



**NORTHAMPTON**  
BOROUGH COUNCIL

## CABINET REPORT

<b>Report Title</b>	<b>General Fund Revenue Budget and Capital Programme 2019/20 and Medium Term Financial Plan 2019/20 – 2022/23</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	20 February 2019
<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 B Eldred
<b>Ward(s)</b>	NA

### 1. Purpose

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- 1.1 To report the outcome of the consultation process on the 2019/20 general fund revenue and capital budget and the Government funding settlement for 2019/20.
- 1.2 To agree Cabinet's proposals for recommendation to Council on 25 February 2019 for the 2019/20 general fund budgets and council tax level and the indicative levels for 2020/21 to 2022/23.
- 1.3 To outline the general fund capital programme and funding proposals for 2019/20 and future years.

### 2. Recommendations

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- 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 3.2.10), in light of technical adjustments and the Local Government Funding Settlement, be agreed.
- 2.3 That a general fund revenue budget for 2019/20 of £27.495m (excluding parishes) be recommended to Council for its own purposes (detailed in paragraph 3.2.8 and **appendices 1 and 2**).
- 2.4 That the Council be recommended to increase the council tax for its own purposes (excluding county, police, fire and parish precepts) by £6.56 (2.99%) per year per band D property for 2019/20.
- 2.5 That the Cabinet recommend to Council that they approve the general fund capital programme and proposed financing for 2019/20, 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 £4.0m for 2019/20, 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 Head of Service 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 (and associated appendices) for 2019/20 at **appendix 5** of this report.
- 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 25 February 2019, including changes to the finance settlement and change relating to parish precepts and council tax levels associated with those changes.

### 3. Issues and choices

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#### 3.1 Report background

- 3.1.1 The Council is required to set a balanced budget and its council tax for 2019/20 in February 2019. 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 final Local Government Finance Settlement was published on 29 January 2019. There were no significant changes from the draft budget taken to Cabinet in December. The table below shows the figures and how they compare to those included in the draft budget for 2019/20.

	<b>Draft Budget – Dec 2018 £k</b>	<b>Final Settlement – Feb 2019 £k</b>	<b>Change £k</b>
Business Rates Baseline	8,380	8,383	3
New Homes Bonus	2,800	2,595	(205)
<b>Total</b>	<b>11,180</b>	<b>10,978</b>	<b>(202)</b>

- 3.2.2 New Homes Bonus for 2019/20 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 tax base growth figures.
- 3.2.3 The methodology for calculating central government funding includes an assumption that council tax is increased up to the referendum limit of 2.99% in 2019/20. The budget proposals therefore include a proposed increase in the Band D council tax of 2.99% from April 2019 onwards.

## Medium Term Financial Plan (MTFP)

- 3.2.4 The MTFP 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 Northampton Borough Council will cease to exist in its current form beyond 2019/20 (subject to the announcement from the Ministry of Housing, Communities and Local Government), 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.
- 3.2.5 Savings proposals of £1.134m and growth proposals of £0.970m 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.
- 3.2.6 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.
- 3.2.7 The MTFP shows a forecast further savings requirement of £0.8m in 2020/21 rising to £2.1m 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:
- 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 2019/20

3.2.8 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.

<b>Description</b>	<b>2019/20 £000s</b>
Service Base Budget	29,702
Proposed Growth	970
Proposed Savings	(1,134)
Corporate Budgets	(1,005)
Contribution from Reserves	133
<b>Net Budget</b>	<b>28,665</b>
Business Rates*	(8,883)
New Homes Bonus	(2,595)
Council Tax	(16,622)
Collection Fund Surplus	(565)
<b>Total Funding</b>	<b>(28,665)</b>
<b>Savings to be identified</b>	<b>0</b>

\*includes baseline shown at para 3.2.1 plus growth of £500k

3.2.9 The "Service Base Budget" figure in the table above contains unavoidable growth in costs. Unavoidable growth such as contract inflationary pressures and increases in core demand, are always included in the service base budget. The savings and growth section reflects those items where there is discretion for the administration to increase or decrease the service or funding to provide for a balanced budget. There is one unusually large item of unavoidable growth in the service base budget in 2019/20. As a result of growth in cost pressure from 2017/18 and 2018/19 in respect of the homelessness service and temporary accommodation, an additional £1m has been included in the relevant service base budget for 2019-20 onward.

3.2.10 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:

<b>Summary of changes since Cabinet December 2018</b>	<b>Budget 2019/20 (£)</b>
Minor changes to service budgets	48,370
Removal of ES contract review saving	75,000
Additional service saving	(50,000)
Increase vacancy factor to 2%	(135,000)
Housing team restructure growth reduction	(50,000)
Technical changes to corporate budgets	(34,990)
Updated parish precept figures	59,865
<b>Total changes to net budget</b>	<b>(86,755)</b>
<b>Changes to funding</b>	
New Homes Bonus – lower allocation	205,297
Business rates provisional settlement figure	(3,376)
Updated parish precept figures	(59,865)
Collection fund surplus	(55,301)
<b>Total changes to funding</b>	<b>86,755</b>

## **Council tax**

3.2.11 As part of the Local Government Finance Settlement, the Secretary of State has set a referendum trigger for 2019/20 of a 3% increase in the band D council tax, which will apply for all lower-tier (district and borough) councils.

3.2.12 The draft budget for 2019/20 proposed an increase in council tax at this referendum trigger level. This will be an increase of £6.56 per year, or 13p per week, for an average band D property.

3.2.13 The band D council tax (excluding parishes) for the last 5 years is shown in the table below. Note that due to the fire functions of Northamptonshire County Council being transferred to the Northamptonshire Commissioner Fire & Rescue Authority from 1 January 2019, a notional amount of £59.00 was split out from the County Council amount for 2018/19 and allocated to the new Fire Authority.

<b>Preceptor</b>	<b>2015/16 £</b>	<b>2016/17 £</b>	<b>2017/18 £</b>	<b>2018/19 Actual £</b>	<b>2018/19 Notional £</b>	<b>2019/20 £</b>
Northampton Borough Council	207.91	207.91	212.91	219.28	n/a	225.84
Northamptonshire County Council (NCC)	1,069.02	1,089.87	1,111.87	1,146.63	1,087.63	TBC
NCC Adult Social Care Precept	0.00	21.38	54.72	89.72	89.72	TBC
Northamptonshire Fire & Rescue Authority	n/a	n/a	n/a	0	59.00	TBC
Northamptonshire Police & Crime Commissioner	200.96	204.96	209.04	221.04	n/a	TBC
<b>Total</b>	<b>1,477.89</b>	<b>1,524.12</b>	<b>1,588.54</b>	<b>1,676.67</b>	<b>1,676.67</b>	<b>TBC</b>

## **Special expenses**

3.2.14 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.

3.2.15 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.

3.2.16 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.

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

3.2.18 See appendix 6 for further details and explanation.

## **Capital strategy**

3.2.19 The draft capital strategy is attached as appendix 3. The aim of the capital strategy is to provide a clear framework for capital funding and expenditure decisions. This is in the context of the Council's vision, values, objectives and priorities, financial resources, and spending plans. The capital programme is designed to support the delivery of the Council's priorities as set out in the

Corporate Plan. It takes into account proposed changes to CIPFA's prudential code and latest minimum revenue provision guidance from central government.

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

### **General fund capital programme 2019/20 to 2022/23**

3.2.21 The draft general fund capital programme and funding for the next four years is detailed in **appendix 4** and summarised in the table below. The value of the proposed programme for 2019/20 is just over £52.5m. 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

3.2.22 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.

3.2.23 Further significant schemes supporting the achievement of the medium term financial strategy may be brought into the capital programme over the next 12 months, supported by robust capital appraisals and business cases.

<b>Description</b>	<b>Budget 2019/20</b>
	<b>£000s</b>
Schemes in the current capital programme	7,800
Scheme where approval has recently been given	7,667
Schemes in the current development pool awaiting formal approval	1,525
New proposals	35,525
<b>Total general fund capital programme</b>	<b>52,516</b>
Funding source:	
Self funded schemes	23,327
Borrowing	6,999
Capital receipts	5,549
ESIF and LGF funding for Vulcan Works	7,140
s106 funding for North West Relief Road and Upton Country Park	5,700
Other grants and contributions	3,801
<b>Total Funding</b>	<b>52,516</b>



## Earmarked reserves and general fund balances

3.2.24 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.

3.2.25 General fund reserves as at 1 April 2018 stood at a total of £30.1m. A breakdown is shown in the table below:

	<b>Balance 1<sup>st</sup> April 2018</b>	<b>Purpose</b>
Service specific earmarked reserves	£1.8m	To cover specific known spending commitments
Corporate earmarked reserves	£18.5m	Held to mitigate against corporate risks and to fund future budget pressures
Technical reserves	£4.3m	To deal with technical accounting differences across financial years
Minimum level of general reserves	£5.5m	To cover general unquantified risks
<b>Total General Fund Reserves</b>	<b>£30.1m</b>	

3.2.26 The forecast balances on earmarked reserves are set out in **appendix 7**.

3.2.27 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 £4.0m would be a prudent level of general reserves. This is £1.5m less than the actual level of general reserves held as at March 2018, but this is due to the creation of a specific earmarked reserve to cover the risk associated with the recovery of the Sixfields loan, therefore this risk no longer needs to be covered in the general reserve.

## Robustness of estimates and adequacy of reserves

3.2.28 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

3.2.29 The draft schedule of fees and charges for 2019/20 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**

3.2.30 The treasury management strategy 2019/20 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.

3.2.31 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

## **Next steps**

3.2.32 The Council meeting on 25 February 2019 will consider the recommendations of this Cabinet in relation to the expenditure and tax proposals that relate to the Council's own spending.

3.2.33 In addition to the Council's own council tax, there are separate council taxes for the county, police authority, fire authority 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 25 February 2019 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)**

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### **4.1 Policy**

4.1.1 The revenue and capital budgets are set in support of the Council's priorities and within the context of the medium term financial strategy and capital strategy.

### **4.2 Resources and risk**

4.2.1 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 2019/20 budget was also considered by the Audit Committee at its meeting on 28 January 2019.

### **4.3 Legal**

4.3.1 The Council must set a balanced budget for the next financial year by midnight on 11 March 2019 (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 2019.

### **4.5 Consultation**

4.5.1 Public consultation commenced with residents, businesses and interested stakeholders from the 21 December 2018. An online consultation was published, which closed on the 1<sup>st</sup> February 2019. In addition a public meeting was held on 5<sup>th</sup> February 2019 to hear feedback on the draft budget. The

consultation period will formally close on the date the budget is approved in February 2019.

- 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 A total of 21 people completed online questionnaires. Around 62% of respondents agreed that the proposed council tax increase is about right. There were a large range of suggestions as to where the Council could spend more to improve services, most notably in relation to improving cleanliness in the town. 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 4 February 2019. 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 28 January 2019. 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**

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5.1 None

5.2 Appendices

1. Proposed General Fund Revenue Summary 2019/20 to 2022/23
2. General Fund MTP Savings & Growth Options
3. Capital Strategy 2019/20
4. Proposed General Fund Capital Programme and Financing 2019/20 to 2022/23
5. Treasury Management Strategy 2019/20
6. Special Expenses
7. Schedule of Earmarked Reserves
8. Draft Fees and Charges 2019/20
9. Consultation Responses – Public Consultation
10. Consultation Responses – Overview and Scrutiny Committee
11. Consultation Responses – Audit Committee

**George Candler, Chief Executive**  
**Stuart McGregor, Chief Finance Officer**