NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in the

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

on Monday, 12 January 2015

at 6:00 pm**.**

D Kennedy
Chief Executive

AGENDA

1. APOLOGIES

Please contact Democratic Services on 01604 837722 or democratic services@northampton.gov.uk when submitting apologies for absence.

2. MINUTES

3. PROGRESS REPORT

4. DEPUTATIONS / PUBLIC ADDRESSES

5. DECLARATIONS OF INTEREST

6. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

7. TREASURY MANAGEMENT STRATEGY 2015-16 — Bev Dixon, Finance Manager

(Copy herewith)

8. RISK REVIEW OF 2015/16 BUDGET OPTIONS — Glenn Hammons, Chief Finance Officer

(Copy herewith)

9. FINANCIAL MONITORING REPORT PERIOD — Glenn Hammons, Chief Finance Officer

(Copy herewith)

10. CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2013/14 — N Bellamy - KPMG, External Auditor

(Copy herewith)

11. EXTERNAL AUDIT UPDATE N Bellamy - KPMG External Auditor

(Verbal update)

12. INTERNAL AUDIT UPDATE C Dickens, Internal Auditor (PWC)

Copy herewith.

13. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:
“THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT.”

SUPPLEMENTARY AGENDA

Exempted Under Schedule, 12A of L.Govt Act 1972, Para No: -

<TRAILER_SECTION>
A7665

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 3 November 2014

PRESENT: Councillor Larratt (Chair); Councillor Hibbert (Deputy Chair); Councillors Conroy, Flavell, Nunn and Marriott

1. APOLOGIES

Apologies were received from Councillor Strachan. Councillor Marriot was attending as his substitute at the meeting.

2. MINUTES

The Minutes of the meeting held on 9th September 2014 were confirmed and signed by the Chair as a true record.

3. PROGRESS REPORT

RESOLVED: To note the report.

4. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

5. DECLARATIONS OF INTEREST

Councillor Hibbert declared a personal, non-prejudicial interest as a Director of Northampton Partnership Homes (NPH).

6. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

There were none.

7. INTERNAL AUDIT RISK ASSESSMENT AND PLAN 2014-2015

The Chair agreed to consider the report, Internal Audit Risk Assessment and Plan 2014-2015, before Agenda Item 7.

Kate Mulhearn, PWC, outlined the report set in the agenda. She explained that, after agreement with the Management Board, the report highlighted the return to a compliance focus. She added that, due to the time taken to agree the scope; this was an Annual Plan that was effectively starting part way through a year. As such some items for completion would roll over into the next Civic Year.

The Borough Secretary added that time had been taken to bring a report forward due to the changes in the organisation's structure and the change of emphasis following the empty homes audit.

In response to a question from the committee Ms Mulhearn explained that NPH was not included in the current audit process. This was because the transfer was under considerable review at the current time. A formal internal audit process would be part of NPH's future arrangements. She also explained that the internal auditors role was to draw their own conclusions from their work and not rely upon other sources to confirm compliance.

Ms Mulhearn also responded that item B2 (Page 84) related to the contract with Enterprise. B1 was the LGSS review of the same contract, taking into account pertinent controls and changes in the working arrangements with Daventry District Council.

Councillor Marriott suggested that future training arrangements for Councillor training should include a session on audit, with more detailed training for committee members. The Chair agreed that future training for the new Council in 2015 should be provided and asked officers to take the idea forward.

RESOLVED: To note the report and note the committee's request for future Councillor Audit training.

8. CALL CARE REPORT - UPDATE

The Head of Customers and Cultural Services presented the report set out in the agenda. She pointed out that the services should be at a break-even point in 2015/16.

In response to questions from the committee the Head of Customers and Cultural Services confirmed that respite centres had also been included in the marketing process and that a future Service Level Agreement (SLA) had been agreed with NPH. She also added that negotiations are ongoing with Northamptonshire County Council and Olympus Care regarding future contract provision. The aim was to maintain a balance of staff numbers and to allow any potential contract agreements to be met.

RESOLVED: The committee note the progress made in relation to marketing the Call Care Service, the current financial position and to keep potential future options under review.

9. HOUSING FINANCE IMPROVEMENT PLAN

The Chief Finance Officer and the Assistant Head of Finance presented the report set out in the agenda. They confirmed that the previously identified changes had been made. Staff training, driving forward and embedding the new process was the main focus. A rolling training programme for new starters was part of the process and NPH would carry on the work identified into 2015.

RESOLVED: The committee note the Housing Finance Improvement Plan status.

10. ABSENCE MONITORING AUDIT RECOMMENDATIONS UPDATE REPORT

The HR Advisory Team Manager presented the report set out in the agenda. She highlighted that while the PWC review came out at a "high risk", the score of 18 was at the lower end of the high risk scale of 16-39. She pointed out that some potential solutions had been identified in paragraph 3.3.

In response to questions from the committee the HR Advisory Team Manager confirmed that long term sickness had reduced, in part due to more proactive actions by HR and increased referrals to the Occupational Health Advisor. HR aimed to be more supportive of managers in their role managing long term absence.

Councillor Marriott suggested that the levels of absence were high, but suggested that the private sector managed staff better and looked to cure the underlying issues rather than the stick approach suggested by HR. Councillor Flavell suggested that incentives be offered to maximise attendance, as has been done in other organisations. Councillor Nunn pointed out the spiral of increased workload and absence that can result and proposed all steps be taken to minimise absence.

RESOLVED: The report be noted; the actions identified at 3.3 be implemented and further investigation be made regarding incentivising individuals and teams regarding attendance.

11. TREASURY MANAGEMENT OUTTURN REPORT

The Finance Manager presented the report as set out in the agenda. In response to a question from the committee she confirmed that the maximum borrowing level is set internally by the Council as part of Treasury Strategy. This year's limit was £250m and borrowing was at £226m.

RESOLVED: The report be noted

12. EXTERNAL AUDIT UPDATE

The Head of Finance submitted a report, which provided and update on the progress of the external audit.

12.1 ANNUAL AUDIT LETTER

Neil Bellamy, KPMG, presented the report as set out in the agenda. He explained that the work on the objection received was ongoing. There would be additional fees, as per the rates published on the Audit Commission (AC) website. There were no legal implications regarding the delay due to the objection. The AC expected all objections to be dealt with within 9 months of receipt.

RESOLVED: The report be noted

12.2 EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

Neil Bellamy, KPMG, presented the report as set out in the agenda. He drew the committee's attention to the National Audit Office consultation on the Code of Practice. The Chief Finance Officer confirmed his team were aware of the consultation and would, respond in due course.

RESOLVED: The report be noted

The meeting concluded at 19:27

AUDIT COMMITTEE – 12th January 2015

PROGRESS REPORT

To inform the Committee of action taken on decisions made at the previous meeting of the Committee

Minute No:	Minute heading:	Action required:	Action taken:
6.	Statement of Accounts & Annual Governance Statement	1. Accounts and letter of representation to be signed (done at meeting). 2. Copy of signed Accounts to be sent to KPMG	*Accounts and letter of representation have been signed and sent to KPMG following completion of the meeting of the Committee on 9 September 2014.*
9.	Empty Homes ***(confidential)***	1. Keep Committee informed of progress regarding changes to procurement rules etc. 2. Audit Action Plan and Housing Finance Improvement Plan to be reported to a future meeting of the Committee. 3. Lists of contractors to be reviewed in light of the internal auditor's report.	1. Audit Committee will receive the report in due course. 2. Audit Committee will receive the report in due course. 3. Audit Committee will receive the report in due course.

Appendices
1

AUDIT COMMITTEE REPORT

Report Title	TREASURY MANAGEMENT STRATEGY 2015-16

AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	12 January 2015
Policy Document:	Yes
Directorate:	LGSS
Accountable Cabinet Member:	Alan Bottwood

1. Purpose

1.1 To put the draft Treasury Management Strategy for 2015-16 before Audit Committee for review and to invite Audit Committee to put forward any recommendations that they think appropriate.

2. Recommendations

2.1 That Audit Committee:

a) Review the draft Treasury Management Strategy for 2015-16

b) Put forward any recommendations that they think appropriate.

3. Issues and Choices

3.1 Report Background

3.1.1 The CIPFA Treasury Management Code of Practice requires the Council to nominate the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices.

3.1.2 The Council has nominated the Audit Committee for this role, which includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and for making recommendations to Council.

3.2 Issues

Treasury Management Strategy 2015-16

3.2.1 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 draft Treasury Management Strategy (TMS) for 2015-16 is attached at **Appendix A**.

3.2.2 The draft TMS was included in the Draft General Fund Medium Term Financial Plan 2015-16 – 2019-20 and Draft Budget 2015-16 report to Cabinet on 17 December 2014 and approved for consultation. Formal consultation with the public and local businesses will continue until the budget is formally adopted in February 2015.

3.2.3 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:

- 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

3.2.4 The main changes from the TMS adopted in 2014-15 are:

- Updates to Prudential and Treasury Indicators
- Updates to interest rate forecasts
- Updates to debt financing budget forecasts
- Minor update to the MRP policy
- Addition of overseas counterparties with a sovereign rating equal to that of the UK (AA+)

- Extension of maximum period of investment from 2 to 3 years
- Inclusion of additional types of non specified investments that may be used subject to the approval of the Chief Finance Officer

3.2.5 Some details included in the draft TMS will need to be updated before going to Cabinet and Council for final approval in February. This is because of events (e.g. economic conditions) moving on in the intervening period; the need to interface the TMS with the Council's approved capital programme and other budget setting reports; and any changes that may arise from the consultation process.

3.2.6 Audit Committee are asked to review the report and to put forward any recommendations that they think appropriate.

3.3 Choices (Options)

3.3.1 Audit Committee have the option to comment on the areas considered in the report and to make recommendations to Officers and to Cabinet and Council.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The CIPFA Treasury Management Code of Practice requires the Council to nominate the body (such as an audit or scrutiny committee) responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. Council has nominated the Audit Committee for this role, which includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council.

4.2 Resources and Risk

4.2.1 The resources required to deliver the Council's treasury management strategy and policies in 2015-16 are incorporated into the Council's draft debt financing and debt management budgets.

4.2.2 Effective risk management is a fundamental requirement for the treasury management function, and this theme runs clearly throughout the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Council's Treasury Management Policy, Treasury Management Practices (TMPs) and Schedules, and Treasury Management Strategy for 2015-16 cover the ways in which treasury management risk will be determined, managed and controlled.

4.2.3 The Council's appetite for risk must be clearly identified in its strategy report. The TMS affirms that priority will be given to the security and liquidity of capital when investing funds. This will be carried out by strict adherence to the risk management and control strategies set out in the Schedules to the Treasury Management Practices and the Treasury Management Strategy.

Responsibility for risk management and control lie within the Council and cannot be delegated to an outside organisation.

4.2.4 Risks in the debt financing budget have been taken into account in earmarked reserves and in the Risk Assessment of General Fund Reserves.

4.3 Legal

4.3.1 The Council is obliged to carry out its treasury management activities in line with statutory requirements and associated regulations and professional guidance.

4.4 Equality

4.4.1 Equalities Impact Assessment (EIA) screening has been carried out on the Council's TMS for 2015-16. This has determined that a full impact assessment is not necessary, as no direct or indirect relevance to equality and diversity duties has been identified. The EIA screening is published on the internet and will be updated to take account of feedback from the public consultation and re-published with the final budget proposals in February 2015.

4.5 Consultees (Internal and External)

4.5.1 Consultation on treasury management matters is undertaken as appropriate with the Council's external treasury advisers and with the Cabinet Member for Finance.

4.5.2 The draft TMS for 2015-16 was approved for consultation by Cabinet on 17 December 2014. Formal consultation with the public and local businesses will continue until the budget is formally adopted in February 2015.

4.5.3 The Audit Committee has been nominated by Council as the body responsible for ensuring effective scrutiny of the treasury management strategy, policies and practices. This role includes the review of all treasury management policies and procedures, the review of all treasury management reports to Cabinet and Council, and the making of recommendations to Council.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Effective treasury management is key ingredient of good financial governance, which contributes to the priority of making every pound go further.

4.7 Other Implications

4.7.1 No other implications have been identified.

5. Background Papers

None

Report Author: Bev Dixon, Finance Manager (Treasury), LGSS. Tel: 01604 363719

Northampton Borough Council Treasury Management Strategy 2015-16

Contents

Note: The HRA draft budget figures were not finalised at the time of going to print and the HRA figures in the draft TMS are therefore provisional, based on information available as at 3 Dec 2014.

1 Introduction

CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes

1.1 CIPFA has defined treasury management as "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Treasury Code). The adoption is included in the Council's Constitution (Feb 2013) at paragraph 6.10 of the Financial Regulations.

CIPFA Prudential Code for Capital Finance in Local Authorities

1.3 The CIPFA Prudential Code for Capital Finance in Local Authorities (the **Prudential Code**) is a professional code of practice. Local authorities have a statutory requirement to comply with the Prudential Code when making capital investment decisions and carrying out their duties under Part 1 of the Local Government Act 2003 (Capital Finance etc and Accounts).

1.4 The CIPFA Prudential Code sets out the manner in which capital spending plans should be considered and approved, and in conjunction with this, the requirement for an integrated treasury management strategy.

1.5 Councils are required to set and monitor a range of prudential indicators for capital finance, covering affordability, prudence, capital expenditure, external debt and treasury management, as well as a range of treasury indicators.

Treasury Management Policy Statement

1.6 The Council's Treasury Management Policy Statement was approved by Council at their meeting of 25 February 2013. The policy statement follows the wording recommended by the latest edition of the CIPFA Treasury Code.

Treasury Management Practices

1.7 The Council's Treasury Management Practices (TMPs) set out the manner in which the Council will seek to achieve its treasury management policies and objectives, and how it will manage and control those activities. The TMPs are split as follows:

- Main Principles
- Schedules

1.8 The Council's TMP Main Principles were approved by Council at their meeting of 25 February 2013. They follow the wording recommended by the latest edition of the CIPFA Treasury Code.

1.9 The Council's TMPs Schedules cover the detail of how the Council will apply the TMP Main Principles in carrying out its operational treasury activities. They are reviewed annually and approved by the Council's Chief Finance Officer

The Treasury Management Strategy

1.10 It is a requirement under the Treasury Code to produce an annual strategy report on proposed treasury management activities for the year.

1.11 The Council's Treasury Management Strategy is drafted in the context of the key principles of the Treasury Code, as follows:

- Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.
- They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

1.12 The purpose of the Treasury Management 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.

1.13 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.

1.14 The strategy 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.

1.15 The Treasury Management Strategy for 2015-16 also includes the Council's:

- Policy on borrowing in advance of need
- Counterparty creditworthiness policies

1.16 The main changes from the Treasury Management Strategy adopted in 2014-15 are

- Updates to Prudential and Treasury Indicators
- Updates to interest rate forecasts
- Updates to debt financing budget forecasts
- Minor update to the MRP policy
- Addition of overseas counterparties with a sovereign rating equal to that of the UK (AA+)
- Extension of maximum period of investment from 2 to 3 years
- Inclusion of additional types of non specified investments that may be used subject to the approval of the Chief Finance Officer

Scheme of Delegation

1.17 The Treasury Management Scheme of Delegation at Appendix 1 is taken from the Council's TMP Schedules. It sets out the delegated treasury management responsibilities of Council, Cabinet, Audit Committee and the Section 151 Officer. .

General Fund and HRA

1.18 The Council is required to have a clearly agreed policy for attributing income and expenditure and risks between the General Fund and the HRA. This is set out at Appendix 2

Equalities Statement

1.19 Equalities Impact Assessment (EIA) screening will be carried out on the Council's Treasury Strategy for 2015-16, and the associated Treasury Management Practices (Main Principles and Schedules).

1.20 In previous years the EIA screening has determined that a full impact assessment is not necessary, as no direct or indirect relevance to equality and diversity duties has been identified.

2 Current Treasury Management position

2.1 The Council's projected treasury portfolio position at 31 March 2015, with forward estimates is summarised below. The table shows the external borrowing, against the Capital Financing Requirement (CFR), which is a measure of the need to borrow for capital expenditure purposes, highlighting any forecast over or under borrowing.

2.2 The figures exclude any borrowing undertaken or planned for third party loans so as to focus on the Council’s own cash position.

£m	2014-15 Projected	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate
External borrowing						
Borrowing at 1 April	216	207	214	219	233	236
Expected change in borrowing	-9	7	5	14	3	0
Borrowing at 31 March	**207**	**214**	**219**	**233**	**236**	**236**
CFR at 31 March	**236**	**238**	**247**	**258**	**262**	**263**
Under/(over) borrowing	**29**	**24**	**28**	**25**	**26**	**27**
Investments						
Investments at 1 April	71	29	27	23	26	25
Expected change in investments	-42	-1	-4	3	-1	-1
Investments at 31 March	**29**	**27**	**23**	**26**	**25**	**24**
Net borrowing	**178**	**187**	**196**	**207**	**211**	**212**

3 Prospects for interest rates

3.1 The Council has appointed Capita Asset Services (CAS) as its treasury advisors. Part of their service is to assist the Council to formulate a view on interest rates. The following table gives the CAS central view for the forecast bank rate, short term LIBID rates, and longer term PWLB rates.

Interest Rate Forecasts 2014-2018								
Date	**Bank Rate %**	**LIBID Rates %**			**PWLB Borrowing Rates % (including certainty rate adjustment)**			
		3 Month	**6 Month**	**12 Month**	**5 year**	**10 year**	**25 year**	**50 year**
Dec-14	0.50	0.50	0.70	0.90	2.50	3.20	3.90	3.90
Mar-15	0.50	0.60	0.80	1.00	2.70	3.40	4.00	4.00
Jun-15	0.75	0.80	1.00	1.20	2.70	3.50	4.10	4.10
Sep-15	0.75	0.90	1.10	1.30	2.80	3.60	4.30	4.30
Dec-15	1.00	1.10	1.20	1.40	2.90	3.70	4.40	4.40
Mar-16	1.00	1.30	1.40	1.70	3.00	3.80	4.50	4.50
Jun-16	1.25	1.40	1.50	1.80	3.10	3.90	4.60	4.60
Sep-16	1.25	1.60	1.80	2.10	3.20	4.00	4.70	4.70
Dec-16	1.50	1.90	2.00	2.20	3.30	4.10	4.70	4.70
Mar-17	1.50	2.10	2.20	2.30	3.40	4.10	4.80	4.80
Jun-17	1.75	2.10	2.30	2.40	3.50	4.20	4.80	4.80
Sep-17	2.00	2.30	2.50	2.60	3.50	4.20	4.90	4.90
Dec-17	2.25	2.40	2.70	2.80	3.50	4.30	4.90	4.90
Mar-18	2.50	2.60	2.80	3.00	3.50	4.30	5.00	5.00

3.2 Until 2013, the economic recovery in the UK since 2008 has been the worst and slowest recovery in recent history. However, growth rebounded during 2013 and especially during 2014, to surpass all expectations, propelled by recovery in consumer spending and the housing market.

3.3 Forward surveys are also currently very positive in indicating that growth prospects are strong for 2015, particularly in the services and construction sectors. However, growth in the manufacturing sector and in exports has weakened during 2014 due to poor growth in the Eurozone. There does need to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this initial stage in the recovery to become more firmly established.

3.4 As for the Eurozone, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and a triple dip recession since 2008.

3.5 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Counterparty risks remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods when undertaking investments;

- Investment returns are likely to remain relatively low during 2015-16 and beyond;

- Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. During July to October 2014, a building accumulation of negative news has led to an overall trend of falling rates.

- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

4 Borrowing strategy

Capital Financing

4.1 The Council's capital programme is financed by borrowing and by other available sources such as capital receipts, grants, third party contributions and revenue contributions.

4.2 Where borrowing is used to finance the Council's capital expenditure this is done under the prudential borrowing regime, with the Council funding the full costs of borrowing from its own revenue resources. This method of funding, sometimes referred to as unsupported borrowing, is particularly suitable for 'spend to save' schemes, where the financing costs of borrowing can be funded from revenue savings. However lack of capital resources means that it may also be used for other essential capital schemes where no other resources can be identified. As the repayment of principal is spread over the life of the asset it is most suitable for financing capital assets with long useful economic lives.

4.3 The Council also makes use of operating and finance leases to fund some types of expenditure where these offer better value for money than straightforward purchase and capital financing. Examples of the types of assets that might be leased are IT equipment and office furniture.

4.4 The accounting treatment for operating and finance leases is very different. The annual costs of operating leases are treated as revenue expenditure in the accounts and are not included in the Council's capital programme. In contrast, finance leases have to be treated as capital expenditure items in the Council's accounts. Changes to accounting regulations mean that leases are increasingly being classified as finance leases.

Borrowing

4.5 The Council as a whole is currently maintaining an under borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt. Instead, cash supporting the Council's reserves, balances and cash flow has been used to fund borrowing.

4.6 This strategy of internal borrowing, has served the Council well in the current economic climate, as investment returns are low and counterparty risk is relatively high. However, the decision to maintain internal borrowing to generate short term savings must be evaluated against the potential for incurring additional long term borrowing costs in futurer years, when long term interest rates are forecast to be significantly higher.

4.7 Against this background and the risks within the economic forecast, caution will be adopted with the 2015-16 treasury operations. The S151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

4.8 The Council will continue to use a mix of its own cash balances and long term borrowing to finance capital expenditure and to repay maturing loans, in order to maximise short term savings and manage interest rate risk.

4.9 The Council has access to Public Works Loan Board (PWLB) loans for its long term external borrowing needs at the 'certainty rate', which is 20 basis points below the standard PWLB rate.

4.10 Loans are also available from major banks via the money market, depending on market conditions, and these may be considered when they offer better value for money than PWLB loans. The Council will in particular consider forward funding deals to mitigate the interest rate risks associated with internal borrowing.

4.11 Other forms of borrowing such as bonds or private placements, either acting alone or through a collective agency such as the newly formed Municipal Bonds Agency, may be considered if available and appropriate.

4.12 Decisions on the timing and type of borrowing are taken in consultation with the Council's external treasury management advisors. All long-term external borrowing requires the express approval of the Chief Finance Officer, who has the delegated authority to take the most appropriate form of borrowing from approved sources.

Loans to Third Parties

4.13 The Council may make grants or loans to third parties for the purpose of capital expenditure, as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146). This will usually be to support local economic development, and may be funded by external borrowing.

4.14 New borrowing is anticipated in 2015-16 to finance two loans to third parties:

- Northampton Town Football Club – Cabinet approved in principle the granting of loan finance of up to £12m to support stadia expansion and associated development. The final tranches of the loan (£1.5m) will be drawn down in 2015-16.

- University of Northampton –The Council has worked with the South East Midlands Local Enterprise Partnership (SEMLEP) to secure the LEP project rate from PWLB for a loan facility of £46 million to support the creation of a waterside campus. .The loan is expected to be drawn down during the last quarter of 2015-16. Alongside this Northamptonshire Enterprise Partnership (NEP) has worked with Northamptonshire County Council to secure a further £14m at the LEP project rate from PWLB for the same project.

4.15 The University of Northampton loan has not yet been included in the Council's own capital programme, but the Council's Treasury Strategy incorporates the limits and permissions required to allow the borrowing to go ahead.

Prudential & Treasury Indicators

4.16 The Council's prudential and treasury indicators for 2015-16 to 2019-20 are set out at Appendix 3.

Policy on borrowing in advance of need

4.17 Under the Local Government Act 2003 local authorities are able to borrow in year for the current year capital programme and for the following two years. The Council's policy on borrowing in advance of need is that this will not be undertaken purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

4.18 The Council will:

- Ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- Ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- Consider the merits and demerits of alternative forms of funding
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

Debt rescheduling

4.19 The debt portfolio will be kept under review, with debt rescheduling opportunities being investigated for potential cash savings and / or discounted cash flow savings or to enhance the balance of the portfolio.

4.20 As short term borrowing rates tend to be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). Furthermore, changes to accounting regulations and to the structure of PWLB rates in recent years mean that rescheduling opportunities for the Council's PWLB loans are very much more limited than in the past. Decisions will be based on appropriate advice from the Council's external treasury management advisers.

4.21 The reasons for any rescheduling to take place will include:

- The generation of cash savings and or discounted cash flow savings.
- Helping to fulfil the treasury strategy.
- Enhancing the balance of the portfolio (by amending the maturity profile and/or the balance of volatility).

4.22 Any debt rescheduling undertaken will subsequently be reported to Cabinet in the next treasury report following the decision.

Affordable Borrowing Limit

4.23 The Local Government Act 2003 and supporting regulations require the Council to determine and keep under review how much it can afford to borrow. The amount determined is termed the "Affordable Borrowing Limit". This is equivalent to the treasury indicator for the authorised limit.

4.24 The Council's affordable borrowing limit for 2015-16 is set at £320m. The table below shows the limits for next year and the following four years, broken down between the limit required for the Council's own capital expenditure purposes and that required for the provision of loans to third parties.

Affordable Borrowing Limit					
	2015-16	2016-17	2017-18	2018-19	2019-20
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
NBC CFR plus headroom	255	266	276	281	281
To support loans to third parties	65	64	64	59	54
Affordable Borrowing Limit	**320**	**330**	**340**	**340**	**335**

Temporary Borrowing

4.25 The Council may occasionally undertake short-term temporary borrowing if this is needed to cover its cash flow position. The maximum amount of temporary borrowing that the Council will borrow from any one counterparty will be £5m.

4.26 In addition, under long standing arrangements, the Council manages deposits from two local organisations. Formal agreements were set up with these organisations in April 2009. These contain the following operational arrangements:

- Interest rates set in line with the average rate of interest achieved by the Council in the preceding period, less 0.5%
- Quarterly review of interest rates
- Withdrawal notice periods of 7 days
- Termination notice of 7 days

4.27 The CFO may also authorise the taking of short-term deposits under mutually agreed and documented terms from other local not for profit organisations.

Overdraft Facilities

4.28 The Council has a £200k overdraft facility with its bankers, HSBC Bank, for which an annual fee of £2k applies. The overdraft rate applicable to use of the agreed facility is 2.5% above the prevailing Bank of England base rate.

4.29 The overdraft facility is only used to cover unforeseen events; usage is kept to an absolute minimum and generally occurs only as a result of events outside of the Council's control; for example, failure by third parties to make agreed payments. The use of the overdraft facility is monitored against a performance target.

5 Minimum Revenue Provision

5.1 The Council is required to repay an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP). The Housing Revenue Account is not subject to a mandatory MRP charge.

5.2 CLG Regulations have been issued which require full Council to approve an MRP Policy Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

5.3 The Council's policy statement on MRP for 2015-16 is set out at Appendix 4. . The policy is considered by the Section 151 Officer to provide for the prudent repayment of debt.

6 Investment strategy

6.1 Government Guidance on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set. The Guidance permits the Treasury Management Strategy Statement (TMSS) and the AIS to be combined into one document.

6.2 The Council's general policy objective is to invest its surplus funds prudently. Due to the ongoing uncertainty in the banking sector which has seen institutions fold, it is now felt more appropriate to focus on the safe return of the sum invested. As such the Council's investment priorities in priority order are

- the security of the invested capital
- the liquidity of the invested capital
- the yield received from the investment

6.3 The Council's Annual Investment Strategy for 2015-16 is set out at Appendix 5.

7 Sensitivity of the forecast and risk analysis

Risk Management

7.1 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Council's approved Treasury Management Practices. The main risks to the treasury activities are:

- Credit and counterparty risk (security of investments)
- Liquidity risk (adequacy of cash resources)
- Interest rate risk (fluctuations in interest rate levels)
- Exchange rate risk (fluctuations in exchange rates)
- Refinancing risks (impact of debt maturing in future years)
- Legal and regulatory risk (non-compliance with statutory and regulatory requirements)
- Fraud, error and corruption, and contingency management (in normal and business continuity situations)
- Market risk (fluctuations in the value of principal sums)

7.2 The TMP Schedules set out the ways in which the Council seeks to mitigate these risks. Examples are the segregation of duties (to counter fraud, error and corruption), and the use of creditworthiness criteria and counterparty limits (to minimise credit and counterparty risk).Council officers, in conjunction with the treasury advisers, will monitor these risks closely.

Sensitivity of the Forecast

7.3 The sensitivity of the forecast is linked primarily to movements in interest rates and in cash balances, both of which can be volatile. Interest rates in particular are subject to global external influences over which the Council has no control. In terms of interest rates, with the forecast investment portfolio of £28m for 2015-16, each 0.1% increase or decrease in investment rates equates to £28k, the revenue impact of which is shared between the HRA and the General Fund.

7.4 Both interest rates and cash balances will be monitored closely throughout the year and potential impacts on the Council's debt financing budget will be assessed. Action will be taken as appropriate, within the limits of the TMP Schedules and the treasury strategy, and in line with the Council's risk appetite, to keep negative variations to a minimum. Any significant variations will be reported to Cabinet as part of the Council's regular budget monitoring arrangements.

8 Reporting arrangements

8.1 In line with best practice full Council is required to receive and approve, as a minimum, three main treasury management reports each year, as follows.

- Annual Treasury Management Strategy
- Treasury Management Mid Year Report
- Treasury Management Outturn Report

8.2 The reports include the Council's treasury and prudential indicators.

8.3 Full details of the Council's treasury management reporting arrangements are contained in the Council's Schedules to the Treasury Management Practices (TMP 6 – Reporting Requirements and Management Information Arrangements)

9 Debt financing budget

9.1 The following table sets out the Council's debt financing budget for 2015-16 to 2019-20. Interest payable and reimbursements in respect of loans to third parties are included, but have a zero bottom line impact.

9.2

Debt Financing Budget – NBC					
	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000
Interest payable	1,236	1,251	1,377	1,267	1,080
Interest Receivable	(681)	(806)	(911)	(881)	(680)
MRP	1,229	1,229	1,324	1,422	1,520
Recharges from/(to) the HRA	102	107	95	129	150
Total	**1,886**	**1,781**	**1,885**	**1,937**	**2,070**

9.3 The following table sets out estimates of the expenditure and income impacts of loans to third parties included above; there will be an overall net nil impact to the Council.

Debt Financing Budget – Loans to Third Parties					
	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000
Interest payable	483	473	463	417	233
Interest receivable	(483)	(473)	(463)	(417)	(233)
Total	**0**	**0**	**0**	**0**	**0**

9.4 The interest rate assumptions behind the budgeted figures are as follows:

Interest Rate Assumptions					
	2015-16 %	2016-17 %	2017-18 %	2018-19 %	2019-20 %
Investments	0.7	1.3	1.8	2.3	2.8
GF new and replacement borrowing	4.25	4.25	4.25	4.25	4.25

Assumptions on HRA interest on borrowing may differ slightly as they have aligned to the HRA Business Plan assumptions.

9.5 MRP charges are in line with the Council's MRP policy at Appendix 4.

10 Policy on the use of external service providers

10.1 Treasury management consultants are used to support the Council's treasury management activities by providing expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, creditworthiness of counterparties etc

10.2 The current supplier of service is Capital Asset Services, under a framework contract with LGSS. The costs of the service are met by LGSS.. The contract expires at Oct 2015, and it is anticipated that this will be extended to October 2016.

10.3 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the external service providers. However it also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

11 Current and future developments

11.1 Local Authorities have to consider innovative strategies towards improving service provision to their communities. This approach to innovation also applies to councils' treasury management activities. The Government is introducing new statutory powers and policy change which will have an impact on treasury management approaches in the future. Examples of such changes are:

Localism Act 2011

11.2 A key element of the Act is the "General Power of Competence": "A local authority has power to do anything that individuals generally may do." The Act opens up the possibility that a local authority may be able to use derivatives as part of their treasury management operations. However the legality of this has not yet been tested in the courts. The Council has no plans to use financial derivatives under the powers contained in this Act.

Enterprise Zone

11.3 The Council is taking forward infrastructure improvements to enable development and to attract investment into the Enterprise Zone, supporting employment growth. Loans have been granted from the Government's Growing Places Fund (GPF) and Local Infrastructure Fund (LIF). The repayment of funding (principal and interest) will be met from business rates uplift in line with the Enterprise Zone financial model.

Tax Incremental Financing

11.4 The Government has outlined its plans to give local authorities the tools to promote growth, including giving more freedom for local authorities to make use of additional revenues to drive forward economic growth in their areas. infrastructure projects

11.5 To this aim they are looking to introduce new borrowing powers to enable authorities to carry out Tax Incremental Financing (TIF) for infrastructure projects. This will require new legislation and will be closely linked to another Government initiative concerning the localisation of business rates i.e. local retention of business rate income.

11.6 In determining the affordability of borrowing for capital purposes, local authorities take account of their current income streams and forecast future income. Currently this does not factor in the full benefit of growth in local business rate income. TIF will enable local authorities to borrow against a future additional uplift to their business rates base. It will be important to manage the costs and risks of this borrowing alongside wider borrowing under the Prudential Code.

11.7 The Council will explore these new opportunities and assess their impact on the Treasury Management Strategy, particularly in terms of risk to the sustainability, prudence and affordability to the Council's finances.

Local Impact Funding

11.8 The Council is working with other agencies to put together an application for Northamptonshire to become one of the pilot areas for a Local Impact Fund (LIF). The LIFs will be led by local public sector bodies to bring together local and national partners and investors to provide tailored investment support for charities and social enterprises. The LIF model exploits the economic and employment benefits of supporting the local sector, in addition to the social impact benefits. It works on the basis that locally led solutions to social investment will target resources where they are needed most. Investments can be matched against EU funding and could give Northamptonshire the opportunity of transforming significant areas of service delivery.

11.9 As an investor the Council will receive a rate of interest on its investment into the LIF. The details of the LIF investment arrangements will be examined by officers to understand their treasury management implications. This will include an assessment of any treasury management risks. However as the investment is an integral part of the LIF policy initiative, driven by service considerations, it will fall outside of the Council's stated investment strategy and counterparty criteria.

12 Training

12.1 A key outcome of investigations into local authority investments following the credit crisis has been an emphasis on the need to ensure appropriate training and knowledge in relation to treasury management activities, for officers employed by the Council, in particular treasury management staff, and for members charged with governance of the treasury management function

12.2 Policies for reviewing and addressing treasury management training needs are out in the TMP Schedules (TMP10 – Training and Qualifications)

13 List of appendices

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

Treasury Management Scheme of Delegation and role of the Section 151 Officer

Treasury Management Scheme of Delegation

Council

The Council is responsible for:

- Adoption of the CIPFA Code of Practice on Treasury Management in the Public Services
- Approval of the Treasury Management Policy Statement
- Approval of the annual Treasury Management Strategy and annual Investment Strategy
- Setting and monitoring of the Council's prudential and treasury indicators.
- Approval of the treasury management mid-year and outturn reports
- Approval of the debt financing revenue budget as part of the annual budget setting process

Cabinet

The Cabinet is responsible for:

- Consideration of the all of the above and recommendation to Council
- Receiving monitoring information on the debt financing budget as part of the revenue budget monitoring process.
- Approving the selection of external service providers and agreeing terms of appointment in accordance with the Council's procurement regulations

Audit Committee

Audit Committee is the body responsible for scrutiny and will have responsibility for the review of treasury management policy and procedures, the scrutiny of all treasury management reports to Cabinet and Council, and for making recommendations to Cabinet and Council

Treasury management role of the Section 151 Officer

The Council's Chief Finance Officer is the officer designated for the purposes of section 151 of the Local Government Act 1972 as the Responsible Officer for treasury management at the Council.

The Council's Financial Regulations delegates responsibility for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

The Responsible Officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations

The Responsible Officer may delegate his power to borrow and invest to members of his staff.

The Responsible Officer is responsible for:

- Ensuring that the schedules to the Treasury Management Practices (TMPs) are fully reviewed and updated annually and monitoring compliance to the Treasury Management in the Public Services: Code of Practice and Guidance Notes.
- Submitting regular treasury management reports to Cabinet and Council.
- Submitting debt financing revenue budgets and budget variations in line with the Council's budgetary policies.
- Receiving and reviewing treasury management information reports
- Reviewing the performance of the treasury management function and promoting value for money
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit
- Recommending the appointment of external service providers (e.g. treasury management advisors) in line with the approval limits set out in the Council's procurement rules.
- Ensuring that the Council's Treasury Management Policy is adhered to, and if not, bringing the matter to the attention of elected members as soon as possible.

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

1.1 The Council is required to have a clearly agreed policy for attributing income and expenditure and risks between the General Fund and the HRA. This is set out at Appendix 5.

1.2 The Council uses a two pool approach to splitting debt between the HRA and General Fund, whereby loans are assigned to either the HRA or the General Fund.

1.3 The Council applies the requirements of the CLG Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012 in recharging debt financing and debt management costs between the HRA and the General Fund. The interest rates to be applied are determined as follows:

Principal Amount		**Interest Rate**
HRA Credit Arrangements CFR: concession agreements and finance leases		Average rate on HRA credit arrangements
HRA Loans CFR: long term loans (external)		Average rate on HRA external debt
HRA Loans CFR: short term loans payable (under funded CFR)		Average rate on GF external debt/or for formally agreed borrowing from GF resources an agreed PWLB equivalent rate.
HRA Loans CFR: short term loans receivable (over funded CFR)		Average rate on external investments/or for earmarked medium term reserves an actual external investment rate
HRA Cash balances: short term loans payable (cash balances overdrawn)		Average rate on external investments
HRA Cash balances: short term loans receivable (cash balances in hand)		Average rate on external investments/or for earmarked medium term reserves an actual external investment rate

1.4 For the purpose of calculating interest rates:

- HRA cash balances are based on the average of opening and closing HRA cash balances.
- HRA CFR external debt is based on actual external debt
- Other HRA CFR balances is based on the mid year position

1.5 Debt management costs are charged to the HRA on an apportioned basis that takes into account the weighting of time spent on managing debt and investments respectively.

1.6 Risk associated with external loans sit with either the GF or HRA depending on which of these the loan has been earmarked to. This will include interest rate risk, for example the risk of interest rate rises associated with LOBOs.

1.7 Similarly, risk associated with any external investment of earmarked medium term HRA reserves sits with the HRA. This will include the risk of impairment, in the event of the failure of a counterparty.

1.8 Where risk cannot be earmarked specifically to either the General Fund or HRA, it is apportioned fairly between the two, using relevant available data. For example, in the event of impairment of an investment counterparty, the loss will be apportioned between the two funds based on an estimated proportion of cash balances held.

Appendix 3

Prudential and Treasury Indicators

The prudential indicators for 2015-16 to 2019-20 are set out below, each one with a commentary and risk analysis.

Affordability

a) Estimate of the ratio of financing costs to net revenue stream

Commentary

The indicator has been calculated as the estimated net financing costs for the year divided by the amounts to be met from government grants and local taxpayers for the non-HRA element, and by total HRA income for the HRA element. The objective is to enable trends to be identified.

The rising trend for the General Fund shown below reflects the cumulative impact of borrowing costs, including MRP, for capital programme schemes agreed each year, set against forecasts of a reducing net revenue stream, which is made up primarily of formula funding and council tax.

The relatively high ratio for the HRA across all years compared to General Fund arises from the servicing of the the HRA debt taken 2011-12 under the government’s HRA self-financing agenda, and from the requirement to include depreciation in the financing costs, as represented by the value of the Major Repairs Allowance (MRA), which is not required in the General Fund figures.

Estimate of the ratio of financing costs to net revenue stream					
	2015-16	2016-17	2017-18	2018-19	2019-20
	Estimate %	Estimate %	Estimate %	Estimate %	Estimate %
General Fund	7.25%	7.21%	7.95%	8.46%	9.41%
HRA	35.94%	36.60%	36.92%	37.84%	36.93%

Risk Analysis

Debt financing costs relating to past and current capital programmes have been estimated in accordance with proper practices. Actual costs will be dependent on the phasing of capital expenditure and prevailing interest rates, and will be closely managed and monitored on an ongoing basis. Carry forwards in the capital programme, whether planned or unplanned, will delay the impacts of debt financing costs to future years

b) Estimate of the incremental impact of capital investment decisions on the council tax

Commentary

This indicator represents an estimate of the incremental impact of new capital investment decisions on the annual Council Tax (Band D). It is intended to show the effect on the Council Tax of approving additional capital expenditure.

Revenue budget impacts may arise from the following:

- Direct revenue contributions
- Lost interest on use of revenue contributions
- Lost interest on use of capital receipts
- Lost interest on use of internal borrowing
- Lost interest on use of earmarked reserves
- Interest on use of external borrowing
- Revenue running costs or savings

The figure represents the incremental impact on Council Tax from agreed capital expenditure schemes continuing from 2014-15 and prior years, starting in 2015-16 and planned for 2016-17 to 2019-20.

Estimates of incremental impact of new capital investment decisions on the Council Tax					
	2015-16	2016-17	2017-18	2018-19	2019-20
	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p
General Fund	0.58	5.46	6.41	5.80	7.45

Risk Analysis

The calculation of this indicator produces a notional figure. In practice the incremental costs of capital programme expenditure, including borrowing costs, are incorporated into the calculations for the revenue budget build along with all other proposed budget increases and savings, and are considered as part of an overall package of affordability.

Additions to the Capital Programme are supported by a capital appraisal or a report to Cabinet setting out the costs and funding, as well as the benefits and risks of the project, and these should include any additional revenue costs associated with a scheme.

These procedures are designed to ensure that capital expenditure schemes are not included in the planned programme unless they have been demonstrated to be affordable, as well as prudent and sustainable.

c) Estimate of the incremental impact of capital investment decisions on the housing rents

Commentary

This indicator represents an estimate of the incremental impact of new capital investment decisions on average weekly housing rents.

Revenue budget impacts may arise from the following:

- Direct revenue contributions
- Lost interest on use of revenue contributions
- Lost interest on use of capital receipts
- Lost interest on use of internal borrowing
- Lost interest on use of earmarked reserves
- Lost interest on use of Major Repairs Allowance (MRA)
- Interest on use of external borrowing
- Revenue running costs or savings

The figures represent the incremental impact on weekly housing rents from agreed capital expenditure schemes continuing from 2014-15 and prior years, starting in 2015-16 and planned for 2016-17 to 2019-20.

The availability of additional revenue funds to support capital expenditure is linked to the HRA self financing reforms; the abolition of subsidy payments to government (replaced by debt financing costs) has supported capital investment, initially to meet decent homes standards, and subsequently to maintain those standards and to invest in estate regeneration and/or new homes build. Actual rent rises will remain in line with the government rent restructuring policy.

Estimates of incremental impact of new capital investment decisions on Housing Rents					
	2015-16	2016-17	2017-18	2018-19	2019-20
	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p	Estimate £.p
HRA	21.92	9.63	6.30	8.01	12.36

Risk Analysis

The calculation of this indicator produces a notional figure. In practice the incremental costs of capital programme expenditure, including borrowing costs, are incorporated into the calculations for the HRA revenue budget build along with all other proposed budget increases and savings, and are considered as part of an overall package of affordability.

Additions to the HRA Capital Programme are supported by a capital appraisal or a report to Cabinet setting out the costs and funding, as well as the benefits and risks of the project, and these should include any additional revenue costs associated with a scheme.

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These procedures are designed to ensure that HRA capital expenditure schemes are not included in the planned programme unless they have been demonstrated to be affordable, as well as prudent and sustainable.

Prudence

d) Gross debt and the capital financing requirement (CFR)

Commentary

This is a key indicator of prudence. It is intended to show that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and new two financial years. This demonstrates that the Council's borrowing has only been undertaken for a capital purpose.

Gross debt and the capital financing requirement		
	2015-16 £000 Excluding Third Party Loans	2015-16 £000 Including Third Party Loans*
Gross external debt	**206,850**	**222,396**
2014-15 Closing CFR (forecast)	236,131	253,396
Increases to CFR**:		
2015-16	1,533	2,782
2016-17	9,012	8,759
2017-18	11,205	10,951
2018-19	4,034	-
2019-20	822	-
Adjusted CFR	**262,737**	**275,888**
Gross external debt less than adjusted CFR	**Yes**	**Yes**

**Only third party loans included in the Council's capital programme are included.*

*** Where the change to the CFR is negative the adjustment is treated as zero.*

Risk Analysis

Where the gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual strategy.

Capital Expenditure

e) Estimates of capital expenditure

Commentary

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

The draft capital programme for 2015-16 to 2019-20 is included elsewhere on this agenda and the prudential indicator figures are based on that report.

Estimates include continuation schemes from previous years, new bids for the coming year, and block programmes for the coming and future years. The programme is agreed annually and will be adjusted in the context of future bids submitted and available resources when the annual programmes for the future years are agreed. Variations to the existing programme may also be agreed during the year.

Capital Expenditure					
	2015-16	2016-17	2017-18	2018-19	2019-20
	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
General Fund	12,705	3,587	2,992	2,925	2,925
HRA	28,911	28,677	28,883	22,745	22,311
Total	**41,616**	**32,264**	**31,875**	**25,670**	**25,236**
Loans to third parties	1,500	0	0	0	0
Total	**43,116**	**32,264**	**31,875**	**25,670**	**25,236**

Risk Analysis

There is a real risk of cost variations to planned expenditure against the capital programme, arising for a variety of reasons, including tenders coming in over or under budget, changes to specifications, and slowdown or acceleration of project phasing. There is also the possibility of needing to bring urgent and unplanned capital works into the capital programme. The risks are managed by officers on an ongoing basis, by means of active financial and project monitoring. Any significant issues are reported to Cabinet as part of the finance and performance reporting cycle.

The availability of financing from capital receipts, grants and external contributions also carries significant risk. This can be particularly true of capital receipts, where market conditions are a key driver to the flow of funds, causing particular problems in a depressed or fluctuating economic environment. The financing position of the capital programme is closely monitored by officers on an ongoing basis and any significant issues are reported to Cabinet as part of the finance and performance reporting cycle.

f) Estimates of capital financing requirement (CFR)

Commentary

External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. The CFR can be understood as the Council's underlying need to borrow money long term for a capital purpose – that is, after allowing for capital funding from capital receipts, grants, third party contributions and revenue contributions.

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

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

The table below splits out the impacts of loans to third party organisations funded by borrowing, where these are included in the Council's capital programme.

The forecast trend for the General Fund CFR (excluding third party loans) is shows a gradual increase over the forthcoming five-year period. The impact of proposed new capital expenditure funded by borrowing is partially offset by annual repayments of principal (Minimum Revenue Provision).

The HRA CFR shows a significant increase of £22m over the five year period as additional borrowing is planned to support the HRA capital programme.The HRA does not make an annual revenue provision towards debt repayment.

The changes to CFR for future years (2016-17 to 2019-20) are subject to future Council decisions in respect of the capital programme for those years

Capital Financing Requirement (Closing CFR)					
	2015-16	2016-17	2017-18	2018-19	2019-20
	31 March 2016 Estimate £000	31 March 2017 Estimate £000	31 March 2018 Estimate £000	31 March 2019 Estimate £000	31 March 2020 Estimate £000
General Fund	50,861	51,771	52,623	53,514	54,335
HRA	186,803	194,905	205,258	208,401	208,401
Total	**237,664**	**246,676**	**257,881**	**261,915**	**262,736**
Loans to third parties (GF)	18,514	18,261	18,008	13,253	8,496
Total	**256,178**	**264,937**	**275,889**	**275,168**	**271,232**

Risk Analysis

The capital financing requirement will vary from the estimates if there are changes to capital programme plans that result in reduced or increased borrowing to support expenditure. This will include adjustments between years as a result of carry forwards in the capital programme, which can impact on the profile of capital expenditure and the profile of the minimum revenue provision.

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

External Debt

g) Authorised limit for external debt

Commentary

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

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

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

This limit is based on the estimate of the most likely but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. It includes headroom for any planned loans to third party organisations.

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

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

The Council's S.151 Officer will have delegated authority to effect movement between the separately agreed figures for borrowing and other long-term liabilities. Any such changes will be reported to the Council at the next meeting following the change.

Authorised limit for external debt					
	2015-16	2016-17	2017-18	2018-19	2019-20
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
Borrowing	315	325	335	335	330
Other long-term liabilities	5	5	5	5	5
Total	**320**	**330**	**340**	**340**	**335**

Risk Analysis

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

h) Operational boundary for external debt

Commentary

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

The operational boundary represents a key management tool for in year monitoring by the S.151 Officer.

Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified.

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

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

The Council's S.151 Officer will have delegated authority to effect movement between the separately agreed figures for borrowing and other long-term liabilities. Any such changes will be reported to the Council at the next meeting following the change.

Operational boundary for external debt					
	2015-16	2016-17	2017-18	2018-19	2019-20
	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
Borrowing	305	315	325	325	320
Other long-term liabilities	5	5	5	5	5
Total	**310**	**320**	**330**	**330**	**325**

Risk Analysis

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

i) HRA Limit on Indebtedness

Commentary

The local authority is required to report the level of the limit imposed (or subsequently amended) at the time of implementation of self-financing by the Department for Communities and local Government. It is the HRA capital financing requirement that will be compared to this limit.

Indicator

The HRA limit on indebtedness is **£217.001m**. This is the HRA debt cap imposed by the Department for Communities and local Government. The original debt cap of £208.401m has been increased by DCLG from 2015-16 onwards to allow for additional borrowing to fund new council house building at Dallington Beck.

Risk Analysis

The HRA business plan has been modelled with full regard to the CLG debt cap requirements. The risk assessment of the business plan does not identify the breach of the debt cap as a risk. However there is an identified risk that inflation levels may change more than expected, resulting in the financial assumptions in the business plan proving to be inaccurate, leading to reduced headroom for borrowing. In this instance borrowing may reach (but not breach) the debt cap.

Treasury Management

j) Adoption of the CIPFA code of Practice for Treasury Management in the Public Services

Commentary

The Prudential Code requires that the local authority has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. The aim is to ensure that treasury management is led by a clear and integrated forward looking treasury management strategy, and recognition of the pre-existing structure of the authority's borrowing and investment portfolios.

Indicator

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. The adoption is included in the Council's Constitution (Feb 2013) at paragraph 6.10 of the Financial Regulations.

Risk Analysis

Effective risk management is a fundamental requirement for the treasury management function, and this theme runs explicitly through the Treasury

Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.

The prime policy objectives of the Council's investment activities are the security and liquidity of funds, and return on investments will be considered only once these two primary objectives have been met. The Council will thereby avoid exposing public funds to unnecessary or unquantified risk.

The Council's Treasury Management Strategy Report for 2015-16 to 2019-20 discusses the ways in which treasury management risk will be determined, managed and controlled.

Treasury Indicators

k) Maturity structure of borrowing

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

The indicator represents the amount of projected borrowing that is fixed rate maturing in each period expressed as a percentage of total projected borrowing that is fixed rate at the start of the period where the periods in question are:

- Under 12 months;
- 12 months and within 24 months;
- 24 months and within 5 years;
- 5 years and within 10 years;
- 10 years and within 20 years;
- 20 years and within 30 years;
- 30 years and within 40 years;
- 40 years and above.

The Treasury Management Code of Practice Guidance Notes requires that the maturity is determined by the earliest date on which the lender can require payment, which in the case of LOBO loans is the next break period. However in the current low interest rate environment the likelihood of the interest rates on these loans being raised and the loans requiring repayment at the break period is extremely low.

The proposed limits for the forthcoming year are:

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

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

l) Upper limits on interest rate exposures

The Council must set for the forthcoming financial year and the following two financial years, upper limits to its exposure to the effect of changes in interest rates. These limits relate to both fixed interest rates and variable interest rates, and are referred to as the upper limits on fixed interest rate and variable interest rate exposures.

The purpose of the indicator is to express the Council's appetite for exposure to variable interest rates, which may, subject to other factors, lead to greater volatility in payments and receipts. However this may be offset by other benefits such as lower rates, as in the case of LOBOs.

These limits can be expressed either as absolute amounts or as a percentage. They may be related either to the authority's net principal sum outstanding on its borrowing/investments or to the net interest on these.

As a result of advice from the Council's treasury advisors, these indicators have been set as percentages rather than absolute values. Separate indicators are set and monitored for debt and investments, as well as for the net borrowing position.

It is proposed to maintain the upper limits on interest rate exposures for borrowing at 100% for both fixed and variable rate debt. This will allow officers to make judgements on the most appropriate form of borrowing dependant on the market conditions and rates on offer, rather than being artificially constrained by the indicator. In practice there is likely to be a mix of fixed and variable rate borrowing in the Council’s debt portfolio.

Upper limits on interest rate exposures - borrowing		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2015-16	100%	100%
2016-17	100%	100%
2017-18	100%	100%
2018-19	100%	100%
2019-20	100%	100%

Upper limits on interest rate exposures - investments		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2015-16	100%	100%
2016-17	100%	100%
2017-18	100%	100%
2018-19	100%	100%
2019-20	100%	100%

The interest rate exposures for net borrowing are distorted when debt and investment are combined. However, this combined indicator is included here for completeness, and as required by the Treasury Management Code of Practice. The percentages in the table below allow for both borrowing and investments to independently reach limits of 100% for both fixed and variable rates. Actual percentages on net borrowing may sometimes be in excess of 100% or below zero (ie negative percentages).

Upper limits on interest rate exposures – net borrowing		
	Fixed Interest Rate Exposures	Variable Interest Rate Exposures
2015-16	150%	150%
2016-17	150%	150%
2017-18	150%	150%
2018-19	150%	150%
2019-20	150%	150%

m) Total principal sums invested for periods longer than 364 days

Under the Local Government Act 2003 and the CLG Guidance on Local Authority Investments 2004 (revised 2010), all Councils are permitted to invest for periods exceeding 1 year (or 364 days). The Council is required to set a limit to the level of such investments it might wish to make.

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

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

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

Upper limit on investments for periods longer than 364 days					
	2015-16	2016-17	2017-18	2018-19	2019-20
	Upper Limit £m	Upper Limit £m	Upper Limit £m	Upper Limit £m	Upper Limit £m
Investments < 364 days	5	5	4	5	4

This upper limit has been calculated at a prudent level with regard to cashflow liquidity, based on a maximum of 20% of forecast average general (HRA & GF) cash balances in year.

Minimum Revenue Provision Policy Statement

1.1 The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008, which came into force in February 2008, require local authorities to make ‘prudent provision’ for the repayment of its General Fund debt. This debt repayment is known as the Minimum Revenue Provision (MRP).

1.2 A number of options for prudent provision are set out in the regulations. The underlying principle is that the repayment of debt should be aligned to the useful life of the asset or assets for which the borrowing has been carried out.

1.3 Since 2007-08 the Council has used the transitional measures available to calculate MRP for all capital expenditure prior to 1 April 2008 as if the previous regulations were still in force.

1.4 The authority is required, under the 2008 regulations, to prepare an annual statement of their policy on making MRP for submission to Council.

1.5 The Council’s policy statement on MRP for 2015-16 is set out below. The policy is considered by the Section 151 Officer to provide for the prudent repayment of debt.

1.5.1 The Council has implemented the 2008 CLG Minimum Revenue Provision (MRP) guidance from 2008-09 onwards, and assessed their MRP from 2008-09 onwards in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

1.5.2 MRP relating to the historic debt liability incurred for years up to and including 2007-08 will continue to be charged at the rate of 4% on the reducing balance, in accordance with option 1 of the guidance, the “regulatory method”.

1.5.3 The debt liability relating to capital expenditure incurred from 2008-09 onwards will be subject to MRP under option 3, the “asset life method”, and will be charged over a period that is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

1.5.4 Estimated life periods will be determined in line with accounting guidance and regulations. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, the Council will generally adopt these periods. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

1.5.5 As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis that most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner that reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

1.5.6 The Council will seek to spread MRP charges prudently in relation to asset lives, and with regard to the revenue impact of MRP charges. Where prudent to do so, capital receipts will be used to repay borrowing previously taken out in relation to assets with a short life. MRP on residual debt will be based on the lives of the remaining asset for which borrowing was undertaken.

1.5.7 MRP will be charged from the financial year after the asset comes into use.

1.5.8 In cases where the Council has approved the use of capital receipts to fund the asset, this funding will be assumed when the receipt is contractually certain, even if not actually received. In such cases no MRP charge will be made.

1.5.9 No MRP will be charged in respect of capital expenditure funded by borrowing where the expectation is that a future capital receipt will be applied to the CFR as a voluntary debt repayment for the borrowing. Examples are:

- Capital expenditure on preparing assets for sale.
- Loans advanced to housebuyers under the Local Authority Mortgage Scheme (LAMS), should the scheme re-open and the Council decide to participate.

1.5.10 Where finance leases are held on the balance sheet, the MRP will be set at a charge equivalent to the element of the annual lease charge that goes to write down the balance sheet liability, thereby applying Option 3 in a modified form.

1.5.11 The Council will take advantage of any transitional arrangements introduced to minimise or negate the impact of retrospective accounting adjustments as a result of the transfer to the balance sheet of finance leases previously treated as operating leases under the introduction of IFRS.

1.5.12 In respect of loans to third parties supported by borrowing, where these are treated as capital expenditure, and contractual terms are in place to secure repayment over a period not exceeding the life of the asset, the Council will not charge MRP on the related expenditure.

1.5.13 In respect of infrastructure improvements and other capital schemes where repayment of the funding (principal and interest) will be met from business rates uplift in line with the Enterprise Zone financial model, and the repayment does not exceed the life of the asset, the Council will not charge MRP on the related expenditure.

Appendix 5

Annual Investment Strategy

1 Investment policy

1.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

1.2 The Council's appetite for risk must be clearly identified in its strategy report. The Council affirms that its investment policies are underpinned by a strategy of prudent investment of funds held on behalf of the local community. The objectives of the investment policy are firstly the security of funds (protecting the capital sum from loss) and then liquidity (keeping money readily available for expenditure when needed). Once approved levels of security and liquidity are met, the Council will seek to maximise yield from its investments, consistent with the applying of the agreed parameters. These principles are carried out by strict adherence to the risk management and control strategies set out in the TMP Schedules and the Treasury Management Strategy.

Responsibility for risk management and control lies within the Council and cannot be delegated to an outside organisation.

2 Creditworthiness policy

2.1 The Council's counterparty and credit risk management policies and its approved instruments for investments are set out in the TMP Schedules (TMP 1 Risk Management: Credit and counterparty risk management and TMP 4 Approved Instruments, Methods and Techniques). These, taken together, form the fundamental parameters of the Council's Investment Strategy

2.2 The Council defines high credit quality in terms of investment counterparties as those organisations that:

- Meet the requirements of the creditworthiness service provided by the Council's external treasury advisers (ie have a colour rating) and,
- Have sovereign ratings of AAA, or are
- UK banking or other financial institutions or are
- UK national or local government bodies or are
- Triple A rated Money Market funds

3 Sovereign limits

3.1 Expectation of implicit sovereign support for banks and financial insitutions in extraordinary situations has lessened considerably in the last couple of years, and alongside that, changes to banking regulations have focussed on improving the banking sectors resilience to financial and economic stress. The Council has therefore reviewed its previous policy of restricting overseas investments to counterparties in countries with a sovereign rating of AAA.

3.2 The Council has determined that for 2015-16 it will only use approved counterparties from countries with a sovereign credit rating from the three main ratings agencies that is equal to or above to that of the Uk, currently AA+.

3.3 The list of countries that qualify using these credit criteria as at the date of this report are shown below. This list will be amended by officers should ratings change in accordance with this policy.

AAA	**AA+**
Australia	Finland
Canada	Hong Kong
Denmark	Netherlands
Germany	UK
Luxembourg	USA
Norway	
Singapore	
Sweden	
Switzerland	

4 Investment position and use of Council's resources

4.1 The application of resources, such as capital receipts, reserves etc., to either finance capital expenditure or for other budget decisions to support the revenue budget will have an ongoing impact on investments balances and returns unless resources are supplemented each year from new sources such as asset sales. Detailed below are estimates of the Council's year end balances available for investment

Year End Resources £m	**2014-15 Projected**	**2015-16 Estimate**	**2016-17 Estimate**	**2017-18 Estimate**	**2018-19 Estimate**	**2019-20 Estimate**
Core funds	53	47	47	47	47	47
Working capital surplus	5	5	5	5	5	5
Total funds	**58**	**52**	**52**	**52**	**52**	**52**
Less under/(over) borrowing	29	24	28	25	27	27
Expected						

investments	**29**	**28**	**24**	**27**	**25**	**25**

4.2 Investment balances are forecast to be significantly reduced during 2014-15 as a result of:

- Repayment of £16m existing GF long term borrowing
- Use of £15m internal borrowing to fund the GF capital programme
- £20m reduction in HRA reserves due to capital programme expenditure

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

5 Specified investments

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

(i) Specified investments – broadly, sterling investments, not exceeding 364 days and with a body or investment scheme of high credit quality.

(ii) Non-specified investments – do not satisfy the conditions for specified investments. This may include investment products that would normally be considered as specified investments, but are judged to have a higher level of risk than normal attached to them.

5.2 The detailed conditions attached to each of these categories are set out in the TMP Schedules (TMP4 Approved Instruments, Methods and Techniques).

5.3 The majority of the Council's investments in 2015-16 will fall into the category of specified investments.

6 Non-specified investments

6.1 Prior to the start of each financial year officers review which categories of non-specified investments they consider could be prudently used in the coming year.

6.2 The officer recommendation for 2015-16 is that the following non specified investments may be entered into:

6.2.1 Long-term investments (those for periods exceeding 364 days), which could prudently be used where interest rates are favourable and funds are not required for short-term cashflow management.

Amounts deposited for over 364 days will be determined by liquidity considerations and by whether longer term interest rates are favourable, and all deposits will be in accordance with counterparty limits.

Only counterparties in the Council's current approved counterparty list that have limits of over 364 days will be used for such investments.

Any overall stricter limits in force in the Council's investment counterparty policies at any time will take precedence.

The maximum amount that the Council will hold at any time during the year as long-term investments is £5m.

6.2.2 The following items, being non-specified only by virtue of unfamiliarity on the part of the Council's treasury management staff:

- UK Government Gilts
- Treasury Bills
- Bonds issued by a financial institution that is guaranteed by the UK Government and multi-lateral development banks as defined in Statutory Instrument 2004 No. 534
- Reverse Gilt Repos
- Commercial paper
- Gilt funds and other bond funds
- Enhanced money market funds
- Property funds

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

The business plan will include:

- A clear justification for using the product
- Evaluation of counterparty and other risk
- Procedures and limits for controlling exposure

7 Counterparties

7.1 Over-arching policies for the management of counterparty and credit risk are set out in the TMP Schedules (TMP 1 Risk Management). The Council's approach to counterparties for 2015-16 is set out below:

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

7.3 The CFO will determine, in the context of the above, and taking into account appropriate risk management factors:

- Any further criteria to be put in place to determine suitable counterparties
- The maximum investment amount to be held with each type of counterparty assigned a rating

- The maximum investment period with each type of counterparty assigned a rating

7.4 The following table sets out the Council's counterparty criteria for 2015-16.

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

7.5 Maximum counterparty limits may be temporarily exceeded by small amounts and for very short periods where interest is added by the counterparty to the principal investment amount, for example in the case of some call and deposit accounts. In such instances the interest amounts will be withdrawn back to the Council's main bank account as soon as reasonably practicable.

7.6 The maximum percentage of the portfolio that may be placed with overseas counterparties at any one time is 50%.

7.7 Any types of investments that fall within the category of specified investments as set out in the TMP Schedules (TMP 4 Approved instruments, methods and techniques), and any types of non-specified investments approved as part of this document may be made, within the bounds of the counterparty policies.

7.8 The total value of investments over 364 days at any one time is restricted by the treasury indicator for the upper limit on investments for periods longer than 364 days.

7.9 The Council may enter into forward agreements up to 3 months in advance of the investment commencing. If forward deposits are to be made, the forward period plus the deal period should not exceed the limits above.

7.10 The Chief Finance Officer has discretion during the financial year to lift or increase the restrictions on the counterparty list and/or to adjust the associated lending limits on values and periods should it become necessary to enable the effective management of risk in relation to investments. At all times the Council's minimum level of credit risk, as set out in the TMP Schedules (TMP 1 Risk Management), will be met.

8 Liquidity of Investments

8.1 Most short-term investments are held for cashflow management purposes and officers will ensure that sufficient levels of short-term investments and cash are available for the discharge of the Council's liabilities.

8.2 Investment periods range from overnight to 364 days as specified investments, or 3 years as non-specified investments. When deciding the length of each investment, regard is had to both cashflow needs and prevailing interest rates. As cash balances available for investment are forecast to be somewhat reduced compared to previous years, the preservation of liquidity will be a critical determinant for treasury officers when determining the value and duration of investments.

8.3 Amounts deposited for over 364 days will also be determined by liquidity considerations and by whether longer term interest rates are favourable, and all deposits will be in accordance with counterparty limits and the treasury indicator for investments over 364 days. Long term investments of over 2 years will only be made in exceptional circumstances.

8.4 For short term and overnight investment the Council makes full use of triple A rated Money Market Funds and appropriate bank call and deposit accounts offering competitive rates and, in most instances, instant access to funds.

8.5 The Council may occasionally undertake short-term temporary borrowing if this is needed to cover its cash flow position.

9 Investments defined as capital expenditure

9.1 The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1) (d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded from capital or revenue resources and will be classified as 'non-specified investments'.

9.2 Investments in "money market funds" which are collective investment schemes and bonds issued by "multilateral development banks" – both defined in SI 2004 No 534 – will not be treated as capital expenditure.

9.3 A loan or grant or financial assistance by this Council to another body for capital expenditure by that body will be treated as capital expenditure.

10 Lending to third parties

10.1 Officers will ensure that any loans to or investments in third parties comply with legislative requirements. This would normally, but not necessarily, be under one of the following Acts of Parliament:

- The Localism Act 2011 gives local authorities a general power of competence to act in the same manner as any other legal person, except where those powers are specifically limited by statute.

- The Local Government Act 2000 contains wellbeing powers for local government that allow local authorities to do anything, including to give financial assistance to any person, which they believe is likely to promote or improve the economic, social or environmental well being of their area. Certain conditions, including consultation requirements, must be complied with in order to meet the requirements allowing the local authority to use the wellbeing powers.

10.2 Loans of this nature must be approved by Cabinet.

10.3 The primary aims of the Investment Strategy, in order of priority, are the security of its capital, liquidity of its capital and to obtain a return on its capital commensurate with levels of security and liquidity. These aims are crucial in determining whether to proceed with a potential loan to a third party.

10.4 Recipients of this type of investment are unlikely to be a financial institution and therefore unlikely to be subject to a credit rating. In order to ensure security of the Authority's capital, extensive financial due diligence must be completed prior to any loan or investment being agreed. The Council will use specialist advisors to complete financial checks to ascertain the creditworthiness of the third party. Where deemed necessary, additional guarantees will be sought. This will be via security against assets and/or through guarantees from a parent company.

11 Provisions for credit related losses

11.1 If any of the Council's investments appears at risk of loss due to default (i.e. this is a credit related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

12 Local Authority Mortgage Scheme

12.1 The Local Authority Mortgage Scheme (LAMS) is currently closed to new participants, but may be re-opened in the future depending on the Help to Buy Guarantee scheme. In the event of this, and should the Council make a decision to participate in the scheme, which requires (in the cash backed variant) the Council to place a matching five year deposit to the life of the mortgage indemnity, this investment will be an integral part of the policy initiative, outside the Council's stated investment strategy and counterparty criteria.

13 Local Impact Funds

13.1 In the event that the Council decides to invest in a Local Impact Fund, any such investment being an integral part of the LIF policy initiative, driven by service considerations, will fall outside of the Council's stated investment strategy and counterparty criteria.

14 Banking services

14.1 HSBC currently provide banking services for the Council under a contract that runs to 30 September 2016. It is the Council's intention that even if the credit rating of the provider of its banking services falls below the minimum criteria the bank will continue to be used for short term liquidity requirements.

15 End of year investment report

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

Appendices
6

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	**Risk Review of 2015 16 Budget Report**

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14 January 2015
Policy Document:	No
Directorate:	Resources
Accountable Cabinet Member:	Alan Bottwood

1. Purpose

1.1 To inform Audit Committee of the process and risk considerations that have taken place in preparing the draft budget 2015/16.

2. Recommendations

2.1 That the Audit Committee considers issues in relation to risk within the budget proposals for 2015/16 and comments appropriately.

3. Issues and Choices

3.1 Report Background

3.1.1 The Chief Finance Officer is required to make a statement on the Robustness of Estimates when the proposed budget is brought to Council for approval.

3.1.2 In support of this statement the relevant Heads of Service have completed a risk assessment as part of the MTP Options budget proforma

3.2 Issues

3.2.1 Each Head of Service has carried out a risk assessment of their budget proposals as part of their MTP Option submissions

3.2.2 Management Board have also scrutinised the risk implications in detail to ensure that the options are deliverable

3.2.3 A list of General Fund revenue budget options is attached at Appendix 1 and 2 to this report. The General Fund capital programme and capital scheme descriptions information is attached at Appendix 3. The HRA revenue budget options are attached at Appendix 4 with the HRA capital programme following at Appendix 5 and the Northampton Partnership Homes Fee schedule attached at Appendix 6.

3.2.4 Outside this, other risk work has been and is being undertaken in relation to the budget proposals. For each proposal equalities have been considered and, where appropriate a Communities Impact Assessment has been carried out to identify risks and issues that need to be addressed and considered in relation to people with protected characteristics, in deciding whether or how to take a proposal forward.

3.2.5 As part of this process there is a full review being undertaken on the Council's reserves which will reflect the risks incorporated into the budget proposals being considered.

3.3 Choices (Options)

3.3.1 The Audit Committee is asked to consider the risk issues in relation to some or all of the budget options for 2015/16 and make comments or recommendations to the Chief Finance Officer.

3.3.2 The Audit Committee may consider that the risk issues in relation to some or all of the budget options require comment and therefore make their comments to Cabinet for consideration alongside the final budget proposals

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy issues arising from this report.

4.2 Resources and Risk

4.2.1 This report outlines measures taken to identify and mitigate risks in relation to the General Fund and Housing Revenue Account budget proposals.

4.3 Legal

4.3.1 There are no specific legal issues arising from this report.

4.4 Equality

4.4.1 Equality and Diversity are being considered as a part of the budget build process, and an equalities assessment will be completed for the relevant budget proposals before they are brought to Council for final decision later in February 2015.

4.5 Consultees (Internal and External)

4.5.1 Internally Heads of Service and Management Board have been consulted, and involved in the budget risk assessment process.

4.5.2 Externally, the public are being consulted as part of the budget consultation exercise and specific consultation exercises, aimed at affected groups, will have been and will be undertaken in respect of specific budget proposals.

4.6 Other Implications

4.6.1 There are no other specific issues arising from this report.

5. Background Papers

5.1 Appendices

Appendix 1 –	General Fund Savings List
Appendix 2 –	General Fund Growth List
Appendix 3 –	General Fund Capital Programme
Appendix 4 -	Housing Revenue Account Medium Term Planning Options Savings and Growth List
Appendix 5 –	Housing Revenue Account Capital Programme List
Appendix 6	NPH Total Fee Schedule

Glenn Hammons Chief Finance Officer, Telephone 01604 366521

Appendix 1

NORTHAMPTON
BOROUGH COUNCIL

General Fund MTP Savings Options

MTP Reference	MTP Option Description	2015/2016 £	2016/2017 £	2017/2018 £	2018/2019 £	2019/2020 £
Borough Secretary						
B119	Implementation of 2014 Employee Cost Review	(103,170)	(103,170)	(103,170)	(103,170)	(103,170)
B136	Ultilities - Small Sites	(10,000)	0	0	0	0
	TOTAL Borough Secretary	**(113,170)**	**(103,170)**	**(103,170)**	**(103,170)**	**(103,170)**
Customers & Communities						
B104	Primary Authority Income (Food Safety)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
B106	Review of information and advice service	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
B147	Implementation of 2014 Employee Cost Review	(606,180)	(606,180)	(606,180)	(606,180)	(606,180)
B146	Service Reviews	(705,000)	(765,000)	(765,000)	(765,000)	(765,000)
	TOTAL Customers and Communities	**(1,521,180)**	**(1,581,180)**	**(1,581,180)**	**(1,581,180)**	**(1,581,180)**
Regeneration, Enterprise & Planning						
B119	Implementation of 2014 Employee Cost Review	(248,290)	(248,290)	(248,290)	(248,290)	(248,290)
B127	NBC reduction in JPU Contribution	(91,084)	(91,084)	0	0	0
B145	Service Reviews	(184,349)	(193,877)	(198,973)	(204,466)	(210,121)
	TOTAL Regeneration Enterprise and Planning	**(523,723)**	**(533,251)**	**(447,263)**	**(452,756)**	**(458,411)**
Housing						
B143	Service Review	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
B119	Implementation of 2014 Employee Cost Review	(210,960)	(210,960)	(210,960)	(210,960)	(210,960)
	TOTAL Housing	**(360,960)**	**(360,960)**	**(360,960)**	**(360,960)**	**(360,960)**
	SAVINGS AND EFFICIENCIES TOTAL	**(2,519,033)**	**(2,578,561)**	**(2,492,573)**	**(2,498,066)**	**(2,503,721)**

Appendix 2

General Fund MTP Growth Options

MTP Reference	MTP Option Description	2015/2016 £	2016/2017 £	2017/2018 £	2018/2019 £	2019/2020 £
Customers & Communities						
B115	Victoria Street Coach Park Toilet	22,000	22,000	22,000	22,000	22,000
		22,000	**22,000**	**22,000**	**22,000**	**22,000**
Regeneration, Enterprise & Planning						
B126	EZ Budget Increase	130,000	130,000	130,000	130,000	0
B132	Northampton Alive	50,000	50,000	50,000	50,000	50,000
B142	Business Incentive Scheme	250,000	250,000	250,000	250,000	250,000
		430,000	**430,000**	**430,000**	**430,000**	**300,000**
Cross Organisation						
B144	Living Wage	14,800	14,800	14,800	14,800	14,800
		14,800	**14,800**	**14,800**	**14,800**	**14,800**
Total Growth		**466,800**	**466,800**	**466,800**	**466,800**	**336,800**

NORTHAMPTON BOROUGH COUNCIL

Proposed General Fund Capital Programme 2015-16 to 2019-20

Project Title	2014-15 Latest	2015-16	2016-17	2017-18	2018-19	2019-20	Total
	£	£	£	£	£	£	£
Housing - General Fund							
Disabled Facilities Grant	1,400,000	1,875,000	1,475,000	1,475,000	1,475,000	1,475,000	9,175,000
Empty Homes Programme	740,090						740,090
Self-funding							
IT Infrastructure	173,927	150,000	150,000	150,000	150,000	150,000	923,927
Skate Park Café Extension	35,000	55,000					90,000
Town Centre Improvements							
Greyfriars Demolition	4,250,605	1,050,000					5,300,605
Bus Interchange Works	206,000						206,000
Abington Street - Opening up to Traffic	2,889,023						2,889,023
Superfast Broadband	250,000	250,000					500,000
Visitor Signage in Town Centre	80,000						80,000
St Peters Waterside	100,000	1,000,000					1,100,000
Town Centre Wifi	62,646						62,646
Car Parks - Pay on Exit		100,000	50,000	50,000			200,000
Heritage & Culture							
Delapre Abbey Restoration, incl minor projects	1,492,502	3,877,450	595,031				5,964,983
Heritage Gateway	100,000	250,000					350,000
Strategic Property Purchase from NCC (subject to Business Case)	2,175,000						2,175,000
Block Programmes - specific schemes to be agreed							
Town Centre Realm improvements	1,135,000	750,000	500,000	500,000	500,000	500,000	3,885,000
Capital Improvements - Regeneration Areas	250,000	250,000	100,000	100,000	100,000	100,000	900,000
Parks/Allotments/Cemeteries Enhancements	439,437	270,000	250,000	250,000	250,000	250,000	1,709,437
Operational Buildings - Enhancements	633,119	400,000	400,000	400,000	400,000	400,000	2,633,119
Commercial Landlord Responsibilities	390,141	270,000	50,000	50,000	50,000	50,000	860,141
Enterprise Zone Schemes - Funded from Growing Places Fund and Local Infrastructure Fund							
St Peters Way Improvements	1,600,000	1,400,000					3,000,000
Site 11 Remediation, Construction and St James Mill Way Electrcity Substation	5,221,244						5,221,244
Loans							
NTFC	7,500,000	1,500,000					9,000,000
Cosworth	1,400,000						1,400,000
Other							
Athletics Track	900,000	700,000					1,600,000
Purchase of Albion House	500,000						500,000
Planning IT Improvements	41,000	24,500	17,000	17,000			99,500
Other IT Investment	223,543						223,543
Section 106 Funded Schemes	4,967,163	33,512					5,000,675
Total General Fund Capital Programme	**39,155,440**	**14,205,462**	**3,587,031**	**2,992,000**	**2,925,000**	**2,925,000**	**65,789,933**

Proposed General Fund Capital Funding	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total
	£	£	£	£	£	£	£
Grants & Contributions:							
Disabled Faccilities Grant - External Funding	497,412	594,000	594,000	594,000	594,000	594,000	3,467,412
Heritage Lottery Funding - Delapre Abbey	584,907	2,210,147	339,168				3,134,222
HPDG	106,000	24,500	17,000	17,000			164,500
CLG - St Peters Waterside	100,000	1,000,000					1,100,000
CLG - Cosworth Loan	1,400,000						1,400,000
Section 106	4,967,163	33,512					5,000,675
Other Grants and Contributions	2,290,651	70,000	70,000				2,430,651
Sub-total Grants & Contributions	9,946,133	3,932,159	1,020,168	611,000	594,000	594,000	16,697,460
NBC Earmarked Reserves - Delapre Abbey	146,312	630,808					777,120
New Homes Bonus	3,000,000						3,000,000
Other Revenue/Reserves	929,671						929,671
Capital Receipts - Heritage	900,000						900,000
Capital Receipts - Other	1,508,559	5,239,587	280,413	50,000			7,078,559
Growing Places Fund and Local Infrastructure Fund (to be repaid from EZ business rate uplift)	6,100,000	1,400,000	0	0	0	0	7,500,000
Self-funded Borrowing (incl Loans)	7,732,575	1,705,000	150,000	150,000	150,000	150,000	10,037,575
Corporate Borrowing Taken Out/(Repaid)	8,892,190	1,297,908	2,136,450	2,181,000	2,181,000	2,181,000	18,869,548
Total Funding	**39,155,440**	**14,205,462**	**3,587,031**	**2,992,000**	**2,925,000**	**2,925,000**	**65,789,933**

Appendix 4

<u>Housing Revenue Account MTP Options</u>

MTP Reference	MTP Option Description	2015/2016 £	2016/2017 £	2017/2018 £	2018/2019 £	2019/2020 £
HRA01	Implementation of 2014 Employee Cost Review	(831,400)	(831,400)	(831,400)	(831,400)	(831,400)
HRA02	NPH Investment	831,400	0	0	0	0
HRA03	HRA Investment	0	831,400	831,400	831,400	831,400
		0	**0**	**0**	**0**	**0**

Proposed Capital Programme 2015-16 to 2019-20 - HRA

	2015-16 £	2016-17 £	2017-18 £	2018-19 £	2019-20 £	Total £
External Works						
Pitched Roofs	548,033	397,799	606,440	917,940	581,719	3,051,931
Chimneys	79,750	78,359	70,267	51,071	139,565	419,012
Flat Roofs	43,232	59,660	106,970	120,968	115,759	446,589
Fascias & Soffits	277,417	478,889	741,258	731,004	822,496	3,051,064
Rainwater Goods	222,250	424,360	586,635	935,211	1,076,264	3,244,720
Walls	770,332	804,559	1,092,279	927,133	1,627,744	5,222,047
Canopies and Walkways	48,183	55,411	101,778	197,808	102,276	505,456
Windows	236,367	426,870	460,623	419,311	814,382	2,357,553
Doors	128,250	184,347	350,557	394,404	324,821	1,382,379
Environmental Works	740,890	1,105,918	1,150,461	899,674	1,661,027	5,557,970
Internal Works						
Kitchens	1,900,000	939,291	0	0	0	2,839,291
Bathrooms	1,725,904	1,283,717	414,409	417,404	425,830	4,267,264
Electrics	1,173,200	517,984	0	0	0	1,691,184
Heating	2,956,220	1,477,424	0	0	0	4,433,644
Communal Areas						
Communal services	0	0	0	0	2,203,523	2,203,523
Communal doors	78,817	125,595	392,247	441,538	316,214	1,354,411
Energy Works	1,087,020	1,577,934	3,055,742	2,563,352	2,450,674	10,734,722
Other						
Front and back lights	894,779	1,078,620	801,733	862,564	764,993	4,402,689
Non-Trads	2,000,000	0	0	0	0	2,000,000
Related Assets/ Structural Repairs	150,000	152,648	155,400	158,198	161,037	777,283
Asbestos - Amendment to Savills Schedule	400,000	407,060	414,400	421,860	429,432	2,072,752
Section 20 Leasehold Works	150,000	152,648	155,400	158,198	161,037	777,283
Fire Risk works	1,000,000	1,017,650	518,000	527,325	0	3,062,975
Environmental Improvements	500,000	2,544,125	5,298,456	5,393,839	5,490,653	19,227,073
Diabled Adaptations	1,132,000	1,151,980	1,172,752	1,193,864	1,215,293	5,865,889
Major Works/ Remodelling	1,000,000	1,272,063	1,813,000	2,109,300	1,073,580	7,267,943
Major Refurbishment	500,000	763,238	777,000	790,988	805,185	3,636,411
Sheltered Housing Review	1,500,000	1,526,475	2,072,000	1,054,650	0	6,153,125
Garage Strategy Project (Blocks/ Sites)	500,000	1,526,475	518,000	0	0	2,544,475
Common Area Refurbishments		0	103,600	580,058	590,469	1,274,127
SCATE Project	750,000	1,441,671	1,467,667	1,494,088	0	5,153,426
Installation of PV Panels (NHS)	3,000,000	2,747,655	518,000	0	0	6,265,655
Energy Improvements	500,000	508,825	518,000	790,988	805,185	3,122,998
IT Capital	600,000					600,000
New Build - Dallington	9,306,000					9,306,000
Use of 1-4-1 Receipts	414,000	1,138,000	1,179,000	1,200,000	1,200,000	5,131,000
Total	**36,312,642**	**27,367,250**	**26,612,074**	**25,752,738**	**25,359,158**	**141,403,862**

SPLIT:						
Improvements to Homes	23,778,157	21,374,991	17,790,177	16,955,122	13,722,748	93,621,195
Improvements to Environment	2,214,485	4,854,258	7,642,896	7,597,614	10,436,410	32,745,663
IT Capital	600,000					600,000
Total NPH	**26,592,642**	**26,229,249**	**25,433,073**	**24,552,736**	**24,159,158**	**126,966,862**
NBC Retained (New Build and 141 Receipts)	9,720,000	1,138,001	1,179,001	1,200,002	1,200,000	14,437,000
Total Capital Programme	**36,312,642**	**27,367,250**	**26,612,074**	**25,752,738**	**25,359,158**	**141,403,862**

FINANCING:						
Major Repairs Reserve/Depreciation	12,610,000	13,008,000	13,430,000	13,864,000	14,114,000	67,026,000
Capital Receipts - Right to Buy (excl 1-4-1)	1,442,000	1,221,000	1,245,000	1,270,000	1,295,000	6,473,000
Capital Receipts - RTB 1-4-1 Receipts	414,000	1,138,000	1,179,000	1,200,000	1,200,000	5,131,000
Revenue/Earmarked Reserve	12,540,642	11,863,250	4,171,074	5,007,738	7,470,158	41,052,862
Borrowing	0	137,000	6,587,000	4,411,000	1,280,000	12,415,000
Section 106 - New Build Dallington	706,000					706,000
Additional Borrowing Cap re New Build	8,600,000					8,600,000
Total Financing - HRA	**36,312,642**	**27,367,250**	**26,612,074**	**25,752,738**	**25,359,158**	**141,403,862**

HRA Management & Maintenance	NPH					
	Jan-Mar 15	2015/16	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£	£	£	£	£	£
Repairs & Maintenance	3,598,733	14,394,931	14,442,104	14,489,895	14,538,158	14,586,895
General Management	1,448,909	5,795,637	5,817,317	5,839,278	5,861,457	5,883,853
Special Services	952,067	3,808,266	3,825,127	3,842,221	3,859,484	3,876,917
NPH Investment	0	831,400	0	0	0	0
Recharges from the General Fund (*)	900,949	3,603,795	3,579,465	3,579,465	3,579,465	3,579,465
TOTAL HRA	**6,900,657**	**28,434,029**	**27,664,013**	**27,750,859**	**27,838,565**	**27,927,130**
Housing General Fund						
Travellers Site	41,388	165,553	165,689	165,827	165,967	166,108
Home Choice & Resettlement	20,000	80,000	80,784	81,579	82,381	83,192
TOTAL GF HOUSING	**61,388**	**245,553**	**246,473**	**247,406**	**248,349**	**249,300**
TOTAL REVENUE	**6,962,046**	**28,679,582**	**27,910,486**	**27,998,265**	**28,086,913**	**28,176,430**
Capital Sum	12,250,000	26,592,642	26,229,249	25,433,073	24,552,736	24,159,158
GRAND TOTAL	**19,212,046**	**55,272,224**	**54,139,735**	**53,431,338**	**52,639,649**	**52,335,588**
Analysed by						
Management - HRA	3,301,925	14,039,098	13,221,909	13,260,964	13,300,406	13,340,235
Management - GF Housing	61,388	245,553	246,473	247,406	248,349	249,300
Maintenance - Managed Budget Responsive	2,771,024	11,084,097	11,120,420	11,157,219	11,194,382	11,231,909
Maintenance - Managed Budget Cyclical	827,709	3,310,834	3,321,684	3,332,676	3,343,776	3,354,986
Capital - Managed Budget Improvement to Homes	12,250,000	23,778,157	21,374,991	17,790,177	16,955,122	13,722,748
Capital - Managed Budget Improvement to Environment		2,214,485	4,854,258	7,642,896	7,597,614	10,436,410
Capital - IT Capital		600,000	0	0	0	0
Total	**19,212,046**	**55,272,224**	**54,139,735**	**53,431,338**	**52,639,649**	**52,335,588**

Notes:

(*) Recharges comprise approximately £2.1m from LGSS and £1.5m from the General Fund

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

Capital Sum excludes provision for buy-back of ex-Council properties; such budget remains with NBC

Capital Sum based upon figures provided in support of the Asset Management Strategy, adjusted in line with the draft HRA Business Plan

All items of income associated with the service are assumed to be collected directly to the Council's account

The above figures do not include any proposed savings resulting from the review of the Housing General Fund services

2014/15 figures are an estimate based on 3/12ths of budget. Updated figures will be based on January 2015 monitoring position.

DRAFT FIGURES AT 11 DECEMBER 2014 SUBJECT TO CHANGE

Appendices:
6

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Financial Monitoring Report

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14 January 2015
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

1.1 To present Committee with the financial position to 30 November.

1.2 To update Committee on car parking income and usage to 30 November.

1.3 To update Committee on the position regarding the Council's outstanding debts as at 30 November.

2. Recommendations

2.1 To consider the contents of the following finance reports:

- General Fund Revenue Monitoring (Appendix 1);
- General Fund Capital Monitoring (Appendix 2);
- HRA Revenue Monitoring (Appendix 3);
- HRA Capital Monitoring (Appendix 4).

2.2 To note the position on car parking income and usage as at 30 November (Appendix 5).

2.3 To note the latest position in relation to the Council's outstanding debts as at 30 November (Appendix 6).

2.4 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

3.1.1 A Finance and Performance report is presented to Cabinet quarterly (including the outturn report). Finance reports are published monthly on the intranet except at the beginning, and during the final months, of the financial year.

3.1.2 Committee has asked to receive these reports which are brought to the first available meeting following their production.

3.1.3 Committee has also asked for more detailed information regarding car parking income and usage, and debt recovery.

3.2 Issues

3.2.1 The Council's revenue and capital position as at 30 November 2014 (Period 8) is set out in Appendices 1-4.

3.2.2 Significant variances at this point in the year are as follows:

3.2.2.1 General Fund Revenue – (£83k) favourable

Note: for ease of understanding adverse variations (i.e. additional costs or reductions income) are shown without brackets, while favourable variations (increased income or cost savings) are shown within them.

	£000
Controllable Service Budgets	(83)
Debt Financing & HRA Recharges	(474)
Contribution From Reserves	0
General Fund Revenue	**(557)**

The major variations are detailed below.

Asset Management

- Asset Management £135k - reflects mainly temporary staff engaged to help with the delivery of higher volumes of property projects. Increased volume of projects has meant forecast of costs higher than budgeted.
-

Head of Planning

- Total service area (£210k) – reflecting a number of forecast vacant post savings being carried over what was budgeted. The budgeted higher level of income by this service is forecast to being achieved in year.
-

Housing

- Housing Services (£144k) favourable is mainly due to a number of staffing savings from vacant posts, mainly the Director of Housing position. This is partly offset by an adverse variance forecast on Private Sector Housing relating to Disabled Facilities Grant administration.

Borough Secretary

- Local Government Shared Service (£187k) favourable position due to pension auto-enrolment not starting in 2014/15 and transition costs not being incurred.

Head of Customers and Cultural services

- Events£90k adverse- The events budgeted sponsorship income is forecast not to be achieved due to a change in
- Museums - £71k adverse – due to additional staffing costs being incurred.
- Car Parking - £77k adverse due to the implementation of additional free car parking offers directly affecting the income received.
- Bus Station - £112k adverse – forecast reflecting the actual security costs and NNDR costs of the bus station.

Corporate Budget

- Debt Financing (£474k) favourable mainly arising from a lower level of funding by borrowing in 2013/14 due to carry forwards in the capital programme. A further saving is forecast on new long term borrowing premised on the likelihood of using internal borrowing to finance instead of externalising. In addition to this, due to carrying higher level of cash balances, the interest earnt is forecast to exceed the budget.

3.2.2.2 HRA Revenue – (£184k favourable

- Supporting People funding of £550k is being reduced significantly from the end of September and is now forecast. This is partly offset by a forecast underspend in staffing costs within the Wardens service as the result of a restructure. A reserve was prudently created in anticipation of the Supporting People changes occurring and is sufficient to meet the remaining net shortfall in year.
- General Management / Special Services - £339k adverse and (£324) favourable respectively. This largely reflects the work carried to restructure the service ahead of the move to an Arms-Length Management Organisation (ALMO).
- Provision for Bad Debts (£400k) favourable. This reflects the current good work being carried out around arrears keeping arrears levels lower that budgeted and reflects the delayed impact of Welfare Reform rules, (that the budget had assumed would impact earlier), on those arrears. The Bad debt provision continues to be monitored.
- Dwelling rents due in year is forecasted to be under-recovered by £150k due to increased Right to Buys in 13/14 and current year. Rent Rebate Subsidy deductions are forecast to be nil for the year resulting in a (£100k) saving to the HRA.

3.2.2.3 Capital Programme -

- GF Capital Programme – The programme is currently forecast a saving of (£516k) with a forecast £1.6m carry forward into 2015/16. The forecast saving is mainly due to lower demand on Disabled Facilities

Grants (DFG) from owner occupiers (£642k). The carry forwards mainly reflect a £400k carry forward of further DFG budget and the carry forward of the St Crispins Changing Rooms, Toilet and Car Park project..

- HRA Capital Programme – is forecasted to be underspent by £3.2m. This reflects savings being forecast to be achieved on the delivery of the decent Homes programme through changes made in year to the work being delivered.

3.2.3 Appendix 5 shows the monthly levels of car parking usage and income to 30 November.

3.2.4 The managed debt analysis and commentary to 30 November are shown at Appendix 6.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's budget and capital programme enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial viability and to its reputation.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

None

Glenn Hammons
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Appendix 1

General Fund

Revenue Budget Forecasts 2014/15

November 2014

NORTHAMPTON
BOROUGH COUNCIL

Division	Ksa	Service Area	Revised Budget £000's	Forecast £000's	Forecast Variance £000's	RAG Status	Notes on Forecast Variances
	FA01	Asset Management	1,350	1,484	135	R	Temporary staff engaged to help with a high volume of property projects and to provide capacity to get both capital and revenue works delivered £60k. Volume of work requests for repairs and maint. is exceeding budget profile, additional £75k for period Jan to Mar 2015.
	FA06	Other Buildings & Land	(1,532)	(1,501)	31	G	
Asset Management			**(182)**	**(17)**	**165**	**R**	
	DR02	Director of Regeneration, Enterprise and Planning	290	279	(10)	G	
Director of Regeneration, Enterprise & Planning			**290**	**279**	**(10)**	**G**	
	RG01	Head of Major Projects and Enterprise	45	92	48	G	
	RG02	Major Projects and Enterprise	2,539	2,523	(16)	G	
Major Projects and Enterprise			**2,584**	**2,616**	**32**	**G**	
	PE02	Building Control	(49)	(69)	(20)	G	
	PE03	Development Control	6	(20)	(27)	G	(£33k) underspend on Staff costs due to Vacant posts offset by £5k underachievement in income.
	PE06	Head of Planning	109	69	(40)	G	Vacant Posts savings.
	PE15	Joint Planning Unit	228	228	0	G	
	PE17	Planning & Regn Project Support	106	74	(32)	G	Vacant Posts savings.
	PE18	Town Centre Team	119	82	(37)	G	Vacant Posts savings.
	RG04	Planning Policy & Heritage	650	596	(54)	G	Vacant Posts savings.
	RG09	Bus Service Contribution	0	0	0	G	
Head of Planning			**1,170**	**960**	**(210)**	**B**	
Director of Regeneration, Enterprise & Planning			**3,861**	**3,839**	**(22)**		
	DR05	Director of Housing	127	5	(122)	B	Vacant posts savings.
Director of Housing			**127**	**5**	**(122)**	**B**	
	HS05	Home Choice & Resettlement	469	351	(118)	B	Primarily as a result of vacant post savings.
	HS12	Housing Options	729	674	(55)	G	Vacant Posts savings.
	HS13	Head of Housing Needs	132	134	2	G	
	PE09	Travellers Sites	25	37	12	G	
	PE12	Private Sector Housing Solutions	127	262	134	R	Lower forecast income for DFG administration fees £94k and additional staff costs across the service.
	RG03	Housing Strategy	50	54	4	G	
Head of Strategic Housing			**1,533**	**1,512**	**(21)**	**G**	
Housing			**1,659**	**1,516**	**(143)**		
	DR03	Director of Resources	167	167	0	G	
	FA02	Financial Services	0	0	0	G	
	FA03	Audit	215	189	(27)	G	Rebate rc'd from Audit Commission in relation to 2013/14 fee
	FA04	Non Distributed Costs	4,879	4,877	(2)	G	
	FA05	Investments	0	0	0	G	
	FA20	Corporate Finance	123	123	0	G	
	HS01	Benefits	(1,631)	(1,631)	0	G	
	HS03	Revenues	(913)	(913)	0	G	
	PR01	Procurement	0	0	0	G	

General Fund

Revenue Budget Forecasts 2014/15

November 2014

NORTHAMPTON BOROUGH COUNCIL

Division	Ksa	Service Area	Revised Budget	Forecast	Forecast Variance	RAG Status	Notes on Forecast
Corporate			**2,839**	**2,811**	**(28)**	**G**	
	GC08	Communications	289	296	7	G	
	GC15	Emergency Planning	52	52	0	G	
	HR01	Human Resources	0	0	0	G	
	HR14	Business Improvement	0	0	0	G	
	PI20	Performance and change	123	118	(5)	G	
Business Change			**464**	**466**	**2**	**G**	
	CX01	Chief Executive	182	180	(1)	G	
	GC02	Civic and Mayoral Expenses	93	80	(12)	G	
	GC05	Overview & Scrutiny	44	45	1	G	
	GC06	Councillor & Managerial Support	535	535	(0)	G	
	LD02	Electoral Services	187	182	(5)	G	
	LD03	Land Charges	0	0	0	G	
	LD04	Legal	79	125	46	G	This overspend is due a pending restructure which is still work in progress.
	LD08	Democratic Services	266	254	(13)	G	
Borough Secretary			**1,386**	**1,401**	**16**	**G**	
	LGSS	Local Government Shared Service	9,799	9,611	(187)	B	(£115k) saving due to pension auto-enrolment not starting in 2014/15 and (£72k) transition costs not incurred in 2014/15
LGSSX			**9,799**	**9,611**	**(187)**	**B**	
Borough Secretary			**14,488**	**14,290**	**(198)**		
	DR01	Director of Customers & Communities	251	254	4	G	
Director of Customers & Communities			**251**	**254**	**4**	**G**	
	CE03	Events	197	288	90	A	£90K events sponsorship has not been achieved due to a change in approach.
	CE06	Museums and Arts	700	771	71	A	Additional staffing costs have been incurred.
	CE23	Town Centre Management	18	21	3	G	
	CE24	Car Parking	(868)	(791)	77	A	Free parking offers affecting car park income
	CE26	Bus Station	63	175	112	R	£40k additional security costs for Northgate bus station and £46k additional NNDR costs.
	CS02	Call Care	105	63	(42)	G	(£23k) has been vired to fund prudential borrowing. (£33k) saving on IT equipment however income is under achieving by £14k.
	CS03	Head of Customer & Cultural Services	51	52	1	G	
	CS04	Customer Services	1,221	1,180	(41)	G	Savings relate to employee costs, mainly vacant posts.
	CS05	Print Unit	37	76	38	G	
	FA08	Office Accommodation	1,461	1,408	(53)	G	This savings is predominately from the postage budget. Using clean mail in volumes gives rebated prices.
	FA09	Markets	8	20	12	G	
	PI02	Information Technology	0	0	0	G	
	PI14	Telephones	0	0	0	G	

General Fund

Revenue Budget Forecasts 2014/15

November 2014

NORTHAMPTON BOROUGH COUNCIL

Division	Ksa	Service Area	Revised Budget	Forecast	Forecast Variance	RAG Status	Notes on Forecast
Head of Customer & Cultural Services			**2,994**	**3,262**	**268**	**R**	
	CE02	Community Safety	471	520	49	G	
	CE04	Leisure Contract	570	560	(10)	G	
	GC04	Policy	8	8	0	G	
	GC09	Community and Other Grants	1,265	1,262	(3)	G	
	GC10	Community Developments	76	74	(2)	G	
	GC11	Community Centres	170	173	3	G	
	LD05	Licensing	(243)	(253)	(10)	G	
	LS01	Head of Partnership Support	0	0	0	G	
	PE07	Pest Control	17	11	(6)	G	
	PE10	Commercial Services	284	281	(3)	G	
	PE11	Environmental Protection	1,241	1,251	10	G	
	PE16	Head of Public Protection	81	81	(0)	G	
	SS01	Neighbourhood Management	0	0	(0)	G	
	SS09	Environmental Services Contract	7,030	6,971	(58)	G	Underspend on TUPE Staff Costs.
	SS20	Environmental Services	225	265	40	G	
Head of Communities and Environment			**11,195**	**11,204**	**9**	**G**	
Director of Customers & Communities			**14,440**	**14,720**	**280**		
Total Service Budgets			**34,449**	**34,366**	**(83)**		
Item 01		Debt Financing	2,377	1,903	(474)	B	**MRP** A (£55k) underspend arising from a lower level of funding by borrowing in 2013-14 due to carry fwds in the capital programme. **Interest on new borrowing** A (£211k) gross saving on new long term borrowing, premised on the likelihood of using internal borrowing to finance both the 2014-15 capital expenditure due to be funded by borrowing and the replacement borrowing for maturing loans in 2014-15. **Interest earned on investments** A £211k underspend due to higher levels of cash balances than anticipated, and a higher rate of interest earned compared to budget. This is net of the additional costs from reduced cash balances arising from internal borrowing to fund the capital programme.
Item 02		Recharges to the HRA	0	0	0	G	
Item 03		Council Tax and other funding	0	0	0	G	
Item 04		Contribution to GF Balances	0	0	0	G	
Total Corporate Budgets			**2,377**	**1,903**	(474)		
Total General Fund			**36,826**	**36,269**	**(557)**		

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Capital Monitoring

Capital GF Budget Forecasts 2014/15

November 2014

Head of Service	Scheme Code	Scheme Description	Original Budget £000's	Approved Changes In Year £000's	Latest Approved Budget £000's	YTD Actual Expenditure £000's	Committed Expenditure £000's	Forecast Year End Spend £000's	Expected Carry Forward £000's	Foecast Under/Overspend £000's	Notes
	BA132	St Crispin Changing Rooms, Toilet, Car park	0	751	751	0	0	0	751	0	No spend planned this year
	BA133	St Crispin Football Pitches and Play Provision	0	15	15	2	6	11	0	(4)	Section 106 funded, no saving to NBC
	BA368	Upton Park Pedestrian & Cycle Bridge	0	77	77	24	3	50	0	(27)	Section 106 funded, no saving to NBC
	BA385	Town Centre Enhancements	0	0	0	0	5	0	0	0	
	BA645	S106 Contributions to Other Local Authorities	0	170	170	75	0	75	0	(95)	S106 funds have gone straight to NCC
	BA648	Allotments	0	42	42	25	0	42	0	0	
	BA649	Skate Park Toilet & Kiosk	0	37	37	0	1	37	0	0	
	BA651	Car Parking Signage	0	0	0	0	3	0	0	0	
	BA652	Visitor Signage in Town Centre	0	80	80	0	0	80	0	0	
	BA653	Delapre Abbey Restoration	997	31	1,028	131	17	996	32	(0)	
	BA654	St Lukes Field - Improvement works	0	50	50	0	50	50	0	0	
	BA656	Victoria Street Bus Shelters			0	0	9	0	0	0	
	BA657	Billing Lane Park Public Art Project	0	26	26	21	0	26	0	(0)	
	BA663	Duston Wetlands Development & Implementation	0	240	240	21	23	50	190	0	
	BA667	Eastfield Park - Cross Park Pathway	0	26	26	15	0	15	0	(12)	
	BA668	Abington Street - Opening Up to Traffic	2,850	39	2,889	9	1	2,889	0	0	
	BA669	Town Centre Realm Improvements	1,400	(265)	1,135	15	80	1,135	0	0	Adjusted for NCC works directly funded.
	BA670	Waterside Improvements (Southbridge)	0	60	60	11	1	11	0	(49)	Section 106 funded, no saving to NBC
	BA671	Heritage Gateway	100	0	100	30	0	100	0	0	
	BA678	Site 11 Land Remediation	0	339	339	332	20	339	0	0	
	BA679	Albion Brewery Heritage Infrastructure Support	0	15	15	0	0	0	0	(15)	Forecasrt underspend although discussions continuing with Brewery
	BA680	Bradlaugh Statue Refurbishment	0	13	13	11	2	13	0	0	
	BA681	Site 11 Construction	3,000	982	3,982	3,780	204	3,982	0	0	Additional allocation for Site 11 (£230K pre-development studies + £152K electricity connection) from EZ budget
	BA682	St Peters Way Improvements	1,600	0	1,600	0	0	1,600	0	0	
	BA683	St James Mill Way - Electricity Substation Upgrade	750	150	900	0	0	1,242	0	342	Additional LIF Funding approved, capital variation submitted
	BA684	Superfast Broadband	500	(250)	250	0	0	0	250	0	
	BA685	Northampton Bike Hire Scheme	0	38	38	28	10	38	0	0	
	BA686	Northampton Growth Management Scheme	0	1,796	1,796	1,796	0	1,796	0	0	
	BA687	St Peters Waterside	0	100	100	0	0	100	0	0	
	BA688	Play Equipment St Crispins Park	0	50	50	44	2	46	0	(5)	Section 106 funded, no saving to NBC
	BA689	NCC Education Contribution	0	1,586	1,586	0	0	1,586	0	0	
	BA690	Quarry Park Play Area	0	20	20	19	0	20	0	0	
	BA693	Headlands CC Car Park	0	20	20	0	0	20	0	0	
	BA695	East Hunsbury and Wootton Greenspace	0	30	30	0	179	30	0	0	
	BA696	Pig and Whistle Refurbishment Works	0	166	166	0	0	166	0	0	Contract awarded , works due to start.
	BA883	Planning IT Improvements (HPDG)	0	41	41	2	8	41	0	0	
	BA891	Bus Interchange	0	206	206	158	16	206	0	0	
	BK013	Empty Homes Programme	632	108	740	167	83	740	0	(0)	
Carol Cooper Smith (CC11)			**11,830**	**6,788**	**18,618**	**6,716**	**723**	**17,530**	**1,223**	**135**	
	BA676	Vehicles	38	0	38	38	0	38	0	0	
Francis Fernandes (FF1)			**38**	**0**	**38**	**38**	**0**	**38**	**0**	**0**	
	BA660	Northampton Town Fc Loan	0	7,500	7,500	5,750	0	7,500	0	0	
	BA692	Loan to Cosworth	0	1,400	1,400	1,400	0	1,400	0	0	

Head of	Scheme Code	Scheme Description	Original Budget	Approved Changes In Year	Latest Approved Budget	YTD Actual Expenditure	Committed Expenditure	Forecast Year End Spend	Expected Carry Forward	Foecast Under/Overspend	Notes
	BA693	Web Capture Implementation	0	39	39	0	0	39	0	0	
Glen Hammons (GH11)			**0**	**8,939**	**8,939**	**7,150**	**0**	**8,939**	**0**	**0**	
	BA145	Cliftonville Move; New ways of working	0	0	0	(10)	17	0	0	0	
	BA165	COM; Document Management	0	24	24	0	0	24	0	0	
	BA173	Multi-Function Devices (MFD's)	0	0	0	0	0	0	0	0	
	BA207	IT Infrastructure - Servers and Network Storage	119	8	127	82	46	105	0	(22)	Forecast saving, however could be required thererfore currently earmarked for
	BA212	A Knights Trail (Public Art)	0	40	40	0	0	40	0	0	
	BA646	Re-furbishment of the Great Hall kitchen	0	4	4	0	0	0	0	(4)	
	BA647	IT Infrastructure - PC Replacement with VDI Terminals	0	47	47	0	0	47	0	0	
	BA659	Call Care Project (part of prevention programme)	0	14	14	0	0	10	0	(4)	
	BA665	Grosvenor Car Park - Pay on Foot	0	23	23	5	0	6	0	(17)	Final cost for project, grant funded therefore no saving to NBC
	BA677	Art from the Golden Age	0	3	3	0	0	3	0	0	
	BA697	Town Centre Free Public Wifi	0	63	63	0	0	63	0	0	
	BA764	One Stop Shop, CRM	0	29	29	(4)	0	29	0	0	
	BA786	Data Network Improvements	0	10	10	(4)	5	10	0	0	
	BA808	IT Network Replacement Programme	0	11	11	5	0	11	0	0	
	BA893	Microsoft Office 2010 Upgrade	0	110	110	37	3	110	0	0	
Marion Goodman (MG3)			**119**	**386**	**505**	**110**	**72**	**459**	**0**	**(47)**	
	BA122	Fire Safety Improvement Works	0	5	5	5	0	5	0	0	
	BA136	Water Management Works	0	16	16	18	1	18	0	2	
	BA138	Cemeteries Refurbishment Works	0	11	11	10	0	11	0	0	
	BA146	Water Hygiene - Monitoring Improvements	0	47	47	54	0	54	0	7	
	BA180	Strategic Property Investment	0	500	500	0	0	500	0	0	Purchase of Albion House
	BA188	Royal and Derngate Roof Replacement Works	0	48	48	48	17	48	0	0	
	BA189	Corporate Asset Improvements	0	112	112	112	6	118	0	5	
	BA190	Investment Properties Enhancements	0	0	0	0	6	7	0	7	
	BA194	Guildhall Renewals	0	0	0	4	1	3	0	3	
	BA197	Delapre Abbey Restoration Minor Projects	200	264	464	315	112	464	0	0	
	BA211	Extension of Duston Cemetery	0	39	39	2	1	39	0	0	
	BA356	Community Centres Refurbishment	0	2	2	0	4	2	0	(0)	
	BA650	Lifts - Improvement Works	0	0	0	(50)	50	0	0	0	
	BA666	Greyfriars Bus Station Demolition	3,500	751	4,251	2,403	3,074	4,251	0	0	
	BA672	Capital Improvements - Regeneration Areas	250	0	250	3	174	250	0	0	
	BA674	Operational Buildings - Enhancements	400	(170)	230	14	113	230	0	0	
	BA675	Commercial Landlord Responsibilities	270	(113)	157	12	12	157	0	0	
	BA691	Pig & Whistle Lease Surrender	0	50	50	49	0	49	0	(1)	
	BA889	Mayorhold Car Park - Drainage Works	0	77	77	0	0	77	0	0	
	BA892	Urgent Lift Renewals	0	0	0	1	12	12	0	12	
	BA894	Mounts Baths Roof	0	4	4	4	0	4	0	0	
Simon Dougall (SD6)			**4,620**	**1,643**	**6,263**	**3,005**	**3,582**	**6,299**	**0**	**37**	
	BA186	Improvement to Parks Infrastructure	0	355	355	91	46	355	0	0	Budget increased to meet urgent needs
	BA673	Parks / Allotments / Cemeteries Enhancements	270	(270)	0	10	0	0	0	0	
	BA895	Allotment Provision	0	3	3	0	1	3	0	0	
Steve Elsey (SE3)			**270**	**88**	**358**	**101**	**47**	**358**	**0**	**0**	
	BK015	DFG's Owner Occupiers	2,075	367	2,442	297	190	1,400	400	(642)	Full utilisation of forecast and known demand
	BK051	Fuel Poverty Fund County Wide	0	0	0	(4)	4	0	0	0	
Suzanne McBride (SM15)			**2,075**	**367**	**2,442**	**293**	**194**	**1,400**	**400**	**(642)**	
Total Scheme Budgets			**18,952**	**18,211**	**37,162**	**17,414**	**4,617**	**35,023**	**1,623**	**(516)**	

Housing Revenue Account

Revenue Budget Forecasts 2014/15

November 2014

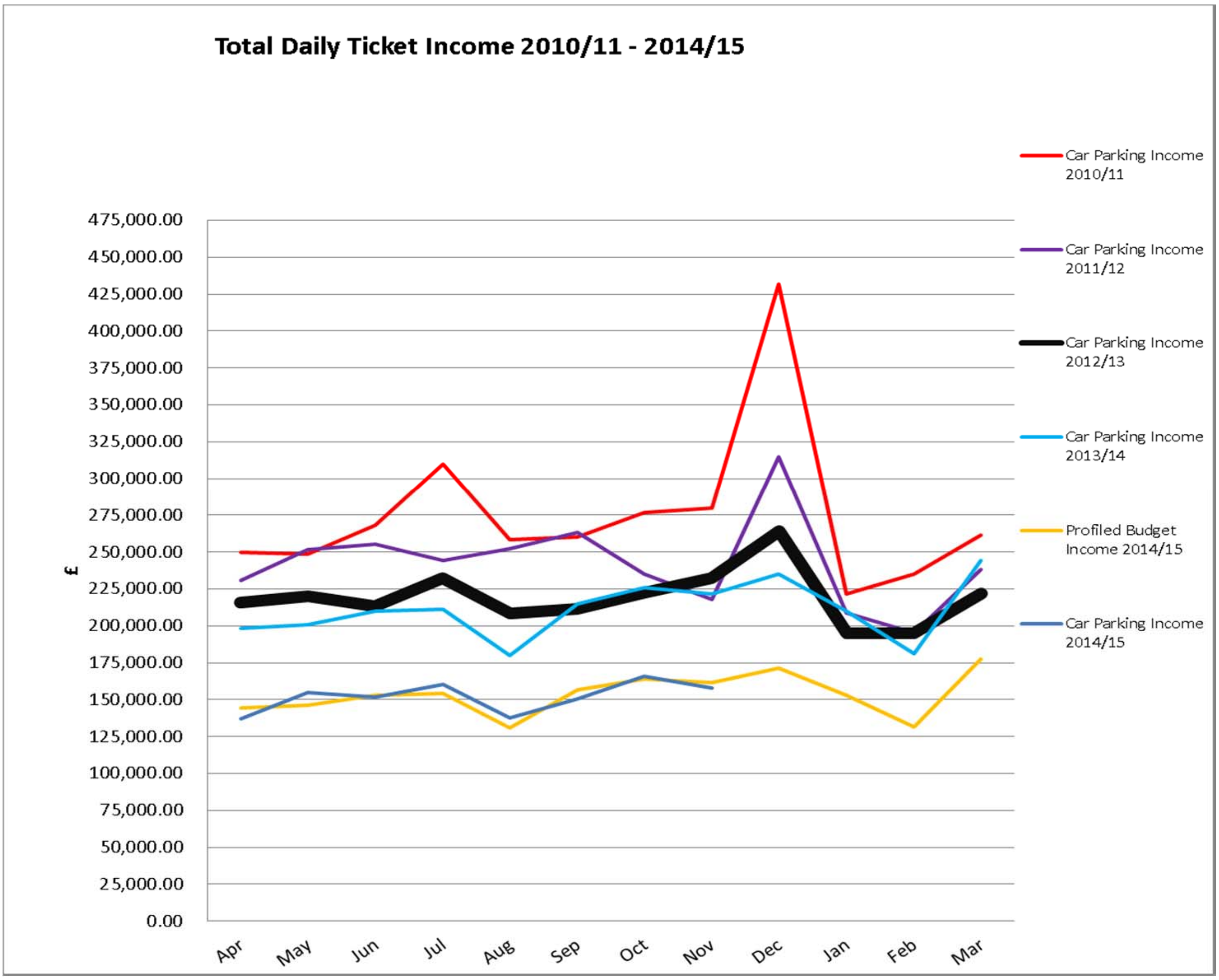
Type	SEADIV	Service Area	Current Budget £000's	Actuals £000's	Forecast Outturn £000's	Forecast Variance £000's	RAG Status	Narrative
INCOME								
	H1	Dwelling Rents	(50,557)	(30,505)	(50,407)	150	R	Higher level of Right to Buy Sales than expected.
	H2	Non-Dwelling Rents	(1,087)	(722)	(1,087)	0	G	
	H3	Other Charges for Services	(2,388)	(1,635)	(2,348)	41	G	
	H4	Contribution To Expenditure	(85)	(1)	(40)	45	G	
Total Income			**(54,117)**	**(32,865)**	**(53,881)**	**236**	**R**	
EXPENDITURE								
	H10	Repairs & Maintenance	14,425	9,940	14,449	24	G	
	H8	General Management	6,238	4,729	6,578	339	R	Largely reflects forecast additional staffing costs across the service as a result of a restructure of the Performance Improvement and Rent Income Teams.
	H9	Special Services	4,053	2,138	3,729	(324)	B	Primarily reflects savings as a result of a restructure within the service.
	H7	Rents, Rates, Taxes	78	76	118	40	G	
	H13	Provision For Bad Debts	750	0	350	(400)	B	Lower arrears than anticipated resulting in a reduction in the required contribution to the Bad Debt Provision.
	H15	Rent Rebate Subsidy Deductions	100	0	0	(100)	B	Rent Rebate Subsidy Liability reduced as a result of de-pooling of service charges.
Total Expenditure			**25,644**	**16,883**	**25,224**	**(420)**	**B**	
Net Cost of Services			**(28,473)**	**(15,982)**	**(28,657)**	**(184)**	**B**	
		Net Recharges from the General Fund	6,112	4,075	6,112	0		
		Interest & Financing Costs	6,246	4,114	6,171	(75)		Higher interest earned on investments
		Depreciation/MRA	12,211	8,141	12,211	0		
		Net Contribution (from) / to Earmarked Reserves	3,904	2,775	4,163	259		Higher contribution to Reserves / Capital
Net Transfer From / (To) Working Balance			**0**	**3,123**	**0**	**(0)**	**G**	
	Working Balance b/f		(5,000)	(5,000)	(5,000)	0		
Working Balance Outturn			**(5,000)**	**(1,877)**	**(5,000)**	**(0)**	**G**	

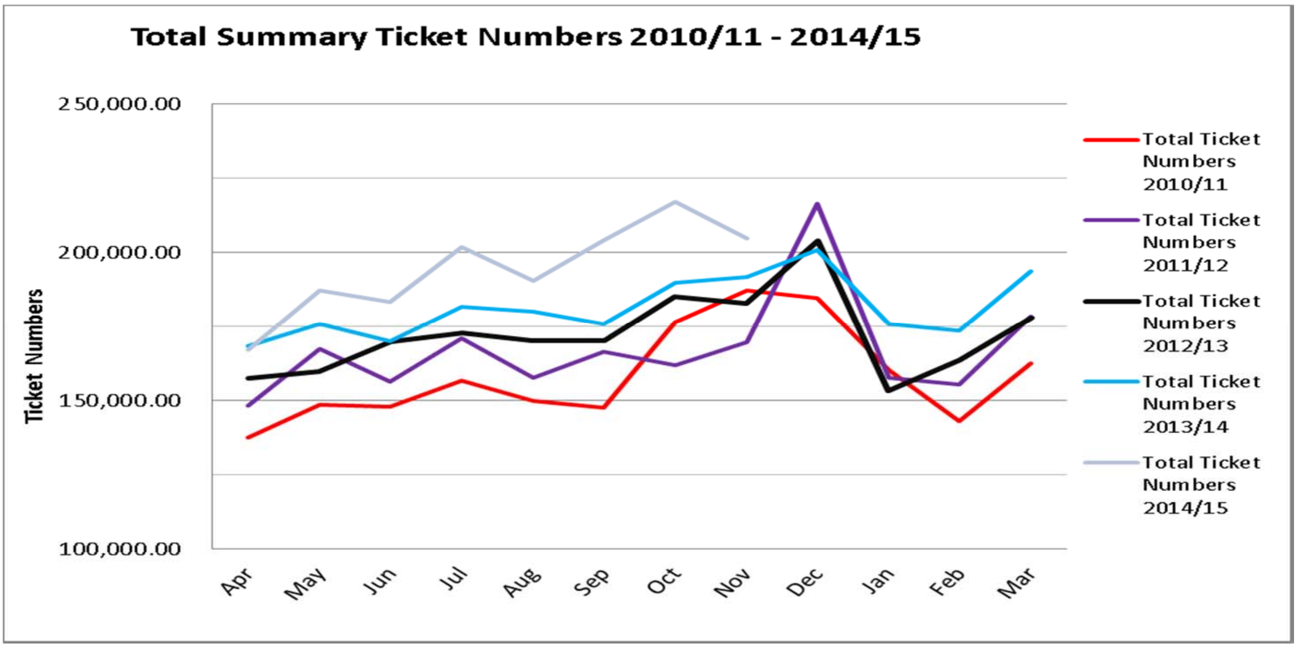
Capital Monitoring

Capital HRA Budget Forecasts 2014/15

November 2014

Head of Service	Scheme Code	Scheme Description	Original Budget £000's	Approved Changes In Year £000's	Latest Approved Budget £000's	YTD Actual Expenditure £000's	Committed Expenditure £000's	Forecast Year End Spend £000's	Expected Carry Forward £000's	Foecast Under/Overspend £000's	Summarised Transaction Description
	BH003	Garages Roofs & Doors Replacement	100	0	100	2	7	100	0	0	
	BH009	Fire Safety Works - communal areas	150	0	150	112	35	150	0	0	
	BH013	Digital Aerial Upgrade	10	0	10	0	0	10	0	0	
	BH014	Estate Regeneration	0	0	0	0	0	0	0	0	
	BH020	Periodical Electrical Works	125	0	125	(15)	0	125	0	0	
	BH021	New Communal Boilers	0	0	0	(1)	0	0	0	0	
	BH022	Community Energy Savings Programme (CESP)	0	659	659	523	160	509	0	(150)	
	BH140	Disabled Grant - Major Repairs	0	0	0	151	66	0	0	0	
	BH302	Minor Adaptations for People with Disabilities	0	0	0	19	14	0	0	0	
	BH304	Complete Roofs	0	45	45	15	28	45	0	0	
	BH305	Structural Repairs	200	0	200	34	17	200	0	0	
	BH317	Decent Homes	39,305	(4,000)	35,305	15,288	114	32,295	0	(3,010)	Programme forecast to complete below budget
	BH321	Door & Window Replacement	0	100	100	1	0	100	0	0	
	BH324	Gas Appliance Replacement - Planned Ptnrship	0	60	60	38	3	60	0	0	
	BH325	Gas Appliance Replacement - Responsive	0	1,600	1,600	645	0	1,600	0	0	
	BH329	Asbestos Remedial Action	100	(85)	15	35	0	15	0	0	
	BH345	Kitchen replacement	0	0	0	(0)	0	0	0	0	
	BH351	Door Entry Updates	150	0	150	41	14	150	0	0	
	BH354	Lift Refurbishment	0	25	25	24	2	3	0	(22)	
	BH364	Environmental enhancements to housing land	0	0	0	0	0	0	0	0	
	BH365	Walkways	100	(97)	4	3	0	4	0	0	
	BH368	Communal Area Upgrades	0	0	0	17	29	0	0	0	
	BH373	Change of Use	250	(150)	100	(2)	2	100	0	0	
	BH374	CCTV	50	(30)	20	0	0	20	0	0	
	BH375	Lift Refurbishment St Katherines Court	0	97	97	39	28	97	0	0	
	BH376	Little Cross Street Walkway Renewal	0	200	200	11	42	200	0	0	
	BH377	Heating Replacements	900	(900)	0	0	0	0	0	0	
	BH378	Property Improvements outside Decent Homes	230	(230)	0	0	0	0	0	0	
	BH379	SCATE	640	0	640	294	19	640	0	0	
	BH380	Disabled Adaptations	1,140	0	1,140	31	0	1,140	0	0	
	BH383	Sotheby Rise and Dallington Haven Car Park Improvements	0	145	145	0	118	145	0	0	
	BH370	Repurchase of Former Council Houses	2,000	(668)	1,332	324	0	1,332	0	0	
	BH372	Green Deal Contribution & Energy Efficiency	50	0	50	2	0	50	0	0	
	BH366	Sheltered Housing Improvements	1,000	0	1,000	0	0	1,000	0	0	
	BH367	IT Capital	200	246	446	0	0	440	0	(6)	Contingency allocated and also reduced due to successful project implementation
Total Scheme Budgets			**46,700**	**(2,983)**	**43,717**	**17,628**	**698**	**40,529**	**0**	**(3,188)**	





Notes:

1) The cumulative volume of tickets issued up to and including the end of period 8 was 123k higher than for the same period in 2013/14.

2) Income as at the end of November is on target with the profiled budget which was reduced to accommodate the changes in parking policy in 2014/15.

APPENDIX 6

Managed Debt Analysis - Rolling Year 2012/13 into 2013/14

	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
TOTAL ARREARS	**14,348,298**	**15,085,675**	**14,739,676**	**13,133,970**	**20,078,884**	**18,942,746**	**18,208,120**	**15,287,033**	**15,417,088**	**14,124,390**	**13,808,212**	**15,050,832**
Awaiting Action	672,446	534,433	687,385	578,997	434,308	532,365	567,258	352,385	548,146	499,008	472,632	583,173
Debt in Progress	13,675,852	14,551,242	14,052,291	14,052,291	19,644,576	18,410,381	17,640,862	14,934,648	14,868,942	13,625,382	13,335,579	14,467,659
% Inactive debt [PI]	**4.69%**	**3.54%**	**4.66%**	**4.41%**	**2.16%**	**2.81%**	**3.12%**	**2.31%**	**2.31%**	**3.56%**	**3.53%**	**3.42%**
CTAX	6,857,434	6,657,270	6,479,327	6,281,511	8,835,048	8,835,048	8,597,465	8,365,670	7,939,315	7,664,327	7,250,531	6,972,411
Inactive	84,934	102,804	100,021	103,752	93,891	91,369	83,329	82,245	74,090	81,410	78,261	107,575
In progress	6,772,500	6,554,466	6,379,306	6,177,759	8,741,157	8,743,679	8,514,136	8,283,424	7,865,225	7,582,917	7,172,269	6,864,836
Inactive debt	**1.24%**	**1.54%**	**1.54%**	**1.65%**	**1.06%**	**1.03%**	**0.97%**	**0.98%**	**0.93%**	**1.06%**	**1.08%**	**1.54%**
NNDR	639,286	556,580	894,658	543,491	2,169,560	1,509,467	1,148,540	640,088	1,486,672	407,858	731,350	849,273
Inactive	0	0	0	0	0	0	0	0	0	0	0	0
In progress	639,286	556,580	894,658	543,491	2,169,560	1,509,467	1,148,540	640,088	1,486,672	407,858	731,350	849,273
Inactive debt	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
FTA	845,330	806,846	819,024	784,750	775,168	774,838	742,327	617,066	585,430	557,708	551,422	477,453
Inactive	31,602	9,616	17,306	28,324	14,896	36,250	18,007	12,797	13,116	16,431	18,164	44,671
In progress	813,728	797,230	801,718	756,426	760,271	738,588	724,320	604,269	572,314	541,277	533,258	432,782
Inactive debt	**3.74%**	**1.19%**	**2.11%**	**3.61%**	**1.92%**	**4.68%**	**2.43%**	**2.07%**	**2.24%**	**2.95%**	**3.29%**	**9.36%**
HBOP	4,413,462	4,552,047	4,503,010	4,515,411	4,530,153	4,412,947	4,489,715	4,526,582	4,547,044	4,555,039	4,652,897	4,819,186
Inactive	434,249	377,749	509,969	399,861	289,684	278,255	280,033	228,780	418,174	355,323	348,271	395,902
In progress	3,979,213	4,174,298	3,993,041	4,115,550	4,240,468	4,134,692	4,209,682	4,297,802	4,128,870	4,199,716	4,304,627	4,423,285
Inactive debt	**9.84%**	**8.30%**	**11.33%**	**8.86%**	**6.39%**	**6.31%**	**6.24%**	**5.05%**	**9.20%**	**7.80%**	**7.49%**	**8.22%**
SD	1,592,786	2,512,932	2,043,657	1,008,807	1,562,532	1,880,511	1,645,384	1,137,628	858,626	939,457	622,011	1,932,508
Inactive	121,661	44,264	60,089	47,060	35,836	126,492	185,889	28,563	42,766	45,844	27,936	35,025
In progress	1,471,125	2,468,668	1,983,568	961,747	1,526,696	1,754,020	1,459,495	1,109,065	815,860	893,613	594,075	1,897,484
Inactive debt	**7.64%**	**1.76%**	**2.94%**	**4.66%**	**2.29%**	**6.73%**	**11.30%**	**2.51%**	**4.98%**	**4.88%**	**4.49%**	**1.81%**

- <u>Overall debt levels as at 30th November 2014</u>
  Compared to the same period last year, unmanaged debt is £40,548 less than the same period last year and the overall total arrears are £7,335 more.

- <u>Council Tax as at 30th November 2014</u>
  Unmanaged debt is £15,932 less than the same period last year and the overall outstanding arrears are £770,898 less. Arrears collection is up on last year.

- <u>Business Rates as at 30th November 2014</u>
  Unmanaged debt remains unchanged at £0. The overall outstanding arrears are £262,105 more than the same period last year..

- <u>Former Tenant Arrears as at 30th November 2014</u>
  Unmanaged debt is £29,504 more than the same period last year but the overall outstanding arrears are £447,429 less.

- <u>Housing Benefit Overpayments Payments as at 30th November 2014</u>
  Unmanaged debt is £65,020 less than the same period last year and the overall outstanding arrears are £429,363 more.

- <u>Sundry Debts as at 30th November 2014</u>
  Unmanaged debt is £10,900 more than the same period last year and the overall outstanding balance is £534,193 more. There are currently 6 accounts with balances over £100,000.

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Our ref nb/yg

17 December 2014

Dear Glenn

Certification of claims and returns – annual report 2013/14

The Audit Commission requires its external auditors to prepare an annual report on the claims and returns it certifies for each client. This letter is our annual report for the certification work we have undertaken for 2013/14.

In 2013/14 we carried out certification work on the following claims/returns:

Claim/return	**Certified value (£)**
BEN01 – Housing Benefit subsidy claim	75,191,140
CFB06 – Pooling of Housing Capital Receipts	868,607
Total	**76,059,747**

Matters arising

We certified:

- the housing benefits claim without amendment, but with a qualification letter
- the capital receipts return with amendment, although this had no impact on the certified value.

Initial testing of housing benefits cases to support the audit of the Benefits Subsidy claim is initially carried out by the Council and reviewed by the external auditor. At Northampton this was undertaken by the LGSS Subsidy Officer, and reviewed by us, and identified an increase in processing error in 2013/14 compared to last year. This led to additional testing by the Subsidy Officer and additional review by us being required. The errors related to:

- using incorrect start and end dates for payments received by claimants from the Department of Works and Pensions (DWP)
- Miscalculation of claimants' earned income
- Incorrect assessment of the impact of non-dependents on claimants' housing benefit due.

The Subsidy Officer has met the quality assurance and training team to discuss how to address these issues. It is intended to implement training, learning and development programmes to increase/refresh knowledge on these areas and to introduce a more rigorous quality checking process with increased focus on the checking of these specific risk areas. This is in addition to a review of processes and on-line guidance and procedures to ensure that they are accurate and up to date, to give assessment officers the maximum support in assessing claims correctly and ensuring such errors are not repeated. We recommend that these actions are formally monitored.

We did not raise any recommendations in our 2012/13 Certification Annual Report.

Certification work fees

The Audit Commission set an indicative fee for our certification work in 2013/14 of £12,532, which reflected a reduction in work required due to the changes to Council Tax benefits. Our actual fee of £14,403 is higher than the indicative fee due to the increased testing and review necessary, and this compares to the 2012/13 fee for these claims of £17,471. The details are set out in the table below.

Claim	**2013/14 Indicative fee (£)**	**2013/14 Final fee (£)**	**2012/13 Final fee (£)**
BEN01 – Housing Benefit subsidy claim (**proposed** final fee for 2013/14)	12,234	14,105	16643
CFB06 – Pooling of Housing Capital Receipts	298	298	828
Total	**12,532**	**14,403**	**17,471**

We are currently discussing the additional fee for the Housing Benefit claim due to the increased error with your S151 officer, and when agreed this will be subject to ratification by the Audit Commission.

Yours sincerely

Neil Bellamy
Director

Appendix 1 – 2013/14 Certification of Claims and Returns Action Plan

Priority rating for recommendations

❶	❷	❸
Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.	Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

Number	Issue	Recommendation	Priority	Comment/Responsible officer/Due date
1	In order to address the increased level of error found during the certification of the benefits claim, the Quality and Assurance team intends to implement training, learning and development programmes to increase/refresh knowledge on these areas and to introduce a more rigorous quality checking process with increased focus on the checking of these specific risk areas. This is in addition to a review of processes and on-line guidance and procedures to ensure that they are accurate and up to date, to give assessment officers the maximum support in assessing claims correctly and ensuring such errors are not repeated.	Progress on the implementation of the proposed actions should be reported to the Audit Committee throughout the year.	❷	?? Subsidy Officer

Northampton
Borough Council

December 2014

Northampton Borough Council Internal Audit Progress Report

Update to the Audit Committee on Internal Audit activity

Table of Contents

Distribution list	Audit Committee
Background and scope	The purpose of this report is to provide a progress update on the agreed 2014/15 internal audit plan.

Plan outturn

2014/15 Audit Plan

We have undertaken work in accordance with the 2014/15 Internal Audit Plan that was approved by the Audit Committee at its meeting in November 2014. Given the delay in approving the audit plan we are behind in our planned delivery of work. However, we are in the process of scoping and agreeing timescales for outstanding reviews which we will undertake between January and March 2015.

A series of meetings have been held with various staff members to develop an appropriate scope of work and focus for the scheduled internal audit reviews.

A statement tracking assignments undertaken and planned activity is shown in Appendix One.

Activity and Progress

Draft reports

Draft reports have been issued, and are with management for review, for the following areas:

- Good Governance questionnaire

The Committee will be advised of the outcome of these reviews via Internal Audit Progress Updates in future meetings.

Work in progress

Draft reports are being prepared / fieldwork is in progress in the following areas:

- Directorate Review – Customers' & Communities

  The Directorate Reviews will examine the controls in place across each Directorate to ensure the Council's established processes for governance and financial accountability are operating consistently across the organisation and are suitably robust to achieve the Council's objectives.

Planned reviews

Fieldwork has been planned for the following reviews:

- Directorate Review – Regeneration, Enterprise and Planning – w/c 12th January
- Directorate Review – Borough Secretary – w/c 9th March

Scoping meetings have been arranged and / or draft terms of reference developed in relation to the following reviews:

- Environmental Services contract review
- Risk management / business continuity review
- Compliance review – data protection

Changes to the 2014/15 plan

The audit plan was approved by the Audit Committee in November 2014. Since we presented our Audit Plan we have continued to review the plan to ensure that it is focused on Northampton Borough Council's risks. On that basis, we have made the following revisions to the November 2014 Audit Plan as outlined below.

- LGSS contract follow up review – at the request of the Monitoring Officer this review has been put on hold until a responsible person has been recruited and established in post. The Council are currently trying to recruit for this post, which will sit within the Borough Secretary Directorate, however it is unclear when this will be.
- Information Governance and Data Protection compliance reviews – these reviews are defined separately on the Audit Plan, however it is considered most effective to combine these reviews into one review and complete on this basis. The audit days will remain the same.

Appendix 1 - Internal audit progress tracker

Ref	Auditable Unit	Number of audit days	Comments	Audit Sponsor	Expected month to complete
Cross Cutting Processes					
	Risk management and business continuity	30	Scoping meeting planned	Silvina Katz	February 2015
	Compliance - data protection	23	Terms of reference drafted, scoping meeting to be arranged	David Taylor	March 2015
	Compliance - information governance				
	Compliance - financial delegations	11.5	Planning to commence	TBC	TBC
	Compliance - procurement	11.5	Terms of reference drafted, scoping meeting to be arranged	Judy Goodman	February 2015
	Compliance - insurance	11.5	Planning to commence	TBC	TBC
	Compliance - corporate fraud	11.5	Terms of reference drafted, scoping meeting to be arranged	TBC	TBC
	Compliance - recruitment	11	Planning to commence	TBC	TBC
	Governance questionnaire and follow up	12	Draft report issued	Francis Fernandes	January 2015
Contracted services					
	Local Government Shared Service	28	Review on hold until responsible person appointed	TBC	TBC
	Environmental Services Contract	20	Terms of reference approved, to confirm fieldwork start date	Steve Elsey	March 2015
Directorate					
	Housing	15		TBC	TBC
	Regeneration, Enterprise and Planning	15	Fieldwork to commence 12th January	Steve Boyes	January 2015
	Customers and Communities	15	Fieldwork underway	Julie Seddon	January 2015
	Borough Secretary	10	Fieldwork to commence 9th March	Francis Fernandes	January 2015

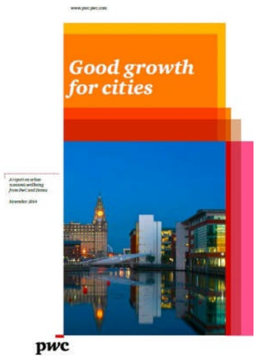
Appendix 2 -Thought leadership publications

As part of our regular reporting to you we plan to keep you up to date with the emerging thought leadership we publish. The PwC Public Sector Research Centre produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

All publications can be read in full at ***www.psrc.pwc.com/***

Good Growth for Cities – November 2014

The economic outlook has improved, but there is some way to go until the recovery is sustainable – and the public finances still need to be repaired. And in the wake of the Scottish Referendum, there is heightened attention on future decentralisation to help unleash the economic potential of all parts of the UK.



This is our 3rd Good Growth for Cities report where we measure the performance of the UK's largest cities against a basket of ten categories defined by the public and business as a key to economic success and wellbeing.

90

This year, we've also looked back to before the recession, to compare how cities have fared since, and what this means for long term policy and decision making across UK cities.

Decentralisation Decade report: a plan for economic prosperity, public service transformation and democratic renewal

IPPR's report 'The Decentralisation Decade', which we have supported, sets out the prospects and priorities for decentralisation in England over the next 10 years.

The Public Matters – Autumn 2014

As we head towards the general election in May 2015, debate is heating up on the key issues for 2015 and beyond. But all too often the public's told what it should think, not asked.

Over five years, PwC has worked with BritainThinks to bring the public's views to the fore. Through our Citizens' Juries, we've assembled people from across the country to consider questions of national importance. And most recently, PwC and BritainThinks held Citizens' Juries at the Labour, Conservative and Liberal Democrat Party Conferences.

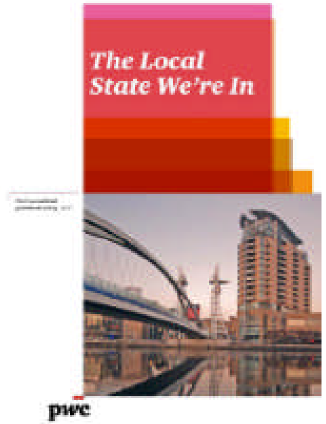
The Public Matters is a special edition of our bi-annual Whitehall Matters newsletter reporting on the findings of our party conference season citizens' juries. This issue includes articles on what we found. We share the public's perspectives on reforming public services and dealing with the deficit, lifting living standards and delivering good growth and good jobs. We also explore the role of deliberative research in policy making, more widely.

The Local State We're In 2014: Our annual local government survey

Councils remain confident about their ability to manage funding cuts without impacting the quality of services or outcomes in the short term. But this confidence crumbles in the face of the longer term challenges ahead, and the gap between how councils see their own financial outlook and the health of the sector as a whole has closed. While in previous years, Leaders and Chief Executives thought it would be others who would end up in financial crisis, this year for the first time they are more concerned about their own financial futures.

With efficiency savings no longer enough, councils need to redefine what they do, as well as how they do it. Focusing on outcomes, taking much smarter approaches to technology and working in collaboration with private and public sector partners, as well as citizens themselves, will be critical.

The Local State We're In 2014 charts the progress councils have made on this journey to date and the outlook for the future.



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