



NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

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

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

1. Purpose

- 1.1 To report the outcome of the consultation process on the 2018/19 General Fund Revenue and Capital Budget and the Government Funding Settlement for 2018/19.
- 1.2 To agree Cabinet's proposals for recommendation to Council on 26 February 2018 for the 2018/19 General Fund budgets and Council Tax level and the indicative levels for 2019/20 to 2022/23.
- 1.3 To outline the General Fund Capital Programme and Funding proposals for 2018/19 and future years.

2. Recommendations

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

- 2.2 That the changes to the proposed budget (detailed at paragraph 3.2.14), in light of technical adjustments and the Local Government Funding Settlement, be agreed.
- 2.3 That a General Fund Revenue Budget for 2018/19 of £27.360m (excluding parishes) be recommended to Council for its own purposes (detailed in paragraph 3.2.13 and **Appendices 1 and 2**).
- 2.4 That the Council be recommended to increase the Council Tax for its own purposes, i.e. excluding County, Police and Parish Precepts, by £6.37 (2.99%) per year per band D property for 2018/19.
- 2.5 That the Cabinet recommend to Council that they approve the General Fund Capital Programme and proposed financing for 2018/19, including the inclusion of schemes in the Development Pool, as set out in **Appendix 4**.
- 2.6 That Council be recommended to confirm a minimum level of General Fund reserves of £5.5m for 2018/19, having regard to the outcome of the financial risk assessment, and also note the position on earmarked reserves (**Appendix 7**).
- 2.7 That authority be delegated to the Chief Finance Officer in consultation with the Cabinet Member for Finance, and where appropriate the relevant Director and Cabinet Member to:
- Transfer monies to/from earmarked reserves should that become necessary during the financial year.
 - Update prudential indicators in both the Prudential Indicators Report and Treasury Strategy Report to Council, for any budget changes that impact on these.
- 2.8 That the draft Fees and Charges set out in **Appendix 8** be approved, including immediate implementation where appropriate.
- 2.9 That Cabinet recommend to Council that they approve the Treasury Management Strategy for 2018/19 at **Appendix 5** of this report: incorporating:
- (i) The Capital Financing and Borrowing Strategy for 2018/19 including:
 - The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (England) (Amendment) Regulations 2008.
 - The Affordable Borrowing Limit for 2018/19 as required by the Local Government Act 2003.
 - (ii) The Investment Strategy for 2018/19 as required by the CLG revised Guidance on Local Government Investments issued in 2010.
- 2.10 That authority be delegated to the Council's Chief Finance Officer, in liaison with the Cabinet member for Finance, to make any temporary changes needed to

the Council's borrowing and investment strategy to enable the authority to meet its obligations.

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

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council is required to set a balanced budget and its Council Tax for 2018/19 in February 2018. The proposals in this report have been developed by officers in consultation with Cabinet members and Corporate Management Board.
- 3.1.2 Cabinet agreed a draft budget in December and the proposals within this have been subject to a period of public consultation and reviewed by both Audit Committee and Overview and Scrutiny Panel. The outcomes of these consultations are set out in **Appendices 9, 10 and 11**.
- 3.1.3 The Cabinet report in December set out the national and local economic context and background to the sources of funding that underpin the budget and medium term plan.

3.2 Issues

Local Government Finance Settlement

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

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

- 3.2.2 The methodology for calculating central government funding includes an assumption that Council Tax is increased up to the referendum limit of 2.99% in 2018/19. The budget proposals therefore include a proposed increase in the Band D Council Tax of just under 2.99% from April 2018 and £5 per year from 2019/20 onwards.
- 3.2.3 New Homes Bonus for 2018/19 is lower than forecast in the draft budget due to lower than expected property growth being reflected in the allocation. This is in part due to delays in the valuation office allocating new properties to bands. This will be corrected in future years as and when this unrecognised growth feeds into the taxbase growth figures.

Medium Term Financial Plan and Efficiency Savings

- 3.2.4 The Medium Term Financial Plan provides a forecast of the Council's expenditure and income over the next five years. The forecasts, detailed in Appendix 1, include efficiency and other savings as well as growth requirements.
- 3.2.5 Cabinet has listened to public feedback in relation to the existing Environmental Services contract and is proposing to invest and prioritise resources to make sure that our town is clean. The new Environmental Services contract, to commence in June 2018, will see a significant improvement in quality standards for street cleaning, grounds maintenance and the collection of refuse and recycling. The quality standards and service specification for the new contract have been informed by the consultation undertaken in 2017. These improvements come at a cost, with a significant increase in budget required. The final budget allows for the increased net cost of Environmental Services and related activities of around £3.2m per annum, plus an additional one-off cost of £2m in 2018/19 for contract mobilisations and to rectify current problems.
- 3.2.6 In order to mitigate the increased costs of Environmental Services, the Council proposes to purchase the vehicles and other equipment required for delivery of these services, and lease these to the successful contractor. This approach was approved by Cabinet in January, and utilises the lower borrowing costs available to the Council. The cost of repaying this borrowing will be met from an earmarked reserve set aside for the purpose, although the Council may utilise capital receipts for this purpose if they become available in the future. This capital funding by the Council, and utilisation of an earmarked reserve, reduces the net cost of the new contract by an estimated £1.2m per annum.
- 3.2.7 Other budgetary growth requirements are set out in Appendix 2 and include provision for an enhanced client function to monitor the new contract and funding to extend opening hours at Abington Park museum. Most significantly, funding of £150k is earmarked to fund a reduction in working hours from 40 to 37 per week. This is a reversal of the increase implemented a few years ago, which has had an adverse impact on staff morale and on recruitment and retention, in part leading to the need to cover more vacancies with interim staff.
- 3.2.8 The MTFP has forecast significant increases in the cost of Environmental Services for several years, and this has meant that compensating savings and efficiencies have been delivered through the workstreams of the Efficiency Plan. Efficiency savings of around £3.5m have been delivered over the last 4 years,

and further efficiencies of over £800k are built into the base budgets for 2018/19. Examples include reducing paper usage through the implementation of a digital strategy and investment in technology, and maximising income generated from the Council's property assets.

- 3.2.9 Further efficiencies, budget savings and income increases totalling £1.82m are set out in Appendix 2. These include significant savings in management and staffing costs through a process of redesigning the organisational structure to ensure that it meets the needs of the Borough and provides value for money. Additional income of over £1.3m will be generated, most notably through the introduction of a charge of £2 for all-day parking on Saturdays in the Council's multi-storey car parks and Sundays in all car parks. Visitors to the town will benefit from improved town centre cleanliness delivered through the new Environmental Services contract.
- 3.2.10 By focussing on these areas of savings, the Council will protect services to the most vulnerable residents of the Borough, both those provided directly and those provided through partner organisations. Core grants to the voluntary sector have been protected.
- 3.2.11 Implementation of the proposed savings listed in Appendix 2 will enable the Council to set a balanced budget for 2018/19 and 2019/20.
- 3.2.12 The MTFP shows a forecast further savings requirement of £1m to £1.5m each year from 2020/21 onwards. The exact figure is subject to any changes to government funding and other forecast changes to budgets. These further savings can be achieved through the strands set out in the approved Efficiency and Medium Term Financial Strategy, i.e.
- Growth – realising the benefits of growth through the generation of additional business rate income, Council Tax and New Homes Bonus.
 - Partnerships – working with other local authorities, private sector and community partners to deliver high quality and cost effective front-line and support services.
 - Use of IT/Digital channels – to reduce transaction costs and increase staff productivity through the use of technology.
 - Maximise income generation – ensure that income is maximised by setting charges at an appropriate level, as well as increasing demand through effective marketing.
 - Review service and staffing structures – to ensure that these are fit for purpose and are appropriate to the Council's changing needs and priorities.
 - Investment/commercial opportunities – realising opportunities to undertake appropriate investments that will generate a commercial return.
 - Realise opportunities from new Environmental Services contract – the new contract will provide significantly improved quality and provide opportunities to reduce the costs involved in rectifying shortfalls in current service provision.

General Fund Revenue Budget 2018/19

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

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

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

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

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

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

Council Tax

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

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

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

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

Special Expenses

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

3.2.19 Northampton Borough Council charges special expenses for the maintenance of its smaller parks and open spaces as this service is also carried out by Parish Councils in some areas. Because these smaller parks and 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 As a general rule, special expenses seek to reflect the cost of the services that relate to specific areas.

3.2.22 See Appendix 6 for further details and explanation.

Capital Strategy

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

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

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

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

General Fund Capital Programme 2018/19 to 2022/23

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

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

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

- Leisure Centre Improvement Programme – the latest discussions with the Leisure Trust suggest that funding will be sought from a third party and they will take responsibility for delivering the programme. This item has therefore been removed from the Council’s capital programme.
- Environmental Services Vehicles and Westbridge Depot improvements– this figure has been updated to reflect the cost estimates provided by the successful bidder.
- Fernie Fields – The sum of up to £180,000 is included in the proposed programme as a contribution towards improved stadium facilities.

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

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

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

Earmarked Reserves and General Fund Balances

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

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

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

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

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

Robustness of Estimates and Adequacy of Reserves

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

Fees and Charges

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

Treasury Management Strategy

3.2.37 The Treasury Management Strategy 2018/19 at Appendix 5 sets out the Council's policy for its debt and investment portfolios over the next financial year. It is reviewed annually and reported to Cabinet and Council as part of the budget setting process. The purpose of the strategy is to establish the framework for the effective and efficient management of the Council's treasury management activity, including the Council's investment portfolio, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse. The resources required to deliver the Council's Treasury Management Strategy and policies over the next five years are incorporated into the Council's HRA and General Fund revenue budgets.

3.2.38 The Treasury Management Strategy incorporates:

- The Council's capital financing and borrowing strategy for the coming year
- The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.

- The Affordable Borrowing Limit as required by the Local Government Act 2003.
- The Annual Investment Strategy for the coming year as required by the CLG revised Guidance on Local Government Investments issued in 2010.

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

Next Steps

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

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

3.3 Choices (Options)

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

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

4. Implications (including financial implications)

4.1 Policy

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

4.2 Resources and Risk

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

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

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

4.3 Legal

- 4.3.1 The Council must set a balanced budget for the next financial year by midnight on 11 March 2018 (Local Government Finance Act 1992 section 32 (10)). Failure to do this would leave the Council potentially vulnerable to court action by way of judicial review. Delay in sending out Council Tax demands would result in losses being incurred by the Council.
- 4.3.2 The authority has specific legal duties in relation to equalities and financial decision making – see 4.4 below.

4.4 Equality and Health

- 4.4.1 The Public Sector Equality Duty (PSED) requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out its activities. Failure to comply with this duty would be challengeable in the courts.
- 4.4.2 Equality and diversity were considered as part of each of the medium term planning options submitted. Equality impact assessments are 'living' documents and will be updated to take into account relevant feedback from the consultation process. Where these documents identify mitigating action, this will be undertaken in implementing the relevant option should it be taken forward and approved in February 2018.

4.5 Consultation

- 4.5.1 Public consultation commenced with residents, businesses and interested stakeholders from the 21 December 2017 and ended 11 February 2018. The consultation period will formally close on the date the budget is approved in February 2018.
- 4.5.2 People were asked if they agreed with a small increase in council tax. Views were also sought in relation to the budget options proposed and respondents were also invited to suggest any other ideas that would achieve savings or generate income.
- 4.5.3 37 people completed online questionnaires. More than 54% of respondents agreed that the proposed Council Tax increase is about right, albeit at draft budget this was 2.34%. The proposal now is to increase up to the referendum limit of 2.99% and it is worth noting that another 19% of respondents believed the 2.34% increase was not high enough. There were a range of suggestions as to where the Council could spend more to improve services, most notably in relation to improvement cleanliness in the town centre. Full details, including comments on proposals and alternative suggestions are available in **Appendix 9**.
- 4.5.4 Overview and Scrutiny Committee reviewed the budget proposals at its meeting on 29 January 2018. The views of the Overview and Scrutiny Committees are reported in **Appendix 10**.
- 4.5.5 Audit Committee reviewed the budget proposals from a risk perspective on 16 January 2018. The key risks identified are reported at **Appendix 11**.

4.6 How the Proposals deliver Priority Outcomes

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

4.7 Other Implications

4.7.1 None not already covered above.

5. Background Papers

5.1 None

5.2 Appendices

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

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