropriate the relevant Director and Cabinet Member to:
- Transfer monies to/from earmarked reserves should that become necessary during the financial year.
  - Establish criteria linked to return on investment & payback for the use of the new Invest to Save Earmarked Reserve.
  - Update prudential indicators in both the Prudential Indicators Report and Treasury Strategy Report, for Council for any budget changes that impact on these.
- 2.8 That the Cabinet notes the key medium term financial issues as set out in **Appendix 9**.
- 2.9 That the draft Fees and Charges set out in **Appendix 10** be noted.
- 2.10 That authority be delegated to the Chief Finance Officer to make any technical changes necessary to the papers for the Council meeting of 23 February 2015, including changes relating to Parish Precepts and Council Tax levels associated with those changes.
- 2.11 That Council be recommended to delegate authority to the Chief Executive and Chief Finance Officer to implement all budget options and restructures.
- 2.12 That Cabinet note a supplementary estimate for forward funding from the New Homes Bonus Reserve for the Enterprise Zone as set out in paragraph 3.55.

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

#### **3.1 Report Background**

##### **National Position**

3.2 The latest data and intelligence surrounding the UK economy is positive. However, there remains some uncertainty over the outlook for the UK and this will continue to put pressure on Local Government finances over the medium term. This was emphasised in the Autumn Statement announced on 3rd December 2014 with clear expectations that public sector funding would continue to be reduced in the next spending review period in line with those seen in the current spending review. This would indicate local government could see its funding reduce by 10% per annum until at least 2018, possibly longer.

3.3 In October 2010 the Government announced its 2010 Spending Review (SR10) and subsequent Spending Rounds, which set budgets for Government departments up to 2015/16.

##### **Government Funding and Policy Changes**

3.6 In addition to unprecedented funding reductions local government has seen significant changes to the way it receives its funding and new policy initiatives. A number of these changes are set out below.

##### **Business Rates Retention Scheme**

3.7 The previous grant regime was replaced with a Business Rate Retention Scheme in April 2013. The key aim of this is to incentivise local business growth. Following extensive lobbying from local government, it was announced that at least 25% of business rates growth will be retained locally. The Council is working with other councils across Northamptonshire to continue to maximise the pooling arrangement across the county. These arrangements seek to retain a larger proportion of the growth.

For 2015/16 the revised pooling arrangement means that Northampton Borough Council is not included directly in the pool approved by CLG. Although the Council is no longer in the direct pooling arrangement, we will continue to work closely with all other Councils across Northamptonshire to maximise the benefits for the County.

The Council has entered into a separate agreement which will allow the benefits realised to be shared amongst all Northamptonshire Councils.

As well as sharing in the benefits of growth the Council also takes the risk of volatility in the business rates system. Examples of such volatility include successful appeals by business against their rateable value and the timing effects of regeneration.

### **Local Council Tax Support Scheme**

- 3.8 The Council Tax Benefit System ceased at the end of March 2013 as a result of the Welfare Reform Act, and was replaced with the localised scheme administered by the Council. The Government included the funding for Council Tax Support in its funding for local government which is being reduced by around 10% per annum. The expectation is that this would be offset by changes to Council Tax discounts/exemptions and reductions in expenditure to those receiving Council Tax Support. Council approved the CTRS scheme for 2015/16 in January 2015 which increased the amount an eligible taxpayer pays towards their Council Tax bills from 15% to 21%.

### **Welfare Reform**

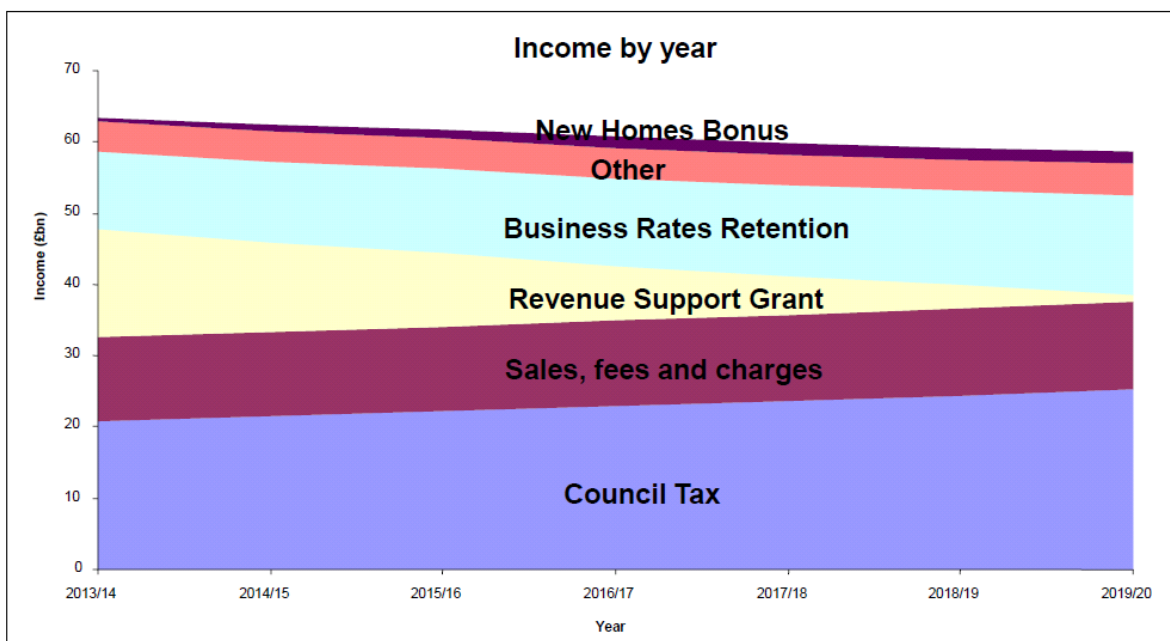
- 3.9 Over the medium term planning period, more information and detail will be released about universal credit and other welfare reform initiatives which will have an impact upon the current service provision of NBC.
- 3.10 Universal Credit is available to people who are on a low income or are out of work. It aims to make the welfare system simpler by replacing six benefits and tax credits with a single monthly payment. It includes support for the costs of housing, children and childcare, as well as support for disabled people and carers. It was first introduced in parts of Greater Manchester and Cheshire in April 2013. From June 2014 jobcentres across the north-west gradually started to take claims, these were for unemployed single claimants with no housing costs. In July 2014, the new service also became available for new claims from couples in all live site areas across England, Scotland and Wales. This extended to families from autumn 2014. The Government has confirmed that they remain on track to deliver Universal Credit safely and securely by 2017. NBC is due to go live with Universal Credit in November 2015 and expects to receive a small number of applications from October 2015. LGSS are making relevant plans to support the process in the second half of the year.
- 3.11 During 2014/15 the responsibility for the Single Fraud Investigation Service (SFIS) was transferred to the Department for Work and Pensions (DWP), this transfer also included staff from the Council. The implications of this transfer have been incorporated into the MTFP.

### **New Homes Bonus**

- 3.12 New Homes Bonus (NHB) is a core funding stream which is effectively replacing other funding streams, such as Revenue Support Grant (RSG), which are now reducing at a much faster rate than anticipated. A significant proportion of NHB is used to support local infrastructure, projects and initiatives which provide economic benefit within the borough. 2015/16 is year 5 of the Scheme which provides payments for a 6 year period. The amount of funding received through NHB has been building up over the past 5 years from £0.8m to £3.8m. The outcome of the upcoming elections is increasing the amount of uncertainty surrounding the future of NHB. The Council has assessed this risk as part of the risk assessment of reserves and will continue to closely monitor the funding announcements during 2015/16.

### **Local Position**

- 3.13 The National economic position has had, and continues to have, specific repercussions locally. In addition to significant reductions in government funding since 2010 the following impacts have been felt locally:
- 3.14 Investment interest levels remain low, and are expected to do so for at least the next few years before rising gradually.
- 3.15 Funding for capital expenditure is linked both to revenue funding in relation to borrowing costs and the Council's ability to generate capital receipts.
- 3.16 There remains some short term uncertainty, but the biggest risks facing the Council are in assessing the financial implications of our continuing to provide services at current levels and the proposed changes to Local Government funding over the medium term.
- 3.17 These projected changes to local government funding are starkly presented in the graph produced by the Department for Communities & Local Government (DCLG) below. The graph clearly shows the total level of funding for local government is forecast to reduce over the next few years. However, within this the Revenue Support Grant element of the framework for funding local government effectively drops away to nil over the period. This represents a dramatic shift in the historical funding position of local authorities and the inevitable conclusion is one of greater dependence on local self-determination.

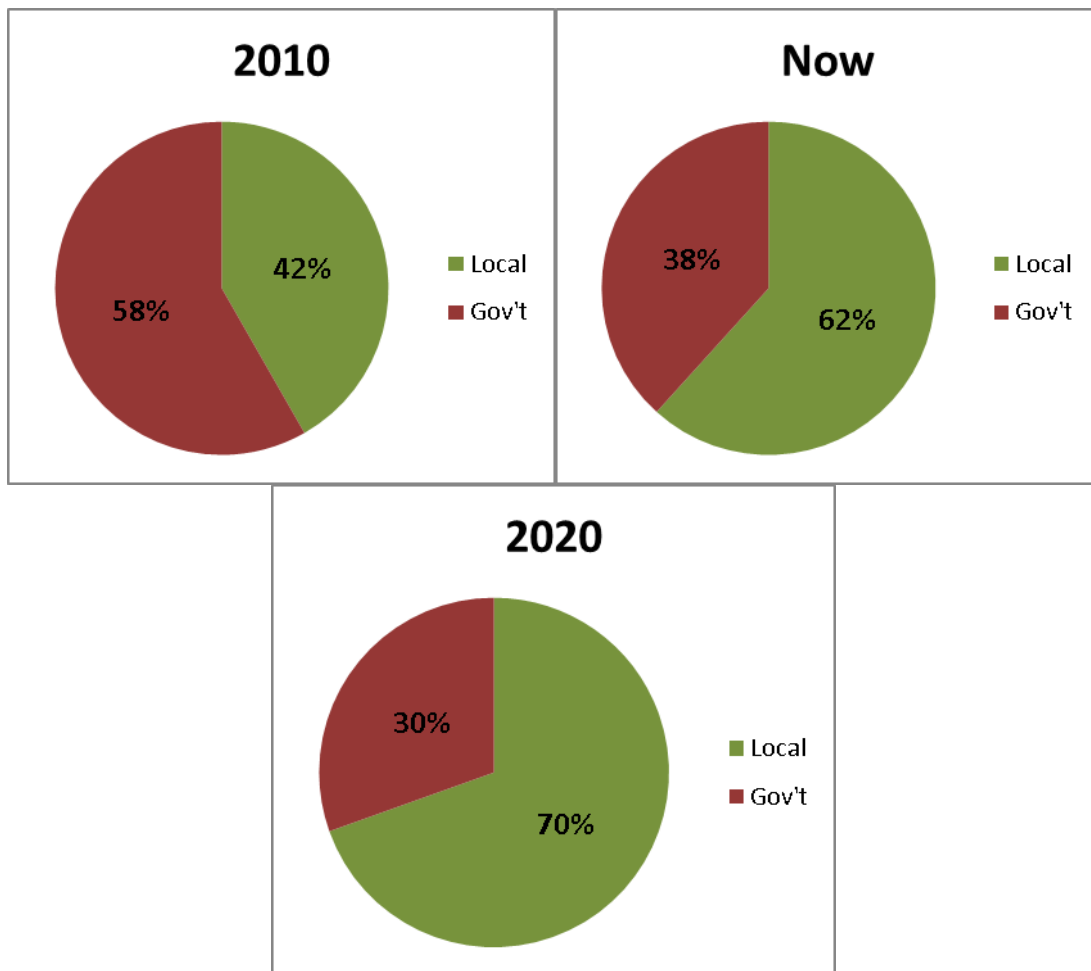


3.18 It should be noted that alongside this increased reliance on business rates together with the decline of the RSG, local authorities bear a higher degree of risk under the Business Rates Retention Scheme.

This has a greater extent of risk sharing between local and central Government than the previous formula funding regime. While Northampton is positive about the new scheme, there are risks for example in relation to demolitions for redevelopment projects.

3.19 Since 2010 the way Councils are funded has changed. The graphs below demonstrate how the balance has changed between what is funded directly by the Government versus what is raised locally. The latter now accounts for over 60% of funding the Council manages. This trend is anticipated to continue in future years as Government funding reduces. Funding from Central Government refers to grants and funding received directly from the Government, such as Revenue Support Grant. Funding raised locally refers to funding generated directly within the Borough such as Council Tax, New Homes Bonus and Business Rates. This can be increased by stimulating economic growth within the Borough.

3.20 The Government's changes around the Business Rate Retention Scheme and Localisation of Council Tax Support are a major part of the reason for this shift in funding. By the end of MTFs period in 2018/19 it is forecast that 70% of the Council's funding will be raised locally, with the remainder coming from Government.



### Autumn Statement –December 2014

- 3.21 On the 3rd December the Chancellor of the Exchequer, George Osborne, made his 2014 Autumn Statement in the House of Commons. The final Autumn Statement before next year’s general election outlined the Government’s spending and tax plans, based on the latest forecasts from the Office for Budget Responsibility (OBR). Alongside the Autumn Statement the OBR published its Economic and Fiscal Outlook (EFO), containing its forecasts for the economy and the public finances, and an assessment of whether the Government is likely to achieve its fiscal mandate and supplementary target.
- 3.22 The Chancellor said the announcements he made in the Autumn Statement were ‘not a giveaway’, and warned ‘substantial savings’ in public spending would be needed. In the Economic and Fiscal Outlook, the OBR said the Treasury’s figures imply that ‘roughly 40% of the total implied cut in day-to-day public services spending between 2009/10 and 2019/20 will have taken place over this Parliament, with roughly 60 per cent to come in the next’. The key points coming out of the Statement for local authorities are:
- 3.23 Review of the Structure of Business Rates - A review of the structure of business rates will be carried out by the Government, reporting by Budget 2016. The review will be fiscally neutral and consistent with the Government’s agreed financing of local authorities.

- 3.24 Review of the Administration of Business Rates - The government will publish its interim findings from the review of business rates administration in December 2015, setting out how it will respond to businesses' calls for clearer billing, better information sharing and a more efficient appeal system. The consultation process, which the SCT responded to, closed in June 2014.
- 3.25 Small Business Rate Relief - The Small Business Rate Relief (SBRR) will be doubled for a further year to provide 100% relief from business rates for 2015/16.
- 3.26 Business Rate Increases - The business rate increase will be capped at 2% for a further year. Business rates for 2015/16 would have risen by the September 2014 RPI. £125m has been set aside to compensate local authorities for the difference between the 2% cap and the September RPI figure, as was the case for 2014/15.
- 3.27 Council Tax – No new announcements on Council Tax were made in the Autumn Statement.

### **Final Local Government Finance Settlement**

- 3.28 The Government recently announced the final Local Government Finance Settlement for 2015/16 and this did not change the funding allocated to the Council from the funding set out in the provisional settlement. Government funding through Revenue Support Grant and Business Rates baseline has decreased by 16% in 2015/16 to £11.1m.
- 3.29 The national funding indicator of spending power, set out a reduction of 2.7% for the Council reducing overall funding (including Council Tax and New Homes Bonus) to £29.1m.

### **Local Preparation**

- 3.30 The Management Board approved the timetable and process for the Medium Term Financial Plan and budgets in the summer 2014. The report set out the financial parameters for budget projections 2015/16 to 2019/20.
- 3.31 The budget process is closely linked to the Corporate Plan and the objectives set out in it, which are also reflected in the Medium Term Financial Plan.
- 3.32 The draft Budget proposals were considered by Cabinet at its meeting in December 2014 and have been subject to a period of consultation.

### **Medium Term Financial Plan (MTFP)**

- 3.33 The overall purpose of the MTFP is to enable the Council to manage its future finances and ensure that its plans are sustainable. This is becoming increasingly more challenging because of government spending reductions, government policy changes, and some significant uncertainties over future costs and income.



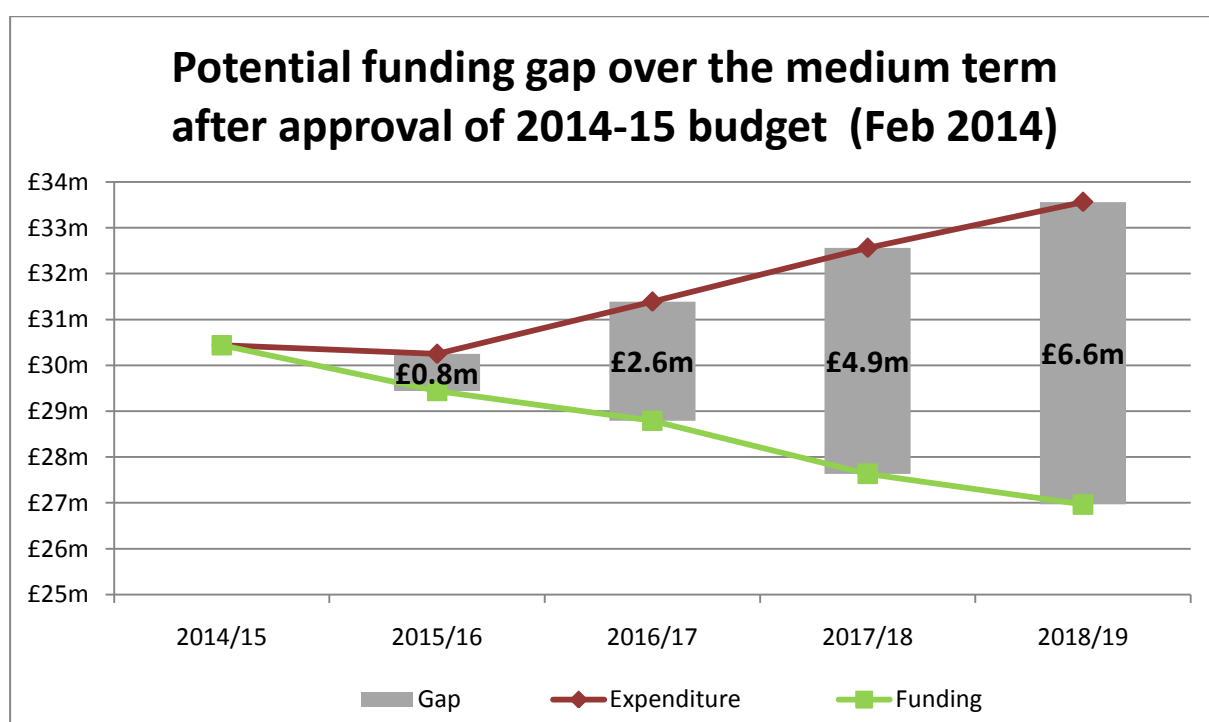
- 3.34 The Cabinet remains clear in its determination to continue towards its ambition to be amongst the best Councils in terms of public service, providing value for money and services to the community. The Council will not be deflected from this aim by external factors. However, it does recognise that they make it more challenging to accomplish, particularly in an environment where funding is reducing.
- 3.35 Each year the Council reviews, considers and refreshes its financial position. The assumptions, pressures and risks are assessed, and developed into a model for forecasting the most likely financial position over the medium term. The Medium term financial position is considered over 5 years to reflect the indications from Government that the current pressures on public sector funding are likely to continue until at least 2018. This is an important part of the framework for future budget-setting decisions. The process identifies the cost of providing existing services as well as any additional services or enhancements the Council deems as priorities. From these forecasts, the affordability of these plans can be assessed with reference to the likely impact they will have on taxation levels and the level of reserves and balances.
- 3.36 The MTFP includes the Council's capital spend plans as these have a direct and sometimes significant impact on our revenue expenditure.
- 3.37 The Council has made fundamental changes over the last four years in the way it delivers value for money services. These changes are as a direct result of the reductions in funding and policy change in local government. This has placed the authority in a better position than it would otherwise have been. However, the Council has to implement further change over the period of the MTFP to ensure it remains financially sustainable and still delivers value for money services.
- 3.38 The Council aims to deliver as much of its savings requirements as possible through efficiencies before considering other options to balance its budget.
- 3.39 The Council over the last few years has significantly reduced its cost base, by establishing a more mixed economy of service delivery. This has included:
- the externalisation of Environmental services,
  - the creation of the Leisure Trust,
  - reducing the costs of its management,
  - changing the terms and conditions of staff, and
  - the partnership with LGSS to deliver back office services.

Despite the changes the funding pressures have increased and the Council still needs to drive forward change and deliver more savings whilst improving services. In recent years the Council has supported the town through difficult economic times and invested in its future through a number of initiatives, including:

- providing free town centre car parking at the weekend and for 2 hours in the week,
- supported businesses through the Business Incentive Scheme,
- delivering growth in the Waterside Enterprise Zone, and
- regeneration and improvements to the town centre, including Abington

## Street and Guildhall Road.

- 3.40 The Council has set up an Arm's Length Management Organisation (ALMO) known as Northampton Partnership Homes (NPH) from 5 January 2015. The aim is to improve housing services to tenants and achieve improvements in value for money. More information on the financial implications of NPH are contained in the Housing Revenue Account (HRA) report elsewhere on this agenda. It should be noted that there is an element of the General Fund housing service that will be managed by NPH.
- 3.41 As at February 2014 the graph below demonstrates the potential funding gap over the medium term if the Council continues to deliver the same level of services as it currently provides, continues with its current risk appetite and does not take any mitigating action.



- 3.42 The table below reflects the main changes since February 2014.

<b>Description</b>	<b>Budget 2015/16 £000s</b>
<b>Potential funding gap (Feb 2014)</b>	808
<b>Changes in:</b>	
Service Base Budget	(172)
Corporate Budgets	(806)
Contribution to Reserves	2,396
<b>Net Budget</b>	<b>2,226</b>
Revenue Support Grant	(207)
Business Rates	1,052
Council Tax	(75)
New Homes Bonus	(477)
<b>Total Funding</b>	<b>293</b>
<b>Funding gap 2015/16 (Feb 2015)</b>	<b>2,519</b>

- 3.43 The revised funding gap 2015/16 as at Feb 2015 of £2.519m is being closed through a series of savings proposals which are covered in paragraphs 3.45 to 3.47 of this report.
- 3.44 The MTFP and Budget 2015/16 set out in this report at Appendix 4 have been developed to address the financial challenges identified above. The MTFP that is presented in this report ensures that the financial position of the Council over the medium term is both stable and sustainable, with its resources focussed on priorities.

#### **Draft General Fund Revenue Budget 2014/15 - Cabinet 17 December 2014**

- 3.45 The Cabinet met on the 17 December 2014 and recommended proposals for consultation. The headlines were:
- a) No proposed Council Tax increase, for the Council's own purposes, for 2015/16, and no annual increases be adopted as planning parameters for the financial years 2016/17 to 2019/20;
  - b) A General Fund Budget of £28.9m (including parishes)
- 3.46 New efficiency savings options totalling £2.5m had been proposed for consultation to close the gap. Investment in priority areas totalling £467k was also proposed for 2015/16.
- 3.47 The Council's programme for delivering efficient cost effective services had effectively closed the 2015/16 budget/funding gap, by looking at efficiency improvements and considering the balance between using reductions in service levels in some areas and increasing income in others. The table following shows a summary of the draft Budget 2015/16 position.

<b>Description</b>	<b>2015/16 £000s</b>
Service Base Budget	32,340
Savings	(2,519)
Growth	467
Gross Revenue Budget	30,288
Corporate Budgets	(3,436)
Contribution to Reserves	2,298
<b>Net Budget</b>	<b>29,149</b>
Revenue Support Grant	(4,964)
Business Rates	(6,201)
Council Tax	(14,149)
New Homes Bonus	(3,836)
<b>Total Funding</b>	<b>(29,149)</b>
<b>Savings to be identified</b>	<b>(0)</b>

### **Bridging the Funding Gap**

- 3.48 Over the medium term the Council will need to increase income or deliver savings to meet the funding gap. The funding gap is now projected to be £7.1m by 2019/20. It is not possible to bridge the gap over the medium term solely by continuing the approach that has previously been applied. It is almost inevitable that, before the end of the current MTFP period, more radical options for cost reduction will need to be considered.
- 3.49 The revised funding gap in 2015/16 increased to £2.5m and has been closed by the putting forward of a number of saving options that were subject to consultation over the consultation period.

### **Council Tax**

- 3.50 In line with previous years, the Secretary of State has proposed that a referendum trigger of 2% or above will apply for all principal local authorities in 2015/16. At present this is not proposed to apply to local precepting authorities (Town and Parish Councils) for 2015/16.
- 3.51 The draft Budget 2015/16 and MTFP assumed a 0% increase in Council Tax for each of the 5 years.
- 3.52 The Council on a 0% Council Tax rise would be eligible for a Council Tax Freeze grant, which is anticipated to be the equivalent of 1% of Council Tax, to mitigate the cost. This equates to approximately £152k per year and is currently anticipated for two years. As indicated by Government this Grant is expected to be incorporated within the baseline funding position for the Council in the future.

- 3.53 Cabinet consulted with the public on taking up the Government offer of assistance to enable it to propose a 0% increase for 2015/16.
- 3.54 The Band D level of Council Tax (excluding parishes) for the last few years is shown in the table below:

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2013/14 £	2014/15 £	2015/16 £
NBC	209.65	209.62	209.57	209.57	208.19	207.91	207.91
NCC	1,028.11	1,028.11	1,028.11	1,028.11	1,028.11	1,048.57	TBC
NPCC	193.20	193.20	193.20	193.20	193.20	197.04	TBC
<b>Total</b>	<b>1,430.96</b>	<b>1,430.93</b>	<b>1,430.88</b>	<b>1,430.88</b>	<b>1,429.50</b>	<b>1,453.52</b>	<b>TBC</b>

### 2014-15 Budget Supplementary Estimate Note

- 3.55 At the Enterprise Zone Board on 11th December 2014, approval was given for additional budget of £428,971 for NBC 'administration costs' in 2014/15. This expenditure can be forward funded by NBC from the New Home Bonus Reserve, before being reclaimed from SEMLEP through the Business Rates Uplift Mechanism. Cabinet is asked to note this requirement with approval to be sought for a Supplementary Estimate from the New Homes Bonus Reserve to forward fund this expenditure.

### Draft General Fund Revenue Budget Position – Cabinet 18 February 2015

- 3.56 Further work has been undertaken to refine the budget since 17<sup>th</sup> December 2014. This includes the final Local Government Finance Settlement adjustments, changes to proposed savings options, updated assumptions to the continuation budget and a number of technical adjustments
- 3.57 Since the draft Budget was proposed by Cabinet on 17 December 2014 the position has changed as follows:

<b>Summary of Changes since 17 December 2014 Cabinet</b>	<b>Budget 2015/16</b>
Continuation Budget Changes (net changes)	(126,048)
Technical Changes to Corporate Budgets	(106,000)
Contribution to/(from) Earmarked Reserves	475,528
<b>Total Changes to Net Budget</b>	<b>243,480</b>
<b>Changes to Funding</b>	
Revenue Support Grant	(186,375)
NNDR	51,671
Council Tax Freeze Grant 14/15	151,872
New Homes Bonus	(260,682)
Total DCLG Funding	(243,514)
Parish Grants	33
<b>Total Changes to Funding</b>	<b>(243,480)</b>

## **General Fund Capital Programme The Financial Position**

- 3.58 The Council continues to face an extremely challenging financial situation in the short to medium term. Reductions in overall revenue funding constrain the ability to undertake borrowing in support of capital expenditure due to its impact on interest and Minimum Revenue Provision (MRP) charges.
- 3.59 The national economic situation continues to make it difficult to realise capital receipts. These cannot be utilised until actually received.
- 3.60 Grant funding has also been affected where grant-awarding bodies are being forced to tighten their belts. New sources of grant funding are continually being sought to finance schemes, the outcome of which often becomes known during the course of the year. In line with the delegation scheme, capital schemes that are fully funded from external grants and contributions and in accordance with the objectives and priorities of the Council can be added to the programme with the approval of the Chief Finance Officer. This enables such schemes to commence promptly and achieve their objectives in line with grant conditions.

## **Building the Capital Programme**

- 3.61 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 development of the Council's services. The Capital Programme has been developed through strategic discussions at the Capital Programme Board, recognising the Council's corporate priorities for the development of assets and service, and the need to realise efficiency savings.
- 3.62 The proposed Capital Programme for 2015-16 to 2019-20 is attached at Appendix 7. The value of the total proposed Capital Programme for 2015-16 is £60.987m. A summary of the draft programme and final proposed programme is shown in the table below.

<b>Description</b>	<b>DRAFT Budget 2015/16 £000s</b>	<b>PROPOSED Budget 2015/16 £000s</b>
<b>Capital programme 2015-16</b>		
Housing General Fund	1,875	1,875
IT Improvements	175	175
Town Centre Improvements	3,150	3,350
Heritage and Culture	4,127	4,277
Block Programmes	1,190	1,121
Enterprise Zone	<b>1,400</b>	1,400
<b>Loans</b>	<b>1,500</b>	<b>47,800</b>
<b>Other</b>	<b>788</b>	<b>989</b>
<b>Total GF Capital Programme</b>	<b>14,205</b>	<b>60,987</b>
<b>Funding Source:</b>		
Borrowing (incl self-funded)	3,003	49,303
Capital Receipts	5,239	4,721
Grants & Third Party Contributions	3,932	4,932
Growing Places Fund/Local Infrastructure Fund	1,400	1,400
Revenue/Earmarked Reserves	631	631
<b>Total Funding</b>	<b>14,205</b>	<b>60,987</b>

- 3.63 The proposed programme for 2015/16 now includes a loan of £46m to the University of Northampton, as approved by Cabinet in September 2014. This has no net impact on the Council's finances as the money is borrowed from the Public Works Loan Board, with repayments and interest costs met by the University.
- 3.64 The schemes have been prioritised within the resources available.
- 3.65 There is continuing significant demand for Disabled Facilities Grants. These are mandatory for the Council when the homeowner has made a full application. The proposed programme includes a budget of £1.875m for 2015/16.
- 3.66 The proposed programme for 2015/16 includes significant schemes supporting Council priorities in relation to heritage, regeneration and town centre improvements, as well as meeting the Council's statutory responsibilities.
- 3.67 In addition, there are block programme schemes. These will provide funding for individual schemes to improve and enhance the Council's assets and meet its responsibilities as a landlord. Individual schemes will be subject to

appraisal and approval by the Capital Programme Board prior to commencement.

### **Capital Strategy**

- 3.68 The Capital Strategy was approved by Council on 29<sup>th</sup> February 2012 and remains current. 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 Strategy will be reviewed and updated as part of the next update of medium term financial plans during 2015.

### **Use of Balances**

- 3.69 A prudent level of reserves and 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 general fund 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 along with the Council's gross expenditure requirement, should be maintained at £4.9m for 2015/16. This minimum level is designed to cope with unpredictable circumstances, which cannot be addressed by management or policy action within the year.
- 3.70 In determining the potential use of the reserves, the five year financial strategy takes into account previous years' spending trends, in particular the projected general fund 2014/15 outturn.
- 3.71 In the medium to longer term higher levels of General Fund Balances may be required, depending on changes to the risk profile of the organisation. It should also be noted that the General Fund Balance can only accommodate the impact of significant events up to the level set, and would need to be replenished if one or more such events actually occur.
- 3.72 The 2015/16 Budget assumes no use of general fund balances in 2014/15.
- 3.73 A major review of the General and Earmarked Reserves position has been undertaken by the Chief Finance Officer and Management Board. The aims of this review have been to ensure the council has financial risks effectively covered, rationalise the number of earmarked reserves, manage risks collectively rather than individually and create funds to enable the investment required to assist in the delivery of the MTFP funding gap. The outcome of this review is detailed in the Appendix 8 to this report.
- 3.74 Following the review it is proposed that a Strategic Investment Reserve is set up to allow future investment in activities which meet strategic priorities and objectives, reduce the spending pressures being faced by the Council and/or raise additional funding streams which close the gap.

It is proposed that any drawdown from the Strategic Investment Reserve will be on a business case basis. The business cases put forward will be subject to approval in line with the Council's Constitution.

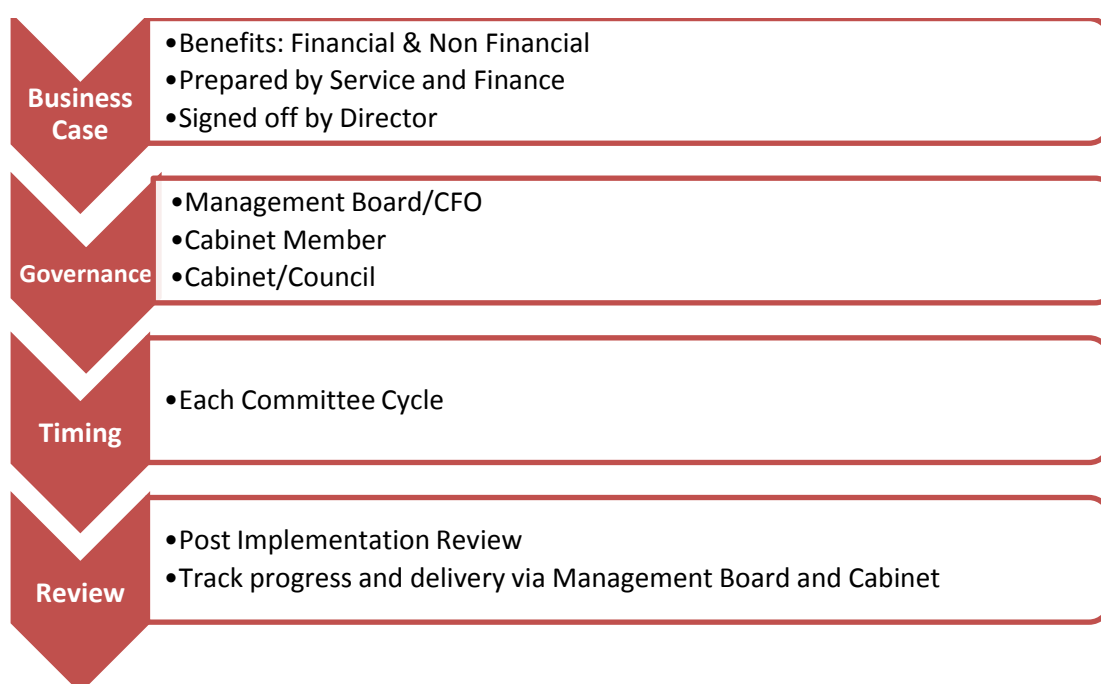


*“The Chief Finance Officer, in consultation with the Cabinet Member for Finance, and where appropriate the relevant Director and Cabinet Member, may transfer monies to or from earmarked reserves”*

The Strategic Investment Reserve is intended to be subject to a business case and criteria for its use. These include:

- Payback – Usually within the MTFP period (or longer where a business case sets out the strategic need)
- Return on Investment (RoI) – Positive benefit to Council
- Corporate Priorities – Clearly meets set objectives and priorities

Any investment made will follow the Council’s governance process. A summary is set out below:



### **Robustness of Estimates and Adequacy of Reserves**

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

### **Revised Proposals**

3.76 Appendix 4 sets out a summary of the revised budgets covering 2015/16 to 2019/20 to be recommended to the Council. The main features are:

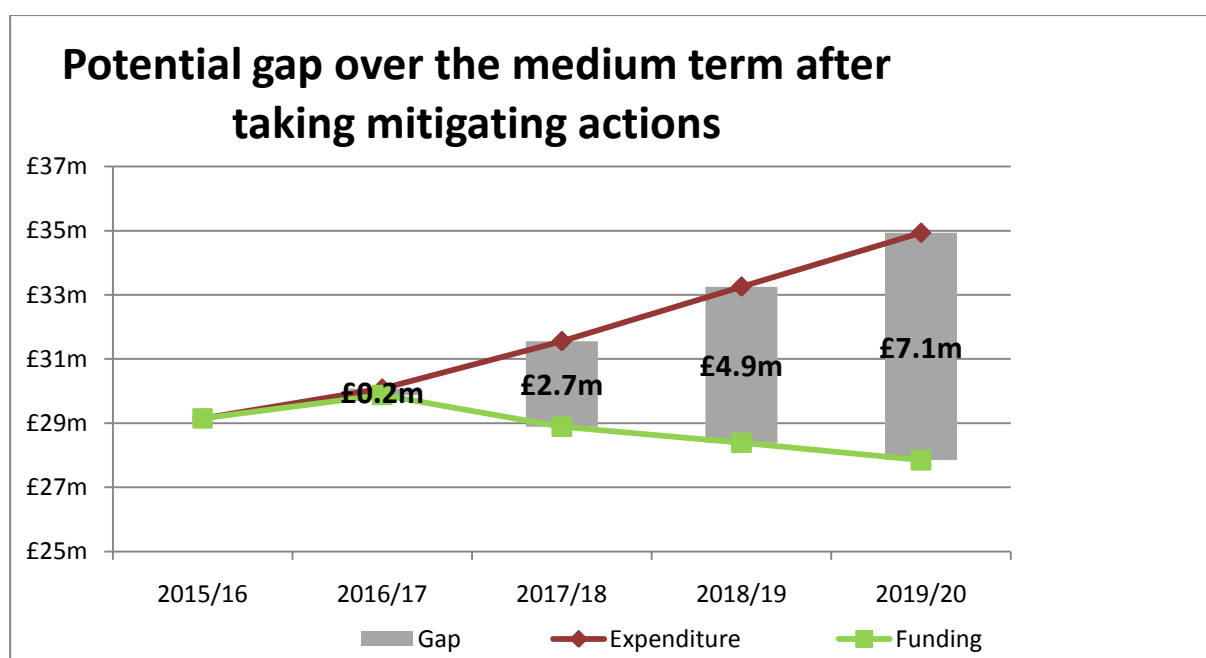
- a) No Council Tax increase, for the Council’s own purposes (excluding precepts), for 2015/16;
- b) A General Fund Budget for 2015/16 of £29.149m (including parishes).
- c) A planning parameter of 0% indicative annual Council Tax increases, for the Council’s own purposes (excluding precepts), for 2015/16 – 2016/17

3.77 The Council's Budget for its own purposes (excluding parishes) is £29.1m.

<b>The Council's Budget for its Own Purposes</b>	<b>£m</b>
Revenue Budget Requirement including Parishes	30.172
Less: Parish Precepts	(1.022)
<b>Amount to be Funded by Government Grant and Council Tax Excluding Parishes</b>	<b>29.150</b>

3.78 The Government have set the level of Council Tax increase above which a referendum would be required at 2%. Northampton's budget proposes a 0% Council Tax increase, and therefore falls well within the limit.

### Medium Term Implications



3.79 The financial position set out in the graph above is not financially sustainable and if the Council did not take mitigating action to address this it would need to fund the gap by using its General Fund balances. The level of General Fund balances, also referred to as the minimum level of reserves, are currently set at a risk assessed level of £4.9m

3.80 In setting a Budget for 2015/16, the Cabinet and the Council must take into account the implications for the following four years financial strategy, namely 2016/17 – 2019/20. There are significant planned efficiency savings in 2015/16 and the following years, which will require action to be taken now if they are to be secured within the planned timescales.

3.81 Appendix 4 also sets out the Budget projections for 2015/16 to 2019/20 and the key features of the projections including assumptions of the level of Formula funding and Council Tax funding.

- 3.82 The Medium Term Plan assumes that the Council will achieve year on year cashable efficiencies, 2015/16, and this has been built into the financial strategy from 2015/16 onwards. Plans will be developed to deliver the required savings as part of the 2015/16 medium term planning process.
- 3.83 The financial projections identify the need to:
- a) Continue the search for efficiencies in accordance with Government requirements; and
  - b) Make sure the Council's ambitions are set within the context of the available funding envelope.
- 3.84 The Medium Term Budget projections also highlight the need to continue to develop the organisation's future strategy through the Corporate Plan. The key medium term financial issues identified are attached at Appendix 8.

### **Fees and Charges**

- 3.85 The Schedule of Draft Fees and Charges for 2015/16 is attached at Appendix 9. The Cabinet is recommended to note the fees and charges that have been reflected in the budgeted income figures. These figures have been reviewed through the Medium Term Planning process and updated where feasible.

### **Treasury Management**

- 3.86 The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. It is a requirement under the Treasury Code of Practice to produce an annual strategy report on proposed treasury management activities for the year. The Council's Treasury Management Strategy (TMS) for 2015-16 is a separate agenda item for Cabinet to approve at its meeting of the 18 February 2015.
- 3.87 The TMS takes into account the impact of the Council's Medium Term Financial Plan, its Revenue Budget and Capital Programme, the balance sheet position and the outlook for interest rates. It includes, inter alia:
- The Affordable Borrowing Limit for 2015-16
  - The Council's policy on the Minimum Revenue Provision (MRP) for the repayment of debt
  - The Investment Strategy for 2015-16
  - The Prudential and Treasury Indicators for 2015-16 to 2019-20
  - The Council's policy on borrowing in advance of need
  - The Council's counterparty creditworthiness policy

### **The Next Steps**

- 3.88 The timetable for the 2015/16 Budget process requires a meeting of the Council on 23 February 2015, at which consideration will be given to the recommendations of this Cabinet in relation to the expenditure and tax proposals that relate to the Council's own spending.

- 3.89 In addition to the Council's own Council Tax, there are separate Council Taxes for the County, Police, and the Parishes. Not all of these precepting bodies have set their Council Taxes at the date of the Cabinet report being written, with the result that these will be reported to the Cabinet if known by that date and at Council on 23 February 2015 in any event.

### **Choices (Options)**

- 3.90 It is recommended that Cabinet make the recommendations to Council as detailed in section 2 of this report, taking into account the items detailed for noting.
- 3.91 The Cabinet may choose to make amendments to the proposed budgets or to the proposed Council Tax increase and adjust the budget proposals accordingly, in consultation with the Chief Executive and the Chief Finance Officer. It would then recommend the amended Budget and Council Tax (if applicable) to Council.

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

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### **4.1 Policy**

- 4.2 In carrying out its business, the authority has a number of general and specific duties, which must be taken into account through the Medium Term Planning process and on to the setting of the Budget. Most duties to which the authority is subject are specific but some are generic to all of its functions, including the setting of the Budget.

- 4.3 Currently such duties include:

- a) the crime and disorder duty - to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area; and
- b) the race equality duty - in carrying out its functions, to have due regard to the need
  - to eliminate unlawful racial discrimination; and
  - to promote equality of opportunity and good relations between persons of different racial groups.
- c) the disability equality duty - in carrying out its functions to have 'due regard' in the exercise of all of the authority's functions to:
  - eliminate unlawful disability discrimination, and
  - promote disability equality
- d) the gender equality duty - in carrying out its functions to have 'due regard' in the exercise of all of the authority's functions to
  - eliminate unlawful gender discrimination, and
  - promote equality of opportunity between men and women.

### **4.4 Resources and Risk**

- 4.5 The resource implications are detailed throughout the Report and Appendices.
- 4.6 The robustness of the estimates and adequacy of the Council's reserves are subject to a separate report.

4.7 A detailed report on risk and the 2015-20 Budget was also considered by the Audit Committee at its meeting on 12 January 2015, which is a background paper to this Report.

4.8 **Legal**

4.9 The Council must set a balanced budget for the next financial year by midnight on 11 March 2015 (Local Government Finance Act 1992 section 32 (10)). Failure to do this would leave the Council potentially vulnerable to court action by way of judicial review on the part of the Audit Commission. Delay in sending out Council Tax demands would result in losses being incurred by the Council.

4.10 The authority has specific legal duties in relation to equalities and financial decision making – see 4.12 below.

4.11 There are no further specific legal issues arising from this Report.

4.12 **Equality**

4.13 Under the general equality duty (as set out in the Equality Act 2010), public authorities are required to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation as well as advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.

4.14 The law requires that this duty to have due regard be demonstrated in decision making processes. Assessing the potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can demonstrate that they have had due regard to the aims of the equality duty.

4.15 It is also important to note that public authorities subject to the equality duty are also likely to be subject to the obligations under the Human Rights Act. We would therefore recommend that public authorities should consider the potential impact their decisions could have on human rights.

4.16 Equality and Community Impact were considered as part of the Budget build process, and an impact assessment/screening was completed as part of each appropriate medium term planning option submitted. An Equality and Community Impact Assessment for the Budget Consultation was made public as part of the Budget Consultation.

4.17 Members are required to have specific regard to the equalities issues identified when making the decision to approve the Budget options. The detailed Equalities Impact Assessments are available on the Internet as a background paper to this report.

4.18 Where issues have been identified and the option is approved, the detailed Equalities Impact Assessment will be used to inform the implementation of the Budget option.

4,19 **Consultation**

- 4.20 Consultation was undertaken in line with a robust [Budget Consultation Programme](#). The process was carried out in two phases, internally, involving the formulation of options at service level followed by challenge by Management Board and relevant Cabinet members, and externally, involving public consultation with residents, businesses and interested stakeholders
- 4.21 Public Consultation commenced 17 December 2014 and ended 31 January 2015. The consultation period will formally close on the date the Budget is approved in February 2015.
- 4.22 People were asked if they agreed with freezing Council Tax levels for a further year and if they would be prepared to pay more if it helped the Council protect or improve services. Views were also asked to comment in relation to the Budget options proposed and also invited to suggest any other ideas that would achieve savings or improvements.
- 4.23 The Council's dedicated Budget information web pages received over **2000** visits and **90** people completed online questionnaires providing more than **91** comments. Full details of the methodology and results are included in Appendix 1
- 4.24 Public consultation found that over **2** out of **3** respondents agree with proposals to freeze Council Tax whilst **3** out of **5** would be willing to pay more in certain circumstances, in particular if this contributed to protect/improve services. Full results, including comments on proposals and alternative suggestions are available in Appendix 1
- 4.25 Overview and Scrutiny Committee reviewed the budget proposals at its meeting on 26 January 2014. The views of the Overview and Scrutiny Committees are reported in Appendix 2.
- 4.26 Audit Committee reviewed the budget proposals from a risk perspective on 12 January 2015. The key risks identified are reported at Appendix 3.
- 4.27 Tenants were consulted in respect to a Rent Increase in 2015/16 at a number of events. Details are available within Appendix 1
- 4.28 **How the Proposals Deliver Priority Outcomes**
- 4.29 All of the discretionary investment proposals in the draft Budget reflect and/or are aligned to the corporate priorities as set out in the Corporate Plan.

#### 4.30 **Other Implications**

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

1. Consultation Responses – Public Consultation
2. Consultation Responses – Overview and Scrutiny committee
3. Consultation Responses – Audit committee
4. Proposed Budget Summary 2015/16 to 2019/20
5. Schedule of Savings Options
6. Schedule of Growth Options
7. General Fund Capital Programme and Forecast Financing 2015/16 to 2019/20
8. Schedule of Earmarked Reserves
9. The Key Medium Term Financial Issues 2015/16 to 2019/20
10. Draft Fees and Charges 2015/16

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

[Budget 2015/16 - Consultation Documents Consultation Impact Assessment](#)

David Kennedy, Chief Executive, ext. 7726

Glenn Hammons, Section 151 Officer, 01604 366521