



CABINET REPORT

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

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

1. Purpose

- 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

- 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

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)
Net Budget	28,752
Business Rates	(8,880)
New Homes Bonus	(2,800)
Council Tax	(16,562)
Collection Fund Surplus	(510)
Total Funding	(28,752)
Savings to be identified	0

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
Total	1,477.89	1,524.12	1,588.54	1,676.67	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 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.

Description	Budget 2019/20
	£000s
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
Total GF Capital Programme	45,122
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
Total Funding	45,122

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 1st April 2019 are forecast to be at a total of £26.6m. A breakdown is shown in the table below.

Reserves	Forecast Balance 1st April 2019	Purpose
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
Total General Fund Reserves	£26.6m	

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)

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

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

- 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