



## CABINET REPORT

<b>Report Title</b>	<b>DRAFT GENERAL FUND BUDGET 2020/21 AND MEDIUM TERM FINANCIAL PLAN 2020/21 TO 2023/2024</b>
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**AGENDA STATUS: PUBLIC / PRIVATE**

<b>Cabinet Meeting Date:</b>	23 December 2019
<b>Key Decision:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Service Area:</b>	Chief Finance Officer
<b>Accountable Cabinet Member:</b>	Cllr B Eldred
<b>Ward(s)</b>	N/A

### 1. Purpose

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- 1.1 To present for consultation draft budget proposals for 2020/21 and forecast budgets for 2021/22 to 2023/24, covering both general fund revenue and general fund capital.
- 1.2 The report also presents for approval the Council's draft capital strategy and draft treasury management strategy.

### 2. Recommendations

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- 2.1 That the draft general fund revenue budget 2020/21, as summarised in **appendix 1**, be approved for public consultation.
- 2.2 That the proposed growth and savings options for 2020/21, as set out in **appendix 2**, be approved for public consultation.
- 2.3 That the proposed council tax increase for 2020/21 of £5.00 per band D property be approved for public consultation, as set out in paragraphs 3.2.13.

- 2.4 That the draft capital strategy, as set out in **appendix 3**, be approved for public consultation.
- 2.5 That the draft general fund capital programme and financing 2020/21 to 2023/24, as detailed in **appendix 4**, be approved for public consultation.
- 2.6 That the draft treasury management strategy, as set out in **appendix 5**, be approved for public consultation.
- 2.7 That authority be delegated to the Chief Executive, in consultation with s151 Officer and the Leader, to represent the Borough Council on the Board of the Business Rates Pilot and to agree any allocation of business rates in line with the specified projects approved by the Secretary of State for Housing, Communities and Local Government.
- 2.8 That authority be delegated to the Chief Executive and the s151 Officer, in consultation with the Leader, to monitor and track the spending of the agreed £500,000 plus additional agreed £500,000 to the Future Northants programme in line with the Implementation Plan and regularly report back to Cabinet. The proposed £1.4m additional contribution is subject to the forthcoming budget consultation therefore any future delegation on this amount will be subject to the outcomes of the consultation.

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

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#### **3.1 Report Background**

- 3.1.1 The Council is required to set a balanced budget and its council tax for 2020/21 by 1 March 2020. The proposals in this report have been developed by officers in consultation with Cabinet Members.
- 3.1.2 The draft budget proposals and options presented in this report will be subject to a period of consultation prior to final recommendations being made to Council by Cabinet in February 2020.

#### **3.2 Issues**

##### **3.2.1 Economic context**

There continues to be uncertainty around the national and global economic outlook, caused by various factors including the UK's planned withdrawal from the European Union. Therefore, the draft budget is built on prudent assumptions around inflation, interest rates, business rates growth and growth in the tax base.

##### **3.2.2 Medium term financial strategy**

In September 2019 Cabinet approved the medium term financial strategy, which provides the framework and context for the development of the detailed budget and medium term financial plan.

3.2.3 The medium term financial strategy included the following strategic principles:

- The Council will, within available resources, seek to maximise delivery of services and levels of performance and ensure that resources are targeted to meet its objectives and priorities;
- The Council will set a balanced budget, which is stable and sustainable and fully represents the cost of providing the levels of service and performance set out in the corporate plan and service plans;
- Income streams will be maximised through the delivery of high quality, cost effective services;
- Council tax will be increased up to the maximum allowed without requiring a referendum;
- Investment decisions will take into account both revenue and capital implications;
- Where requirements to undertake borrowing are identified, the costs and benefits of doing so will be assessed as required in line with CIPFA's prudential code;
- Financial implications will be underpinned by robust risk assessment;
- Decision making will be business case led. There will be a focus on the short, medium and long term financial implications of decisions;
- Reserves will be utilised to fund investments that will deliver a long term sustainable financial position.

#### 3.2.4 Medium term financial plan

The medium term financial plan, set out in **appendix 1**, provides a forecast of the Council's expenditure and income over the next four years. This is set in the context of the proposed local government reorganisation and creation of a new unitary authority. Whilst this means that Northampton Borough Council may cease to exist in its current form beyond 2020/21, the budget set for the year must be sustainable. Therefore, forecasts are prepared for three financial years beyond 2020/21 on a no-change basis.

3.2.5 The medium term financial plan forecasts that there are further savings required of £1.991m in 2021/22, rising to £2.815m in 2023/24. These further savings can be achieved through the strands set out in the medium term financial strategy.

#### 3.2.6 General fund revenue budget 2020/21

The proposed general fund revenue budget for 2020/21 is set out as the first year in **appendix 1** and is summarised in the table below. Each of the lines in the table below are then addressed in more detail in paragraphs 3.2.7 to 3.2.16 below.

<b>Description</b>	<b>2020/21 £000s</b>
Service base budget	30,954
Proposed savings	(1,397)
Proposed growth	320
Corporate budgets	(1,328)
Contribution to reserves	343
<b>Net budget</b>	<b>28,892</b>
Business rates	(9,307)
New homes bonus grant	(2,400)
Council tax	(17,185)
Collection fund surplus	0
<b>Total funding</b>	<b>(28,892)</b>
<b>Savings to be identified</b>	<b>0</b>

3.2.7 Service base budget – this has increased by £0.807m on the forecast service base budget for 2020/21 that was set out in last year’s medium term financial plan. Changes to the service base budget are made up of non-controllable changes to the budget for items such as inflation and increases in demand for services due to things such as demographic changes. The table below sets out the main changes to the service base budget:

<b>Continuation budget change</b>	<b>£000s</b>
Benefits pressure	350
Drop in price of recycling material	300
Cost of incremental pay increases	106
Reduction in HMO licence income	101
Increased costs of required valuations of assets	100
Pension deficit cost freeze	(330)
Changes to grant assumptions	(350)
Other items	186
<b>Total increase to service base budget</b>	<b>463</b>

3.2.8 Proposed savings and growth – savings proposals of £1.397m and growth proposals of £0.320m are set out in **appendix 2**. Implementation of the proposed savings will enable the Council to set a balanced budget for 2020/21.

3.2.9 Corporate budgets – these include budgets for debt financing, recharges to the HRA and parish grants and precepts. This figure is broken down into more detail in **appendix 1**.

3.2.10 Contribution to/from reserves – this shows the planned contribution to / from reserves.

3.2.11 Business rates – under the business rates retention scheme, the Council benefits from growth in the rateable value in the borough, but also bears some of the risk of volatility, including successful appeals by businesses against their rateable value. A prudent forecast of future business rates is built into the budget assumptions.

3.2.12 New homes bonus (NHB) grant – this has provided an additional source of funding in previous years, but has been reducing from a peak of £4.9m in 2016/17. For 2020/21 it is forecast that the Council will receive £0.846m. In future years beyond 2020/21 it is now anticipated that this funding will drop off even quicker than previously forecast, with nil NHB forecast to be received in 2023/24. This has had a significant impact on the forecast budget funding gap in future years.

3.2.13 Council tax – the draft budget for 2020/21 assumes an increase in the annual average council tax of £5.00 (or 2.21%) per average band D property. This is the maximum increase allowed without triggering a referendum and is less than the £6.56 (or 2.99%) increase in 2019/20.

3.2.14 The average band D council tax (excluding parishes) for the last five years is shown in the table below:

<b>Preceptor</b>	<b>2016/17 £</b>	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>2020/21 £</b>
Northampton Borough Council	207.91	212.91	219.28	225.84	230.84
Northamptonshire County Council	1,111.25	1,166.59	1,177.35	1,236.10	TBC
Northamptonshire Police & Crime Commissioner	204.96	209.04	221.04	245.04	TBC
Northamptonshire Fire & Rescue Authority	0.00	0.00	59.00	60.76	TBC
<b>Total</b>	<b>1,542.12</b>	<b>1,588.54</b>	<b>1,676.67</b>	<b>1,767.74</b>	<b>TBC</b>

3.2.15 Special expenses – the Council charges special expenses to its residents as part of its council tax charge. Special expenses relate to expenditure deemed solely to apply to a part if the borough where precepting authorities in other parts of the borough have chosen to precept and supply the same service separately. Northampton Borough Council charges special expenses for the maintenance of its smaller parks and open spaces as this service is also carried out by Parish Councils in some areas. Further explanation and details of the special expenses are set out in **appendix 6**.

3.2.16 Collection fund surplus / deficit – there is not currently expected to be any surplus or deficit on the collection fund. The Council is required to update the estimated surplus / deficit on 15 January, so this may change for the final budget.

3.2.17 Fees and charges – these are being reviewed as part of the process of finalising the budget.

3.2.18 Reserves

As part of the budget process the Council determines a prudent level of general fund balances to hold against general risks. This is informed by a risk assessment, which has been refreshed in the development of the draft budget and currently suggests that £4.0m remains a prudent level of general fund balance. This may change as the budget is finalised and any change in the Council's exposure to risk identified.

3.2.19 General fund reserves at 1 April 2020 are forecast to be at a total of £28.5m. A breakdown is shown in the table below:

<b>Reserves</b>	<b>Forecast Balance 1 April 2020</b>	<b>Purpose</b>
Service specific earmarked reserves	£1.5m	To cover specific known spending commitments
Corporate earmarked reserves	£18.0m	Held to mitigate against corporate risks and to fund future budget pressures
Technical reserves	£5.0m	To deal with technical accounting differences across financial years
General fund balance	£4.0m	To cover general unquantified risks
<b>Total general fund reserves</b>	<b>£28.5m</b>	

3.2.20 Earmarked reserves are held to mitigate against specific risks as well as for regulatory reasons, such as grant conditions.

3.2.21 Draft capital strategy

The aim of the capital strategy is to provide a clear framework for capital funding and expenditure decisions. This is in the context of the Council's vision, values, objectives and priorities, financial resources, and spending plans. The capital programme is designed to support the delivery of the Council's priorities as set out in the corporate plan. It takes into account proposed changes to CIPFA's prudential code and latest minimum revenue provision guidance from central government. The draft capital strategy can be found at **appendix 3**.

3.2.22 General fund capital programme 2020/21 to 2023/24

The draft general fund capital programme and funding for the next 4 years is detailed in **appendix 4** and summarised in the table below. The value of the proposed programme for 2020/21 is £47.760m. Proposed new schemes

include enhancements to parks and sports facilities, car park improvements, replacement of footbridges and the upgrade of IT assets.

3.2.23 The proposed capital programme would require funding from a variety of sources. The revenue impact of borrowing is reflected in the debt financing budget and the treasury management strategy and prudential indicators.

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

Description	Budget 2020/21 £k
Schemes in the current approved Capital Programme	7,450
Schemes in the current Development Pool awaiting formal approval	37,900
New proposals	2,411
<b>Total Draft GF Capital Programme</b>	<b>47,760</b>
Funding Source:	
Grants and contributions	3,359
s106 funded schemes	318
Self funded schemes	12,150
Borrowing.	31,934
<b>Total Funding</b>	<b>47,760</b>

### 3.2.25 Treasury management strategy

The treasury management strategy covers the requirements of the Local Government Act 2003, the CIPFA prudential code, MHCLG MRP guidance, the CIPFA treasury management code and MHCLG investment guidance. The draft treasury management strategy can be found at **appendix 5**.

### 3.2.26 Consultation

Formal consultation with the public and stakeholders will be launched following the publication of this draft budget and will continue until the budget is formally adopted in February 2020 in line with an agreed consultation programme. An online questionnaire will be available until 4 February 2020, and a public meeting will be held on the consultation on 27 January 2020.

## 3.3 Choices (Options)

3.3.1 Cabinet can agree the budget proposals in this paper to go forward for budget consultation, or they can propose changes, subject to the advice of the Chief Finance Officer.

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

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### **4.1 Policy**

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

### **4.2 Resources and Risk**

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

### **4.3 Legal**

4.3.1 The Council has a legal duty to set a balanced budget, bearing in mind its fiduciary duties to the taxpayer, and to set a council tax for the coming year.

### **4.4 Equality and Health**

4.4.1 Equality and diversity is considered as part of the budget construction and an impact assessment is published as part of the budget consultation documents. Equality and diversity were considered as part of each of the medium term planning options submitted. Impact assessments are "living" documents and will be updated to take into account relevant feedback from the consultation process. Where these documents identify mitigating actions, these will be undertaken in implementing the relevant option should it be taken forward and approved in February 2020.

### **4.5 Consultees (Internal and External)**

4.5.1 Internally, Heads of Service and budget managers have been consulted and Corporate Management Board has varied out a detailed challenge of the budget with Members. As options have been developed, relevant stakeholders were engaged as appropriate.

4.5.2 This paper is to agree a draft general fund revenue and capital budget and council tax to public consultation, which is to be consulted on with the general public, partners of the Council and businesses. This is in line with best practice and the statutory requirements of the Local Government Finance Act 1992.

### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 The draft budget is a key ingredient of effective financial governance, which contributes to the priority of "spending your money wisely". More broadly, the Council's budget is the financial representation of the Council's plans, and so setting a balanced budget contributes to all of the Council's priority outcomes.

#### **4.7 Environmental Implications (including climate change issues)**

4.7.1 Environmental impacts were considered as part of each of the medium term planning options submitted.

#### **4.8 Other Implications**

4.7.1 None not already covered above.

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

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5.1 None.

5.2 Appendices:

1. Draft general fund revenue summary
2. Proposed growth and savings
3. Draft capital strategy
4. Draft general fund capital programme and financing
5. Draft treasury management strategy
6. Special expenses

#### **6. Next Steps**

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6.1 The final general fund revenue and capital budgets for 2020/21 will go back to Cabinet in February 2020, and also to full Council for approval in February 2020.

**Stuart McGregor**  
**Chief Finance Officer (S151)**