NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Your attendance is requested at a meeting to be held in

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

on Monday, 14 January 2013

at 6:00 pm.

D Kennedy
Chief Executive

AGENDA

1. APOLOGIES

Please contact Peter Storey on 01604 837356 or pstorey@northampton.gov.uk when submitting apologies for absence.

2. MINUTES

To approve the minutes of the meeting held on 5 November 2012.

3. DEPUTATIONS / PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

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

6. TREASURY MANAGEMENT STRATEGY 2013/14 TO 2015/16 — Bev Dixon

(Copy herewith)

7. RISK REVIEW OF 2013/14 BUDGET OPTIONS — Robin Bates

(Copy herewith)

8. FINANCIAL MONITORING REPORT — Phil Morrison

Regular update of financial data to end October 2012.
(Copy herewith)

9. ENVIRONMENTAL SERVICES REVIEW — Julie Seddon / Steve Elsey

(Copy herewith)

10. INTERNAL AUDIT PROGRESS UPDATE Chris Dickens (PWC)

(Verbal update to be provided)

11. EXTERNAL AUDIT PROGRESS UPDATE N Bellamy (KPMG)

(Copy herewith)

12. 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."

Public Participation

Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 5 November 2012

PRESENT: Councillor Larratt (Chair); Councillor Oldham (Deputy Chair); Councillors Lynch, Nunn, Palethorpe, Strachan and Subbarayan.

1. APOLOGIES

Apologies were received from Councillor Beardsworth.

It was noted that Councillor Strachan had replaced Councillor N Choudary as a member of the Committee for the remainder of the Council year at the meeting of full Council held on 22 October 2012.

2. MINUTES

The Minutes of the meeting held on 24 September 2012 and adjourned to 26 September 2012 were confirmed and signed by the Chair as a true record.

3. DEPUTATIONS / PUBLIC ADDRESSES

There were none.

4. DECLARATIONS OF INTEREST

There were none.

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

There were none.

6. TREASURY MANAGEMENT MID YEAR REPORT 2012-13

The Finance Manager presented the draft Treasury Management Mid Year report for 2012/13 for the Committee to review before the report was submitted to Cabinet on 14 November 2012 and full Council on 3 December 2012. For Members' information, she tabled a paper showing amendments to paragraph 3.2.38 and Appendix J of the Cabinet report, which was appended to the Committee's report, following forecasts received after the report had been published. She also drew attention to Annex F of the report, where the figures for short term borrowing had been transposed and which had been corrected in the report which was being made to Cabinet on 3 December 2012.

The Finance Manger drew Members' attention to investment performance (Annex G), where performance was well in excess of the benchmark, and the changes agreed to increase the £7m limit for any single investment transaction, which had not been meeting the Council's needs (paragraph 3.2.28 refers).

RESOLVED:

That the report be noted.

7. ABSENCE MANAGEMENT PERFORMANCE INDICATOR

The Head of Business Change presented a summary of absence performance benchmarking data and a summary explanation of medical suspension.

In answer to Members' questions she provided information as summarised below:

- The Council had concentrated on short term sickness management and this had resulted in the Council having the best performance in its Benchmarking Club in this area. The Council had the worst long term sickness management performance in the Club and this area was now being focused on.
- The benchmarking information was useful but had limitations because although local authorities within the group were of a similar size there were differences in services and functions which made some comparisons difficult.
- The Wellbeing Manager was working with managers and employees on long term sickness absence to manage this area and could liaise with the Council's independent occupational therapists. The Council sought to get employees back into work as soon as possible, which was considered to be in the best interest of all parties. It might be that an employee could return to another post, rather than his/her own post, until sickness issues had been resolved.
- Long term sickness was considered to be absence beyond four weeks but depended on the nature of the absence, e.g. a broken limb or cancer treatments would be considered long term from the beginning of the absence. The Wellbeing Manager and line managers would maintain contact with employees who were on long term sick absence but the nature and regularity of the contact and the level of support would vary according to the specific nature of the absence.
- If an employee was on sick leave for more than four weeks without a sick note from a GP the Wellbeing Manager would work with the employee on a planned return to work.
- There were currently 10-15 employees on long term sick leave and none on medical suspensions.
- It was likely that a reduction in long term sickness absence could lead to an increase in short term sickness absence.

It was noted that details of sickness absence within service areas had been reported to the last meeting of the Committee, held on 24 September 2012, and adjourned to 26 September 2012.

The Committee asked that a further report be made in 2-3 months' time on the progress made in managing long term sickness absence.

RESOLVED:

That the report be noted.

8. PERFORMANCE MONITORING TO END SEPTEMBER 2012

The Head of Business Change reported on the Council's key performance exceptions for the year to date.

It was noted that a number of issues in the report related to the Enterprise contract and that the Portfolio Holder would be producing a report on the contract performance which would be made to the next meeting of the Committee, to be held on 14 January 2012.

It was noted that commentary had not been provided in respect of a number of issues in the report. Officers agreed to supply this information to Members following the meeting and to ask service departments to provide commentary on issues relating to their areas in future reports.

It was noted in respect of PP06 that although serious acquisitive crime had reduced in some areas of the town it had increased in others and the trend was upwards. The Scrutiny Panel 3 – Serious Acquisitive Crime/Violent Crime were investigating this issue, which needed to be addressed.

RESOLVED:

That the report be noted.

9. CAR PARKING USAGE AND INCOME - UPDATE REPORT

The Town Centre Manager updated the Committee on the car parking income and usage figures, as requested by Members.

It was noted that now the October 2012 car park usage and income figures were available data was available for the twelve month period since the free one hour parking charge had been introduced and the cost of the second hour's parking had been reduced.

In answer to Members' questions the Town Centre Manager provided information as summarised below:

- He had attempted to produce a graph showing the trends in all the town centre car parks over the last year but this had not proved feasible due to the size constraints to ensure such a graph was legible.
- Car parking numbers had increased since the one hour free parking and reduced cost for the second hour's parking had been introduced but income had reduced. Customers appreciated the reductions in car parking charges but this had resulted in reduced car park income.
- There were significant differences in the size of car parks and this tended to skew a comparison of percentages.
- The dispersion of customers who had used the now closed St John's surface car park was not yet known and was still being assessed. There had been some displacement into St John's multi storey car park.
- It was difficult to correlate car parking figures with footfall as the two footfall cameras were both in the outside shopping areas and in bad weather people tended to stay in the enclosed shopping areas and so did not register on the cameras. Footfall had increased in the more pleasant summer months when more people went outside the enclosed shopping areas.
- Usage of the car parks was often affected by their closeness to events going on in the town centre, with those car parks nearest to the events being most used.

Members asked that the Council through the concessionary fares scheme and the bus companies themselves be requested to provide any information on the numbers of people they were bringing into the town centre to consider in relation to car parking usage and footfall

RESOLVED:

That the car parking income and usage figures reported by Town Centre Operations be noted.

10. FINANCIAL MONITORING REPORT

The Head of Finance and Resources presented the Committee with the financial position to 30 September 2012, the position on car parking income and usage and the position in relation to the Council's outstanding debts as at 30 September 2012.

It was noted that draft legislation relating to the anticipated increases in planning fees had still not emerged and there was some uncertainty as to when the legislation would be enacted.

In answer to Members' queries, officers undertook to provide further information in respect of the lower employee costs projected as a result of vacant posts and the annual debt repayments.

An explanation of the debt financing figure within the HRA monitoring report was requested and it was agreed that this would be circulated to Members as soon as possible.

RESOLVED:

1. That the contents of the Finance Reports be noted as below:
    - General Fund Revenue (Appendix 1 of the report);
    - General Fund Capital (Appendix 2 of the report);
    - HRA Revenue (Appendix 3 of the report);
    - HRA Capital (Appendix 4 of the report).

2. That the position on car parking income and usage as at 30 September 2012 be noted.

3. That the latest position in relation to the Council's outstanding debts as at 30 September 2012 be noted.

11. THE WELFARE REFORM BILL - FURTHER UPDATE

The Head of Finance and Resources provided further information on welfare benefit reforms which would take effect from 2013, with particular emphasis on the changes to the Housing and Council Tax Benefit Schemes and provided an overview on how those changes might affect tenants, landlords and residents in Northampton.

In answer to Members' questions the Head of Finance supplied information as summarised below:

- Under the forthcoming changes in the benefits systems it was important to ensure that there were no sharp reductions in support for those who would be affected, should the Council decide to apply for the recently announced top-up grant.
- The Council was attending as many of the consultation events on the various pilot schemes as possible. Results on some of the schemes had been released in the week before this meeting. Consultation results had been disappointing and the national press had not given much coverage to the changes, although that was beginning to improve. It was confirmed that this was the same across the country, where disappointing consultation results has also been the case.
- The majority of people who had been involved in the pilots of direct payments were reported by the Department of Work and Pensions as being happy with the proposed changes, whereby they would receive payments of all benefit, including housing benefit, direct. However, for many of them it has been acknowledged that they would need supporting under the changes proposed. This would be the biggest change to the Welfare State since its inception and, therefore, Northampton are preparing for significant transitional requirements.
- Existing pensioners are protected from the impact of the changes to Council Tax Benefits through a default scheme, which would be adapted if the Council developed its own scheme.

- A number of issues which the Council had identified in the short term were set out in the report. Some of these issues were being considered in the pilot schemes underway in the country. The biggest challenge for this Council was likely to be collection of monies.
- An issue for local authorities would be having the appropriate size housing stock for people to move into. If the right sizes were not available it could lead to people under occupying larger properties and receiving less benefit as a result. Again, existing pensioners who are under occupying are not impacted.
- It was difficult to quantify what the impact of the changes would be on the Council. Officers had information, through housing benefit and Council Tax data, on the numbers of people and have produced impact assessment data. Residents who would be affected would and are being contacted about 3-6 months before changes come into effect.

It was noted that a report on the adoption of a local Council Tax Reduction Scheme will be made to Cabinet on 19 December 2012, to make a recommendation to full Council on 21 January 2013. The scheme had to be agreed by 31 January 2013. A report would be made to the next meeting of the Committee, on 14 January 2013, and the Chair of the Committee could then report the Committee's views to the full Council meeting later that month.

RESOLVED:

1. That the forthcoming changes to Housing Benefit and Welfare Reform proposals contained in the report be noted.

2. That the potential risks and service delivery implications for the Council arising from these changes be noted.

12. INTERNAL AUDIT PROGRESS REPORT 2012/13

The Internal Auditor presented a report summarising the progress made against the approved internal audit plan for 2012/13.

A new manager had been appointed in Internal Audit and would be having a first meeting with the Director of Resources on Wednesday 7 November 2012.

It was noted that a report on security at the museum would be made to the next meeting and that this was likely to be a confidential report as it related to the security of one of the Council's assets.

RESOLVED:

That the report be received.

13. ANNUAL AUDIT LETTER 2011/12

The Director of Resources presented the annual audit letter for 2011/12 to the Committee. The Audit Commission had completed their audit and reported the outcome and their opinion to the last meeting of the Committee, held on 24 September and adjourned to 26 September 2012.

RESOLVED:

That the final annual audit letter be noted.

The meeting concluded at 7:21 pm

Appendices
1

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	TREASURY MANAGEMENT STRATEGY 2013-14 to 2015-16

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14 January 2013
Policy Document:	Yes
Directorate:	Finance & Support
Accountable Cabinet Member:	Alan Bottwood

1. Purpose

1.1 To put the draft Treasury Management Strategy Report for 2013-14 to 2015-16 before Audit Committee for review prior to it being put to Cabinet and Council in February 2013 and to invite Audit Committee to put forward recommendations as they think appropriate.

2. Recommendations

2.1 That Audit Committee:

a) Review the draft Treasury Management Strategy Report for 2013-14 to 2015-16 prior to it being put to Cabinet on 20 February 2013 and Council on 25 February 2013

b) Put forward any recommendations that they think appropriate.

c) Advise as to whether and how they would like any changes to the draft report subsequent to their review to be advised to them for consideration and comment.

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 (see Appendix A; Adoption of the CIPFA Code of Practice in Treasury Management in the Public Services). The role 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 Report 2013-14 to 2015-16

3.2.1 The Council's draft Treasury Management Strategy Report 2013-14 to 2015-16 is attached at **Appendix 1**. This comprises a covering report and appendices (A to H). This report is timetabled to go to Cabinet on 22 February 2013 and to Council on 25 February 2013.

3.2.2 Audit Committee are asked to review the report and to put forward recommendations to Cabinet and Council as they think appropriate.

3.2.3 Some details included in the draft report will or may need to be updated prior to the report going to Cabinet. This is due to:

- The time gap between Audit Committee and Cabinet,
- The interface between the content of this report and the Council's other budget setting reports, and
- Developments related to the decision to deliver certain services, including treasury management, under the auspices of the LGSS Joint Committee, which may impact on this report.

3.2.4 Items that will almost certainly change are set out below. References are to the Cabinet report paragraphs and appendices:

- Economic background (Paragraph 3.2.1 and Appendix B)
- Unallocated General Fund Reserves (Paragraph 3.2.13)
- Counterparties meeting NBC investment criteria (Appendix F. Section 18 and Appendix G)
- Current investment portfolio (Appendix F. Section 15)
- Average rate of return on investments in 2012-13 (Appendix F. Section 21)

3.2.5 Other changes may arise. In particular:

- Developments regarding the governance and management of the treasury management function under LGSS may impact on the Schedules to the Treasury Management Practices at Appendix E.

- Any changes to the draft capital programme expenditure and/or financing plans will impact on the detailed figures included throughout the Treasury Management Strategy at Appendix F

3.2.6 Audit Committee are asked to advise whether and how they would like any changes made to the draft report subsequent to their review to be advised to them for consideration and comment.

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.

4.1.2 Further background detail is included in the attached draft Cabinet report – Treasury Management Strategy 2013-14 to 2015-16

4.2 Resources and Risk

4.2.1 As set out in the attached draft Cabinet report – Treasury Management Strategy 2013-14 to 2015-16

4.3 Legal

4.3.1 As set out in the attached draft Cabinet report – Treasury Management Strategy 2013-14 to 2015-16

4.4 Equality

4.4.1 As set out in the attached draft Cabinet report – Treasury Management Strategy 2013-14 to 2015-16

4.5 Consultees (Internal and External)

4.5.1 As set out in the attached draft Cabinet report – Treasury Management Strategy 2013-14 to 2015-16.

4.6 Other Implications

4.6.1 No other implications have been identified.

5. Background Papers

As set out in the attached draft Cabinet report, Treasury Management Strategy 2013-14 to 2015-16

Report Author: Bev Dixon, Finance Manager (Treasury), ext 7401

APPENDIX 1

Appendices 8	Item No. [For Democratic Services Use only]

NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	TREASURY MANAGEMENT STRATEGY 2013-14 to 2015-16

AGENDA STATUS: **PUBLIC**

Cabinet Meeting Date:	20 February 2013
Key Decision:	NO
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	YES
Directorate:	Resources
Accountable Cabinet Member:	Alan Bottwood
Ward(s)	Not Applicable

1. Purpose

The purpose of the report is to bring to Cabinet:

- The Treasury Management Policy Statement
- The Treasury Management Practices (TMPs) and TMP Schedules for 2013-14
- The Treasury Management Strategy for 2013-14
- Other associated treasury management information for 2013-14

APPENDIX 1

2. Recommendations

2.1 That Cabinet recommend to Council that they approve:

a) The Treasury Management Policy Statement at **Appendix C**

b) The Treasury Management Practices (TMPs) Main Principles at **Appendix D**

c) The TMP Schedules for 2013-14 at **Appendix E**

d) The Treasury Management Strategy for 2013-14 at **Appendix F,** incorporating:

(i) The Capital Financing and Borrowing Strategy for 2013-14 including:

- The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
- The Affordable Borrowing Limit for 2013-14 as required by the Local Government Act 2003.

(ii) The Investment Strategy for 2013-14 as required by the CLG revised Guidance on Local Government Investments issued in 2010.

e) That authority be delegated to the Council's Chief Finance Officer, the Director of Finance and Support, in liaison with the Portfolio Holder for Finance, to make any changes needed to the Council's borrowing and investment strategy to enable the authority to meet its obligations.

2.2 That Cabinet recommend to Council that they note:

a) Adherence to the Council's policy on reserves and balances (paragraph 3.2.13).

b) Compliance with the requirement under the Local Government Finance Act 1992 to produce a balanced budget (paragraph 3.2.14 & 3.2.15).

3. Issues and Choices

3.1 Report Background

Treasury Management in the Public Services - CIPFA Code of Practice

3.1.1 The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Code), as set out at **Appendix A**. The adoption is included in the Council's Constitution, approved by the Council on 14 March 2011, at paragraph 6.10 of the Financial Regulations.

CIPFA Prudential Code for Capital Finance in Local Authorities

3.1.2 The 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.

3.1.3 The Prudential Code requires the Council to set a range of prudential indicators for capital finance and a report setting out the prudential indicators for 2013-14 to 2015-16 is included elsewhere on this agenda.

3.1.4 Four key treasury indicators are prudential indicators and form part of the Prudential Code.

- Gross debt and the capital financing requirement
- Authorised limit for external debt
- Operational boundary for external debt
- Actual external debt

Apart from the actual net external debt figure, which is an outturn position and will be reported in the Treasury Management Outturn report, these prudential indicators are included in the Council's Treasury Management Strategy for completeness. The Prudential Code also requires that where the gross debt is greater than the capital financing requirement the reasons for this should be clearly stated in the annual treasury management strategy. See Section 10 of **Appendix F**.

3.1.5 In addition three treasury management indicators are required by the Prudential Code but are not treated as prudential indicators

- Upper limits on fixed and variable interest rate exposures
- Upper and lower limits to the maturity structure of borrowing
- Upper limits to the total of principal sums invested for periods longer than 364 days

These are included in the Council's Treasury Management Strategy (Sections 11 and 24 of **Appendix F**).

3.1.6 The Code states that all the indicators are to be presented together as one suite. The Council's prudential and treasury indicators have all been set within an integrated strategy for capital expenditure and financing and treasury management, and they are both brought to this same budget setting meeting for approval. The Council's Treasury Management Strategy includes both the prudential indicators relating to treasury, and the treasury indicators.

3.2 Issues

Economic Background

3.2.1 An analysis of the economic position as at November 2012 is attached at **Appendix B.** This has been provided by Sector, the Council's treasury management advisers.

3.2.2 External economic events and market conditions have continued to have an impact on the Council's debt financing budget in the current year. Monthly average annual rates of return on the Council's investments have ranged between 1.22% and 1.35%, averaging at around 1.27%, (as at 30 November 2012) against a budgeted figure of 0.70%.

3.2.3 Forecasts of investment returns remain depressed for the three year period from 2013-14 to 2015-16. This continues to have a significant impact on the Council's income from investments. The Council has budgeted for a 1% average rate of return on investments for each of the next three years.

3.2.4 The economic situation continues to be fluid and relatively unstable, and it is essential to have a counterparty selection policy that can respond quickly to changes. A balanced view must be taken, but management of risk takes a higher priority over returns, so that the Council's balances are protected.

3.2.5 Policies for the management of credit and counterparty risk are set out at Section 1 of TMP 1 and the Schedule to TMP1, attached at **Appendix D** and **Appendix E**. The Council's proposed approach for 2013-14 is set out at Section 18 of the Treasury Management Strategy attached at **Appendix F.**

Treasury Management Policy Statement

3.2.6 The Council's Treasury Management Policy Statement is set out at **Appendix C**. The statement follows the wording recommended by the latest edition of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes.

Treasury Management Practices (TMPs)

3.2.7 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.

3.2.8 The TMPs are split as follows:

- Part 1: Main Principles (Set out at **Appendix D**)
- Part 2: Schedules (Set out at **Appendix E**)

3.2.9 The Main Principles follow the wording recommended by the revised CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes.

3.2.10 The Schedules cover the detail of how the Council will apply the Main Principles in carrying out its operational treasury activities.

Treasury Management Strategy 2013-14

3.2.11 The Council's Treasury Management Strategy for 2013-14 is set out at **Appendix F**. The strategy incorporates:

(i) The Capital Financing and Borrowing Strategy for 2013-14 including:

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

- The Affordable Borrowing Limit for 2013-14 as required by the Local Government Act 2003.

(ii) The Investment Strategy for 2013-14 as required by the CLG revised Guidance on Local Government Investments issued in 2010.

Debt Financing Budget 2013-14 to 2015-16

3.2.12 The debt-financing budget has been prepared in accordance with the requirements of the relevant legislation and guidance and with full regard to the Council's proposed capital programme, treasury management strategy and prudential indicators and is included in the Council Wide General Fund Revenue Budget 2013-14 to 2015-16 report to Cabinet.

3.2.13 The debt-financing budget has been prepared in line with the Council's policy on reserves and balances, which is that a prudent level of General Fund balances, along with appropriate application of reserves, should be part of the overall budget. An annual risk assessment is undertaken to ascertain the minimum level of General Fund balances the authority should hold. This suggests that £3.0m should be the minimum for 2013-14. This policy is included in the Council Wide General Fund Revenue Budget 2013-14 to 2015-16 report to Cabinet.

3.2.14 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. Section 32 requires a local authority to calculate its budget requirement for each financial

year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby the impact of charges to revenue from higher interest charges caused by extra borrowing to finance additional capital expenditure, and any growth in running costs from new capital projects, are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

3.2.15 The CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes require this report to include a reference to compliance under the Local Government Act 1992 to produce a balanced budget. Such compliance is demonstrated within the Council Wide General Fund Revenue Budget 2013-14 to 2015-16 report to Cabinet.

Shared Service Arrangement with LGSS

3.2.16 Cabinet agreed on 14 November 2012 to deliver certain services, including treasury management, under the auspices of the LGSS Joint Committee. This decision, which is expected to be implemented from 1 April 2013, will impact on the way that treasury management is managed and delivered, particularly in terms of the posts responsible for certain functions. Once the detail of the new arrangements has been agreed, it may be necessary to bring revised Schedules to the Treasury Management Practices, reflecting the new arrangements, back to Council for approval.

Abbreviations

3.2.17 A list of abbreviations used in this report and the accompanying appendices is provided at **Appendix H**.

3.3 Choices (Options)

3.3.1 Cabinet are asked to agree the recommendations at paragraph 2 above.

4. Implications (including financial implications)

4.1 Policy

4.1.1 The Treasury Management Strategy report sets the Council's policy on its debt and investment portfolios over the next financial year. It is revisited annually and reported to Cabinet and Council as part of the budget setting process.

4.2 Resources and Risk

4.2.1 The resources required to deliver the Council's treasury management strategy and policies over the next three years are incorporated into the Council's debt financing and debt management budgets, which are included in the Council Wide General Fund Revenue Budget 2013-14 to 2015-16 report to Cabinet.

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 2013-14 discuss 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 Treasury Management Strategy at **Appendix F** 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. The relevant legislative and regulatory documents are referred to within the report and Appendices and listed in the background papers.

4.4 Equality

4.4.1 Equalities Impact Assessment (EIA) screening has been carried out on the Council's Treasury Management Strategy for 2013-14, and the associated Treasury Management Practices (TMPs) and Schedules to the TMPs.

4.4.2 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.

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 Portfolio holder for Finance.

4.5.2 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.

APPENDIX 1

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The proposals support the Council's priority of making every £ go further.

4.7 Other Implications

4.7.1 No other implications have been identified.

5. Background Papers

Equalities Impact Assessment Screening: Treasury Management Strategy 2013-14

Bev Dixon, Finance Manager (Treasury), ext 7401

Northampton Borough Council

Adoption of the CIPFA Code of Practice on Treasury Management in the Public Services

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Code), and specifically adopts the key recommendations as described in Section 5 of the Code.

1. Northampton Borough Council will create and maintain, as the cornerstones for effective treasury management:

   - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.

   - Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

   The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

2. Northampton Borough Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

3. Northampton Borough Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and 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.

4. Northampton Borough Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Economic Background

Provided by Sector Treasury Services – As at 20 November 2012

Global economy

The **Eurozone** debt crisis has continued to cast a pall over the world economy and has depressed growth in most countries. This has impacted the UK economy which is unlikely to grow significantly in 2012 and is creating a major headwind for recovery in 2013. Quarter 2 of 2012 was the third quarter of contraction in the economy; this recession is the worst and slowest recovery of any of the five recessions since 1930. A return to growth at 1% in quarter 3 in unlikely to prove anything more than a washing out of the dip in the previous quarter before a return to weak, or even negative, growth in quarter 4.

The Eurozone sovereign debt crisis has abated somewhat following the ECB's pledge to buy unlimited amounts of bonds of countries which ask for a bailout. The immediate target for this statement was Spain which continues to prevaricate on making such a request and so surrendering its national sovereignty to IMF supervision. However, the situation in Greece is heading towards a crunch point as the Eurozone imminently faces up to having to relax the time frame for Greece reducing its total debt level below 120% of GDP and providing yet more financial support to enable it to do that. Many commentators still view a Greek exit from the Euro as inevitable as total debt now looks likely to reach 190% of GDP i.e. unsustainably high. The question remains as to how much damage a Greek exit would do and whether contagion would spread to cause Portugal and Ireland to also leave the Euro, though the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks.

Sentiment in financial markets has improved considerably since this ECB action and recent Eurozone renewed commitment to support Greece and to keep the Eurozone intact. However, the foundations to this "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse.

The **US economy** has only been able to manage weak growth in 2012 despite huge efforts by the Federal Reserve to stimulate the economy by liberal amounts of quantitative easing (QE) combined with a commitment to a continuation of ultra low interest rates into 2015. Unemployment levels have been slowly reducing but against a background of a fall in the numbers of those available for work. The fiscal cliff facing the President at the start of 2013 has been a major dampener discouraging business from spending on investment and increasing employment more significantly in case there is a sharp contraction in the economy in the pipeline. However, the housing market does look as if it has, at long last, reached the bottom and house prices are now on the up.

Hopes for a broad based recovery have, therefore, focused on the **emerging markets**. However, there are increasing concerns over flashing warning signs in various parts of the Chinese economy that indicate it may be heading for a hard landing rather than a gradual slow down.

UK economy

The Government's austerity measures, aimed at getting the public sector deficit into order over the next four years, now look as if they will fail to achieve their objectives within the original planned timeframe. Achieving this target is dependent on the UK economy growing at a reasonable pace but recession in the Eurozone, our biggest trading partner, has depressed growth whilst tax receipts have not kept pace with additional welfare benefit payments. It will be important for the Government to retain investor confidence in UK gilts so there is little room for it to change course other than to move back the timeframe.

Currently, the UK is enjoying a major financial benefit from some of the lowest sovereign borrowing costs in the world as the UK is seen as a safe haven from Eurozone debt. There is, though, little evidence that consumer confidence levels are recovering nor that the manufacturing sector is picking up. On the positive side, growth in the services sector has rebounded in Q3 and banks have made huge progress since 2008 in shrinking their balance sheets to more manageable levels and also in reducing their dependency on wholesale funding. However, availability of credit remains tight in the economy and the Funding for Lending scheme, which started in August 2012, has not yet had the time to make a significant impact. Finally, the housing market remains tepid and the outlook is for house prices to be little changed for a prolonged period.

Economic Growth. Economic growth has basically flat lined since the election of 2010 and, worryingly, the economic forecasts for 2012 and beyond were revised substantially lower in the Bank of England Inflation quarterly report for August 2012 and were then further lowered in the November Report. Quantitative Easing (QE) was increased again by £50bn in July 2012 to a total of £375bn. Many forecasters are expecting the MPC to vote for a further round of QE to stimulate economic activity regardless of any near-term optimism. The announcement in November 2012 that £35bn will be transferred from the Bank of England's Asset Purchase Facility to the Treasury (representing coupon payments to the Bank by the Treasury on gilts held by the Bank) is also effectively a further addition of QE.

Unemployment. The Government's austerity strategy has resulted in a substantial reduction in employment in the public sector. Despite this, total employment has increased to the highest level for four years as over one million jobs have been created in the private sector in the last two years.

Inflation and Bank Rate. Inflation has fallen sharply during 2012 from a peak of 5.2% in September 2011 to 2.2% in September 2012. However, inflation increased back to 2.7% in October though it is expected to fall back to reach the 2% target level within the two year horizon.

AAA rating. The UK continues to enjoy an AAA sovereign rating. However, the credit rating agencies will be carefully monitoring the rate of growth in the economy as a disappointing performance in that area could lead to a major derailment of the plans to contain the growth in the total amount of Government debt over the next few years. Moody's has stated that it will review the UK's Aaa rating at the start of 2013.

Sector's forward view

Economic forecasting remains difficult with so many external influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains relatively fragile and whilst there is still a broad range of views as to potential performance, expectations have all been downgraded during 2012.

Key areas of uncertainty include:

- the potential for the Eurozone to withdraw support for Greece at some point if the costs of such support escalate were to become prohibitive, so causing a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
- inter government agreement on how to deal with the overall Eurozone debt crisis could fragment; the impact of the Eurozone crisis on financial markets and the banking sector;
- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to manufactured goods;
- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that are unlikely to be achieved;
- the risk of the UK's main trading partners, in particular the EU and US, falling into recession ;
- stimulus packages failing to stimulate growth;
- elections due in Germany in 2013;
- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.
- the potential for action to curtail the Iranian nuclear programme
- the situation in Syria deteriorating and impacting other countries in the Middle East

The focus of so many consumers, corporates and banks on reducing their borrowings, rather than spending, will continue to act as a major headwind to a return to robust growth in western economies.

Given the weak outlook for economic growth, Sector sees the prospects for any changes in Bank Rate before 2015 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. The interest rate forecast in this report represents a balance of downside and upside risks. The downside risks have already been commented on.

However, there are specific identifiable upside risks as follows to PWLB rates and gilt yields, and especially to longer term rates and yields: -

- UK inflation being significantly higher than in the wider EU and US causing an increase in the inflation premium in gilt yields
- Reversal of QE; this could initially be allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held
- Reversal of Sterling's safe haven status on an improvement in financial stresses in the Eurozone
- Investors reverse de-risking by moving money from government bonds into shares in anticipation of a return to worldwide economic growth
- The possibility of a UK credit rating downgrade (Moody's has stated that it will review the UK's Aaa rating at the start of 2013).

Northampton Borough Council
Treasury Management Policy Statement

1. Northampton Borough Council defines its treasury management activities 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."

2. Northampton Borough 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. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3. Northampton Borough Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

4. The Council's high level policies for borrowing and investment are:

   - For borrowing, to ensure affordability and to secure value for money when making capital investment and borrowing decisions.
   - For investments, to prioritise the security and liquidity of capital sums, at the same time optimising yields within a sound risk management framework.

Appendix D

Treasury Management Practices

Part 1: Main Principles

February 2013

Appendix D

TREASURY MANAGEMENT PRACTICES

The Treasury Management Practices (TMPs) set out the manner in which the Council will seek to achieve its treasury management policies and objectives and prescribe how it will manage and control those activities.

TMP 1 Risk management

TMP 2 Performance measurement

TMP 3 Decision-making and analysis

TMP 4 Approved instruments, methods and techniques

TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

TMP 6 Reporting requirements and management information arrangements

TMP 7 Budgeting, accounting and audit arrangements

TMP 8 Cash and cash flow management

TMP 9 Money laundering

TMP 10 Training and qualifications

TMP 11 Use of external service providers

TMP 12 Corporate governance

Specific details of the systems and routines to be employed and the records to be maintained take the form of schedules to the TMPs, which are set out in a separate document (report Appendix E).

TMP 1 TREASURY RISK MANAGEMENT

General Statement

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in TMP 6 *Reporting requirements and management information arrangements*.

In respect of each of the following risks, the arrangements that seek to ensure compliance with these objectives are set out in the schedule to this document.

1) Credit and counterparty risk management

This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP 4 *Approved instruments methods and techniques* and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financial agreements.

2) Liquidity risk management

This Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

This Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

3) Interest rate risk management

This Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP 6 *Reporting requirements and management information arrangements*.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

4) Exchange rate risk management

It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

5) Refinancing risk management

This Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

6) Legal and regulatory risk management

This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP 1 [1] *credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

This Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

7) Fraud, error and corruption, and contingency management

This Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

8) Market risk management

This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP 2 PERFORMANCE MEASUREMENT

This Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

TMP 3 DECISION-MAKING AND ANALYSIS

This Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

This Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP 1 *Risk management.*

Where this Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

This Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when this Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP 6 *Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management.*

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

This Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:

The Council (i.e. full council) will receive:

- An annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council's treasury management policy statement and TMPs.

The committee/board/council will receive regular monitoring reports on treasury management activities and risks.

The body responsible for scrutiny, such an audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.

Local authorities should report the treasury management indicators as detailed in their sector specific guidance notes.

The present arrangements and the form of these reports are detailed in the schedule to this document.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The responsible officer will prepare, and this Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP 1 *Risk management*, TMP 2 *Performance measurement,* and TMP 4 *Approved instruments, methods and techniques.* The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP 6 *Reporting requirements and management information arrangements.*

This Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP 8 CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this Council will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP 1 [1] *liquidity risk management.* The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

TMP 9 MONEY LAUNDERING

This Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

TMP 10 STAFF TRAINING AND QUALIFICATIONS

This Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule to this document.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

This Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also 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. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in the schedule to this document.

TMP 12 CORPORATE GOVERNANCE

This Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

This Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Treasury Management Practices

Part 2: Schedules

February 2013

TREASURY MANAGEMENT PRACTICES - SCHEDULES

This section contains the schedules that set out the details of how the Treasury Management Practices (TMPs) are put into effect by this Council.

Key Principles:

TMP 1 Risk management

TMP 2 Performance measurement

TMP 3 Decision-making and analysis

TMP 4 Approved instruments, methods and techniques

TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

TMP 6 Reporting requirements and management information arrangements

TMP 7 Budgeting, accounting and audit arrangements

TMP 8 Cash and cash flow management

TMP 9 Money laundering

TMP 10 Training and qualifications

TMP 11 Use of external service providers

TMP 12 Corporate governance

SCHEDULES TO THE TMPs - KEY PRINCIPLES

The key principles of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes are that:

- 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.

The Schedules to the Treasury Management Practices that follow and the Council's Treasury Management Strategy at report Appendix F, are drafted in the context of these principles, as well as the requirements of the four key clauses (report Appendix A), the Treasury Management Policy Statement (report Appendix C), and the Treasury Management Practices – Main Principles (report Appendix D).

TMP 1 RISK MANAGEMENT

1) Credit and counterparty risk management

Credit and counterparty risk is the risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital or project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

Specified Investments

The Council may enter into any type of investment instrument categorised as a specified investment (See TMP 4 Approved instruments, methods and techniques).

Any type of specified investment that has not habitually been used by the Council – i.e. has not been used within the previous two year period, will only be entered into after consultation with the Council's external treasury management advisors, and with the express approval of the Chief Finance Officer.

All investments, with the exception of those to other local authorities and the UK Government, will be placed only with banks, building societies and authorised deposit takers under the Financial Services and Markets Act 2000 and allocated a satisfactory rating by the Council's external treasury management advisors based upon credit ratings issued by the three main rating agencies, and also taking into account other relevant factors (e.g. sovereign ratings and movements in credit default swaps).

Non-specified investments

The Council will set a limit each year for the level and type of non-specified investments that may be placed at any one time. This limit will be set in the Annual Investment Strategy and also, for investments over 364 days, in the Prudential Indicators.

Capital Expenditure

The Council may make 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)

Counterparties

The CIPFA Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes has emphatically laid down that the use of credit risk control measures in selecting counterparties with high credit worthiness to place on an approved counterparty list must be a normal and minimum part of day to day treasury management for all local authorities and public bodies.

The Council will use credit criteria in order to select creditworthy counterparties for placing investments with. Credit ratings will be used as supplied by the Council's external treasury management advisors, combining ratings from Fitch, Moody's and Standard and Poor's.

However, sole reliance will not be placed on credit ratings. Professional advice will be taken from the Council's external treasury management advisors on which institutions present the minimum level of risk to the authority. This analysis may include other criteria to determine creditworthiness; for example sovereign ratings and/or credit default swap spreads. These recommendations will form the Council's minimum levels of acceptable credit quality.

Where sovereign ratings are used to determine counterparty eligibility, the lowest common denominator approach is applied, which uses the lowest minimum acceptable credit rating from any of the three rating agencies

The Council is alerted to changes in credit ratings, and other relevant data such as rating watches, alerts or outlooks through its use of the creditworthiness service of its external treasury management advisers. Any changes to ratings are notified to the authority immediately and action is then taken to immediately remove them from or add them to the list as appropriate.

The Council will also use other independent external data - for example from market data and information, the quality financial press, information on government support for banks, and the credit ratings of that government support - to further inform its assessment of the financial standing of counterparties on its approved list.

High credit quality will be as defined in the Council's Treasury Management Strategy.

The Chief Finance Officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising time, type, sector and specific counterparty limits.

The counterparty list may be further restricted with the approval of the Chief Finance Officer to limit the exposure of the authority to risk in times of economic or market uncertainty.

Treasury management staff will add or delete counterparties to or from the approved counterparty list in line with the policy on criteria for selection of counterparties, and as appropriate when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers.

The maximum value for any single investment transaction will be £10m.

The maximum level of investment with any counterparty, or group of counterparties will be £20m.

Maximum limits may be temporarily exceeded by small amounts and for very short periods in circumstances 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 a reasonably practicable.

Any proposals for adjustments to these maximum lending limits required to enable the effective management of risk in relation to investment will be submitted to Chief Finance Officer for approval and subsequently reported to Cabinet.

Diversification will be achieved through the use of both UK and overseas counterparties and the application of the maximum investment levels. The maximum percentage of the portfolio that may be placed with overseas counterparties at any one time is 50%.

For the purposes of setting limits, institutions within the same banking group (eg Lloyds Banking Group) will be treated as a single counterparty.

The criteria in place to determine inclusion in the Council's current lending list will be reported as part of the Annual Investment Strategy. This will not limit the Chief Finance Officer's discretion to make temporary or other changes, so long as all investments are in line with the Council's minimum levels of credit risk and the requirements set out above under specified or non-specified investments.

2) Liquidity risk management

Liquidity risk is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business or service objectives will thereby be compromised.

Money market investments will be placed with a view to maturity dates which correlate to cashflow needs for the discharge of the Council's liabilities.

Sufficient levels of cash deposits will be kept available in liquid accounts (such as deposit accounts and Money Market Funds), to meet short-term cashflow needs. This will include at least £5m available at 24 hours notice.

Bank balances will be maintained within the terms agreed with the Council's bankers, and by having regard to any constraints on the minimum sum that can effectively be invested.

The Council has an agreed overdraft facility of £200k with its bankers.

The Council may undertake temporary borrowing, in accordance with Part 1 of the Local Government Act 2003, if necessary to maintain a sufficient level of liquidity at a particular point in time.

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 set out at Section 3 of the Council's Treasury Management Strategy. Any such borrowings will be invested within the rules of the Council's agreed investment and counterparty policies.

3) Interest rate risk management

Interest rate risk is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself.

The upper limits for fixed and variable interest rate exposures in respect of net external debt are set each year by the Council as treasury indicators, in accordance with the Local Government Act 2003 and the associated regulatory framework. These are set out in the Council's Annual Treasury Management Strategy.

The Council will not use hedging tools such as derivatives to manage exposures to interest rates or exchange rates.

4) Exchange rate risk management

Exchange rate risk is the risk that fluctuations in the levels of foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself.

The Council will only enter into loans and investments that are settled in £ sterling.

The Council will not use hedging tools such as derivatives to manage exposures to interest rates or exchange rates.

5) Refinancing risk management

Refinancing risk management is the risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Council for those refinancings, both capital and current (revenue) and/or that the terms are inconsistent with prevailing market conditions at the time.

A schedule will be maintained of all long-term loans, including maturity profiles, in order to assist with the consideration of possible rescheduling opportunities that may arise as a result of changes to interest rates.

All rescheduling proposals will be fully costed in terms of costs/benefits to the organisation in the short, medium and long term, and in the context of the latest accounting guidance and regulations.

No refinancing of loans will be undertaken without the advice of the Council's external treasury management advisers and the express approval of the Chief Finance Officer.

6) Legal and regulatory risk management

Legal and regulatory risk is the risk that the Council, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

The Council is mindful that all treasury management activities must be carried out within the current legal and regulatory framework.

This includes the following:

- Local Government Act 2003

- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- CIPFA Prudential Code for Capital Finance in Local Authorities – Fully Revised Guidance Notes for Practitioners 2007
- The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008
- CIPFA Prudential Code for Capital Finance in Local Authorities - 2011 Edition
- CIPFA Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes - 2011 Edition
- CIPFA Treasury Management in the Public Services - Guidance Notes for Local Authorities including Police Authorities and Fire Authorities – 2011 Edition
- CLG Guidance on Minimum Revenue Provision (2010)
- CLG Guidance on Local Authority Investments (2010)

As well as the statutory and regulatory documents listed above, regard will be had to other relevant statute and guidance - e.g. as relating to money laundering (see Schedule to TMP 9)

In terms of good practice, the Bank of England introduced a revised Non-Investment Products Code (NIPs Code), which was drawn up by a wide cross-section of market practitioners, in April 2009. The NIPs Code, which is market guidance, has no statutory underpinning; and there are no arrangements for supervision or enforcement. CIPFA commends the NIPS Code to its members as good practice to which they should adhere.

Officers responsible for strategic and operational treasury management decisions are required to keep abreast of new legislation and regulations impacting on the treasury management function, and to apply any changes as necessary (See Schedule to TMP 10).

Legal and regulatory risks associated with other organisations with which the Council deals in its treasury management activities are managed through counterparty risk management policies.

7) Fraud, error and corruption, and contingency management

This is the risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

Officers involved in treasury management are explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council. All treasury activities must be carried out in strict accordance with the agreed systems and procedures in order to prevent opportunities for fraud, error and corruption.

Scheme of delegation and separation of duties

(i) The Director of Resources, the Council's Chief Finance Officer (CFO) and Section 151 Officer, has been nominated as the Responsible Officer.

All executive decisions on borrowing, investment or financing have been delegated to the CFO.

(ii) The Head of Finance and Resources has the authority, together with the CFO and other senior officers nominated by the CFO, including the Assistant Heads of Finance, and the Finance Managers, but excluding the Finance Manager (Treasury), on being satisfied that procedures have been complied with, to authorise the release of monies from the council's bank account, by whatever means appropriate, to repay monies borrowed or to invest temporary cash balances.

Neither the CFO, the Head of Finance and Resources, the Assistant Heads of Finance, nor the other Finance Managers, other than the Finance Manager (Treasury), nor any other persons nominated to release funds from the Council's bank account, are authorised to enter into transactions with brokers or directly or indirectly with counterparties for the investment or lending of any monies.

The Head of Finance and Resources has the authority, together with the CFO and other senior officers nominated by the CFO, including the Assistant Heads of Finance, and the Finance Managers, to act as systems administrator for the Council's on-line banking system HSBCnet.

(iii) The Finance Manager (Treasury) FMT has been nominated as the Operational Manager and is responsible for managing the overall treasury function and ensuring that at all times there is compliance with the Council's Schedules to the Treasury Management Practices (TMPs).

The FMT is empowered to conclude deals with brokers or directly or indirectly with counterparties for the investment and lending of monies on behalf of the Council within the conditions and criteria set out within the Schedules to the TMPs.

The FMT has the authority, together with the Head of Finance and Resources, and the Assistant Head of Finance, to undertake borrowing from the PWLB or through money brokers on the documented approval of the CFO and being satisfied that all procedures have been complied with.

Neither the FMT, nor any person nominated to cover their role, is authorised to effect the final approval of monies to be released, by whatever means, from the Council's bank account.

(iv) The Assistant Accountant in the Capital & Treasury Team (AA) is responsible for maintaining the Council's cashflow and investment records, for preparing paperwork relating to investments and other treasury activity and for collecting

information on the investment rates on offer in order for investment decisions to be made

The Assistant Accountant in the Capital & Treasury Team (AA) is empowered to conclude deals directly or indirectly with counterparties and, in the absence of the Finance Manager (Treasury), with brokers for the investment and lending of monies on behalf of the Council within the conditions and criteria set out within the Schedules to the TMPs.

The AA is empowered to execute transactions, on the Council's on-line banking system or by whatever means appropriate, to repay monies borrowed or to invest temporary cash balances. All such transactions will require authorisation from the Head of Finance and Resources or other senior officers nominated by the CFO, including the Assistant Heads of Finance, and the Finance Managers, but excluding the Finance Manager (Treasury),

The AA will also carry out day to day administrative tasks associated with the daily treasury activity, including preparation and input of journals on to the financial systems.

The CFO will authorise cover staff from within the Finance Section to cover the functions of the AA in his or her absence.

Neither the AA, nor any person nominated to cover their role, is authorised to effect the final approval of monies to be released, by whatever means, from the Council's bank account.

A schedule will be maintained by the FMT of all officers currently nominated for each level of delegation set above.

Internal Audit

The treasury management function will be the subject of an internal audit review on a regular basis as determined in the audit plan, and full and free access to all records will be given.

The review will cover the design and operating effectiveness of key controls in place relating to treasury management. This will include:

- Obtaining an understanding of treasury management through discussions with key personnel and review of systems documentation
- Identifying the key risks relating to treasury management
- Evaluating the design of the controls in place to address the key risks
- Testing the operating effectiveness of the key controls.

Dealing procedures

All dealing activities will be carried out in line with the Council's documented procedures and having regard to the conditions and criteria set out in the Schedules to the TMPs and the Treasury Management Strategy.

The AA is responsible for maintaining a schedule of procedure notes, and ensuring that these are made available to all relevant personnel.

All procedure notes will be assigned to a nominated individual who is responsible for reviewing and updating them on a regular basis.

Emergency and contingency planning arrangements

A business continuity plan is maintained by the FMT in the format prescribed by the Council in its Risk Management Strategy. This is backed up by detailed procedure notes. Both the plan and the procedure notes are reviewed and updated at least annually or more frequently if circumstances change.

The plan covers the treasury management functions listed below, which are carried out or reviewed on a daily basis, and are considered to be level 2 critical functions.

- The daily management of the Council's cash flow and bank balances
- The placing and recovery of investments
- Transfers to and from deposit accounts and money market funds
- Transfers between the Council's bank accounts
- CHAPS payments
- Stopped cheques

Other treasury management functions, not set out above, are not considered to be critical functions according to the agreed criteria, and are not included in this business continuity plan

Insurance cover details

Fidelity guarantee insurance cover is in place as required by law and officials' indemnity insurance is also held by the Council.

8) Market Risk Management

Market risk management is the risk that, through adverse market fluctuations in the value of principal sums that the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Council may obtain benefits in, such as increased returns or greater counterparty diversity, by investment in products that are subject to fluctuations in market value where these are entered into at a level of risk to the security of capital that is in line with

the Council's risk appetite. In order to achieve this any such investments must be undertaken and managed within clear defined parameters.

The Council holds investments in Money Market Funds. These funds do not have a capital guarantee and therefore there is a risk of a principal loss. However, since MMFs operate on the principle of placing capital preservation and high liquidity above yield, and also have a high diversified counterparty base of high credit quality, the risk of capital loss is very low.

The Council holds investments in the form of certificates of deposit (CDs). These are negotiable instruments which can be purchased in the primary market, and also bought or sold in a secondary market. Purchase from the primary market and holding to maturity preserves the capital value of the initial investment. However, trading in a secondary market may give rise to fluctuations in capital value.

The CFO may authorise the use of additional types of investment subject to fluctuations in market value, such gilts or treasury bills, subject to these being specified investments, or non-specified investments approved in the treasury strategy for use in the current financial year. For each investment type a risk assessment will be undertaken and procedures and limits for controlling exposure will be put in place.

TMP 2 PERFORMANCE MEASUREMENT

1) Evaluation of treasury management decisions

Performance reporting to management

Monthly treasury management meetings are held to review the previous month's treasury activity and to plan for the following month and beyond. The meeting is attended by:

- Head of Finance and Resources
- Assistant Head of Finance
- Finance Manager (Treasury)
- Assistant Accountant in the Capital & Treasury Team

The minutes and performance data arising from each meeting are reported to the Chief Financial Officer to provide regular management information on treasury management operations and performance.

The terms of reference for the meeting are as follows:

1. To record and review treasury management performance data

2. To discuss and agree or recommend actions pertaining to:

    a) Investment issues
    b) Debt issues
    c) Prudential Indicators
    d) Debt financing budget
    e) Treasury management strategic issues
    f) Treasury management processes and procedures
    g) Bank contract
    h) Business continuity and contingency arrangements

3. To report upwards to the Head of Finance and Resources and the Chief Financial Officer, by means of:

    a) Performance data
    b) Documented decisions and action points

Corporate performance targets are set annually as part of the Finance Service Plan, and these are reported monthly to management through the Corporate Performance Reporting process, using the Councils Performance Plus reporting tool. These are reviewed and set annually, but will include, as a minimum, targets for the average rate

of interest achieved on temporary investments, and parameters for the level of daily bank balances.

In addition to the minuted monthly meetings, regular Section 151 treasury management update meetings are held during the year with the Council's Chief Finance Officer to discuss key strategic treasury issues. These are attended by the Head of Finance and Resources, the Assistant Head of Finance and the Finance Manager (Treasury).

Performance reporting to Cabinet and Council

Treasury management performance will be reported to Cabinet and Council at least twice each year, as follows:

The annual Treasury Management Mid Year report will be submitted to Council by 31 January before the financial year-end. The report will cover:

- Treasury activities undertaken
- Variations (if any) from agreed policies and practices
- Treasury performance to 30 September
- Monitoring information
- Monitoring of treasury management indicators and prudential indicators

The annual Treasury Management Outturn report will be submitted to Council by 30 September following the year-end. The report will cover:

- Transactions executed and their revenue (current effects)
- The risk implications of decisions taken and transactions executed
- Compliance with agreed policies and practices and with statutory and regulatory requirements
- Treasury performance
- Compliance with the latest CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes
- Monitoring of treasury management indicators and prudential indicators

Council will also receive an annual prudential indicator setting report in line with the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities (Fully revised second edition 2009)

In addition to the above Cabinet will receive regular debt financing budget monitoring information, which is prepared and presented to Cabinet as part of the Council's overall revenue budget monitoring cycle.

2) Testing value for money

Banking services are re-tendered at least once every five years to ensure that the level of service reflects changing practices and represents value for money. During the life of

the contract the Council's bankers will be required to be pro-active in drawing attention to new or innovative banking products that will assist with workflow, or which will generate savings for the Council in its banking related costs.

It is the Council's policy to appoint professional treasury management consultants specialising in local authority business, and this contract will be re-tendered at least once every five years.

The Council sometimes uses money broking services in order to make deposits or to borrow. A minimum of two money brokers are used in order to compare the rates offered. The standard of service provided is monitored on an ongoing basis.

3) Benchmarking

The Council completes and submits the annual CIPFA Capital Expenditure and Treasury Management Statistics to enable comparisons of treasury management service costs with other local authorities.

In addition the Council has a contract with Sector Treasury Services for Investment benchmarking services. Benchmarking reports are provided to the Council on a quarterly basis, and the Council has the opportunity to attend half yearly forum meetings with neighbouring authorities. This contract is kept under review to ensure that it continues to be useful to the Council.

TMP 3 DECISION-MAKING AND ANALYSIS

Funding, borrowing, lending and new instruments/techniques

Records to be kept

For each **counterparty** with which the council has treasury dealings, the following data will be maintained:

- Name and address and local contact if appropriate
- Bank details, name, address, sort code and account number
- Counterparty type and sector (for CIPFA and CLG returns)
- Borrowing and lending limits
- Maximum investment periods

For each **broker** with which the Council has dealings with the following data will be maintained:

- Name and address
- Local contact name
- Telephone and fax numbers
- Commission rates for borrowing

For each **transaction** the following data will be maintained:

- NBC reference
- Counterparty details
- Principal amount
- Transaction type
- Value date
- Repayment date, if fixed
- Initial interest rate
- Broker, if applicable
- Interest amount, if fixed

If the transaction is a variable rate instrument, details of interest rate revisions and the final repayment date will be maintained.

For each **long-term loan** raised the data will be maintained:

- NBC reference
- Counterparty details
- Principal amount

- Start and maturity dates
- Repayment method and period
- Interest rate and amount
- Interest payment dates
- Method of interest payment
- Supporting data in respect of the purpose of the borrowing and the extent to which it is for General Fund or HRA purposes

Processes to be pursued

All dealing activities will be carried out in line with the Council's documented procedures and having regard to the conditions and criteria set out in the Schedules to the TMPs and the Treasury Management Strategy.

The AA is responsible for maintaining a schedule of procedure notes, and ensuring that these are made available to all relevant personnel.

All procedure notes are assigned to a nominated individual who is responsible for reviewing and updating them on a regular basis.

Issues to be addressed

The Council's Financial Regulations delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and 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 Council's Section 151 Officer is the Director of Resources, who is also the Council's Chief Finance Officer (CFO).

Operational treasury management decisions have been further delegated to other staff as set out in the Schedule to TMP 5 (Section 4 Duties and Responsibilities).

In respect of every decision made the CFO and the Council's treasury management staff will:

- Above all be clear about the nature and extent of the risk to which the council may become exposed.
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping.
- Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded.
- Be content that the terms of any transaction have been fully checked against the market, and have been found to be competitive.

In respect of borrowing and other funding decisions the CFO and the Council's treasury management staff will:

- Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets
- Evaluate the economic and market factors that might influence the manner and timing of any decision to fund.
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

In respect of investment decisions the CFO and the Council's treasury management staff will:

- Consider the optimum period for investment, in the light of cash flow availability and prevailing market conditions.
- Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.

Further details on how decision making processes are managed at an operational level, and in the context of the prevention and management of fraud, error and corruption and contingency management, are contained in the Schedule to TMP 1 (Section 7 Fraud, error and corruption, and contingency management).

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

1) Approved activities of the treasury management operation

Approved activities of the Council's treasury management function include:

- Cash flow management
- Money market and other approved investments
- Use of external deposit and call accounts and money market funds
- Treasury related banking activities
- Borrowing
- Debt repayment and rescheduling
- Risk management of treasury management activities
- Developing treasury policy and Treasury Management Strategy
- Reporting on treasury management activities

2) Approved instruments for investments

Under the Local Government Act 2003 the Council is required to have regard to the CLG revised Guidance on Local Government Investments (2010) and CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009) and Guidance Notes for Local Authorities (Fully revised third edition 2009).

In accordance with the CLG revised Guidance on Local Authority Investments issued under Section 15 (1) (a) of the Local Government Act 2003 the instruments approved for investment by local authorities are sub-divided into specified and non-specified investments.

- Specified investments – broadly, sterling investments, not exceeding 364 days and with a body or investment scheme of high credit quality.
- Non-specified investments – do not satisfy the conditions for specified investments.

Specified investments

An investment is a specified investment if it satisfies the conditions set out below:

- The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
- The investment is not a long-term investment. A long term investment is defined as any investment other than (a) one which is due to be repaid within 12 months of the date on which the investment was made, or (b) one which the local authority may require to be repaid within that period.

- The making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 3146 as amended)
- The investment is made with a body or in an investment scheme of high credit quality; or with one of the following public sector bodies:
  (i) The United Kingdom Government
  (ii) A local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland
  (iii) A parish council or community council.

High credit quality is as defined in the Council's Treasury Management Strategy at Appendix F (Section 16)

The following types of instruments may fall into the category of specified investments where they have a maturity of less than one year (i.e. 364 days or less) and the counterparty meets the Council's definition of high credit quality

- Gilts
- Treasury Bills
- Term deposits with local authorities and banks and building societies with a high credit quality
- Certificates of deposit with banks and building societies with a high credit quality
- 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
- Triple A rated Money Market Funds (MMFs)
- Debt Management Office Deposit Facility
- Reverse Gilt Repos
- Forward deals with banks and building societies with a high credit quality (negotiated deal period plus period of deposit must be less than 364 days)
- Commercial paper
- Gilt funds and other bond funds

However caution must be exercised. Any investment product that takes on greater risk should be subject to greater scrutiny and justification, and will fall into the category of non-specified investments. The greater risk may be by virtue of unfamiliarity on the part of the Council's treasury management staff.

Non-specified investments

Non-specified investments include those listed above with a maturity of one year or longer, together with investments made with a body or scheme that does not have a high credit quality as defined in the Council's Treasury Management Strategy.

In addition, any investment product that takes on greater risk should be subject to greater scrutiny and justification, and will fall into the category of non-specified investments.

3) Investments methods and techniques

The Council may enter into any type of investment instrument categorised as a specified investment, as listed above.

The majority of the Council's investments fall into the category of specified investments, as they relate to short term cash flow surpluses that can be invested until required to meet expenditure commitments.

The Council will set a limit each year for the level and type of non-specified investments that may be placed at any one time. This limit will be set in the Annual Investment Strategy.

Investments, with the exception of those to other local authorities and the UK Government, will be placed only with those banks, building societies and authorised deposit takers under the Financial Services and Markets Act 2000 and allocated a satisfactory rating by the Council's external treasury advisors.

Only counterparties in the Council's current lending list, using the criteria determined by the Chief Financial Officer and set out at the Schedule to TMP 1 and in the Annual Treasury Management Strategy will be used.

All dealing activities will be carried out in line with the documented procedures and having regard to the conditions and criteria set out in the Schedules to the TMPs and the Treasury Management Strategy.

The Council may make 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).

4) Approved instruments for borrowing

The statutory basis of the local authority's power to borrow is derived from the Local Government Act 2003. Essentially a local authority may borrow (or invest) for any purpose relevant to its functions, under any enactment or "for the purpose of the prudent management of its financial affairs".

Local authorities may only borrow in sterling, except with the consent of the treasury.

The main source of local authority borrowing is through Public Works Loans Board (PWLB) loans. Money market loans may be also used, including LOBOs (Lenders Option, Borrowers Option).

Local authorities may also raise funds through bonds or private placements, although this would normally only take place where significant levels of borrowing are required, in excess of £25m. Nationally there is some interest in setting up a local authority collective agency for the raising of funds through bonds, which could open up the bond market for local authorities in respect of smaller amounts.

Local authorities are also permitted to borrow from each other.

Local authorities are required by the 2003 Act to determine and keep under review limits as to how much money they can afford to borrow. The Council's Authorised Borrowing Limit as set in the Treasury Management Strategy and its Treasury Indicators must not be exceeded.

Regard must be had to the contents of TMP 9 (money laundering).

5) Borrowing methods and techniques

Long-term borrowing

All long-term borrowing requires the express approval of the Chief Finance Officer, who will also sign any associated internal or external approval or authorisation documentation. The Chief Finance Officer has the delegated authority to take the most appropriate form of borrowing from approved sources.

Long-term borrowing will usually take the form of loans from the Public Works Loans Board (PWLB) or from the market, including LOBO loans. Other forms of borrowing such as bonds or private placements may be considered if appropriate.

PWLB loans are arranged directly with the PWLB, using their standard application procedures. Money market loans are arranged via a money broker.

Advice from the Council's external treasury advisers will be sought and documented before entering into any long-term loan arrangements.

Short-term borrowing

The Council may take short-term deposits from other local authorities, arranged via a money broker, to facilitate the management of cash flow, and, under long established arrangements, from two local organisations.

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

All borrowing activities will be carried out in line with the documented procedures and having regard to the conditions and criteria set out in the Schedules to the TMPs and the Treasury Management Strategy.

6) Derivatives

Recent legislative changes suggest that local authorities may now be able to use hedging tools such as derivatives to manage exposures to interest rates or exchange rates, although they should seek legal advice as to the legality of entering into such transactions. If the authority wishes to use such instruments, it should be clear about its policies in its annual strategy. It should only use such instruments for the prudent management of its financial affairs and should fully understand the instruments and the risks it is managing.

The Council will not use hedging tools such as derivatives to manage exposures to interest rates or exchange rates.

TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

1) Limits to responsibilities/discretion at executive levels

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 Treasury Management Practices (TMPs) and TMP Schedules
- Approval of the annual Treasury Management Strategy
- Setting and monitoring of the prudential and treasury indicators.
- Approval of reports on treasury management policies, practices and activities.
- Approval of the debt financing budget as part of the annual budget setting process

Cabinet

The Cabinet is responsible for the following:

- Consideration of the all of the above and recommendation to Council
- Receiving monitoring information on the debt financing budget as part of the in year budget monitoring process.
- Receiving and reviewing external audit reports and acting on recommendations
- Approving the selection of external service providers and agreeing terms of appointment if the total contract value exceeds the OJEU threshold

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.

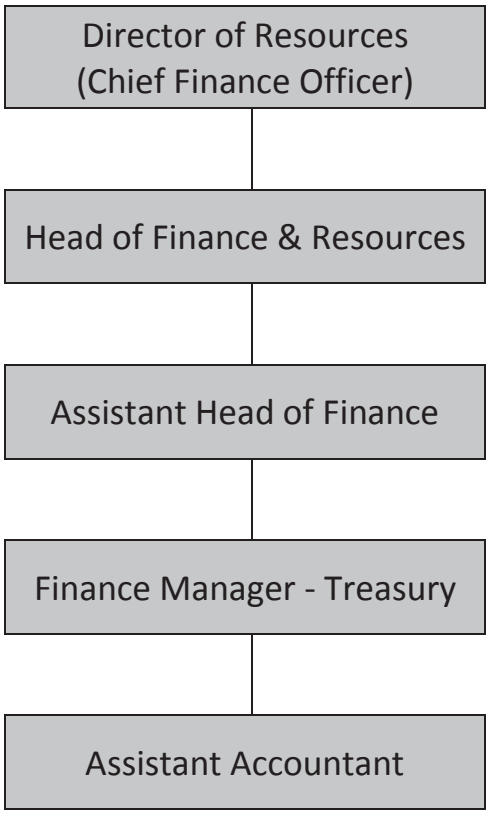
2) Segregation of duties

Segregation of duties is achieved by the allocation of treasury duties to specific posts within the finance structure, and by the authority levels set up on electronic systems. Most importantly this includes the Council's online banking system, HSBCnet, which is used to make electronic CHAPS payments and transfers between the Council's bank accounts. The on-line portal (Sungard)l used for Money Market Fund transactions is also set up with segregation of transaction input and authorisation.

See the Schedule to TMP 1 for a full description of the levels of delegated responsibility and separation of duties designed to restrict opportunities for fraud, error and corruption.

3) Organisation chart

The current structure of the Council's treasury division is set out below.



4) Duties and responsibilities

Officers involved in treasury management are explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council.

Head of the Paid Service

The Head of Paid Service is the Chief Executive, responsible for the corporate and overall strategic management of the Council as a whole. He has responsibility for establishing a framework for management direction, style and standards, and for monitoring the overall performance of the organisation.

The Chief Executive heads up the Management Board, of which the CFO is a member. Management Board meets on a weekly basis. Treasury reports feed into the corporate domain via the Management Board.

Monitoring Officer

The Council's Monitoring Officer is the Borough Solicitor. The Monitoring Officer is responsible for promoting and maintaining high standards of conduct by both members and officers and therefore provides support to the Standards Committee. He is also responsible for the reporting of any actual or potential breaches of the law or maladministration to the full Council and/or Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

The Monitoring Officer, in conjunction with the Chief Executive and Section 151 Officer, has responsibility for advising Cabinet or the full Council on whether a decision is likely to be contrary to or not wholly in accordance with the Council's budget and policy framework.

The responsibilities of this post will include-

- Ensuring compliance by the Chief Finance Officer with the treasury management policy statement and treasury management practices and that they comply with the law
- Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice
- Giving advice to the Chief Finance Officer when advice is sought.

Chief Finance Officer

The Director of Resources is the Council's Chief Financial Officer and the officer designated for the purposes of section 151 of the Local Government Act 1972 as the Responsible Officer for treasury management at Northampton Borough Council.

This post, as defined in Article 14 of the Constitution, has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Local Government Act 1972 (Section 151)
- Local Government Finance Act 1988
- Local Government and Housing Act 1989
- Local Government Act 2003
- Accounts and Audit Regulations 2003 (as amended)

These statutory duties are set out in more detail in the Council's Financial Regulations.

The Council's Financial Regulations delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and 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 detailed responsibilities are:

- Ensuring that the schedules to the Treasury Management Practices (TMPs) are fully reviewed and updated annually and to monitor compliance to the Treasury Management in the Public Services: Code of Practice and Guidance Notes.
- Ensuring that the annual Treasury Management Strategy Report, the Mid Year Treasury Management report and the annual Treasury Outturn Report are submitted to Council via Cabinet (See Schedule to TMP 6),
- 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 or approving the appointment of external service providers (e.g. treasury advisors) in line with the approval limits set out in the Council's procurement rules.

The CFO 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. These powers have been delegated to officers as set out below.

The CFO and the Council's Monitoring Officer will ensure that the policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible in accordance with their statutory duties.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Chief Finance Officer to be satisfied, by reference to the Monitoring Officer, 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.

Head of Finance and Resources/Assistant Head of Finance

These posts have line management responsibility through the structure of the department. As such they may carry out delegated tasks as instructed by the CFO. This may include delegated Section 151 responsibilities in her absence. They also have managerial responsibility for the tasks carried out by the operational manager and the other operational treasury management staff.

The post holders attend the Council's monthly treasury management meetings and the regular Section 151 treasury management update meetings. (See Schedule to TMP 2)

Operational Manager

The Finance Manager (Treasury) (FMT) will operate as the Operational Manager and shall be responsible for:

- Implementing and ensuring compliance with the policies and procedures as set out in the TMPs and schedules, and the Council's Treasury Management Strategy.
- Reviewing treasury management policies and practices and submitting proposals for changes, as appropriate, to the CFO.
- Drafting, for the consideration of the CFO, all treasury management and prudential indicator reports to Cabinet and Council.
- Preparing an annual debt-financing budget for consideration, taking all relevant factors into account, and ensuring that the debt-financing budget is monitored as part of the Council's budget monitoring process, reporting all significant deviances to the CFO.
- Providing such reporting information, as determined by CFO, to enable her to fulfil her obligations as the Responsible Officer.
- Managing, on behalf of the CFO, the overall treasury management function ensuring that there is, at all times, an appropriate division of duties within the treasury team.
- Supervising treasury management staff.
- Ensuring that the treasury management team, and other staff undertaking treasury functions, receive such training as is required for them to undertake their respective functions.
- Holding monthly treasury management meetings including a review of performance data.
- Holding regular treasury management strategy meetings with the CFO
- Ensuring that sufficient information is available at all times to satisfy internal and external audit requirements, and liaison with internal and external auditors.
- Maintaining relationships with counterparties and external service providers.
- The arrangement of transactions.
- Authorising of journals relating to treasury management activities

Assistant Accountant (AA)

The Assistant Accountant (AA) will operate as the Council's Treasury Manager and be responsible for:

- The arrangement of transactions
- The execution of transactions.
- Adherence to agreed policies and practices on a day to day basis.
- Maintaining relationships with counterparties and external service providers.

- Ensuring that all loans received and investments repaid have been received into the Council's bank account.
- Entering and arranging approvals for all CHAPS payments via HSBCnet.
- Raising the payment documentation for all loan repayments, interest instalments and investments and ensuring that all loans are repaid on the due date and that interest payments are made on the appropriate date.
- Monitoring performance on a day to day basis
- Submitting management information reports to the Operational Manager and others.
- Keeping the Operational Manager informed of all matters relating to his or her responsibilities.
- Identifying opportunities for improved practices.
- Preparation of the necessary documentation (letters, loan receipts etc) and subsequent despatch to the borrower/lender as appropriate.
- Checking that confirmation documentation provided by brokers, lenders and borrowers corresponds to the initial documentation prepared as above.
- Entering the necessary information, from the documentation, on to the relevant electronic and hard copy records, ensuring that at all times, the databases are accurate and up-to-date.
- Preparing and inputting journals relating to treasury management activities
- Preparing weekly and monthly reconciliations and performance data.

Internal Audit

The treasury management function will be the subject of an internal audit review on a regular basis as determined in the audit plan and full and free access to all records will be given.

The review will cover the design and operating effectiveness of key controls in place relating to treasury management. This will include:

- Obtaining an understanding of treasury management through discussions with key personnel and review of systems documentation
- Identifying the key risks relating to treasury management
- Evaluating the design of the controls in place to address the key risks
- Testing the operating effectiveness of the key controls.

5) Cover arrangements and business continuity

A dealer and two authorisers must be available on every working day to undertake cashflow and treasury management activities. In order to meet this need a sufficient

number of nominated officers at an appropriate level are trained and set up to provide cover arrangements.

A schedule is maintained of all individuals with responsibilities for dealing and authorisation. The schedule is reviewed and updated or confirmed each month at the monthly treasury management meeting to ensure that adequate cover arrangements remain in place for essential activities.

A business continuity plan is maintained by the FMT in the format prescribed by the Council in its Risk Management Strategy. This is backed up by detailed procedure notes. Both the plan and the procedure notes are reviewed and updated at least annually or more frequently if circumstances change.

6) Dealing limits

The Chief Finance Officer is responsible for formulating suitable criteria for assessing and monitoring the credit risk of investment counterparties and constructing a lending list comprising time, type, sector and specific counterparty limits. This is carried out with reference to the creditworthiness advice given by the Council's external treasury advisors. The criteria and limits are set out at TMP 1 (Section 1 Credit and counterparty risk management), TMP 4 (Section 2 Approved Instruments for Investment) and in the Treasury Management Strategy (Section 18 Counterparties).

7) Approved brokers

The Council currently uses the following money brokers:

- ICAP Europe Ltd
- Tullett Prebon (Europe) Ltd
- Tradition (UK) Ltd

It is considered good practice to use a minimum of two brokers. Greater use of deposit and call accounts, Money Market Funds and direct dealing have significantly reduced the number of money market investments undertaken through brokers. The standard of service provided is monitored on an ongoing basis.

There is no direct charge to the Council for using money brokers; their fees are met through commission received from the counterparty to the investment.

8) Policy on the taping of conversations

The Council does not record external telephone calls related to the dealing process.

However firms regulated by the Financial Services Authority (FSA), which include the money brokers used by the Council, are required to keep an accurate, up-to-date record of all trades and transactions. In practice they achieve this through their own recording of telephone conversations between traders and customers.

9) Direct dealing practices

Direct dealing arrangements are used as an additional tool to achieve further spreading of counterparty risk, to aid flexibility and to improve on interest rates offered.

Direct dealing arrangements are only set up with authorised counterparties. Prior to new arrangements being set up the counterparty is supplied with a list of officers authorised to deal on behalf of the Council and a copy of the Council's standard bank settlement instructions.

10) Settlement transmission procedures

Settlement transmission procedures are set out in the treasury management procedure notes.

11) Documentation requirements

Documentation requirements are set out in the Schedule to TMP 3, above, and the treasury management procedure notes.

12) Management of third party funds

Section 106 Developer Funds

The Council holds funds from developers (Section 106 funds) that are used to fund the Council's capital and revenue expenditure as per the terms of the individual legal agreements. In some instances the legal agreements provide for the funds to be returned to the developer if not used by the Council for the intended purpose after a given period of time. In cases where funds have to be returned, which are exceptional, interest is applied at the rate set out in the legal agreement. The Council declares the maximum liability for interest payable at year-end as a contingent liability in its annual Statement of Accounts.

Temporary borrowing arrangements

Under long established arrangements the Council takes short-term deposits, treated as temporary borrowing, from two local organisations.

Formal agreements are in place for the management of these funds. Interest review dates are quarterly, and the interest rates are set at the Council's average rate for approved investments for the previous quarter, less 0.5% to cover administrative costs.

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

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

1) Council and Cabinet Reports

A key recommendation of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009) is that the Council's Treasury Management Policy Statement should specify formal reporting arrangements by the responsible officer to full Council, to include at minimum annual reports both before, mid-year and after the year end. These should include the Council's treasury management indicators.

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

Council will receive, via Cabinet, the following reports:

Annual Treasury Management Strategy Report

The Annual Treasury Management Strategy report will be submitted to Council before the start of the financial year, consisting of a review of the Council's approved clauses, Treasury Management Policy Statement and Practices and a strategy report on the proposed treasury management activities for the year.

The latter will incorporate:

(i) The Capital Financing and Borrowing Strategy for the coming year including:

- The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
- The Affordable Borrowing Limit as required by the Local Government Act 2003.

(ii) The Investments Strategy for the coming year as required by the CLG revised Guidance on Local Government Investments issued in 2010.

The Treasury Management Strategy will include the following elements:

<u>Capital Financing and Borrowing Strategy</u>

- Capital Financing
- Existing Borrowing
- New Borrowing
- Minimum Revenue Provision
- Borrowing Requirement

- Debt Rescheduling
- Long Term Interest Rates for Borrowing
- Sensitivity of Forecasts
- Borrowing Strategy
- Prudential Indicators
- Treasury Indicators
- Affordable Borrowing Limit
- Temporary Borrowing
- Overdraft Facilities

Investment Strategy

- Current Investment Portfolio
- Specified/ Non specified Investments
- Investment strategy;
- Counterparties
- Liquidity of Investments
- Bank Base Rate
- Short Term Interest Rates for Investments
- Sensitivity of Forecasts
- Prudential Indicators
- Treasury Indicators
- Treasury Management Advisers
- Investment Training

The annual report will also include:

- The proposed debt financing and debt management budget for the coming three years
- Demonstration of adherence to the Council's policy on reserves and balances
- Compliance with the requirement under the Local Government Finance Act 1992 to produce a balanced budget

Treasury Management Mid Year Report

The annual Treasury Mid Year report will be submitted to Council by 31 January before the financial year-end. The report will cover:

- Treasury activities undertaken
- Variations (if any) from agreed policies and practices

- Treasury performance to 30 September
- Monitoring information
- Monitoring of treasury management and prudential indicators

Treasury Management Outturn Report

The annual Treasury Management Outturn report will be submitted to Council by 30 September following the financial year-end. The report will cover:

- Transactions executed and their revenue (current effects)
- The risk implications of decisions taken and transactions executed
- Compliance with agreed policies and practices and with statutory and regulatory requirements
- Treasury performance
- Compliance with the latest CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes
- Monitoring of treasury management indicators and prudential indicators

Other reports to Cabinet and Council

In addition to the above Cabinet will receive:

An annual prudential indicator setting report in line with the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities (Fully revised second edition 2009)

Regular debt financing budget monitoring information, which is prepared and presented to Cabinet as part of the Council's overall revenue budget monitoring cycle

Reports to Audit Committee

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

2) Reports to the Chief Finance Officer

The following performance reports will be submitted to CFO on a monthly basis along with the action points/minutes from the monthly treasury management meetings.

- Details of all outstanding loans, including name of lender, amount, period and interest rates.
- Details of all outstanding investments including name of borrower, amount, period and interest rates.
- Variations on actual daily bank balances against targets.

- Average monthly rates achieved on temporary investments, with base rate and average 7–day LIBID and LIBOR rates as comparators.
- Details of any variations (if any) from agreed policies/practices.

Notifications of changes to counterparty credit ratings are advised to the CFO on a weekly basis with, if applicable, a note of the value of any investments that the Council holds with the counterparty.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

1) Budgeting arrangements

Working within the overall context of the Council's Medium Term Financial Strategy, the FMT will prepare a three-year medium term financial plan, which will incorporate, for the following three years:

- The debt financing and debt management budget for the forthcoming year and provisional estimates
- The prudential indicators
- The treasury indicators

These will be submitted to Council for approval at their annual budget setting meeting preceding the start of the financial year in, respectively, the Annual Revenue Budget report, the Prudential Indicators report and the Treasury Management Strategy report.

The debt-financing budget will comprise:

- Interest and investment income
- Debt and other financing costs (including MRP)
- Recharges to and from the HRA
- Other recharges

The debt management budget will comprise:

- Staffing numbers and related costs (in the form of recharges)
- Premises and other administrative costs (in the form of recharges)
- Bank and overdraft charges
- Brokerages, commissions and other transaction related costs
- External advisers' and consultants' charges

b) Accounting practices and standards

All current accounting standards, regulations, practices and guidance pertaining to budgeting and accounting will be followed. This will include the CIPFA Code of Practice on Local Authority Accounting and the Service Reporting Code of Practice for Local Authorities (SeRCOP) as well as the treasury management specific documents referred to at the Schedule to TMP 1.

c) Information requirements of external auditors

Year-end figures and working papers on the Council's financial instruments, including debt and investment portfolios, will be provided as required for the Council's annual Statement of Accounts in line with the requirements of the latest CIPFA guidance, currently the CIPFA Code of Practice on Local Authority Accounting

The working papers provided will be of sufficient quality to include all relevant supporting information reasonably required by the external auditors, set out in a clear and logical manner and providing a clear audit trail.

Any other information or supporting documents reasonably requested by the Council's external auditors will be provided in a timely manner.

TMP 8 CASH AND CASH FLOW MANAGEMENT

1) Cashflow forecasts

The Finance Manager (Treasury) will prepare high level cash flow projections annually, for the following three years, to prepare the debt financing budgets, as part of the Council's budget setting cycle.

The Assistant Accountant responsible for the day-to-day treasury function will prepare cash flow projections at detailed level for the current year, and, by 28 Feb each year, for the forthcoming year, updated on a daily basis.

The types of information to be included in the cashflow forecasts include the following:

- Details of all BACS runs
- Details of large cheques drawn
- Details of forthcoming Right-to-Buy, Shared Ownership and other property sales
- RSG and NDR receipts and/or payments (from annual schedule)
- Housing Benefits subsidy payments or receipts
- Details of local precepts and levies
- Details of loan interest and principal payable.
- Details of returns of previous investments

Comparisons of forecasts to actual figures will be undertaken in order to improve the accuracy of projections.

2) Overdraft arrangements

The Council has a £200k overdraft facility with its bankers, HSBC Bank, for which an annual fee of £2,000 applies. The overdraft rate applicable to use of the agreed facility is 3% above base rate.

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 on a daily basis against a performance target and reported monthly to senior managers through the corporate performance reporting framework.

3) Bank statement Procedures

Electronic bank statement extracts are downloaded daily from the online banking system (HSBCnet) in order to calculate the net cash position and take treasury management decisions on investments or short-term borrowing as necessary.

Electronic bank statements and transaction reports are downloaded and sent to IT for bank reconciliations using the automated Agresso process. The Council's bank reconciliations are undertaken by the Corporate Finance Team.

The Council keeps electronic and/or hard copies of all bank statements

4) Payment scheduling and agreed terms of trade with creditors

The Council's normal settlement terms are 30 days in accordance with local performance indicators (BVPI8). In the current economic climate, and to support local businesses, efforts are being made to make payment to NN1 to NN5 postcodes within 10 days.

Payments are made by BACS wherever possible and payment runs are made daily. BACS is also used for other payment runs, including salaries/wages and housing benefit payments.

Bank details are requested from all new suppliers in order to keep cheque payments to a minimum to reduce costs. New bank details are verified with the supplier prior to use to prevent fraud.

5) Procedures for banking of funds

All income which is received by the Council must be banked promptly. A wide variety of different payment methods are available to customers, as follows:

- Direct Debit
- The Automated Telephone Payment Line
- Internet Payment facility
- Paying over the telephone with the individual department
- Cheque Payments
- E-Return payments
- BACS
- Standing Order

Exchequer Services process cheque payments for Housing Rents, Leaseholders, Garage Rents, Council Tax, Overpaid Housing Benefit, Sundry Debtors Invoices and Business Rates.

There are twenty departments that process E-Returns, These enable departments to directly bank any cheque or cash payments which are made directly to the individual departments. Individual departments which receive income are issued with pay-in books that are specific to their individual area and submit separate banking returns for cash and cheque payments. E-returns is a simple and effective tool for processing payments onto the Council's cash/cheque collection system which feeds directly into Agresso, the Council's financial management system.

Northampton Borough Council closed its cash offices in March 2009. Customers wishing to make cash payments can still do so at the 80 Payzone and 20 Post Office

locations throughout Northampton. A new contract for third party payments has recently been awarded to Santander with a planned go live date of 1 February 2013.

TMP 9 MONEY LAUNDERING

1) Wider context

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering.

The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering, which apply to all persons in the UK in a personal and professional capacity. The Terrorism Act 2000 also contains provisions in respect of money laundering in the context of terrorist activity.

In December 2007 the government published the Money Laundering Regulations 2007, which replaced previous regulations of 2003. This defines money laundering as an act which falls within section 340(11) of the Proceeds of Crime Act 2002.

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the Proceeds of Crime Act 2002, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However as responsible public bodies they are expected to employ policies and procedures that reflect the essence of the UK's anti-terrorist financing and anti-money laundering regimes.

It is for individual organisations to evaluate the prospect of laundered monies being handled by them and to determine the appropriate safeguards to be put in place. It is the legal responsibility of every person engaged in treasury management to make themselves aware of their personal responsibilities. However CIPFA recommend that organisations bring them to their staff's attention and consider the appointment of a member of staff to whom they can report their suspicions.

2) Procedures for establishing the identity or authenticity of lenders

The Council does not accept loans from individuals. All long-term loans are obtained from the PWLB, or from authorised institutions under the Financial Services and Market Act 2000. A register of these institutions is maintained by the Financial Services Authority (FSA) and can be accessed through their website at www.fsa.gov.uk.

The Council may also take short-term deposits from other local authorities, to facilitate the management of cash flow, and, under long established arrangements, from two local organisations.

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

3) Other NBC arrangements

Any suspicions of money laundering must be reported immediately to the Head of Finance and Resources in his role as the Money Laundering Reporting Officer.

Training will be provided for treasury management staff on their responsibilities in respect of money laundering (See Schedule to TMP 10)

TMP 10 STAFF TRAINING AND QUALIFICATIONS

1) Training and qualifications

It is vital to the success of the treasury function that all members of the treasury management team, and all other individuals undertaking treasury roles, including those with responsibility for governance, are suitably qualified and receive sufficient training to enable them to carry out their functions efficiently, effectively and to a high standard. This has become increasingly evident in the context of the worldwide banking crisis and economic environment of recent years, which has highlighted the growing complexity of treasury management in general, and its application to the public sector in particular.

Training can be achieved in a number of ways. Professional qualifications and specific internal and external training courses are important. Work shadowing and on the job training are also valuable training tools and will be undertaken on an ongoing basis as required. Regular more formal in-house training will also be used. In addition general awareness training that comes from reading appropriate publications and electronic communications on a regular basis is essential to keep up to date with the external environment in order to contribute to the successful operation of the treasury management function.

The way in which the individual training needs of those involved in the treasury management function at the Council can be met are set out in the table below. Professional and AAT qualifications are in line with the requirements of the post. The level and nature of other training will be as appropriate to the role.

For the specific treasury responsibilities of each of those listed below, see the Schedule to TMP 5 (Section 4. Duties and responsibilities)

Meeting training needs for treasury management responsibilities

Job Title	CCAB Qualified	AAT Qualified	External Seminars/ Workshops	In-house training	Reading
Cabinet and Audit Committee Members	N/A	N/A	N/A	Yes	Yes
Chief Executive	N/A	N/A	N/A	Yes	Yes
Chief Finance Officer / S151 Officer	Yes	N/A	Yes	Yes	Yes
Head of Finance and Resources	N/A	N/A	Yes	Yes	Yes
Assistant Head of Finance	Yes	N/A	Yes	Yes	Yes
Finance Manager	Yes	N/A	Yes	Yes	Yes
Assistant Accountant	N/A	Yes	Yes	Yes	Yes
Cover for above	N/A	Yes	N/A	Yes	Yes

2) Training Records

Training records will be kept of the training needs of those individuals with roles in the treasury management function, setting out their specific requirements and when and how they have been or will be addressed.

Areas to be covered by training (dependant on role) will include:

- Regulatory framework
- Governance
- Risk management
- Best practice
- Investment
- Borrowing
- Cashflow
- Performance management
- Prudential Indicators
- Budgeting and budget monitoring
- Money laundering
- Local financial systems

3) Statement of Professional Practice (SOPP)

Where the Chief Financial Officer is a member of CIPFA, there is a professional requirement for the post holder to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

Similarly the Chief Financial Officer as a CCAB member and other staff as CCAB or AAT members are required to follow the professional standards and codes of conduct of their own professional bodies.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

The Council has relationships with external providers that help support its treasury management functions. In dealing with external providers the Council and its officers are mindful of potential conflicts of interest and of the requirements of the Bribery Act 2011. Details of existing contracts with service providers are set out in the paragraphs below.

1) Banking services

A full retendering exercise for banking services was undertaken during 2009-10 under the ESPO (Eastern Shires Purchasing Organisation) Framework. The new contract was awarded to HSBC Bank Plc and commenced 1 October 2010 with an initial contract period of 3 years and an option to extend for a further year.

The costs of the banking service are provided for in the council's annual revenue budget. Amounts due are invoiced on a monthly basis and paid by direct debit.

2) Money-broking services

The Council currently uses the following money brokers

- ICAP Europe Ltd
- Tullett Prebon (Europe) Ltd
- Tradition (UK) Ltd

It is considered good practice to use a minimum of two brokers. Greater use of deposit and call accounts, Money Market Funds and direct dealing have significantly reduced the number of money market investments undertaken through brokers. The standard of service provided is monitored on an ongoing basis.

There is no direct charge to the Council for using money brokers; their fees are met through commission received from the counterparty to the investment.

3) Treasury Management Advisers services

The current supplier of service is Sector Treasury Services Ltd. The contract commenced 1 April 2010 with an initial contract period of three years to 31 March 2013 and an option to extend for a further year to 31 March 2014.

The costs of the service are provided for in the Council's annual revenue budget. Payments under the contract are currently based on a fixed fee, payable half yearly in arrears. Additional services are available at rates specified in the contract.

Sector Treasury Services Ltd is also the provider of the Council's investment benchmarking services.

4) Other external service providers

The Council uses an on-line portal (Sungard Global Network) provided by Sungard Global Execution Services Ltd to arrange transactions on its Money Market Funds. There is no direct charge to the Council for using this service; fees are charged to the investment counterparty.

The Council has access to a custody and dealing service provided by King and Shaxon Ltd, which allows it to invest in a wider range of investment types, including Certificates of Deposit (CDs), Treasury Bills and Gilts. Charges to the Council for using this service are met through a marginal reduction to the investment rate on individual transactions.

TMP 12 CORPORATE GOVERNANCE

1) Arrangements for corporate governance

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the Council is responsible for putting into place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council produces an Annual Governance Statement in its annual Statement of Accounts, which explains the corporate governance arrangements that the Council has in place and how it ensures compliance with these arrangements.

The Council adopted and implemented the key recommendations of the CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes 2001 and the 2006 update. Subsequently, on 25 February 2010, the Council adopted the updated wording of the 2009 second fully revised edition of the Code of Practice. This, together with detailed arrangements contained in the Schedules to TMP 1 to 11, is considered vital to the achievement of proper corporate governance in treasury management, and the Chief Finance Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Documents subject to Cabinet or Council approval and available to the public on the Council's website include:

- Annual Treasury Management Strategy Report
- Mid year Treasury Management Report
- Treasury Outturn Report
- Prudential Indicators Setting Report
- Prudential Indicators Monitoring Reports
- Three Year Revenue Budget Setting Report
- Three Year Capital Programme Report
- Capital Strategy
- Annual Statement of Accounts.

2) Procedures for consultation with stakeholders and representatives of local persons

The Council recognises that it is important to actively involve the community in the decision making process in order to provide good quality services and deliver them well.

The Council, aware of its equality duties, will follow local and national guidance (such as the Consultation Toolkit, Best Value Statutory Guidance, etc.) and will also have regard to best practice in relation to consultation.

3) External funds managed on behalf of others

Section 106 Developer Funds

The Council holds funds from developers (Section 106 funds) that are used to fund the Council's capital and revenue expenditure as per the terms of the individual legal agreements. In some instances the legal agreements provide for the funds to be returned to the developer if not used by the Council for the intended purpose after a given period of time. In cases where funds have to be returned, which are exceptional, interest is applied at the rate set out in the legal agreement. The Council declares the maximum liability for interest payable at year-end as a contingent liability in its annual Statement of Accounts.

Temporary borrowing arrangements

Under long standing arrangements, the Council manages deposits from two local organisations. Formal agreements were set up with these organisations from 1st 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

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

Northampton Borough Council
Treasury Management Strategy 2013-14

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Introduction and Equalities Statement

Introduction

The Council is required to adopt the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (Fully revised second edition 2009) and it is a requirement under that Code of Practice to produce an annual strategy report on proposed treasury management activities for the year.

The Treasury Management Strategy Report incorporates:

(i) The Capital Financing and Borrowing Strategy for the coming year including:

- The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008.
- The Affordable Borrowing Limit as required by the Local Government Act 2003.

(ii) The Investments Strategy for the coming year as required by the CLG revised Guidance on Local Government Investments issued in 2010.

The purpose of the Treasury 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.

Key Principles

The key principles of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes are that:

- 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.

The Treasury Strategy that follows, and the Council's Schedules to the Treasury Management Practices at report Appendix E are drafted in the context of these principles, as well as the requirements of the four key clauses (report Appendix A), the treasury management policy statement (report Appendix C), and the Treasury Management Practices Main Principles (report Appendix D).

General Fund and HRA

The Council is required to have a clearly agreed policy for attributing income and expenditure and risks between the General Fund and the HRA.

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.

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

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

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.

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.

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.

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.

Equalities Statement

Equalities Impact Assessment (EIA) screening has been carried out on the Council's Treasury Strategy for 2013-14, and the associated Treasury Management Practices (TMPs) and the Schedules to the TMPs.

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.

Capital Financing and Borrowing Strategy

1. Capital Financing

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.

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.

Government supported borrowing, where the government provides revenue support to meet some of the costs of repayment of principal and interest, is no longer available for new borrowing, having largely been replaced by grant funding.

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.

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.

2. Existing Borrowing

Existing borrowing to fund capital expenditure stands at £216m. The total value of HRA long-term external loans is £193m, corresponding to the March 2012 settlement payment to the CLG. The total amount of GF long-term external loans is £23m.

The following tables illustrate the debt type and maturity profile of existing borrowing as at 30 November 2012.

Analysis of Outstanding Long Term Debt as at 30 November 2012				
Type of Loan	**Principal £000**	**Proportion of Debt %**	**Range of Interest From %**	**To %**
Public Works Loan Board	190,000	88%	1.24%	3.97%
Money Market LOBO Loans	24,600	11%	4.85%	7.03%
Homes and Communities Agency*	1,170	1%	9.25%	9.25%
Total	**215,770**	**100%**		

Analysis of Outstanding Long Term Debt between HRA and GF as at 30 November 2012		
	Principal £000	**Proportion of Debt %**
HRA	193,000	89%
General Fund	22,770	11%
Total	**215,770**	**100%**

Long Term Debt Maturity Profile as at 30 November 2012			
Time Frame: Within -	**Year**	**Principal £000**	**Proportion of Debt %**
Within 12 months	2013-14	24,600	11%
1 -2 years	2014-15	22	-
2-5 years	2015-16 to 2017-18	10,080	5%
5-10 years	2018-19 to 2022-23	15,191	7%
10 - 20 years	2023-24 to 2032-33	40,758	19%
20 - 30 years	2033-34 to 2042-43	119	-
30 - 40 years	2043-44 to 2052-53	-	-
Over 40 years	2053-54 onward	125,000	58%
Total		**215,770**	**100%**

The figures exclude the HCA annuity principal due within one year, as this is treated as short term borrowing in the accounts.

The Treasury Management Code of Practice Guidance Notes requires that maturity should be determined by the earliest date on which the lender can require payment, which in the case of LOBO loans is the next break period. The Council's three LOBO loans are therefore shown above as maturing within the next 12 months. 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.

3. New Borrowing

The Council has access to Public Works Loan Board (PWLB) loans for its long term borrowing needs. Loans, including LOBO loans, may also be 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.

Other forms of borrowing such as bonds or private placements, either acting alone or through a collective agency, may be considered if appropriate.

Decisions on the timing and type of borrowing are taken in consultation with the Council's external treasury management advisors.

In terms of the Council's normal business activity, 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.

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.

General Fund capital expenditure funded by borrowing has been given close consideration in order to reduce the impact on the revenue budget, and the Council's new borrowing needs can be managed within the constraints contained within the medium term financial strategy.

Existing GF debt totalling £17.6m will mature during the next three years; £15.6m in 2014-15 and £2m in 2016-17. Current budget assumptions are that on maturity these

loans will be replaced with new 10 year PWLB maturity loans. However consideration will be given to funding some or all of the amounts from cash balances. The decision will be made at the appropriate time with reference to the prevailing market conditions and the Council's cash balances. Advice will be taken from the Council's treasury management advisers.

For new capital expenditure projects financed by borrowing it is anticipated that the borrowing requirement for the next three years will be met from internal rather than external borrowing – i.e. from cashflow surpluses.

4. Minimum Revenue Provision (MRP)

The Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008, which came into force in February 2008, requires 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).

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.

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.

The authority is required, under the 2008 regulations, to prepare an annual statement of their policy on making MRP for submission to Council. The Council's policy statement on MRP for 2013-14 is set out in the following paragraphs.

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.

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".

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.

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.

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.

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.

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

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.

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.

Applying the policy as set out above, GF MRP for the next three years (including finance leases) is estimated at:

General Fund	**2013-14 £000**	**2014-15 £000**	**2015-16 £000**
Minimum Revenue Provision	1,011	1,095	1,134

The Housing Revenue Account is not subject to a mandatory MRP charge.

5. Borrowing Requirement

The Council's long-term new borrowing requirement for the next three years from 1 April 2013 is estimated at:

Long Term Borrowing Requirement Forecast	2013-14 £000	2014-15 £000	2015-16 £000
New borrowing to cover new capital expenditure	4,050	1,000	1,000
Replacement of loans maturing in year	0	15,600	2,000
Less			
Repayment of loans maturing in year	0	(15,600)	(2,000)
Debt repayment (MRP)	(1,011)	(1,095)	(1,134)
Total new borrowing/(provision for debt repayment)	**3,039**	**(95)**	**(134)**

6. Debt Rescheduling

As is the current practice, the debt portfolio will be kept under review throughout 2013-14 and beyond, with debt rescheduling opportunities being investigated for potential cash savings and / or discounted cash flow savings or to enhance the balance of the portfolio.

Changes to accounting regulations and to the structure of PWLB rates in recent years, together with the current interest rate market mean that rescheduling opportunities for the Council's PWLB loans are very much more limited than in the past, but decisions will be based on appropriate advice from the Council's external treasury management advisers. Current advice is that current interest rate profiles do not offer suitable opportunities for rescheduling. Any debt rescheduling will be reported to Cabinet at the meeting following its action

LOBO loans of £15.6m, 50% of the current debt portfolio, are due for repayment in 2014-15. The Council does not have the option to repay or reschedule these before the due date unless the lender opts to increase the interest rate. Repayment at maturity will be funded from internal borrowing, new loans, or a combination of both.

7. Long Term Interest Rates for Borrowing

Interest rates on offer for PWLB and Money Market loans fluctuate daily according to market conditions, and in accordance with movements on the gilt market.

From November 2012, PWLB have introduced a 'certainty rate' for local authorities that supply specified data about their borrowing plans to the CLG on an annual basis. This rate is set at 20 basis points below the PWLB standard new loan rate. Northampton Borough Council has access to loans at the new certainty rate.

The table below illustrates the forecast PWLB rates to March 2016. The forecasts are as provided by Sector Treasury Services Ltd at 20 November 2012.

Forecast Long Term Borrowing Rates - PWLB Maturity Loans		10 Years %	25 Years %	50 Years %
2013-14	June 2013	2.50	3.80	4.00
	Sept 2013	2.60	3.80	4.00
	Dec 2013	2.60	3.80	4.00
	March 2014	2.70	3.90	4.10
2014-15	June 2014	2.70	3.90	4.10
	Sept 2014	2.80	4.00	4.20
	Dec 2014	3.00	4.10	4.30
	March 2015	3.20	4.30	4.50
2015-16	June 2015	3.30	4.40	4.60
	Sept 2015	3.50	4.60	4.80
	Dec 2015	3.70	4.80	5.00
	March 2016	3.90	5.00	5.20

8. Sensitivity of Forecasts

In a normal interest rate environment the main sensitivities of the forecast and appropriate responses are likely to be the two scenarios below.

- If it were felt that there was a significant risk of a sharp rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity or further increases in inflation, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be used whilst interest rates were still relatively cheap.
- If it were felt that there was a significant risk of a sharp fall in long and short term rates, due to e.g. growth rates weakening, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.

The borrowing and investment market remains very subdued and uncertain at the present time.

No external borrowing is currently planned to support new capital expenditure in the next three years. Although borrowing rates are currently at extremely low levels, given the Council's capital financing requirement and low level of borrowing need and its high levels of cash balances, it is more prudent to use cashflow balances to fund internal borrowing in the current environment of low investment returns. This is on the advice of the Council's treasury advisers, taking into account the Council's debt position and capital financing requirements.

Around 11% of the Council's existing long-term debt is in the form of Money Market LOBO (Lenders Option, Borrowers Option) loans. Officers consider that the risk of

interest rate rises at break points on these loans is very low in the current interest rate environment.

Officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts.

9. Borrowing Strategy

Internal borrowing is the management of cash flows, using funds from maturing investments within the financial year, to finance capital programme expenditure. As long term borrowing rates are currently higher than rates on investment income and look likely to remain so in the short term, this is a viable strategy. The running down of investments also has benefits of reducing exposure to interest rate and credit risk.

External borrowing takes place when the Council borrows money from PWLB or the money markets. Once the affordability of external borrowing to finance capital programme funding requirements has been established and the balanced capital programme and revenue budgets approved, decisions about when to borrow are driven by the forecasts on interest rates. Advice is sought from the Council's treasury management advisors before entering into any long-term loan arrangements

All long-term external borrowing requires the express approval of the Chief Finance Officer, who should also sign any associated internal or external approval or authorisation documentation. The Chief Finance Officer has the delegated authority to take the most appropriate form of borrowing from approved sources.

There are benefits and risks to the use of internal and external borrowing. In the current interest rate environment these are as follows:

- Over the next three years, investment rates are expected to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt. This would maximise short-term savings.
- However, short term savings by avoiding new long term external borrowing must also be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when long term rates are forecast to be higher. Particular regard should be made to this factor in the current market, as interest rates on PWLB borrowing are at historic lows.

Over the three year planning horizon it is felt that the benefits of using internal funding from cash balances for new capital programme expenditure funded by borrowing outweigh the potential risks. This takes into account the Council's capital financing requirement, the level of new borrowing need, the levels of cash balances and the prevailing interest rates.

Replacement of existing borrowing has been budgeted on the assumption that external borrowing in the form of replacement PWLB maturity loans will be taken on maturity. However this will be re-evaluated taking into account all relevant factors at the appropriate time.

10. Prudential Indicators

The proposed prudential indicators that relate to the Capital Financing and Borrowing Strategy are set out below. These are included in a separate report to Cabinet - Prudential Indicators for Capital Finance 2013-14 to 2015-16. Full explanations for each of the indicators can be found in Appendix B of that report.

Gross debt and the capital financing requirement

This is the 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.

Forecast debt for 2013-14 does not exceed the adjusted Capital Financing Requirement, as set out below.

Gross debt and the capital financing requirement	
	2013-14 £000
Gross external debt	216,129
2012-13 Closing CFR (forecast)	218,465
Increases to CFR:	
2012-13	3,039
2013-14	-
2014-15	-
Adjusted CFR	221,504
Gross external debt greater than adjusted CFR	No

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

Authorised limit for total external debt

The proposed authorised limit for total external debt gross of investments for the forthcoming, and following two financial years is:

Authorised Limit for External Debt			
	2013-14 Limit £000	2014-15 Limit £000	2015-16 Limit £000
Borrowing	245,000	245,000	245,000
Other long-term liabilities	5,000	5,000	5,000
Total	**250,000**	**250,000**	**250,000**

Operational boundary for total external debt

The proposed operational boundary for total external debt for the forthcoming, and following two financial years is:

Operational Boundary for External Debt			
	2013-14 Boundary £000	2014-15 Boundary £000	2015-16 Boundary £000
Borrowing	235,000	235,000	235,000
Other long-term liabilities	5,000	5,000	5,000
Total	**240,000**	**240,000**	**240,000**

The borrowing element of the operational boundary has been set with reference to the maximum forecast Capital Financing Requirement (CFR) over the coming three years.

Other long-term liabilities, shown in both tables above, relate to finance leases and other credit arrangements (if applicable).

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

HRA Limit on Indebtedness

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 is compared to this limit.

The HRA limit on indebtedness is £208.401m.

11. Treasury Indicators

The proposed treasury indicators that relate to the Capital Financing and Borrowing Strategy are set out below. These indicators were treated as prudential Indicators prior to 2010-11, but the revised codes and guidance now require them to be included in the Treasury Strategy as treasury indicators.

Maturity structure of borrowing

This 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.

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

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.

The limits for the early periods (up to 10 years) have been set to allow for up to 20% of Council borrowing to be in the form of LOBO loans, which are treated as if maturing at the first break clause date.

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
2013-14	100%	100%
2014-15	100%	100%
2015-16	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
2013-14	150%	150%
2014-15	150%	150%
2015-16	150%	150%

The proposed treasury indicators for upper limits on interest rate exposures for investments are set out at Section 24 below.

12. Affordable Borrowing Limit

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 authorised limit at Section 9 above.

Affordable Borrowing Limit		
2013-14 Limit £000	2014-15 Limit £000	2015-16 Limit £000
250,000	**250,000**	**250,000**

Cabinet are asked to recommend to Council that they approve the Affordable Borrowing Limits for 2013-14 to 2015-16.

13. Temporary Borrowing

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.

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

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

14. Overdraft Facilities

The Council has a £200k overdraft facility with its bankers, HSBC Bank, for which an annual fee of £2,000 applies. The overdraft rate applicable to use of the agreed facility is 3% above base rate.

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 on a daily basis against a performance target and reported monthly to senior managers through the corporate performance reporting framework.

Investment Strategy

15. Current Investment Portfolio

The investment portfolio as at 30 November 2012, including deposit and call accounts and money market funds, was as follows:

Counterparties at 30 November 2012	£m	%
UK nationalised or part nationalised banking institutions	33.00	55.90%
Other UK counterparties	0.05	0.09%
Overseas counterparties having sovereign ratings of AAA	5.00	8.47%
AAA rated Money Market Funds	20.98	35.54%
Total	**59.03**	**100%**

16. Specified/Non specified Investments

Under the Local Government Act 2003 the Council is required to have regard to the CLG revised Guidance on Local Government Investments issued in 2010 and CIPFA's Treasury Management in the Public Services Code of Practice (Fully Revised Second Edition 2009) and updated Guidance Notes (Fully Revised Third Edition 2009).

The CLG Guidance on Local Government Investments 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.

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

17. Investment Strategy

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 Schedules to the Treasury Management Practices and the Treasury Management Strategy.

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

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

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 nationalised or part nationalised banking institutions, or are
- UK banks or building societies supported by the UK banking system support package or are
- UK national or local government bodies or are
- Triple A rated Money Market funds

Specified Investments

The majority of the Council's investments in 2013-14 will fall into the category of specified investments.

Further counterparty limits may be put in place to minimise risk to the authority (see Section 17 below)

Non-Specified Investments

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.

The officer recommendation for 2013-14 is that the following non specified investments may be entered into:

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 £16m.

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

   - Certificates of Deposit (trading in the secondary market)
   - Gilts
   - Treasury Bills

   Before proceeding with any of the above treasury management staff will undertake, for each investment type, a risk assessment and put in place procedures and limits for controlling exposure, to be approved by the CFO.

   The CFO and the treasury management staff will ensure that they:

   - Fully understand how the investment product works
   - Fully understand what degree of risk exposure the product has
   - Are comfortable that it is a suitable product that meets the risk appetite of the authority
   - Ensure that the product complies with the latest edition of the CIPFA Code of Practice on Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes
   - Ensure that they are fully satisfied with the level of security of the product
   - Apply value for money principles to optimise investment returns

All non-specified investments are subject to an evaluation of counterparty and other risk. Advice will be taken from the Council's external treasury advisors as appropriate

Capital Expenditure

The Council may make 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)

18. Counterparties

Policies for the management of counterparty and credit risk are set out at Section 1 of the Schedule to TMP 1, attached to the accompanying Cabinet report at Appendix E.

The Council's approach to counterparties for 2013-14 is set out below:

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.

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

The following table sets out the Council's counterparty policies for 2013-14.

Investments may be placed with counterparties recommended by the Council's external treasury advisors, and which meet the following criteria:		**Additional limits**
(1)	UK counterparties	NBC **additional limits** in force will be £15m and a maximum of 2 years (729 days)
	Or	
(2)	UK nationalised or part nationalised banking institutions	NBC **additional limits** in force will be £20m and a maximum of 2 years (729 days)
	Or	
(3)	Non UK counterparties having a sovereign rating of AAA	NBC **additional limits** in force will be £15m and a maximum of 2 years (729 days)

A schedule is attached at Appendix G of counterparties that meet the criteria above as at 30 November 2012. This schedule is at a particular point in time and is subject to change according to changes in credit ratings and other economic and market data. Maximum investment periods will also vary for individual counterparties for the same reasons. The inclusion or exclusion of counterparties from this schedule is entirely a reflection of the Council's investment criteria, which may differ from those of other organisations.

It should be noted that the inclusion of counterparties in a counterparty list does not necessarily mean that they will be in the market for investment deals at any one point in time.

For the purposes of setting limits, institutions within the same banking group (eg Lloyds Banking Group) will be treated as a single counterparty.

Investments may also be placed with other local authorities and with the UK Government. The limits will be £20m, for periods of up to 2 years.

Investments may also be placed with triple A rated Money Market Funds. The limit for each fund will be £15m.

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.

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

Any types of investments that fall within the category of specified investments as set out in the schedule to TMP 4, and any types of non-specified investments approved as part of this document (Section 16 above) may be made, within the bounds of the counterparty policies.

Deposits may be placed with the Council's own bankers, HSBC Bank. Balances will generally be relatively low, at between £50k and £600k on a given day, and are determined by cashflow requirements and with regard to the costs and benefits of CHAPS payments compared with investment returns achievable. Amounts of up to £15m may be placed for longer periods for operational purposes should the need arise.

The Chief Financial 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 at the Schedule to TMP 1, will be met.

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 (See Section 24 below). For 2013-14 this is £16m.

19. Liquidity of Investments

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.

Investment periods range from overnight to 364 days as specified investments or 2 years as a non-specified investment.

When deciding the length of each investment, regard is had to both cashflow needs and prevailing interest rates.

The range of duration for each new fixed term investment in 2012-13, as at 30 November 2012 was from 74 to 730 days. The average term was 219 days.

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.

As referred to in Section 17 and Section 24, maximum values have been set for the amounts that can be invested for periods exceeding 364 days and up to 2 years. Actual 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.

20. Bank Base Rates

The bank base rate has been held steady at its current all-time low of 0.50% since March 2009, whilst the Bank of England has pursued alternative strategies, including quantitative easing and the 'funding for lending' scheme.

The current interest rate view of Council's treasury management advisors (as at 20 November 2012) is that bank base rate will remain at 0.50% until the first quarter of 2015. The rate is then forecast to rise by 0.25% each quarter, reaching 1.75% by March 2016. However, if there were to be a major Eurozone disaster, then there are likely to be further revisions to when the bank base rate would be likely to start to increase.

The table below shows the Council's treasury advisors forecast bank base rates for 2013 to 2015 (as at 20 November 2012)

Bank Base Rates 2013 to 2015		%
2013-14	Forecast - June 2013	0.50
	Forecast - Sept 2013	0.50
	Forecast - Dec 2013	0.50
	Forecast - March 2014	0.50
2014-15	Forecast - June 2014	0.50
	Forecast - Sept 2014	0.50
	Forecast - Dec 2014	0.50
	Forecast - March 2015	0.75
2015-16	Forecast - June 2015	1.00
	Forecast - Sept 2015	1.25
	Forecast - Dec 2015	1.50
	Forecast - March 2016	1.75

21. Short Term Interest Rates for Investments

Short-term interest rates for investments tend to be linked to the bank base rate levels; in the current economic climate these are abnormally low, and forecast to remain so for some time.

The Council's treasury advisors have advised that the Council should budget for an investment return of 0.50% on investments placed for around three month's duration during 2013-14. Taking into account the fact that a proportion of the portfolio is invested for periods of up to 364 days at a higher rate of return the Council has set its budget based on a total average investment return of 1.00% in 2013-14. This compares with a rate of return of 0.70% budgeted in 2012-13. Actual return as at 30 November 2012 was 1.27%.

At an average forecast balance of £46m, the variance in income per 0.1% increase or decrease in interest rates equates to £46k. As some of the cash being invested relates to HRA balances, a proportion of the impact is passed on to the HRA; the remaining balance accrues to the General Fund budget.

The impact of the interest rate forecast has been included in the 2013-14 debt-financing budget, included in the Council Wide General Fund Revenue Budget 2013-14 to 2015-16 report to Cabinet.

22. Sensitivity of Forecasts

The amount that can be earned on interest on investments is very sensitive to changes in cash balances and in the prevailing market conditions. Interest rates are at historically very low rates, having undergone a further downward trend in Autumn 2012.

Officers, in conjunction with the Council's treasury advisors, will continually monitor both the prevailing interest rates and market forecasts, taking corrective action as required.

Any impact on the debt-financing budget of changes in forecast returns will be reported to Cabinet as part of the monthly revenue budget monitoring reporting.

23. Prudential Indicators

There are no prudential indicators that relate specifically to the Investment Strategy.

24. Treasury Indicators

The proposed treasury indicators that relate to the Investment Strategy are set out below.

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 liquidity, as in, for example, deposit accounts and money market funds.

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 will be 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 investments at 100% for both fixed and variable investments. This will allow officers to make judgements on the most appropriate form of investment 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 investments in the Council's investment portfolio.

Upper limits on interest rate exposures - investments		
	Fixed Interest Rate Exposures £000	Variable Interest Rate Exposures £000
2013-14	100%	100%
2014-15	100%	100%
2015-16	100%	100%

The proposed treasury indicators for upper limits on interest rate exposures for borrowing and net borrowing are set out at Section 11 above.

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 two financial years are as follows.

Upper limit on investments for periods longer than 364 days			
	2013-14 Upper Limit £m	2014-15 Upper Limit £m	2015-16 Upper Limit £m
General cash balances (HRA & GF)	6	7	7
HRA earmarked balances	10	10	10
Upper Limit	**16**	**17**	**17**

This upper limit has been calculated at a prudent level with regard to cashflow liquidity, based on a maximum of 15% of forecast average general (HRA & GF) cash balances in year, and an additional allowance for HRA earmarked reserves that may be generated for investment under the new HRA self financing regime.

25. Treasury Management Advisers

The Council uses treasury management advisers to support its treasury management activities.

The contract specification is set out in italics below:

To provide an effective and efficient treasury management advisory service to Northampton Borough Council

This to include:

Provision of General Information and Advice

- *Economic and interest rate forecasts*
- *Technical updates on investment and debt issues*
- *Interest rates and available options for investment and debt financing*
- *Investment counterparty creditworthiness based on clear parameters and latest available data*
- *Notification of changes to treasury legislation, regulation, best practices and procedures, and advice on the impacts of such changes*
- *Advice on treasury reporting formats and techniques, including standard templates*

By means of emails, phone calls, website access, and meetings as appropriate.

To meet agreed scheduled (daily, weekly, monthly and other) and ad hoc requirements

Provision of Tailor-made Information and Advice

- *Debt management and investment advice tailored to the Council's financial position and requirements*
- *Financial appraisal and balance sheet analysis*
- *Analysis of the Council's debt and investment strategy, with advice on any changes that could be beneficial*
- *Technical advice for specific issues when required*
- *Templates for treasury documents*

By means of emails, phone calls, website access, and meetings as appropriate.

To meet agreed scheduled (weekly, monthly and other) and ad hoc requirements

Training, Workshops and Seminars

- *Provision of regular scheduled training and/or seminars for the council's treasury staff*
- *Provision of ad hoc training to Council Members, treasury staff and others*

The current supplier of service is Sector Treasury Services Ltd. The contract commenced 1 April 2010 with an initial contract period of three years to 31 March 2013 and an option to extend for a further year to 31 March 2014

The costs of the service are provided for in the Council's annual revenue budget. Payments under the contract are currently based on a fixed fee, payable half yearly in arrears. Additional services are available at rates specified in the contract.

Contract monitoring is an ongoing process, having regard to the timeliness and quality of information and advice received. The contract monitoring process is supported by review meetings at six month intervals with the suppliers of service.

26. Investment Training

The Council's policies for reviewing and addressing the training needs of its treasury management staff for training in investment management are out at the Schedules to the TMPs at Appendix E (TMP10 – Staff training and qualifications)

Counterparties meeting NBC investment criteria for 2013-14 as at 30 November 2012

Institution	Country	Maximum Amount (£m)
Australia & New Zealand Banking Group Ltd	Australia	15
Commonwealth Bank of Australia	Australia	15
Westpac Banking Corporation	Australia	15
National Australia Bank Ltd	Australia	15
Bank of Montreal	Canada	15
Bank of Nova Scotia	Canada	15
Canadian Imperial Bank of Commerce	Canada	15
National Bank of Canada	Canada	15
Royal Bank of Canada	Canada	15
Toronto Dominion Bank	Canada	15
Nordea Bank Finland plc	Finland	15
Deutsche Bank AG	Germany	15
Landesbank Berlin AG	Germany	15
DZ Bank AG	Germany	15
Landesbank Hessen-Thueringen Girozentrale	Germany	15
Landwirtschaftliche Rentenbank	Germany	15
Banque et Caisse d'Espargne de L'Etat	Luxembourg	15
Clearstream Banking	Luxembourg	15
Bank Nederlandse Gemeenten	Netherlands	15
ING Bank NV	Netherlands	15
Cooperatieve Centrale Raiffeisen - Boerenleenbank BA	Netherlands	15
DnB NOR Bank	Norway	15
DBS Bank Ltd	Singapore	15
Oversea-Chinese Banking Corporation Ltd	Singapore	15
United Overseas Bank Ltd	Singapore	15
Nordea Bank AB	Sweden	15
Skandinaviska Enskilda Banken AB	Sweden	15
Svenska Handelsbanken	Sweden	15
Swedbank AB	Sweden	15
UBS AG	Switzerland	15
Credit Suisse	Switzerland	15
Bank of New York Mellon (International) Ltd	UK	15
Barclays Bank plc	UK	15
Credit Suisse International	UK	15
HSBC Bank plc	UK	15
MBNA Europe Bank	UK	15
Nationwide Building Society	UK	15
Standard Chartered Bank	UK	15
Sumitomo Mitsui Banking Corporation Europe Ltd	UK	15
UBS Ltd	UK	15

Institution	Country	Maximum Amount (£m)
Lloyds Banking Group	**UK***	**20**
Bank of Scotland Plc	*UK**	*20*
Lloyds TSB Bank Plc	*UK**	*20*
Royal Bank of Scotland Group	**UK***	**20**
National Westminster Bank Plc	*UK**	*20*
Royal Bank of Scotland	*UK**	*20*
Ulster Bank Ltd	*UK**	*20*

* UK nationalised or part nationalised banks

This schedule is at a particular point in time and is subject to change according to changes in credit ratings and other economic and market data. Maximum investment periods will also vary for individual counterparties for the same reasons.

The inclusion or exclusion of counterparties from this schedule is entirely a reflection of the Council's investment criteria, which may differ from those of other organisations.

Note - The following investment counterparties may also be used, but are not included in table of counterparties above

Institution	Country	Maximum Amount (£m)
UK Government	UK	20 (in total)
Other Local Authorities	UK	20 (in total)
AAA rated Money Market Funds	UK	15 (per fund)

Treasury Strategy 2013-14 to 2015-16

Abbreviations used in the Report and Annexes

AA	Assistant Accountant
AAT	Association of Accounting Technicians
AIS	Annual Investment Strategy
BACS	Bankers' Automated Clearing Services
BVACOP	Best Value Accounting Code of Practice
CCAB	Consultative Committee of Accountancy Bodies
CD	Certificate of Deposit
CFO	Chief Finance Officer
CHAPS	Clearing House Automated Payment System
CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government
CPI	Consumer Prices Index
DMO	Debt Management Office
ECB	European Central Bank
EU	European Union
FMT	Finance Manager - Treasury
GDP	Gross Domestic Product
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPF	Institute of Public Finance
LIBID	London Interbank Bid Rate
LIBOR	London Interbank Offered Rate
LOBO	Lenders Option Borrowers Option
MMF	Money Market Fund
MPC	Monetary Policy Committee
MRP	Minimum Revenue Provision
NNDR	National Non Domestic Rate
NIPs	Non Investment Products
PWLB	Public Works Loan Board
QE	Quantitative Easing
RPI	Retail Prices Index

RSG	Revenue Support Grant
SeRCOP	Service Reporting Code of Practice for Local Authorities
SOPP	Statement of Professional Practice
SORP	Statement of Recommended Practice
TA	Trainee Accountant
TMPs	Treasury Management Practices

Appendices
8

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Risk Review of 2013/14 Budget Options

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14 January 2013
Policy Document:	No
Directorate:	Resources
Accountable Cabinet Member:	Alan Bottwood

1. Purpose

1.1 To present the risk assessment of the budget proposals to Audit Committee for consideration.

2. Recommendations

2.1 That the Audit Committee considers issues in relation to risk within the budget proposals for 2013/14 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 budget options is attached at Appendix 1 to this report, the HRA at Appendix 3 and capital schemes at Appendix 5. A schedule for each of these areas is attached at Appendices 2, 4, and 6. These schedules contain more detailed information on the options put forward for consultation along with comments on risk in relation to each option

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 an Equalities 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.

3.3 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 2013/14 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 2013.

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 Medium Term Planning Options List

Appendix 2 – General Fund Medium Term Planning Options Description

Appendix 3 – Housing Revenue Account Medium Term Planning Options List

Appendix 4 – Housing Revenue Account Medium Term Planning Options Description

Appendix 5a – General Fund Capital Programme List

Appendix 5b – Housing Revenue Account Capital Programme List

Appendix 6a – General Fund Capital Scheme Descriptions

Appendix 6b – Housing Revenue Account Capital Scheme Descriptions

Rebecca Smith, Assistant Head of Finance, 01604 838147

General Fund MTP Options

Appendix 1

Description	MTP Reference	MTP Option Details	Value		
			2013/14	2014/15	2015/16
Savings arising from internal services	43, 61, 62, 161, 186, 187, 189	Savings arising from Management and Staffing restructure	(478,219)	(514,123)	(515,093)
	157	Removal of Essential Car User Allowance for Senior Management	(11,757)	(11,757)	(11,757)
	188	Savings arising from changes to Terms and Conditions	(210,000)	(385,000)	(385,000)
	166	Savings arising from moving services into LGSS	(415,000)	(752,000)	(764,000)
	158	Reduction in Training budget	(40,000)	(40,000)	(40,000)
	31	Reduction in Councillor Training and Conference budget	(6,000)	(6,000)	(6,000)
		TOTAL	**(1,160,976)**	**(1,708,880)**	**(1,721,850)**
Externally focused savings	146	Review of Discretionary National Non-Domestic Rates Scheme	(70,000)	(70,000)	(70,000)
	45	End support to Ground Works Scheme	(25,000)	(25,000)	(25,000)
	103	Raising sponsorship to offset cost of NBC Events	(5,000)	(70,000)	(100,000)
	109	Introducing parking permits for commuters	(40,000)	(40,000)	(40,000)
	190	Review of CCTV	(13,790)	(14,480)	(15,200)
		TOTAL	**(153,790)**	**(219,480)**	**(250,200)**
Total savings and efficencies			**(1,314,766)**	**(1,928,360)**	**(1,972,050)**
Growth	6	Protecting Public Spaces from illegal encampments	15,000	15,000	15,000
	11	Improving action planning and analysis in Community Safety	20,000	31,000	31,000
	107	Securing Greyfriars before demolition	35,000	0	0
	165	Diverting young people from anti-social behaviour	20,000	20,000	20,000
	159	Providing vehicles to increase patrols by Park Rangers	12,760	13,270	13,850
Total growth			**102,760**	**79,270**	**79,850**
Overall Total			**(1,212,006)**	**(1,849,090)**	**(1,892,200)**

Internally Focussed Savings

MTP Ref:	**MTP Title:** Savings arising from management and staffing restructuring
Directorate: All Directorates	**Department: Across Council**
Budget	Saving
Budget Reduction 2013/14	£478,219
Budget Reduction 2014/15	£514,123
Budget Reduction 2015/16	£515,093

Brief Description:

Restructuring across a range of departments reducing management structures and delivering services with slightly reduced staffing levels in the departments involved. Some of the posts involved are vacant.

Key consequences/risks of delivering the proposal:

- May reduce capacity within the Services.

Key consequences/risks of not delivering the proposal:

The ability to balance the authority's budget may be compromised.

MTP Ref:157	MTP Title: Removal of essential car user allowance for senior management

Directorate: Finance and Resources	Department: Business Change
Budget	Saving
2013/14	£11,757
2014/15	£11,757
2015/16	£11,757
Equality Impact Assessment Completed?	No

Brief Description:

Removal of essential car user allowance for senior management - £13,800
General Fund £11,800 HRA £2,000

This proposal would be reduced if we were to pay protection for a period of time.

Key consequences/risks of delivering the proposal:

The Employee Relations issues maybe with regard to separating out senior management Terms & Conditions from the remaining staff, although this may be more acceptable to the Trade Unions. Given the small scale of staff involved, this may involve individual consultation... The authority contractually has a right to remove essential car user allowance. Consultation would need to be undertaken with the trade unions. Staff may try to refuse to utilise their cars for work business, however essential car user has been removed by a number of other local authorities.

The authority would still be paying mileage rates for all staff on council business utilising the HMIC rates

Key consequences/risks of not delivering the proposal:

Budget

MTP Ref: 188	MTP Title: Savings arising from changes in terms and conditions

Directorate: Finance and Resources	Department: Business Change
Budget	Saving
2013/14	£300,000
2014/15	£550,000
2015/16	£550,000
Equality Impact Assessment Completed?	No

Brief Description:
To reduce terms and conditions over a 3 year period. The T&Cs under consideration to be removed include those which are non contractual
Essential car allowance for all staff (car mileage still to be paid), professional fees, paying for car parking
Contractual
Changing sickness pay and incremental progression

Key consequences/risks of delivering the proposal:
There are significant Employee relations issues linked to the above and discussions have started with the trade unions. A ballot is proposed by the trade unions. A communications plan to manage the morale and explain the clear budget reasons has been implemented

Key consequences/risks of not delivering the proposal:

Reduction in savings

MTP Ref: 166	MTP Title: Savings Arising from moving Services into LGSS

Directorate:	Department:
Budget	Saving
2013/14	£415,000
2014/15	£752,000
2015/16	£764,000
Equality Impact Assessment Completed?	No

Brief Description:

A major change programme has been set up to investigate efficiency options for Northampton Borough Council by joining the LGSS (Local Government Shared Service) Programme. Currently the Council is moving forward with the project of moving some support services into LGSS.

LGSS deliver a wide range of professional and transactional services to local authorities and other public sector organisations, including HR, Finance, IT and Legal services.

Shared services are a significant way of bringing about efficiencies and ultimately reducing costs, the concept of which is not new but it can be a radical change for the organisation and its staff.

One of the Council's priorities is to 'make every pound go further'.

Key consequences/risks of delivering the proposal:

This is a major change programme for the Council and as such brings with it huge challenges on engaging and keeping key staff in their roles as this process goes forward.

Key consequences/risks of not delivering the proposal:

The Council will have to look at other ways to deliver efficiencies or look at what services it delivers.

MTP Ref:158	MTP Title: Reduction in Training budget
Directorate: Finance and Resources	**Department: Business Change**
Budget	Saving
2013/14	£40,000
2014/15	£40,000
2015/16	£40,000
Equality Impact Assessment Completed?	No

Brief Description:

Reduce the corporate training budget.

Key consequences/risks of delivering the proposal:

This would mean that the authority would be providing the bare minimum on training – primarily legislative and statutory training that would be required.

Key consequences/risks of not delivering the proposal:

Reduction in savings

MTP Ref:031	MTP Title: Reduction in Councillor Training and Conference Budget
Directorate: Borough Secretary's	**Department: Borough Secretaries: Democratic & CEX Services**
Budget	Saving
2013/14	£6,000
2014/15	£6,000
2015/16	£6,000
Equality Impact Assessment Completed?	Yes

Brief Description:

The service will consider alternative, more effective ways of providing development within the budget envelope, utilising in-house capacity and joint working with other councils to deliver more efficient member training support.

Key consequences/risks of delivering the proposal:

There may be an impact on officer time to deliver more in-house training and a possible reduction in the overall training available to members.

Key consequences/risks of not delivering the proposal:

None identified.

Externally Focussed Savings

MTP Ref: 146	**MTP Title**: Review of National Non Domestic Rates Discretionary Relief Scheme

Directorate: Finance and Resources	**Department: Revenues and Benefits**
Budget	Saving
2013/14	£70,000
2014/15	£70,000
2015/16	£70,000
Equality Impact Assessment Completed?	Yes

Brief Description:

Currently the Council has the discretionary power to grant additional National Non Domestic Rate (NNDR) relief to charities or relief to similar organisations under the Local Government Finance Act 1988 who satisfy either of the criteria below on both occupied (Section 47) and unoccupied property (Section 48).

Each application for discretionary relief is considered on its own merit and there is no blanket policy for determining the award.

The Council has developed a new policy for determining awards.

Key consequences/risks of delivering the proposal:

Delivering a relief policy that best meets the needs of the Council and the Charities and Non-profit making organisations, which is for a fixed period, and realises the savings previously identified as part of delivering the revised policy.

Key consequences/risks of not delivering the proposal:

Not delivering the relief policy that best meets the needs of the Council and the Charities and Non-profit making organisations, and not realising the savings identified as part of delivering the revised policy.

MTP Title/Ref:45	End Support to Ground Works Scheme
Directorate: R, E & P	**Department: Regeneration & Development**
Budget	Saving
Budget Reduction 2013/14	£ 25,000
Budget Reduction 2014/15	£ 25,000
Budget Reduction 2015/16	£ 25,000

Brief Description:

Annual contribution to Groundwork Northamptonshire.

Key consequences/risks of delivering the proposal:

- Ground Work Northamptonshire is currently tasked to work on specific time limited projects, which would cease if funding were withdrawn. The wider partnership with Ground Work would probably also cease. E.g. Ground Work is represented on the Delapre Abbey Project Board, Riverside Improvement Group and also supports CSR in Brackmills BID. Their input into these projects would be withdrawn.

- Cllr Nunn currently sits on the Board as a Director and would need to offer his resignation.

- Risk – as a county wide organisation the withdrawal of the funds from the county town may ultimately result in the Northamptonshire branch closing.

Key consequences/risks of not delivering the proposal:

Cost savings will not be achieved

MTP Ref:103	MTP Title: Raising Sponsorship to offset cost of NBC Events

Directorate: Customers and Communities	Department: Events
Budget	Saving
2013/14	£ 5,000
2014/15	£ 70,000
2015/16	£ 100,000
Equality Impact Assessment Completed?	Yes

Brief Description:

To seek sponsorship for Events with the aim of moving the events team to a self-financing position in the future.

Key consequences/risks of delivering the proposal:

That sponsorship opportunities are not available or reduced

Key consequences/risks of not delivering the proposal:

Events Team do not become self-funding and on-going funding is required for Events

MTP Ref: 109	**MTP Title**: Introducing Parking Permits for Commuters
Directorate: Customers & Communities	**Department: Town Centre Operations**
Budget	Saving /
2013/14	£ 40,000
2014/15	£ 40,000
2015/16	£ 40,000
Equality Impact Assessment Completed?	Yes

Brief Description:

Promote a Commuter annual parking pass for customers currently using the Train Station.

Open Mayorhold and St Michaels Car Parks 24 Hours

Key consequences/risks of delivering the proposal:

Anti-social behaviour may increase around the Car Parks proposed to open 24 hours

Key consequences/risks of not delivering the proposal:

MTP Ref: 190	**MTP Title**: Review of Closed Circuit TV Cameras
Directorate: Customers and Communities	**Department: Public Protection**
Budget	Saving
2013/14	£ 13,790
2014/15	£ 14,480
2015/16	£ 15,200
Equality Impact Assessment Completed?	Yes

Brief Description:

Following on from the review of CCTV cameras undertaken in 2011/12, a further review has been undertaken. There have been only a few positive arrests made from the identified cameras, they only serve a purpose when active monitoring is taking place and Police are able to provide a response.

Key consequences/risks of delivering the proposal:

All members of the community may be affected

The CCTV function helps to address people's human rights, through helping them to feel confident to take part in community life, to be able to enjoy the town being treated with dignity and respect (with CCTV potentially able to help bring people to justice for hate crime and other offences), and increases positive public perception around safety in these areas.

Following the riots of 2011it has been widely acknowledged that CCTV was the major factor in ensuring that the perpetrators of civil disturbance, arson, theft and robbery were identified and brought to justice.

Key consequences/risks of not delivering the proposal:

Savings would not be achieved

Investment and Growth

MTP Ref:006	**MTP Title**: Protecting Public Spaces from Illegal Encampments
Directorate: C and C	**Department: Public Protection**
Budget	Growth
2013/14	£15,000
2014/15	£15,000
2015/16	£15,000
Equality Impact Assessment Completed?	Yes

Brief Description:
Budget for the provision of various means and works to prevent vehicles entering parks and public open spaces

Key consequences/risks of delivering the proposal:

None

Key consequences/risks of not delivering the proposal:

Parks are damaged and the likelihood of fly tipping increases which results in expensive clean ups. Such occurrences can prevent others using the parks

MTP Ref:011	MTP Title: Improving Action planning and analysis in Community Safety

Directorate: Customer and Communities	Department: Public Protection
Budget	Growth
2013/14	£20,000
2014/15	£31,000
2015/16	£31,000
Equality Impact Assessment Completed?	Yes/No

Brief Description:

Mainstreaming of Community Safety Data Analysts Post which is currently on a temporary contract and funded through a Home Office Community Grant awarded to NBC in 2010 and finishes in March 2013. The post has added tremendous value to the Community Safety Team, providing factual, statistical reports and profiles on crime issues within the town, helping to identify and inform priority locations and streams of work. In addition to this the post also provides support for the Countywide Partnership Strategic Assessment (PSA), which is a statutory responsibility.

£11,000 of the funding is unspent and will becarried forward into 2013/14 to be offset against the costs for this post.

There is an opportunity to approach the other 5 Community Safety Partnerships within Northamptonshire to obtain a contribution towards the element of this post that covers the PSA, and this is being progressed. If successful this should see and estimated contribution of £15,000 Towards the cost of this post.

Key consequences/risks of delivering the proposal:

Funding from other Community Safety Partnerships may not be agreed

Key consequences/risks of not delivering the proposal:

The Council's responsibilities under Section 17 of the Crime & Disorder Act 1998 places an obligation on local authorities to exercise its various functions with due regard to the prevention of crime and disorder. This role plays a key part in providing data and analysis on crime and disorder issues, informing future work of NBC and the CSP and addressing 'Big Society' and 'Localism' agenda.

The information provided by this role is key in identifying specific crime issues and hot spot locations by providing accurate data, therefore ensuring that focus is placed in relevant areas, therefore supporting residents, businesses and visitors.

Without this post NBC would not be in a position to fully achieve this.

MTP Ref: 107	MTP Title: Securing Greyfriars before Demolition
Directorate: Customer and Communities	**Department:Town Centre Operations**
Budget	**Growth**
2013/14	£ 35,000 (one year only**)**
2014/15	
2015/16	
Equality Impact Assessment Completed?	Yes

Brief Description:

The lay over arrangement at the Bus Station will cease on 31/3/13. Security at the bus station will therefore not be provided by Stagecoach. This growth bid is to fund security for one year to prevent damage arising from ASB and vandalism.

Key consequences/risks of delivering the proposal:

Prevention of Damage

Key consequences/risks of not delivering the proposal:

Damage is likely to occur which may have a financial impact on the council

MTP Ref:165	**MTP Title**: Diverting Young People from Anti-social Behaviour
Directorate: Customer and Service	**Department: Public Protection**
Budget	Growth
2013/14	£20,000
2014/15	£20,000
2015/16	£20,000
Equality Impact Assessment Completed?	No – this will be undertaken by Northampton Leisure Trust
Brief Description: Street Football funding for Northampton Leisure Trust to reduce anti-social behaviour and alcohol related crime in hot spot areas of Northampton.	
Key consequences/risks of delivering the proposal: None	
Key consequences/risks of not delivering the proposal: None	

MTP Ref:159	MTP Title: Providing Vehicles to Increase Patrols by Park Rangers

Directorate: Customer and Service	Department: Public Protection
Budget	Growth
2013/14	£12,760
2014/15	£13,270
2015/16	£13,850
Equality Impact Assessment Completed?	Yes

Brief Description:

2 vehicles each costing:

Provision of a vehicle with off road capabilities-£3,460pa
Vehicle running cost=£1,500pa
Associated equipment, supplies etc.=£500pa
Provision of on board CCTV=£600pa

Based on a 3 yr. contract.

Based on estimate it would travel 10,000 miles per year or under the fuel, at today's prices, would be in the region of £1,500 per year. The one off stickers (NBC & Park Ranger) will be around £100. The CCTV is optional, as per quotation, which will record audio and have a camera inside the vehicle and outside the vehicle facing forwards. There will be running costs-memory cards, printing etc. The vehicle will also come with an amber beacon fitted.
(Average CPI 4%)

Key consequences/risks of delivering the proposal:
None

Key consequences/risks of not delivering the proposal:
This will provide the service with a higher public profile, enable more park areas to be monitored and patrolled. Provide for more flexible working with other warden services, enable some enforcement actions to be more efficiently undertaken

Housing Revenue Account MTP options

Appendix 3

Directorate	MTP Reference	MTP Option Description	Value 13/14	14/15	15/16
Housing					
	6	Property Maintenance Restructure	(2,000)	(220,000)	(220,000)
		TOTAL	**(2,000)**	**(220,000)**	**(220,000)**
Terms and Conditions					
	188	Terms and Conditions Savings	(90,000)	(165,000)	(165,000)
		TOTAL	**(90,000)**	**(165,000)**	**(165,000)**
Savings & EfficenciesTotal			**(92,000)**	**(385,000)**	**(385,000)**
GROWTH					
Housing					
	4	Floating Support for Vulnerable Tenants	50,000	75,000	75,000
	8	Dealing with Welfare Reform and the Impact on Rent Income Collection	100,000	100,000	0
	50	Responsive Repairs Gas Boiler Breakdown	124,100	124,100	124,100
	51	Programmed Repairs External Painting and Repairs	73,650	73,650	73,650
	52	Landlord Services Restructure - service improvement	100,000	100,000	100,000
Growth Total			**447,750**	**472,750**	**372,750**
Overall Total			**355,750**	**87,750**	**(12,250)**

MTP Ref:HRA 4	**MTP Title**: Purchase of Floating Support to support Tenants

Directorate:	**Department:**
Budget	Saving / Growth
2013/14	£ 50,000
2014/15	£ 75,000
2015/16	£ 75,000
Equality Impact Assessment Completed?	Yes/No

Brief Description:

The numbers of vulnerable tenants as a % of the total tenant base continues to increase year on year. It is critical that the correct support and assistance is given to all tenants but in particular vulnerable ones to ensure that tenancies are sustainable.

The Housing officers are able to offer general support as part of their tenancy management role but they are not skilled in specialist areas around Mental health and substance dependancy issues.

To ensure that the correct levels of support are offered and received it is necessary to purchase specialist floating support in particular around areas of Mental health and drug and alcohol dependancy

The delivery of effective Floating support services , enables vulnerable tenants a greater level of independence and social presence and the ability to better sustain their tenancy despite often chaotic life styles

It is envisaged that the support would provide

- Setting up and maintaining a home
- Managing finances and benefits claims
- Developing independent living skills
- Gaining access to other relevant services
- Ensuring the client is living in a safe and secure environment

Key consequences/risks of delivering the proposal:

Increased levels of tenancy sustainment across the housing stock

Tenants being better engaged with their local community

Lower levels of anti-social behaviour

Key consequences/risks of not delivering the proposal:

Increased levels of abandonment and or eviction across the housing stock

Increased pressures on the homelessness services at NBC

Increased levels of rent arrears

Increased levels of Anti-social behaviour

MTP Ref: 6	MTP Title: Property Maintenance Restructure
Directorate: Landlord Services	**Department: Property Maintenance**
Budget	Saving / Growth
2013/14	£2,000
2014/15	£ 220,000
2015/16	£ 220,000
Equality Impact Assessment Completed?	Yes – with the submitted Business Plan

Brief Description:

With the efficiency improvements with the property maintenance teams and also the implementation of PDA's to the front line staff the volume of administration works has significantly reduced, creating a reduction in workload for our Clerical Team. Also with changes to working practices the volume of technical pre-inspections has reduced so that only the specialist works require pre-inspecting the rest are allocated straight to the operatives to undertake the work, which reduces the requirement to have a large Supervisory and HRO presence within the department.

For 2013/14 the minimum £220,000 saving would have to be offset against a maximum cost of £218,000 for redundancies, worst case position would be a £2,000 saving for 2013/14

Key consequences/risks of delivering the proposal:

Key consequences are a reduction in the amount of overheads in the department and reduction in overall cost per job. Improved processes and ownership within the department allowing for quicker information transfer and a reduction in duplication. Improved service to our tenants without having to wait for works to be undertaken and a reduction in errors.

Key consequences/risks of not delivering the proposal:

Continued high cost for the delivery of service, duplication and a lack of consistency.

MTP Ref:HRA 8	MTP Title: Dealing with Welfare reform impact on Rent income collection

Directorate:	Department:
Budget	Saving / Growth
2013/14	£ 100,000
2014/15	£ 100,000
2015/16	£
Equality Impact Assessment Completed?	Yes/No

Brief Description:

The introduction of the welfare reform changes effective from April 2013, will result in fundamental changes to the way tenants in receipt of Housing benefit receive payment and furthermore in many case will reduce the amount of housing Benefit they are eligible for.

We are currently developing an understanding of both the customer and NBC requirements around the impacts of welfare reform , this includes IT requirements , policy and procedure reviews and composition of the team

It will be necessary following the changes not only to develop a culture of payment and responsibility for tenants to ensure that they understand the implications of the changes but furthermore that this is communicated and reinforced on a regular basis by Rent Income officers

The initial key Milestones are the changes in under occupancy (bedroom Tax) from April 2013 and the commencement of universal credit payments from October 2013

The requested extra funding would be used to not only support the current Rent income staff in collection of rent but also create a specialist team on a temporary basis (24 Months) to fully manage and deal with the impacts of welfare reform on the tenants of Northampton Borough Council

Key consequences/risks of delivering the proposal:

The impact of Welfare reform on the tenants of NBC would be well managed and minimized.

The level of rent collection would remain high and the % of current tenants rent arrears as a % of the annual debit would continue to reduce

Key consequences/risks of not delivering the proposal:

The impacts of welfare reform are not fully understood by tenants.
Levels of arrears rise and numbers of evictions rise placing additional pressures on the Homelessness team at NBC

Lower collection rates have an adverse impact on the HRA business plan following the introduction of self-financing in April 2012.

MTP Ref: HRA 50	**MTP Title**: Responsive Repairs (gas boiler breakdown)

Directorate: Housing HRA	**Department: Asset Management**
Budget 09013 / 222R	Growth
2013/14	£ 124,100
2014/15	£ 124,100
2015/16	£ 124,100
Equality Impact Assessment Completed?	Yes

Brief Description:

This is an increase in the budget due to the increased cost of boiler/heating maintenance and the ageing condition of the boilers. This will cover boiler breakdowns and repairs to gas heating systems.

Key consequences/risks of delivering the proposal:

This is a continuation of the existing project and as such will cause no issue.

Key consequences/risks of not delivering the proposal:

If this additional funding was not granted then the authority would need to turn off any faulty gas boilers which would leave tenants without heating and hot water.

MTP Ref:HRA 51	**MTP Title**: Programmed repairs (external painting and repairs)

Directorate: Housing HRA	**Department: Asset Management**
Budget 09012 / 222P	Growth
2013/14	£ 73,650
2014/15	£ 73,650
2015/16	£ 73,650
Equality Impact Assessment Completed?	Yes

Brief Description:

The additional budget will allow for an increase in the painting programme so that a ten year painting cycle can be maintained. This will aid in keeping the housing stock up to a decent standard.

Key consequences/risks of delivering the proposal:

This will help extend the life of the individual external elements of the building, such as fencing, soffits, and fascia. We have an existing programme so this will reduce the period between painting cycles.

Key consequences/risks of not delivering the proposal:

If this is not delivered it will result in a quicker detrition of the housing stock and an increase in the replacement of individual elements.

MTP Ref:HRA 52	MTP Title: **Proposed Restructure of Landlord Services**

Directorate: Housing	**Department: Landlord Services**
Budget	Growth
2013/14	£100k
2014/15	£ 100k
2015/16	£ 100k
Equality Impact Assessment Completed?	**Yes**

Brief Description:

A restructure is being delivered to reflect the need for Landlord Services to substantially improve its performance:

a. A Service Improvement Team will be created to work with the teams to create plans to achieve substantial improvements, monitor those plans and ensure customer focus throughout the team.

b. A new senior post will be created to focus solely on the income collection side of Housing Management. Leading on the strategic approach to rent collection and driving improvements to performance as well as ensuring lettings are effectively delivered and sufficient focus is put on payment of rent to NBC.

Key consequences/risks of delivering the proposal:
Improved performance in Landlord Services in terms of collecting rent and key indicators including customer satisfaction.
Short term concern amongst staff which will lead to more accountability and clarity of roles and increased motivation

Key consequences/risks of not delivering the proposal:
Performance will remain poor in collection of rent. Customer satisfaction will remain poor. Reputational damage for NBC.

Draft Capital Programme 2013-14 to 2015-16 - General Fund

Reference Number	Project Title	Note	2013-14 £	2014-15 £	2015-16 £	Scheme Total £
Proposed Capital Programme						
GF01	IT Infrastructure - Servers and Network Storage (self-funded)	1	270,000			270,000
GF02	IT Infrastructure - PC replacement with VDI Terminals (self-funded)	1	65,000			65,000
GF03	Disabled Facilities Grant (continuation)		1,475,000	1,475,000	1,475,000	4,425,000
GF05	Bus Interchange (continuation)		1,500,000			1,500,000
GF06	Corporate Improvements		200,000			200,000
GF07	Parks Infrastructure - Improvements & Renewals		150,000			150,000
GF08-GF10	Lifts - Health & Safety Works		70,000			70,000
GF11	Derngate Theatre Roof		297,000			297,000
GF17	Delapre Abbey Renewals & Improvements		100,000			100,000
GF18	Guildhall Renewals Phase 3		75,000			75,000
GF19	Skate Park Toilet & Kiosk	2	150,000			150,000
GF21-GF25, GF27	Lifts - Improvement Works		150,000			150,000
GF35, GF36, GF39	Cemeteries - Towcester Rd Boundary Wall, Roadway, Footpath		25,000			25,000
GF37	Car Parking Signage		200,000			200,000
GF38	Visitor Signage in Town Centre		80,000			80,000
GF16/GF29	Water Management & Bridge Works		100,000			100,000
GF14	Investment Property - Renewal & Improvement		50,000			50,000
GF13	Community Centre Renewals		50,000			50,000
GF12	Allotments		58,000			58,000
GF42	Delapre Abbey Restoration	3	50,000	5,208,480		5,258,480
Total Proposed Programme			**5,115,000**	**6,683,480**	**1,475,000**	**13,273,480**
Self-funded schemes (will only go ahead if savings/source of funding proven)						
GF31	Westbridge Depot - Insulation of External Walls		35,000			35,000
GF41	Mounts Bath Roof		150,000			150,000
GF40	LED Lighting Schemes		298,000			298,000
			483,000	**0**	**0**	**483,000**

Notes:
1) Borrowing costs funded by existing leasing budgets - borrowing is more cost effective, enables equipment lives to be lengthened
2) Borrowing to be partly funded (£75k) by income from Kiosk
3) Subject to Heritage Lottery Fund application

Appendix 5b

Draft Capital Programme 2013-14 to 2015-16 - HRA

Reference Number	Project Title	2013-14	2014-15	2015-16	3-Year Total
		£	£	£	£
HRA001	Decent Homes	17,752,900	26,705,000	6,156,380	50,614,280
HRA003	Structural Improvements	300,000	200,000	400,000	900,000
HRA004	Heating replacements (responsive)	500,000	500,000	500,000	1,500,000
HRA005	Asbestos removal remedial action	50,000	100,000	100,000	250,000
HRA007	Door entry replacement	100,000	150,000	150,000	400,000
HRA008	Kitchens	115,000	100,000	100,000	315,000
HRA009	Planned Heating Replacements	500,000	400,000	500,000	1,400,000
HRA010	Reroofing	100,000	100,000	200,000	400,000
HRA011	Windows and doors replacement (outside Decent Homes programme)	30,000	30,000	30,000	90,000
HRA012	Electrical periodic works	125,000	125,000	125,000	375,000
HRA014	Garage roofs, doors and forecourts	40,000	100,000	100,000	240,000
HRA015	Minor adaptations	100,000	140,000	140,000	380,000
HRA016	Environmental enhancements	100,000	100,000	200,000	400,000
HRA017	Digital Aerials	0	10,000	10,000	20,000
HRA018	Estate regeneration (paths, boundary walls, parking areas and other similar projects)	100,000	240,000	1,000,000	1,340,000
HRA019	Fire safety in communal areas	100,000	150,000	150,000	400,000
HRA020	Disabled adaptations	1,000,000	1,000,000	1,000,000	3,000,000
HRA021	Sheltered housing improvements	1,000,000	1,000,000	500,000	2,500,000
HRA022	IT capital	200,000	200,000	200,000	600,000
HRA023	Walkways	100,000	100,000	100,000	300,000
HRA024	Communal area upgrade	200,000	300,000	300,000	800,000
HRA025	Green deal contribution & energy efficiency	50,000	50,000	100,000	200,000
HRA026	Major Regeneration, Repurchase and New Build	1,000,000	10,000,000	10,000,000	21,000,000
HRA027	Change of Use	100,000	250,000	100,000	450,000
HRA028	CCTV	50,000	50,000	0	100,000
HRA029	Lift Refurbishment St Kats	100,000	0	0	100,000
HRA030	Little Cross Street	562,000			562,000
	Total	**24,374,900**	**42,100,000**	**22,161,380**	**88,636,280**

Capital Programme Build 2013/14 - Proposed Programme - General Fund

Reference			**2013/14**	**2014/15**	**2015/16**
Title	Total - Proposed Programme		**£**	**£**	**£**
Description		**Capital Costs**	5,115,000	6,683,480	1,475,000
		Funding:			
		Grant	475,000	4,383,480	475,000
		Section 106	0	10,000	0
		Revenue Contribution	50,000	790,000	0
		Self-funded borrowing	410,000	0	0
		Receipts/Borrowing	4,180,000	1,500,000	1,000,000
		Total Funding	5,115,000	6,683,480	1,475,000

Notes:

Funding Available:	Grant	475,000	4,383,480	475,000
	Section 106	0	10,000	
	Revenue Contribution	50,000	790,000	
	Self-funded borrowing	410,000	0	0
	Capital Receipts	540,000	0	0
	Borrowing*	3,640,000	1,000,000	1,000,000
* within existing Minimum Revenue Provision				
		5,115,000	6,183,480	1,475,000
Further Funding required (for Delapre Abbey in 2014/15)		0	500,000	0

Grants - £475k pa re Disabled Facility Grants.
£3,908,480 Heritage Lottery Fund bid for 2014/15 re Delapre Abbey , not yet secured.
Revenue Contribution - £840k earmarked reserves re Delapre Abbey restoration

Enterprise Zone

Infrastructure Works - subject to agreement with SEMLEP, retained business rates may become available to fund borrowing for infrastructure works, Appraisals for specific works will be brought forward as identified. Potentially up to £5m over 3 years

Growing Places Fund - Potentially up to £7m available for site condition surveys and investigations, remediation works and potentially speculative units on site 7c. Appraisals for specific works will be brought forward in due course.

Bids - Appraisals Submitted

GF01 & GF02 are self-funded from existing ICT leasing budgets

GF03 & GF05 are continuation schemes, included for completeness

GF04 - bid from Customers & Communities Directorate

GF06 to GF41 - bids from Regeneration, Enterprise and Planning

GF42 Delapre Abbey Restoration (linked to HLF bid)

Capital Programme Build 2013/14 - Proposed Programme - General Fund

			2013/14	2014/15	2015/16
Reference	GF01				
Title	IT Infrastructure - Servers and Network Storage				
Description		**Capital Costs**	270,000		
The items comprise of 15 servers, a Storage Area Network (SAN), storage for distaer replication and a tape library. This is an ongoing project to reduce our phyical server estate and replace them with virtual servers that reduces support and power usage. The cost of borrowing will be met from the IT leasing budget, which will be vired across to debt financing budget to fund the borrowing costs.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing	270,000		
		Receipts/Borrowing			
		Total Funding	270,000	0	0

			2013/14	2014/15	2015/16
Reference	GF02				
Title	IT Infrastructure - PC replacement with VDI Terminals				
Description		**Capital Costs**	65,000		
The continuation of the PC replacement project with VDI terminals running thin client software technology. The cost of borrowing will be met from the IT leasing budget, which will be vired across to debt financing budget to fund the borrowing costs.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing	65,000		
		Receipts/Borrowing			
		Total Funding	65,000	0	0

			2013/14	2014/15	2015/16
Reference	GF03				
Title	Disabled Facilities Grant (continuation)		**£**	**£**	**£**
Description		**Capital Costs**	1,475,000	1,475,000	1,475,000
Mandatory Requirememt to fund DFGs (as approved in 2012/13 budget - ongoing)		**Funding:**			
		Grant	475,000	475,000	475,000
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	1,000,000	1,000,000	1,000,000
		Total Funding	1,475,000	1,475,000	1,475,000

			2013/14	2014/15	2015/16
Reference	GF05				
Title	Bus Interchange (continuation)		**£**	**£**	**£**
Description		**Capital Costs**	1,500,000		
Completion of Bus Interchange scheme included in 2012/13 budget approval (total cost £7.886m)		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	1,500,000		
		Total Funding	1,500,000	0	0

Capital Programme Build 2013/14 - Proposed Programme - General Fund

			2013/14	2014/15	2015/16
Reference	GF06				
Title	Corporate Improvements		**£**	**£**	**£**
Description		**Capital Costs**	200,000		
Provision for failure of building elements and services 'in year' e.g. boiler plant or major building element. The renewal of such equipment on an 'as and when' basis needs to be met from a defined capital budget. By definition the number and scope of such projects cannot be anticipated, but inevitably the likelihood of failure is increased as a result of the low level of capital funding in previous years.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	200,000		
		Total Funding	200,000	0	0

			2013/14	2014/15	2015/16
Reference	GF07				
Title	Parks Infrastructure - Improvements & Renewals		**£**	**£**	**£**
Description		**Capital Costs**	150,000		
Provision for renewal and upgrades of essential infrastructure to the Open Spaces, predominantly to meet existing health and safety liabilities to the public for various elements - e.g. footpaths and fencing. Failure to meet these obligations may expose this Council to claims due to accidents from falls, trips etc and the loss of access to certain community members with disabilities.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	150,000		
		Total Funding	150,000	0	0

			2013/14	2014/15	2015/16
Reference	GF08-GF10				
Title	Lifts - Health & Safety Works		**£**	**£**	**£**
Description		**Capital Costs**	70,000		
Works to 2No. lifts at the Central Museum, 2No. At St Michael's & 4No. At St John's Car Parks to meet the minimum Health & Safety standards identified from the recommendations of the 2011 Condition Survey.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	70,000		
		Total Funding	70,000	0	0

			2013/14	2014/15	2015/16
Reference	GF11				
Title	Derngate Theatre Roof		**£**	**£**	**£**
Description		**Capital Costs**	297,000		
Replacement of roof covering, which is continuously leaking and/or slipping and provision of additional insulation. Roof 2-5, Plant Rooms and Royal Theatre.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	297,000		
		Total Funding	297,000	0	0

Capital Programme Build 2013/14 - Proposed Programme - General Fund

			2013/14	2014/15	2015/16
Reference	GF17				
Title	Delapre Abbey Renewals & Improvements		**£**	**£**	**£**
Description		**Capital Costs**	100,000		
Continuation of the renewal and improvement programme		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	100,000		
		Total Funding	100,000	0	0

			2013/14	2014/15	2015/16
Reference	GF18				
Title	Guildhall Renewals Phase 3		**£**	**£**	**£**
Description		**Capital Costs**	75,000		
Third phase of annual renewal and refurbishment works to the Guildhall external envelope. Works to include renewal of lead flashings, guttering, roofing and refurbishment of the glazed lantern lights. Refurbishment of toilet blocks.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	75,000		
		Total Funding	75,000	0	0

			2013/14	2014/15	2015/16
Reference	GF19				
Title	Skate Park Toilet & Kiosk		**£**	**£**	**£**
Description		**Capital Costs**	150,000		
Erect new combined kiosk and public toilet, adjacent to skate park. To proceed if can secure £6k income to fund £75k borrowing.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing	75,000		
		Receipts/Borrowing	75,000		
		Total Funding	150,000	0	0

			2013/14	2014/15	2015/16
Reference	GF21-GF25, GF27				
Title	Lifts - Improvement Works		**£**	**£**	**£**
Description		**Capital Costs**	150,000		
Works arising from recommendations of the 2011 Condition Survey to meet recommendations for investment works to lifts in order to provide a further life expectancy of 15 to 20 years. St Michaels's Car Park, Central Museum, Leisure Centre, Mayorhold, St John's, Guidhall - total identified £1.249m.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	150,000		
		Total Funding	150,000	0	0

Capital Programme Build 2013/14 - Proposed Programme - General Fund

			2013/14	2014/15	2015/16
Reference	GF35, GF36, GF39				
Title	Cemeteries - Towcester Rd Boundary Wall, Roadway, F		£	£	£
Description		**Capital Costs**	25,000		
Proposed capital works to cemeteries comprise the renewal of walls, road and footpaths and the provision of new footpath infrastructure. From discussions with the Service Area the need for these works have been identified at Towcester Road Cemetery		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	25,000		
		Total Funding	25,000	0	0

			2013/14	2014/15	2015/16
Reference	GF37				
Title	Car Parking Signage		£	£	£
Description		**Capital Costs**	200,000		
To create new car parking signage using Variable Message Signage to allow passengers to see what car parks have free spaces in the town centre and which one is closest to them as the travel in from the 5 main entrances to Northampton.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	200,000		
Section 106 to be identified					
		Total Funding	200,000	0	0

			2013/14	2014/15	2015/16
Reference	GF38				
Title	Visitor Signage in Town Centre		£	£	£
Description		**Capital Costs**	80,000		
To improve the signage around the town centre to improve pedestrian movement around the town and way finding.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	80,000		
		Total Funding	80,000	0	0

			2013/14	2014/15	2015/16
Reference	GF16/GF29				
Title	Water Management & Bridge Works		£	£	£
Description		**Capital Costs**	100,000		
Capital improvement and renewal works arising under NBCliabilities has for water management & bridge related issues. A programme of inspections is required and this is likely to reveal the need for new capital expenditure. Statutory inspections of the reservoir uare undertaken by an external engineer appointed by the council. Flood defences are inspected with the Environment Agency six monthly.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	100,000		
		Total Funding	100,000		

Capital Programme Build 2013/14 - Proposed Programme - General Fund

Reference	GF14		**2013/14**	**2014/15**	**2015/16**
Title	Investment Property - Renewal & Improvement		**£**	**£**	**£**
Description		**Capital Costs**	50,000		
Works to 20/20A Sheep Street – a listed property close to new bus interchange where substantial external works required and a costed scheme already worked up in consultation with planning conservation		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	50,000		
		Total Funding	50,000	0	0

Reference	GF13		**2013/14**	**2014/15**	**2015/16**
Title	Community Centre Renewals		**£**	**£**	**£**
Description		**Capital Costs**	50,000		
Capital works relating to Landlord obligations and commitments, following the transfer of management. Schemes include Re-roofing of the lean-to side roof at Spencer Dallington, Re-roofing of the flat roof to Blackthorn, Replacement external joinery at Rectory Farm and Lodge Farm.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	50,000		
		Total Funding	50,000	0	0

Reference	GF12		**2013/14**	**2014/15**	**2015/16**
Title	Allotments		**£**	**£**	**£**
Description		**Capital Costs**	58,000		
Improvements and renewal of the security fencing to some allotments. Provision to repair and improve drainage to allotments.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	58,000		
		Total Funding	58,000	0	0

Reference	GF42		**2013/14**	**2014/15**	**2015/16**
Title	Delapre Abbey Restoration		**£**	**£**	**£**
Description		**Capital Costs**	50,000	5,208,480	
Subject to successful Heritage Lottery Fund application.		**Funding:**			
		Grant		3,908,480	
		Section 106		10,000	
		Revenue Contribution	50,000	790,000	
		Self-funded borrowing			
		Receipts/Borrowing		500,000	
		Total Funding	50,000	5,208,480	0

Capital Programme Build 2013/14 - Proposed Programme - General Fund

BIDS SUBJECT TO IDENTIFYING SPECIFIC CAPITAL RECEIPTS/SAVINGS TO FUND BORROWING

			2013/14	2014/15	2015/16
Reference	GF04				
Title	Northampton Museum & Art Gallery - Phase 2 Upgrade				
Description		**Capital Costs**	864,000	2,150,500	
This final phase of refurbishment follows on from 2012-12 phase 1. The first floor galleries will be refurbished 2013-14, with the building of the extension onto the first floor 2014-15 giving addition display/exhibition space.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing			
		Receipts/Borrowing	864,000	2,150,500	
To be funded from successful sale of Sekhemka Statue		**Total Funding**	864,000	2,150,500	0

			2013/14	2014/15	2015/16
Reference	GF31				
Title	Westbridge Depot - Insulation of External Walls		**£**	**£**	**£**
Description		**Capital Costs**	35,000		
Westbridge depot has recently been refurbished, received a new heating and ventilation system and had a review of the current insulation.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
Benefits include reduced energy costs, project can proceed if energy savings of £6k pa are realised to fund borrowing.		Self-funded borrowing	35,000		
		Receipts/Borrowing			
		Total Funding	35,000		

			2013/14	2014/15	2015/16
Reference	GF41				
Title	Mounts Bath Roof		**£**	**£**	**£**
Description		**Capital Costs**	150,000		
Replacement of Pool roof and other high level works, consequential energy savings		**Funding:**			
		Grant			
To be discussed with Leisure Trust - requires £12k pa debt financing over 25 years.		Section 106			
		Revenue Contribution			
		Self-funded borrowing	150,000		
		Receipts/Borrowing			
		Total Funding	150,000	0	0

			2013/14	2014/15	2015/16
Reference	GF40				
Title	LED Lighting Schemes		**£**	**£**	**£**
Description		**Capital Costs**	298,000		
Install LED replacement light fittings to: All lighting at Mayorhold Car Park (excluding Emergency fittings), All lighting at St.Johns Car Park (excluding emergency lighting) and external lighting at St.Michaels Car Park including floodlighting. As well as funding itself over a five year period (to be confirmed), this project will deliver better lighting reliability and significantly reduce CO2 emmissions.		**Funding:**			
		Grant			
		Section 106			
		Revenue Contribution			
		Self-funded borrowing	298,000		
		Receipts/Borrowing			
		Total Funding	298,000	0	0

Capital Programme Build 2013/14 - Summary of Bids - HRA

		2013/14	2014/15	2015/16
Reference				
Title **Total HRA**		**£**	**£**	**£**
Description	**Capital Costs**	**24,374,900**	**33,100,000**	**22,161,380**
Overall size of programme and financing is in line with HRA Business Plan.	**Funding:**			
	Grant	**17,000,000**	**15,355,000**	**0**
	Section 106	**0**	**0**	**0**
	HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	**7,374,900**	**26,745,000**	**22,161,380**
	Total Funding	**24,374,900**	**42,100,000**	**22,161,380**

		2013/14	2014/15	2015/16
Reference HRA001				
Title Decent Homes		**£**	**£**	**£**
Description	**Capital Costs**	17,752,900	26,705,000	6,156,380
To deliver decent homes work to properties failing the decent homes standard following the stock condition survey. This includes kitchens, bathrooms, heating, rewires, roof renewals etc. The aim is to make decent the Council's housing stock by March 2015, and to maintain this decency level in the years following.	**Funding:**			
	Grant	17,000,000	15,355,000	
	Section 106			
	HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	752,900	11,350,000	6,156,380
	Total Funding	17,752,900	26,705,000	6,156,380

		2013/14	2014/15	2015/16
Reference HRA003				
Title Structural Improvements		**£**	**£**	**£**
Description	**Capital Costs**	300,000	200,000	400,000
To deliver an annual rolling programme of structural monitoring and improvement works for properties suffering from subsidence or similar building defects	**Funding:**			
	Grant			
	Section 106			
	HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	300,000	200,000	400,000
	Total Funding	300,000	200,000	400,000

		2013/14	2014/15	2015/16
Reference HRA004				
Title Heating Replacement (responsive)		**£**	**£**	**£**
Description	**Capital Costs**	500,000	500,000	500,000
To deliver a responsive programme of heating replacements for properties where the heating system has failed or where the annual service highlights faults that need major improvements.	**Funding:**			
	Grant			
	Section 106			
	HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	500,000	500,000	500,000
	Total Funding	500,000	500,000	500,000

Capital Programme Build 2013/14 - Summary of Bids - HRA

			2013/14	2014/15	2015/16
Reference	HRA005				
Title	Asbestos Removal		**£**	**£**	**£**
Description		**Capital Costs**	50,000	100,000	100,000
To remove, treat or carry out other recommendations according to survey findings and ensure the work force and the public are safe from exposure to asbestos fibres in the air in Council properties whether they live in the property or are working on the property.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	50,000	100,000	100,000
		Total Funding	50,000	100,000	100,000

			2013/14	2014/15	2015/16
Reference	HRA007				
Title	Door Entry Replacement		**£**	**£**	**£**
Description		**Capital Costs**	100,000	150,000	150,000
A project to replace and upgrade existing doors and door entry mechansims to communal areas where there is currently none and there is an identified need; or where the existing provision is insufficently secure or functional.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	100,000	150,000	150,000
		Total Funding	100,000	150,000	150,000

			2013/14	2014/15	2015/16
Reference	HRA008				
Title	Kitchen Replacements		**£**	**£**	**£**
Description		**Capital Costs**	115,000	100,000	100,000
A project to replace kitchens which have already been identified as in poor condition and in need of renewal by maintenance officer inspection (which fall outside the Decent Homes project).		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	115,000	100,000	100,000
		Total Funding	115,000	100,000	100,000

			2013/14	2014/15	2015/16
Reference	HRA009				
Title	Planned Heating		**£**	**£**	**£**
Description		**Capital Costs**	500,000	400,000	500,000
To deliver an annual rolling programme of heating replacements for properties with no gas heating or where heating is inefficient and obsolete.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	500,000	400,000	500,000
		Total Funding	500,000	400,000	500,000

Capital Programme Build 2013/14 - Summary of Bids - HRA

			2013/14	2014/15	2015/16
Reference	HRA010				
Title	Roofing Replacements		**£**	**£**	**£**
Description		**Capital Costs**	100,000	100,000	200,000
A project to re-roof homes which require roofing due to backlog repairs - poor condition, decent homes or emergency dilapidations. This is for all types of roofing both tiled and flat roofing.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	100,000	100,000	200,000
		Total Funding	100,000	100,000	200,000

			2013/14	2014/15	2015/16
Reference	HRA011				
Title	Windows & Door Replacement		**£**	**£**	**£**
Description		**Capital Costs**	30,000	30,000	30,000
A project to replace windows and doors required due to poor condition, decent homes or emergency dilapidations.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	30,000	30,000	30,000
		Total Funding	30,000	30,000	30,000

			2013/14	2014/15	2015/16
Reference	HRA012				
Title	Electrical Periodical Works		**£**	**£**	**£**
Description		**Capital Costs**	125,000	125,000	125,000
An annual rolling programme to check and upgrade the communal electrical systems in the coucil housing stock.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	125,000	125,000	125,000
		Total Funding	125,000	125,000	125,000

			2013/14	2014/15	2015/16
Reference	HRA014				
Title	Garage Roofs, Doors & Forecourts		**£**	**£**	**£**
Description		**Capital Costs**	40,000	100,000	100,000
To deliver renewals to garage roofs, doors and garage areas to council housing stock		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	40,000	100,000	100,000
		Total Funding	40,000	100,000	100,000

Capital Programme Build 2013/14 - Summary of Bids - HRA

Reference	HRA015		**2013/14**	**2014/15**	**2015/16**
Title	Minor Adaptations		**£**	**£**	**£**
Description		**Capital Costs**	100,000	140,000	140,000
To deliver an annual rolling programme to deliver disabled adaptations to council tenants		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	100,000	140,000	140,000
		Total Funding	100,000	140,000	140,000

Reference	HRA016		**2013/14**	**2014/15**	**2015/16**
Title	Environmental Enhancement (Tenant Led)		**£**	**£**	**£**
Description		**Capital Costs**	100,000	100,000	200,000
These projects are highlighted by the tenants. To carry out works to significant components following condition survey to regenerate some Council owned housing estates to ensure that these areas meet the residents needs in respect of the local built environment. It will allow us to work with partners to deal with spaces and amenities owned by HRA and address issues such as anti-social behaviour.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	100,000	100,000	200,000
		Total Funding	100,000	100,000	200,000

Reference	HRA017		**2013/14**	**2014/15**	**2015/16**
Title	Digital Aerial		**£**	**£**	**£**
Description		**Capital Costs**	0	10,000	10,000
Provision to ensure that aerials are upgraded as necessary to receive digital tv signals		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	0	10,000	10,000
		Total Funding	0	10,000	10,000

Reference	HRA018		**2013/14**	**2014/15**	**2015/16**
Title	Estate Regeneration		**£**	**£**	**£**
Description		**Capital Costs**	100,000	240,000	1,000,000
Projects highlighted through stock condition surveys. To carry out works to significant components following condition survey to regenerate some Council owned housing estates to ensure that these areas meet the residents needs in respect of the local built environment. It will allow us to work with partners to deal with spaces and amenities owned by HRA and address issues such as anti-social behaviour.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	100,000	240,000	1,000,000
		Total Funding	100,000	240,000	1,000,000

Capital Programme Build 2013/14 - Summary of Bids - HRA

			2013/14	2014/15	2015/16
Reference	HRA019				
Title	Fire Safety in Communal Areas		**£**	**£**	**£**
Description		**Capital Costs**	100,000	150,000	150,000
A project to inspect and maintain the communal areas of flats with respect to fire safety		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	100,000	150,000	150,000
		Total Funding	100,000	150,000	150,000

			2013/14	2014/15	2015/16
Reference	HRA020				
Title	Disabled Adaptations - Council Stock		**£**	**£**	**£**
Description		**Capital Costs**	1,000,000	1,000,000	1,000,000
An annual rolling programme to deliver disabled adaptations to council tenants		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	1,000,000	1,000,000	1,000,000
		Total Funding	1,000,000	1,000,000	1,000,000

			2013/14	2014/15	2015/16
Reference	HRA021				
Title	Sheltered Housing Improvements		**£**	**£**	**£**
Description		**Capital Costs**	1,000,000	1,000,000	500,000
To carry out improvement works to the sheltered housing stock to maintain the quality and safety of the properties. Also to carry out any alteration required to the property to make it suitable for vulnerable tenants. This budget will support the Sheltered Housing Review		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	1,000,000	1,000,000	500,000
		Total Funding	1,000,000	1,000,000	500,000

			2013/14	2014/15	2015/16
Reference	HRA022				
Title	IT Capital		**£**	**£**	**£**
Description		**Capital Costs**	200,000	200,000	200,000
Ongoing development to the Housing IT systems which will help implement new ways of working.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	200,000	200,000	200,000
		Total Funding	200,000	200,000	200,000

Capital Programme Build 2013/14 - Summary of Bids - HRA

			2013/14	2014/15	2015/16
Reference	HRA023				
Title	Communal Walkways		**£**	**£**	**£**
Description		**Capital Costs**	100,000	100,000	100,000
To deliver a programme of improvements to communal walkways such as Drayton Walk. This includes weather proofing and an hard wearing anti slip covering .		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	100,000	100,000	100,000
		Total Funding	100,000	100,000	100,000

			2013/14	2014/15	2015/16
Reference	HRA024				
Title	Communal Area Upgrades		**£**	**£**	**£**
Description		**Capital Costs**	200,000	300,000	300,000
To deliver a programme of upgardes to communal areas, this will include internal communal stairways communal kitchen/wc's, drying areas.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	200,000	300,000	300,000
		Total Funding	200,000	300,000	300,000

			2013/14	2014/15	2015/16
Reference	HRA025				
Title	Green Deal Contribution & Energy Efficiency Works		**£**	**£**	**£**
Description		**Capital Costs**	50,000	50,000	100,000
This programme will improve the energy efficency of the councils housing stock through following the Governments roll out of Green Deal in April 2012.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	50,000	50,000	100,000
		Total Funding	50,000	50,000	100,000

			2013/14	2014/15	2015/16
Reference	HRA026				
Title	Major Regeneration and New Build		**£**	**£**	**£**
Description		**Capital Costs**	1,000,000	1,000,000	10,000,000
Major regeneration and new build works following full tenant consultation on a full estate regeneration strategy and planning approval. Mix of new build and/or extensions to existing buildings following full tenant consultation and planning approval.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	1,000,000	10,000,000	10,000,000
		Total Funding	1,000,000	10,000,000	10,000,000

Capital Programme Build 2013/14 - Summary of Bids - HRA

			2013/14	2014/15	2015/16
Reference	HRA027				
Title	Change of Use		**£**	**£**	**£**
Description		**Capital Costs**	100,000	250,000	100,000
This budget is to be used to identify HRA properties that have in the past been used for other HRA uses other than domestic dwellings and to redesign them for use as domestic dwellings that can then be rented out. The work carried out will include alterations to the internal design of the property and installing adequate facilities such as new kitchen, bathrooms, electrical and heating systems.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	100,000	250,000	100,000
		Total Funding	100,000	250,000	100,000

			2013/14	2014/15	2015/16
Reference	HRA028				
Title	CCTV		**£**	**£**	**£**
Description		**Capital Costs**	50,000	50,000	
This budget is to be used to identify HRA properties in the main with communal areas that will benfit from the installation of CCTV to reduce incidents of ASB and associated nuisance.		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	50,000	50,000	
		Total Funding	50,000	50,000	0

			2013/14	2014/15	2015/16
Reference	HRA029				
Title	Lift Refurbishment St Kats		**£**	**£**	**£**
Description		**Capital Costs**	100,000		
This budget is to referbish the lifts at St Katherines Court in line with the lift maintiance schedule		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	100,000		
		Total Funding	100,000	0	0

			2013/14	2014/15	2015/16
Reference	HRA030				
Title	Little Cross Street		**£**	**£**	**£**
Description		**Capital Costs**	562,000		
This budget is to be used to replace the external walkway with a covered in walkway to the Little Cross Street flats (this will affect 22 flats)		**Funding:**			
		Grant			
		Section 106			
		HRA (RTB, Major Repairs Reserve, Revenue, Borrowing)	562,000		
		Total Funding	562,000	0	0

Appendices: 6

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Financial Monitoring Report

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14 January 2013
Policy Document:	No
Directorate:	Resources
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

1.1 To present Committee with the Council's financial position as at 31 October 2012.

1.2 To update Committee on the position on car parking usage and income to 31 October 2012.

1.3 To update Committee on the position in relation to the Council's outstanding debts as at 31 October 2012.

2. Recommendations

2.1 To consider the contents of the following finance reports:

- General Fund Revenue **(Appendix 1)**
- Housing Revenue Account (HRA) Revenue **(Appendix 2)**
- General Fund Capital **(Appendix 3)**
- HRA Capital **(Appendix 4)**.

2.2 To note the position on car parking usage and income as at 31 October 2012 **(Appendix 5)**.

2.3 To note the latest position in relation to the Council's outstanding debts as at October 2012 **(Appendix 6)**.

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

3. Issues and Choices

3.1 Report Background

3.1.1 A Finance and Performance report is taken to Cabinet on a quarterly basis (including the outturn report). Finance reports are published monthly on the intranet with the exception of the beginning of the financial year and 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 in relation to car parking usage and income, and debt recovery.

3.2 Issues

3.2.1 Budget monitoring commenced at Period 2 (position to 31 May) for this financial year. The latest position and financial variances for Period 7 (to 31 October) are outlined in the following appendices:

- **Appendix 1** – General Fund Revenue Report
- **Appendix 2** – HRA Revenue Report
- **Appendix 3** – General Fund Capital Report
- **Appendix 4** – HRA Capital Report.

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

3.2.2.1 General Fund Revenue - £188k adverse

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 with brackets.

- Planning activity has been lower than estimated and the anticipated price increase by central government has been delayed, resulting in a projected shortfall in income of £69k. Additional spending of £24k is forecast due to a non-matched Planning and Performance Agreement. The impact of these has been mitigated by management action to delay the filling of vacancies, resulting in savings of (£60k).
- There has been an (£85k) reduction in external audit fees which was not known when the budget was set resulting in a saving. A further saving has been made on the internal audit contract.
- Savings of around (£37k) have arisen through energy prices rising by less than originally expected.
- Lower than expected Benefit subsidy of £75k is projected, largely as a result of an increased caseload in Homelessness. Again vacant posts have been held open to offset this loss of income.
- A number of key service areas under Strategic Housing are showing forecast overspends due to Call Care contract cancellations. Vacancies are being held to help manage the overall Strategic Housing budget. However management are now forecasting overspend of £119k for the service.
- Increased activity is projected to result in additional income of (£23k).

- The Customers and Communities Directorate is projecting an underspend of (£98k), mainly as a result of reduced NNDR costs and posts being held vacant.
- The Community Safety service is reporting a £57k overspend due to the cancellation of the Daventry CCTV contract becoming more costly than originally forecast and a partial loss of funding for the Crime and Disorder service.
- Savings of (£72k) have been achieved through the reorganisation of the Neighbourhood Management service.
- An overspend of £95k is projected for the Customer Access service, mainly as a consequence of the vacancy factor not being able to be achieved without significant impact on the service to the public.
- Additional costs of £43k are projected as the consequence of having to put some higher specification printing out to private suppliers.
- There is a downward trend in daily Car Parking ticket income forecast of £200k, along with a projected shortfall in season ticket income of £210k as a result of corporate contracts being cancelled.
- The amount of money required to be set aside to finance borrowing is (£325k) below budget as less borrowing was undertaken in 2011-12 than planned. £141k of this has been transferred to the debt financing earmarked reserve to protect against future interest rate volatility. Other variations, including an additional (£109k) interest on a backdated VAT claim and a reduction of £58k in income from investments, result in a forecast saving of (109k).

3.2.2.2 <u>HRA Revenue – (£127k) favourable</u>

- Dwelling rent income is forecast to be (£195k) higher than originally estimated, as the result of improvements made in the management of void dwellings.
- Service charge income is forecast to be lower by £185k, reflecting reduced charges to leaseholders in respect of repairs and maintenance.
- Contributions to the Bad Debt Provision are forecast to be reduced by (£200k), reflecting better than budgeted arrears performance.
- However, interest charges on new long-term borrowing are higher by £329k, largely due to last minute changes to interest rates at the time of the HRA Subsidy buyout.
- Consequently there is an increased forecast net contribution from earmarked reserves of £150k to help manage working balances in line with minimum levels

3.2.2.3 Capital Programme: There are no significant issues of concern in relation to capital.

3.2.3 A comparison of car parking usage and income over the last three financial years is shown at **Appendix 5**.

3.2.4 The managed debt analysis and commentary to 31 October 2012 are shown at **Appendix 6**.

3.3 Choices (Options)

This report provides a statement of current year activity so no options are relevant.

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 The reports at Appendices 1-4 detail any resource issues facing the Council from its forecast financial position for 2012/13.

4.2.2 **Appendix 5** provides further detail in relation to car parking usage and income compared with the two previous financial years.

4.2.3 **Appendix 6** provides a snapshot of the Council's debt position and its management.

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 Protecting and enhancing the reputation of Northampton Borough Council.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

5.1 Appendices

- Appendix 1 – General Fund Revenue Report
- Appendix 2 – HRA Revenue Report
- Appendix 3 – General Fund Capital Report
- Appendix 4 – HRA Capital Report.
- Appendix 5 – Car Parking Usage and Income
- Appendix 6 - Managed Debt Analysis

Isabell Procter
Director of Resources, ext 8757

General Fund Revenue Budget Forecasts 2012/13
October 2012

APPENDIX 1

Division	Ksa	Service Area	Revised Budget £000's	Forecast £000's	Forecast Variance £000's	RAG Status	Description
	DR02	Director of Regeneration, Enterprise &	229	234	4	G	
Director of Regeneration, Enterprise and Planning			229	234	4	G	
	FA01	Asset Management	1,521	1,473	(48)	G	Savings are currently forecast as a result of posts being vacant
	FA06	Other Buildings & Land	(1,449)	(1,449)	0	G	
	RG01	Head of Regeneration & Development	98	98	(0)	G	
	RG02	Regeneration & Investment	1,060	1,085	25	G	Overspend due to vacancy factor being unlikely to be met.
Head of Regeneration and Development			1,230	1,208	(22)	G	
	PE02	Building Control	(36)	(21)	15	G	
	PE03	Development Control	430	459	29	G	Planning activity is lower than budgeted and the anticipated price increase by central government has been delayed, resulting in a projected under-achievement of fee income of £69k. Additional spending of £24k is forecast due to a non-matched Planning and Performance Agreement, increased advertising and publicity for some planning applications, and professional subscriptions for more staff following restructuring, partially offset by vacancy savings of £60k
	PE06	Head of Planning	125	125	0	G	
	PE15	Joint Planning Unit Manager	252	252	(0)	G	
	PE17	Planning & Regen Central Support	102	86	(16)	G	
	RG04	Planning Policy & Conservation	798	744	(54)	G	Savings mainly a result of posts being vacant.
Head of Planning			1,670	1,645	(25)	G	
Director of Regeneration, Enterprise & Planning			**3,129**	**3,086**	**(43)**	**G**	
	FA04	Non Distributed Costs	4,305	4,280	(25)	G	
Corporate			4,305	4,280	(25)	G	
	DR03	Director of Resources	1,487	1,471	(16)	G	
Director of Resources			1,487	1,471	(16)	G	
	HR01	Human Resources	968	976	9	G	
	GC08	Communications	219	200	(19)	G	
	GC15	Emergency Planning	53	53	0	G	
	PI20	Performance and Change	274	263	(11)	G	
Head of Business Change			1,513	1,492	(21)	G	
	HS02	Head of Finance & Resources	86	94	7	G	
	FA02	Financial Services	1,351	1,344	(6)	G	
	FA03	Audit	353	281	(72)	G	This is due to the 2012/13 scale of fees for External Audit being less than anticipated and savings on the Internal Audit contract.
	FA05	Investments	65	46	(19)	G	
	FA08	Office Accommodation	1,570	1,533	(37)	G	Savings are being forecast as a result of energy price rises not being as high as originally anticipated.
	FA19	Exchequer Service	489	473	(16)	G	
	HS01	Benefits	(100)	(25)	75	A	Lower than anticipated Benefit subsidy is projected, largely as a result of an increased caseload on Homelessness.
	HS03	Revenues	352	309	(43)	G	Vacant posts held to offset employee overspend in Benefits
	PR01	Procurement	139	137	(2)	G	
Head of Finance & Resources			4,306	4,192	(114)	B	
Director of Resources			**11,611**	**11,435**	**(176)**	**B**	
	DR05	Director of Housing	184	184	0	G	
Director of Housing			184	184	0	G	
	CS02	Call Care	(232)	7	239	R	There have been a number of contracts cancelled within the call care service which has impacted on the levels of income for the service. This has been partly offset by savings in expenditure.
	HS05	Home Choice & Resettlement	417	383	(34)	G	There are a variety of posts being held vacant within this service to help manage the Strategic Housing budgets.
	HS12	Housing Options	449	367	(83)	G	There are a variety of posts being held vacant within this service to help manage the Strategic Housing budgets.
	HS13	Head of Strategic Housing	130	163	33	G	Additional employee costs in relation to the Gateway Project - being offset by savings in other areas.
	PE09	Travellers Sites	26	21	(5)	G	
	PE12	Private Sector Housing Solutions	67	33	(34)	G	Higher licencing income resulting from increased registration and relicensing of Houses in Multiple Occupation.
	RG03	Housing Strategy	56	58	2	G	
Head of Strategic Housing			914	1,032	119	R	
Housing			**1,098**	**1,216**	**119**	**R**	
	CX01	Chief Executive	184	187	2	G	
	GC02	Civic and Mayoral Expenses	104	118	13	G	
	GC05	Overview and Scrutiny	43	45	1	G	
	GC06	Councillor & Managerial Support	563	561	(2)	G	
	LD02	Electoral Services	174	180	6	G	
	LD03	Land Charges	(61)	(83)	(23)	G	Additional income from increased activity levels
	LD04	Legal	714	742	28	G	

Division	Ksa	Service Area	Revised Budget	Forecast	Forecast Variance	RAG Status	Description
	LD08	Democratic Services	307	298	(9)	G	
Borough Secretary			2,029	2,046	17	G	
Borough Secretary			**2,029**	**2,046**	**17**	**G**	
	DR01	Director of Customers and Communiti	299	251	(48)	G	Savings as a result of posts being vacant.
Director of Customers and Communities			299	251	(48)	G	
	GC04	Policy	8	8	0	G	
	GC09	Community & Other Grants	1,218	1,212	(6)	G	
	GC10	Community Development	148	88	(60)	G	Savings due to vacant posts.
	GC11	Community Centres	419	389	(30)	G	Saving of £14k due to vacant posts and £13k due to reduced NNDR costs.
	LS01	Head of Partnership Support	107	110	3	G	
	SS01	Neighbourhood Management	99	94	(5)	G	
Head of Partnership Support			1,999	1,901	(98)	G	
	CE02	Community Safety	404	461	57	A	There is funding for the Crime & Disorder service which is not going to be received of £25k. The cancellation of the Daventry CCTV contract has been more costly than anticipated
	CE04	Leisure Contract	946	946	0	G	
	LD05	Licensing	(239)	(223)	16	G	
	PE07	Pest Control	42	27	(15)	G	
	PE10	Commercial Services	332	346	14	G	
	PE11	Environmental Protection	1,051	979	(72)	G	Savings have been achieved through the reorganisation of the Neighbourhood Management Service
	PE16	Head of Public Protection	73	71	(1)	G	
	SS09	Environmental Services Contract	6,679	6,679	0	G	
	SS20	Environmental Services	(372)	(353)	18	G	
Head of Public Protection			8,916	8,933	16	G	
	CE06	Museums and Arts	671	691	20	G	
	CS03	Head of Customer & Cultural Services	105	104	(1)	G	
	CS04	Customer Access	1,524	1,619	95	A	The overspend is mostly attributable to employee costs, the largest variance relates to the vacancy factor which is not forecast to be achieved. Service Managers are investigating ways in which to mitigate this forecast.
	CS05	Print Unit	208	251	43	G	Additional costs of outsourcing printing of higher technical specifications
	PI02	Information Technology	2,166	2,156	(10)	G	
	PI14	Telephones	247	247	0	G	
Head of Customer & Cultural Services			4,923	5,068	146	R	
	CE03	Events	268	253	(14)	G	
	CE23	Town Centre Management	(32)	(26)	7	G	
	CE24	Car Parking	(1,864)	(1,448)	416	R	Car parking daily ticket income is decreasing resulting in a shortfall in income of £200k. There have also been some season ticket contracts cancelled resulting in a further shortfall of £210k.
	CE26	Bus Station	242	187	(55)	G	Lower than estimated electricity prices and reallocation of security patrols to car parks
	FA09	Markets	51	63	12	G	
Head of Town Centre Management			(1,336)	(971)	365	R	
Director of Customers and Communities			**14,801**	**15,182**	**381**	**R**	
Total Service Budgets			**32,668**	**32,965**	297	R	
		Debt Financing	1,640	1,531	(109)	B	Minimum Revenue Provision, which is the amount of money required to be set aside to finance borrowing (including finance leases), is £325k below budget, mainly due to capital financing decisions made in 2011-12 (the use of capital receipts instead of borrowing and changes from planned financing leading to MRP savings), and the carry forward of capital expenditure delaying MRP impact to future years. £141k of this saving has been transferred to a debt financing earmarked reserve to mitigate risk in the investment interest budgets in 2013-14 against a background of falling interest rates. An amount of £109k interest on a backdated VAT claim has been received from HMRC. This has also been transferred to the debt financing earmarked reserve. Further savings arise from on interest on finance leases, where actual liability is around £21k less than budgeted. Income from investments is forecast to be below budget by around £58k, due to the Council carrying lower overall cash balances than in previous years, arising largely from more timely capital programme spend in 2011-12 and 2012-13 than in previous years. Recharge income from the HRA is forecast at around £73k less than budgeted, due both to an increase in the levels of forecast average HRA balances, and the achievement of a higher than budgeted rate of return on investments.
		Recharges to the HRA	(5,370)	(5,370)	0	G	
		Contributions from reserves	(1,283)	(1,283)	0	G	
		Council Tax and other funding	(27,755)	(27,755)	0	G	
		Contribution to GF Balances	100	100	0	G	
Total Corporate Budgets			**(32,668)**	**(32,777)**	(109)	B	
Total General Fund			**0**	**188**	**188**		

APPENDIX 2

NORTHAMPTON BOROUGH COUNCIL

HOUSING REVENUE ACCOUNT
FINANCIAL YEAR 2012/2013

For Period Ending 31st October 2012

	2012/2013 £,000's Current Budget	2012/2013 £,000's Actuals	2012/2013 £,000's Forecast Outturn	Variance £,000's	RAG Status
INCOME					
Rents - Dwellings Only	-46,602	-27,374	-46,797	-195	
Rents - Non Dwellings Only	-1,112	-572	-1,117	-5	
Service Charges	-2,423	-1,070	-2,238	185	
Other Income	-85	-49	-65	20	
Total Income	**-50,222**	**-29,065**	**-50,217**	**5**	**G**
EXPENDITURE					
Repairs and Maintenance	10,981	7,203	11,055	73	
General Management	6,320	3,353	6,206	-114	
Special Services	3,157	1,522	3,259	102	
Rents, Rates, Taxes & Other Charges	87	3	93	6	
Increase in Bad Debt Provision	450	146	250	-200	
Rent Rebate Subsidy Deductions	643	375	643	0	
Total Expenditure	**21,638**	**12,602**	**21,506**	**-132**	**B**
Net Cost of Services	**-28,584**	**-16,463**	**-28,711**	**-127**	**B**
Net Recharges to the General Fund	4,921	2,840	4,869	-52	
Interest & Financing Costs	6,072	3,734	6,401	329	
Voluntary Debt Repayment	8,198	4,782	8,198	0	
RCCO	3,148	1,836	3,148	0	
Depreciation/MRA	8,246	4,810	8,246	0	
Net Contribution (from) / to Earmarked Reserves	-2,000	-1,254	-2,150	-150	
Net Transfer From / (To) Working Balance	**0**	**285**	**0**	**0**	**G**
Working Balance b/f	-5,000	-5,000	-5,000	0	
Working Balance Outturn	**-5,000**	**-4,715**	**-5,000**	**0**	**G**

Notes on Forecast Variances

Rents - dwellings only
Projected higher rent income largely as a result of faster turnaround times on void properties (currently 1.22% against estimated 2.5%).

Service Charges

Anticipated lower charges to Leaseholders in respect of repair and maintenance expenditure (includes prior year adjustment)

Note that depooled service charges are now shown on this line (this income was previously included in dwelling rents).

Repairs and Maintenance
Projected higher costs largely due to increased expenditure on void properties.

General Management
Lower employee costs projected as a result of vacant posts.

Special Services
Higher expenditure anticipated on cleaning of communal areas and fly tipping removal.

Increase in Bad Debt Provision
Lower contribution to the Bad Debt Provision, reflecting lower levels of rent arrears than projected.

Interest & Financing Costs
Interest rates on the new HRA long-term borrowing is higher than budgeted

NORTHAMPTON BOROUGH COUNCIL

CORPORATE FINANCIAL REPORTS (CAPITAL) : (Cost Centre & Head of Service)
FINANCIAL YEAR 2012/2013
PERIOD 07 (October 2012)

APPENDIX 3

GF CAPITAL

Project Code & Project Description	Approved Budget February 2012	Approved Changes In Year	Latest Approved Budgets	YTD Actual Expenditure	Forecasted Year End Spend	Forecasted - Underspend / +Overspend for Year End	Budget Carried Forward	Forecast Variance RAG	Carry Forward RAG
	A	B	C=A+B	D	E	F=E-C	G		
	£	£	£	£	£	£	£		
Chris Cavanagh (CC4)									
BA122 - Fire Safety Improvement Works	0	99,600	99,600	69,291	99,600	0	0	G	G
BA132 - St Crispin Changing Rooms, Toilet, Car park	0	750,989	750,989	0	750,989	0	0	G	G
BA133 - St Crispin Football Pitches and Play Provision	0	226,639	226,639	270	226,639	0	0	G	G
BA136 - Water Management Works	85,000	276,585	361,585	265,376	361,585	0	0	G	G
BA138 - Cemeteries Refurbishment Works	0	56,744	56,744	33,234	56,744	0	0	G	G
BA139 - Works to Churchyards (footpaths and boudary walls)	0	2,000	2,000	0	2,000	0	0	G	G
BA140 - Corporate Properties - DDA Issues	0	0	0	4,527	4,527	4,527	0	G	G
BA141 - Unexpected in year Failures	0	0	0	-277	-277	-277	0	G	G
BA146 - Water Hygiene - Monitoring Improvements	82,000	0	82,000	0	82,000	0	0	G	G
BA169 - Northampton Skatepark	0	285,605	285,605	267,436	285,605	0	0	G	G
BA179 - Abington Park, Changing Room refurbishment	0	197	197	0	197	0	0	G	G
BA180 - Strategic Property Investment	0	500,000	500,000	0	500,000	0	0	G	G
BA181 - Refurbishment Abington Park Cottages 1&2	0	0	0	1,780	1,780	1,780	0	G	G
BA182 - Central Museum - Replacement of Air Conditioning Units	0	5,908	5,908	0	5,908	0	0	G	G
BA183 - Timber Footbridge Replacements	0	0	0	827	827	827	0	G	G
BA186 - Improvement to Parks Infrastructure	65,000	210,482	275,482	202,545	275,482	0	0	G	G
BA187 - Racecourse Bowling Green Footpaths	0	350	350	0	350	0	0	G	G
BA189 - Corporate Asset Improvements	200,000	81,777	281,777	84,501	281,777	0	0	G	G
BA190 - Investment Properties Enhancements	100,000	0	100,000	0	100,000	0	0	G	G
BA194 - Guildhall Renewals	132,000	75,000	207,000	61,659	207,000	0	0	G	G
BA196 - Grosvenor/Greyfriars - Stagecoach Relocation	0	3,000,000	3,000,000	0	3,000,000	0	0	G	G
BA197 - Delapre Abbey Restoration Minor Projects	100,000	0	100,000	28	100,000	0	0	G	G
BA368 - Upton Park Pedestrian & Cycle Bridge	0	373,011	373,011	51,925	373,011	0	0	G	G
BA887 - Grosvenor Greyfriars Car Park Improvement Works	0	78,000	78,000	32,724	78,000	0	0	G	G
BA889 - Mayorhold Car Park - Drainage Works	0	80,000	80,000	0	80,000	0	0	G	G
BA891 - Bus Interchange	6,386,000	0	6,386,000	208,144	6,386,000	0	0	G	G
BA892 - Urgent Lift Renewals	181,500	0	181,500	0	181,500	0	0	G	G
BA894 - Mounts Baths Roof	150,200	25,200	175,400	0	175,400	0	0	G	G
Total for Head of Regeneration and Development	**7,481,700**	**6,128,087**	**13,609,787**	**1,283,989**	**13,616,644**	**6,857**	**0**	G	G
Fran Rodgers (FR2)									
BK010 - Countrywide Climate Friendly Commmunities	0	98,511	98,511	61,149	98,511	0	0	G	G
BK013 - Empty Homes Programme	0	632,090	632,090	0	632,090	0	0	G	G
BK014 - CBL Sub-regional scheme	0	26,993	26,993	0	26,993	0	0	G	G
BK015 - DFG's Owner Occupiers	1,475,000	619,398	2,094,398	1,000,034	2,094,398	0	0	G	G
BK029 - Hot Property 3	0	1,392	1,392	-2,482	-1,090	-2,482	0	G	G
BK030 - Heatstreets	0	0	0	-56	-56	-56	0	G	G
BK043 - Ecton Lane Remedial Works 2	0	11,620	11,620	11,620	11,620	0	0	G	G
BK044 - GOEM Decent Homes Assistance	0	153,602	153,602	110,488	153,602	0	0	G	G
Total for Head of Strategic Housing	**1,475,000**	**1,543,606**	**3,018,606**	**1,180,755**	**3,016,068**	**-2,538**	**0**	G	G
Isabell Procter (IP1)									
BA383 - Cinepod - Royal & Derngate Theatre	0	350,000	350,000	0	350,000	0	0	G	G
Total for Director of Resources	**0**	**350,000**	**350,000**	**0**	**350,000**	**0**	**0**	G	G
Julie Seddon (JS14)									
BA144 - Playbuilder - Dallington	0	300	300	0	300	0	0	G	G

NORTHAMPTON BOROUGH COUNCIL

CORPORATE FINANCIAL REPORTS (CAPITAL) : (Cost Centre & Head of Service)
FINANCIAL YEAR 2012/2013
PERIOD 07 (October 2012)

APPENDIX 3

GF CAPITAL

Project Code & Project Description	Approved Budget February 2012	Approved Changes In Year	Latest Approved Budgets	YTD Actual Expenditure	Forecasted Year End Spend	Forecasted - Underspend / +Overspend for Year End	Budget Carried Forward	Forecast Variance RAG	Carry Forward RAG
	A	B	C=A+B	D	E	F=E-C	G		
	£	£	£	£	£	£	£		
BA167 - I Love My Parks	0	32,254	32,254	3,650	32,254	0	0	G	G
Total for Director of Customers & Communities	**0**	**32,554**	**32,554**	**3,650**	**32,554**	**0**	**0**	G	G
Marion Goodman (MG3)									
BA111 - Partnership Information Hub GIS	0	13,155	13,155	0	13,155	0	0	G	G
BA157 - COM; Telephony (VoIP)	0	7,108	7,108	-1,011	7,108	0	0	G	G
BA173 - Multi-Function Devices (MFD's)	0	29,628	29,628	0	29,628	0	0	G	G
BA192 - Content Management System Upgrade for Websites	0	3,650	3,650	3,199	3,650	0	0	G	G
BA193 - Refurbishment - Northampton Museum and Art Gallery	0	0	0	-6,825	0	0	0	G	G
BA207 - IT Infrastructure - Servers and Network Storage	162,000	0	162,000	135,052	162,000	0	0	G	G
BA743 - Electronic Record Management	0	5,911	5,911	0	5,911	0	0	G	G
BA764 - One Stop Shop, CRM	0	29,966	29,966	0	29,966	0	0	G	G
BA786 - Data Network Improvements	0	79,334	79,334	-18,901	79,334	0	0	G	G
BA808 - IT Network Replacement Programme	0	34,236	34,236	0	34,236	0	0	G	G
BA893 - Microsoft Office 2010 Upgrade	195,200	0	195,200	29,815	195,200	0	0	G	G
Total for Head of Customer & Cultural Services	**357,200**	**202,988**	**560,188**	**141,330**	**560,188**	**0**	**0**	G	G
Nicci Marzec (NM3)									
BA356 - Community Centres Refurbishment	15,000	5,145	20,145	450	20,145	0	0	G	G
Total for Head of Partnership Support	**15,000**	**5,145**	**20,145**	**450**	**20,145**	**0**	**0**	G	G
Robin Bates (RB4)									
BA145 - Cliftonville Move; New ways of working	0	55,246	55,246	28,723	55,246	0	0	G	G
Total for Corporate	**0**	**55,246**	**55,246**	**28,723**	**55,246**	**0**	**0**	G	G
BA164 - COM; IT Equipment New ways of working	0	65,900	65,900	0	65,900	0	0	G	G
BA165 - COM; Document Management	0	98,071	98,071	0	98,071	0	0	G	G
BA209 - Hosted Debit and Credit Card Payments	0	39,173	39,173	39,294	39,294	121	0	G	G
Total for Head of Finance & Resources	**0**	**203,144**	**203,144**	**39,294**	**203,265**	**121**	**0**	G	G
Susan Bridge (SB11)									
BA210 - Jeffrey Room Audio and Visual Improvements	0	6,539	6,539	4,228	6,539	0	0	G	G
BA883 - Planning IT Improvements (HPDG)	0	193,613	193,613	1,586	193,613	0	0	G	G
Total for Head of Planning	**0**	**200,152**	**200,152**	**5,814**	**200,152**	**0**	**0**	G	G
Steve Elsey (SE3)									
BA208 - Eastfield Park Improved Park Entrance	0	0	0	-140	0	0	0	G	G
BA211 - Extension of Duston Cemetery	0	42,450	42,450	0	42,450	0	0	G	G
BA872 - Night Safe & Target Hardening - SSNP	0	13,825	13,825	0	13,825	0	0	G	G
BA890 - Central Museum - Boiler Replacement	35,000	0	35,000	1,900	35,000	0	0	G	G
BA895 - Allotment Provision	100,000	0	100,000	0	100,000	0	0	G	G
BA896 - Guildhall Loft Insulation Salix project	0	4,842	4,842	0	4,842	0	0	G	G
BA897 - Grosvenor Car Park T5 Lighting Upgrades	0	40,117	40,117	21,669	40,117	0	0	G	G
BA898 - St Michaels Car Park Led Lighting	0	88,839	88,839	71,628	88,839	0	0	G	G
Total for Head of Public Protection	**135,000**	**190,073**	**325,073**	**95,056**	**325,073**	**0**	**0**	G	G
TOTALS	**9,463,900**	**8,910,995**	**18,374,895**	**2,779,062**	**18,379,335**	**4,440**	**0**	G	G

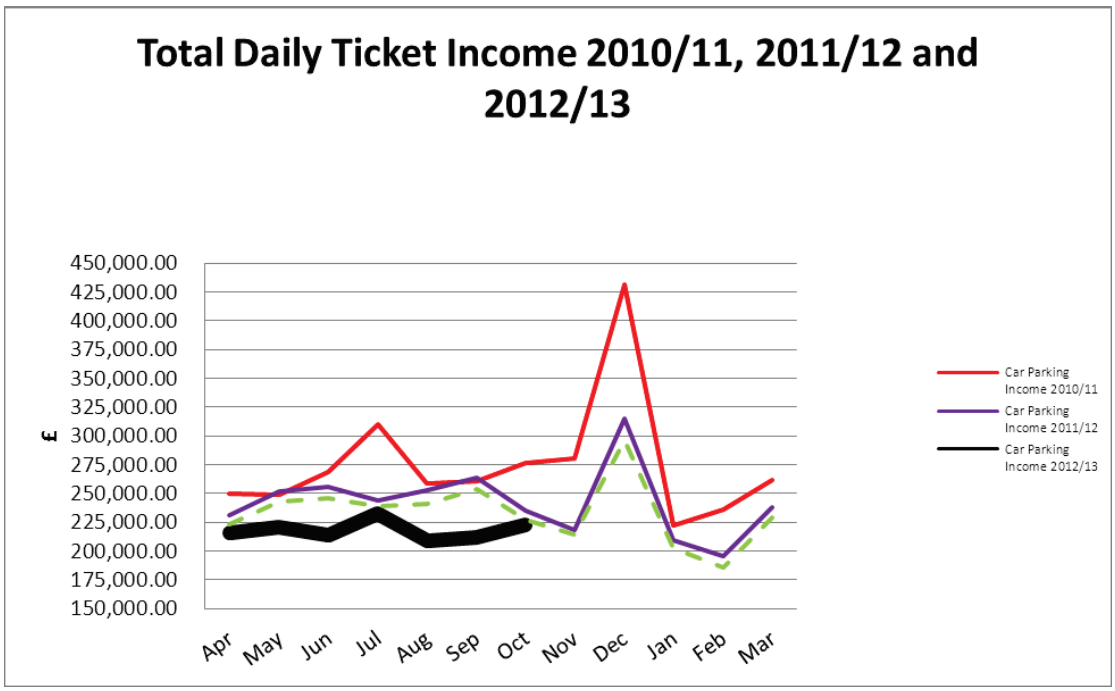
NORTHAMPTON BOROUGH COUNCIL

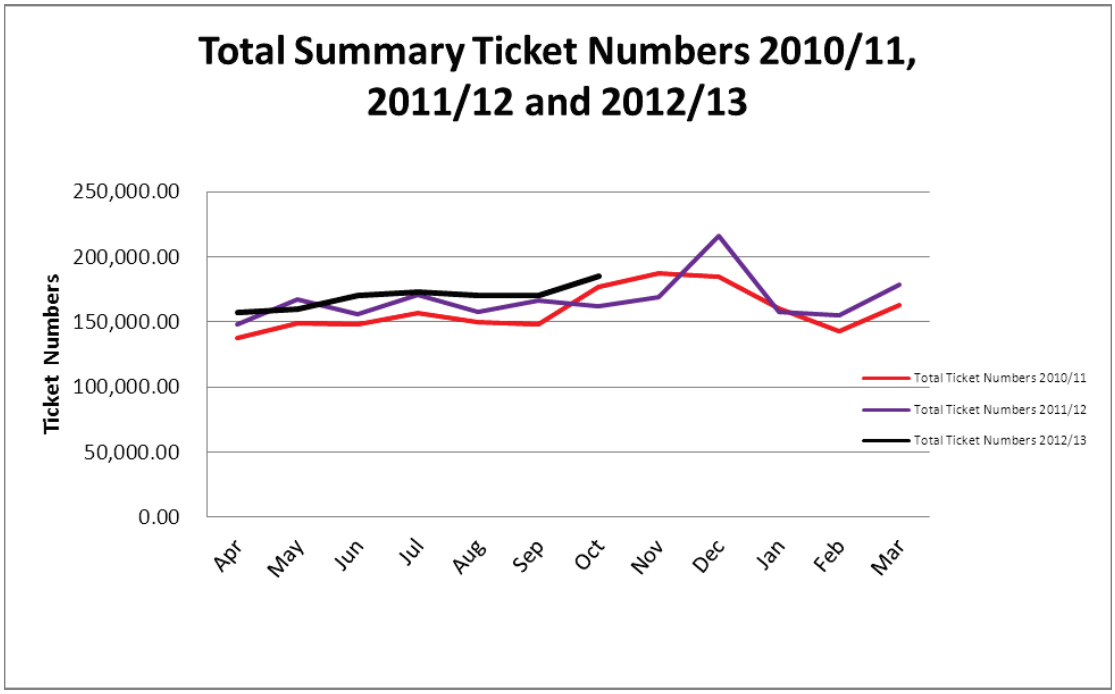
CORPORATE FINANCIAL REPORTS (CAPITAL) : (Cost Centre & Head of Service)
FINANCIAL YEAR 2012/2013
PERIOD 07 (October 2012)

APPENDIX 4

HRA CAPITAL

Project Code & Project Description	Approved Budget February 2012	Approved Changes In Year	Latest Approved Budgets	YTD Actual Expenditure	Forecasted Year End Spend	Forecasted - Underspend / +Overspend for Year End	Budget Carried Forward	Forecast Variance RAG	Carry Forward RAG
	A	B	C=A+B	D	E	F=E-C	G		
	£	£	£	£	£	£	£		
<chos_text> (<chos>)									
Fran Rodgers (FR2)									
BH006 - Woodside Way New Build	0	0	0	972	972	972	0	G	G
BH366 - Sheltered Housing Improvements	1,000,000	0	1,000,000	231,932	1,000,000	0	0	G	G
BH367 - IT Capital	200,000	0	200,000	9,486	200,000	0	0	G	G
Total for Head of Strategic Housing	**1,200,000**	**0**	**1,200,000**	**242,390**	**1,200,972**	**972**	**0**	G	G
Head of Landlord Services (Mary Wood) (HOLS)									
BH003 - Garages Roofs & Doors Replacement	40,000	25,201	65,201	1,175	65,201	0	0	G	G
BH009 - Fire Safety Works - communal areas	150,000	0	150,000	36,180	150,000	0	0	G	G
BH011 - Capital Improvement Works	300,000	1,598	301,598	350	301,598	0	0	G	G
BH013 - Digital Aerial Upgrade	0	0	0	0	0	0	0	G	G
BH014 - Estate Regeneration	150,000	198,224	348,224	747	348,224	0	0	G	G
BH019 - Window Restrictors	0	26,283	26,283	0	26,283	0	0	G	G
BH020 - Periodical Electrical Works	125,000	60,489	185,489	93,971	185,489	0	0	G	G
BH021 - New Communal Boilers	0	55,543	55,543	-909	55,543	0	0	G	G
BH022 - Community Energy Savings Programme (CESP)	750,000	2,226,828	2,976,828	1,336,178	2,976,828	0	0	G	G
BH023 - External Gas Supply Replacement	0	45,550	45,550	1,260	45,550	0	0	G	G
BH140 - Disabled Grant - Major Repairs	1,000,000	0	1,000,000	805,067	1,000,000	0	0	G	G
BH302 - Minor Adaptations for People with Disabilities	140,000	0	140,000	117,847	140,000	0	0	G	G
BH304 - Complete Roofs	400,000	491,110	891,110	274,799	891,110	0	0	G	G
BH305 - Structural Repairs	400,000	0	400,000	164,677	400,000	0	0	G	G
BH317 - Decent Homes and Poor Condition Improvement	10,000,000	0	10,000,000	8,506,050	10,000,000	0	0	G	G
BH321 - Door & Window Replacement	30,000	3,495	33,495	14,367	33,495	0	0	G	G
BH324 - Gas Appliance Replacement - Planned Ptnrship	700,000	0	700,000	425,960	700,000	0	0	G	G
BH325 - Gas Appliance Replacement - Responsive	500,000	0	500,000	726,585	500,000	0	0	G	G
BH329 - Asbestos Remedial Action	100,000	0	100,000	62,528	100,000	0	0	G	G
BH336 - Cooper Street Housing	0	0	0	-245	0	0	0	G	G
BH338 - Capital Voids	1,000,000	89,557	1,089,557	900,904	1,089,557	0	0	G	G
BH345 - Kitchen replacement	200,000	46,666	246,666	205,359	246,666	0	0	G	G
BH351 - Door Entry Updates	90,000	45,119	135,119	115,552	135,119	0	0	G	G
BH354 - Lift Refurbishment	0	0	0	14,821	14,821	14,821	0	G	G
BH364 - Environmental enhancements to housing land	140,000	187,521	327,521	223,209	327,521	0	0	G	G
BH365 - Walkways	100,000	0	100,000	0	100,000	0	0	G	G
BH368 - Communal Area Upgrades	200,000	0	200,000	0	200,000	0	0	G	G
Total for Head of Landlord Services	**16,515,000**	**3,503,184**	**20,018,184**	**14,026,431**	**20,033,005**	**14,821**	**0**	G	G
Lesley Wearing (LW3)									
BH370 - Repurchase of Former Council Houses	0	500,000	500,000	0	500,000	0	0	G	G
Total for Director of Housing	**0**	**500,000**	**500,000**	**0**	**500,000**	**0**	**0**	G	G
TOTALS	**17,715,000**	**4,003,184**	**21,718,184**	**14,268,821**	**21,733,977**	**15,793**	**0**	G	G





Notes:

- The income for the end of period 7 is £147k down against the budget for the first seven months of 2012/13
- The volume of tickets for the year to the end of period 7 is 57k higher than the same period in 2011/12
- St John's Surface Car Park: The closure was effective from 15 June.

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APPENDIX 6

Managed Debt Analysis - Rolling Year 2011/12 into 2012/13

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
TOTAL ARREARS	**15,980,705**	**15,045,254**	**14,377,143**	**12,775,573**	**13,716,504**	**15,431,526**	**21,064,859**	**15,723,326**	**15,440,899**	**14,869,066**	**14,542,390**	**14,040,261**
Awaiting Action	559,935	691,782	689,849	385,556	607,440	603,464	913,190	1,603,144	1,067,490	1,198,759	1,319,232	1,003,214
Debt in Progress	15,421,860	14,353,472	13,687,294	12,390,013	13,109,064	14,828,062	20,151,669	14,120,092	14,343,406	13,670,307	13,223,158	13,037,047
% Inactive debt [PI]	**3.50%**	**4.60%**	**4.80%**	**3.02%**	**4.43%**	**3.91%**	**4.34%**	**10.20%**	**6.91%**	**8.06%**	**9.07%**	**7.15%**
CTAX	7,507,756	7,276,413	6,803,605	6,510,454	6,219,947	7,698,098	7,913,392	7,590,716	7,290,809	6,995,888	6,748,462	6,816,581
Inactive	148,845	144,914	92,342	71,719	57,718	136,260	142,488	118,927	103,463	155,201	190,988	61,718
In progress	7,358,911	7,131,499	6,711,263	6,438,734	6,162,229	7,561,838	7,770,904	7,471,789	7,187,346	6,840,687	6,557,474	6,754,863
Inactive debt	**1.98%**	**1.99%**	**1.36%**	**1.10%**	**0.93%**	**1.77%**	**1.80%**	**1.57%**	**1.42%**	**2.22%**	**2.83%**	**0.09%**
NNDR	1,225,782	1,149,308	919,808	912,303	986,230	2,514,144	1,896,873	1,709,394	1,618,141	1,455,859	1,454,169	1,190,202
Inactive	0	0	0	0	0	0	0	0	0	0	0	0
In progress	1,225,782	1,149,308	919,808	912,303	986,230	2,514,144	1,896,873	1,709,394	1,618,141	1,455,859	1,454,169	1,190,202
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%**
VTA	1,396,226	1,316,119	1,299,013	Not Avail	1,266,731	1,176,332	1,148,887	1,112,712	1,093,926	1,098,773	1,101,424	1,141,274
Inactive	127,052	102,122	214,399	Not Avail	173,231	113,802	125,612	131,638	24,447	88,542	87,568	93,895
In progress	1,269,173	1,213,996	1,084,613	Not Avail	1,093,501	1,062,530	1,023,275	981,074	1,039,476	1,010,231	1,013,856	1,047,379
Inactive debt	**9.10%**	**7.76%**	**16.50%**	**Not Avail**	**13.68%**	**9.67%**	**10.93%**	**11.83%**	**2.23%**	**8.06%**	**7.95%**	**8.22%**
HBOP	4,282,775	4,217,375	4,268,678	4,266,777	4,157,557	4,042,951	4,037,218	4,062,784	4,042,524	4,139,805	4,090,115	4,062,487
Inactive	184,294	371,672	310,033	240,767	303,417	353,402	329,457	380,956	420,694	432,663	409,456	427,157
In progress	4,098,481	3,845,703	3,958,645	4,026,010	3,854,140	3,689,549	3,707,761	3,681,828	3,621,830	3,707,142	3,680,659	3,635,330
Inactive debt	**4.30%**	**8.81%**	**7.26%**	**5.64%**	**7.30%**	**8.74%**	**8.16%**	**9.38%**	**10.41%**	**10.45%**	**10.01%**	**10.51%**
SD	1,569,256	1,086,039	1,086,039	1,086,039	1,086,039	Not Avail	Not Avail	1,247,630	1,395,500	1,178,741	1,148,220	829,717
Inactive	99,744	73,074	73,074	73,074	73,074	Not Avail	Not Avail	971,623	518,886	522,353	631,220	420,444
In progress	1,469,512	1,012,965	1,012,965	1,012,965	1,012,965	Not Avail	Not Avail	276,007	876,613	656,388	517,000	409,273
Inactive debt	**6.36%**	**6.73%**	**6.73%**	**6.73%**	**6.73%**	**Not Avail**	**Not Avail**	**77.88%**	**37.18%**	**44.31%**	**54.97%**	**50.67%**

All figures given below are as at 31 October, with movements in the last eleven months.

- Overall debt levels
  Unmanaged debt is £443k more, primarily due to the issues with the Agresso complaint codes. However outstanding arrears continue to reduce, as they are £1,940k less.

- Council Tax
  Unmanaged debt is £87k less and the overall outstanding arrears are £691k less.

- Business Rates
  Unmanaged debt remains unchanged. The overall outstanding arrears are £36k less.

- Former Tenant Arrears
  Unmanaged debt is £33k less and the overall outstanding arrears are £255k less.

- Housing Benefit Overpayments Payments
  Unmanaged debt is £243k more, due to an increase of appeals and an increase in pended overpayments. The overall outstanding arrears are £220k less.

- Sundry Debts
  Unmanaged debt is £321k more, although this is overstated as the new complaint codes, introduced as part of the Agresso implementation, have not been updated on all accounts. Unmanaged debt is down by £211k in the last month, and circa £170k awaiting write-off. We expect this to improve significantly in the forthcoming months. The overall outstanding balance is £740k less.

- Priority Debts 30th September 2012 (Current figures are be collated)
  As a result of priority debt as defined by the Corporate Debt Policy we now have debt on hold awaiting clearance of priority debts. This is broadly broken down as FTA £122k, Sundry debt £20k and OPHB £134k, as at 31 October. As more cases reach consideration for court action this category of debt pending other priority debt will increase.

Appendices
3

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Environmental Services Review

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14 Jan 2013
Policy Document:	No
Directorate:	Customers and Communities
Accountable Cabinet Member:	Councillor Caswell

1. Purpose

1.1 The purpose of this report is to provide Audit Committee with a copy of the action plan that has been developed to implement the recommendations of the environmental services review.

2. Recommendations

2.1 That audit committee review the environmental services action plan (appendix 1).

3. Issues and Choices

3.1 **Report Background**

3.1.1 A review of the environmental services contract that is in place with Enterprise Managed Services was undertaken in the summer of 2012.

3.1.2 A copy of the review findings was circulated to all elected members in October 2012 and has been posted to the internet. A copy is also attached to this report for ease of reference **(Appendix 2).**

3.1.3 Following the publication of the findings of the review an action plan has been developed to ensure its recommendations are implemented.

3.2 Issues

3.2.1 Issues are as indicated in the attached action plan **(Appendix 1).**

3.2.2 The action plan is a living document which is regularly updated. The most up to date version will be presented to Audit Committee at the meeting on 14th January to keep committee members up to date with progress.

3.3 Choices (Options)

3.3.1 Audit committee can choose to comment on and make recommendations about the action plan.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no direct policy or financial implications arising from this report.

4.2 Resources and Risk

4.2.1 There are no direct resource implications arising from this report.

4.2.2 There are no risks arising from this report.

4.3 Legal

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

4.4 Equality

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

4.5 Consultees (Internal and External)

4.5.1 The portfolio holder for environment has been consulted on this report.

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 None

Report Author: Julie Seddon

ENTERPRISE CONTRACT ------ PRIMARY IMPROVEMENT ACTION PLAN - BEASLEY REPORT

	SOURCE	ISSUE		ACTIONS	TIME-SCALES	PARTNERSHIP UNIT LEAD OFFICER	R A G	NOTES/COMMENTS	OPEN/ CLOSED
Contractual									
1		Performance Payment Mechanism	a	Additional legal and interpretation advice received re process	Sept	MT		April to June reductions agreed. Deductions are on quarterly basis and made at the end of each following quarter.	closed
			b	Payment reductions for 1st quarter 2012/13 calculated		MT		Reductions to be made to Oct invoice	closed
			c	Payment reductions requested and agreed by EMS		MT		2nd quarter reductions in Jan 2013	closed
			d	Agreed NBC/DDC split	Oct	MT			closed
			e	Calculate any reductions for 2nd quarter Jul-Sept (to be processed in Jan 2013)	Oct	MT			closed
			f	MT/SE to agree calculations. Aim to submit to EMS by the end of October.	Oct	MT/SE		Submitted to EMS	closed
			g	Two definitions still need agreement - around complaints and missed bins.	Nov	MT/SE		With EMS to pursue as required. Mtg requested by EMS. MT/SE to discuss	open
			h	Draw up a procedure note for agreement. Then becomes business as usual	Dec	SM		DC to undertake this action working with MT. DC/MT mtg cancelled due to DC off sick. To be rescheduled.	open
			i	EMS to confirm agreement for 2nd quarter.	Nov	MT		Submitted to EMS. Response received	open
4		Complaints Definitions and Records	a	Create and agree scripts for Call Centres	Nov	OG		Special meeting booked to agree 22/11. Meeting deferred for diary reasons.	open
			b	Agree sharing of EMS forward planning (eg winter maintenance).	Nov	MT		Not to be used to pin down specific dates, just an overview of what is planned and when.	open
			c	Action and management of complaints		OG		OG Progressing	open
			d	Matchworks process and agreed action plan for dealing with complaints legacy		OG		Moving to a national call centre. Trail with DDC at present	open
5		Performance Data Audits	a	Develop an audit plan for monitoring performance data - priority for those linked to Payment Mechanism.	Sept	OG			closed
			b	Reporting process for annual targets - priority for those linked to Payment Mechanism.	Nov	OG			closed
			c	Review process for those covered in 5a and b.	Oct	SM		SM/OG mtg booked.	closed
			d	Document process.	Dec	OG		DC to undertake this work with OG. Including reconciliation process for complaints.	open
			e	Plan process for auditing all PIs over 12-18 month rolling period.	Jan	OG/SM		Lower priority than 5a etc. Jan deadline reflects this.	open
			f	Rationalise PIs within contract.	Jan	MT/SM		Clarity on what is reported, requirement/need. Linked to 5e.	open
6		Communications Plans/ Web Publishing	a	Scope to be developed once Contract Management Framework agreed.	tbc	tbc		Develop in line with Customer Contact and Communications Meeting.	open
7		Contract Management Processes, Meetings and Liaison	a	Proposed structure drafted.	Oct	SE			closed
			b	To be reviewed and discussed with DDC and Board.	Oct	SE			closed

ENTERPRISE CONTRACT ------ PRIMARY IMPROVEMENT ACTION PLAN - BEASLEY REPORT

	SOURCE	ISSUE		ACTIONS	TIME-SCALES	PARTNERSHIP UNIT LEAD OFFICER	R A G	NOTES/COMMENTS	OPEN/ CLOSED
			c	Final structure for agreement.	Nov	SE		EMS/DDC to confirm agreement or provide feedback w/c 12/11. Final agreement at Board in December.	open
8		Contract Manual, Protocols and Process Charts	a	Format and detail to be agreed.	Dec/Jan	SM		DC to undertake this action working with MT. DC/MT mtg cancelled due to DC off sick. To be rescheduled. Certain aspects to be prioritised.	open
14		Sports Facility Electronic Booking facilities and Usage Monitoring	a	Identify a source of a new cash register for the Racecourse	tbc	SM		Scope to be defined. Chloe Paintin to help deliver this action. SM confirmed no cost. CP/MT to meet 13/11. CP/SM/SE to meet 14/11. Meeting held, follow up mtg with EMS. CP and SM to meet 4/12 to agree next steps	open
			b	Develop credit card/online booking facility	tbc	SM		As above	open
15		EMS Resource Audit Report - clause 29		SW to produce contents outline for each document by 16/11 for agreement. SW/SM to then agree timings and priority documents	outline 16/11	SM		SM/SW met 29/10. SM sent SW list of outstanding plans. SW to comment by 2/11 - no comments received.	open
16		EMS Annual Contract Review Report - clause 30.8		SW to produce contents outline for each document by 16/11 for agreement. SW/SM to then agree timings and priority documents	outline 16/11	SM		SM/SW met 29/10. SM sent SW list of outstanding plans. SW to comment by 2/11 - no comments received.	open
17		EMS Annual Crew Audit Documents – (referred to in SOMS 1&2)		SW to produce contents outline for each document by 16/11 for agreement. SW/SM to then agree timings and priority documents	outline 16/11	SM		SM/SW met 29/10. SM sent SW list of outstanding plans. SW to comment by 2/11 - no comments received. SM to discuss with John F.	open
18		EMS Resource Marketing Plan Documents		SW to produce contents outline for each document by 16/11 for agreement. SW/SM to then agree timings and priority documents	outline 16/11	SM		SM/SW met 29/10. SM sent SW list of outstanding plans. SW to comment by 2/11 - no comments received. SM to discuss with John F.	open
19		EMS Recycling Strategy clause 18		SW to produce contents outline for each document by 16/11 for agreement. SW/SM to then agree timings and priority documents	outline 16/11	SM		SM/SW met 29/10. SM sent SW list of outstanding plans. SW to comment by 2/11 - no comments received. SM to discuss with John F.	open
27	SM review	Operational Plan (inc. Depot Management Plan among others) – clause 13		SW to produce contents outline for each document by 16/11 for agreement. SW/SM to then agree timings and priority documents	outline 16/11	SM		SM/SW met 29/10. SM sent SW list of outstanding plans. SW to comment by 2/11 - no comments received. SM to discuss with John F.	open
28	SM review	Contract Manual – clause 14		SW to produce contents outline for each document by 16/11 for agreement. SW/SM to then agree timings and priority documents	outline 16/11	SM		SM/SW met 29/10. SM sent SW list of outstanding plans. SW to comment by 2/11 - no comments received. SM to discuss with John F.	open
29	SM review	Annual Business Plan (referred to in SOMS 1-6)		SW to produce contents outline for each document by 16/11 for agreement. SW/SM to then agree timings and priority documents	outline 16/11	SM		SM/SW met 29/10. SM sent SW list of outstanding plans. SW to comment by 2/11 - no comments received. SM to discuss with John F.	open
20		NBC Training and Development Needs and Programme		Undertake training gap analysis. Scope to be agreed		SE		SE/SM to meet to discuss scope - 27/11. SM to produce needs analysis and identify gaps.	open
23		Green Flag Awards Planning			Jan	SE		New Ranger to take the lead and deliver with EMS. To use the feedback to create an action plan.	open

ENTERPRISE CONTRACT ------ PRIMARY IMPROVEMENT ACTION PLAN - BEASLEY REPORT

	SOURCE	ISSUE		ACTIONS	TIME-SCALES	PARTNERSHIP UNIT LEAD OFFICER	R A G	NOTES/COMMENTS	OPEN/ CLOSED
24		Britain in Bloom Planning		Lead to be identified		SE		Planning meeting booked. To include wild flower corridors/ meadows when planning for net year's contract	open
25		EMS loss of South Northants recyclate				MT		Currently with EMS. Coming back with figures and background information.	open

EMS PARTNERSHIP CONTRACT MANAGEMENT FRAMWORK ------ SEE ANNUAL MEETING SCHEDULE **APPENDIX 1(b)**

OPERATIONAL

Agenda items for all Operational meetings can be requested by by Chair or Core member of all meetings

AUDIT REVIEW AND PERFORMANCE ASSESSMENT
(Monthly-initially)

Chair: Olive Gray

Core Membership: Olive Gray, John Farrell, Chris Hyett
Occasional Membership: Other EMS/NBC/DCC staff as required

Remit: Verification of performance data provided by EMS to NBC for P+ and DCC performance reports. Site visits to audit inspection reports.
Preparation and management of Audit schedule
Output - Formal sign off of Performance Reports

Notes and records: Olive Gray

NBC/DDC Communication group
(Bi monthly)

Chair: Julie Lewis

Core Membership:

NBC/DDC	EMS
Lois Winstanley	John Farrell
Becky Hutson	

Occasional Membership: As required

Remit: All external communication issues, strategy and forward PR plans, educational issues, liaison with NWP, policy & enforcement communication issues.

Notes: Sue Ousley

EMS/CUSTOMER CONTACT MEETING
(Monthly)

Chair: Olive Gray

Core Membership:

NBC	DDC	EMS
Felicia Black or Geraldine Mahney	Liz Barrett or Katie Jones	Kieron Elaine Murfitt

Occasional Membership: NBC/DDC IT services or subs

Remit: NBC/DDC contact centres - day to day public interface issues, Performance definitions, Communication plans, Web info /scripts etc, Review of Business Rules and Contact Centre Scripts

Outputs : statisitics for missed collections, complaints and requests for service

Notes: Sue Ousley

EMS OPERATIONS ISSUES MEETING
(Weekly)

Chair: Kieron King/ Mick Tyrell (Alternate)

Core Membership: Olive Gray, Julie Lewis, Tim Ansell NBC, Kieron King (EMS), Paul Chambers (EMS),Kerry Greaves(NBC)

Occasional Membership: Any relevant member from Customer contact or Coms group, plus others as agreed

Remit:
Primary discussion point of day to day operation issues and improvements that cross over or go beyond other operational meetings and service areas within either council. Interpretation of policy into operational procedures. Review of Resource plans and scheduling of works

Notes: Sue Ousley

DDC/CONTRACT MANAGEMENT LIAISON

Chair: Mick Tyrrell

Core Membership: Mick Tyrrell, Simon Bowers

Occasional Membership: Steve Elsey

Remit: Any EMS issues relating to DDC, including those that impact on both authorities. Focus on DDC. Items/matters not resolved at Operational level

Notes: Simon Bowers

NBC/DDC CONTRACT MANAGEMENT MEETING

Chair: Mick Tyrrell

Core Membership: Mick Tyrrell, John Farrell, Steve Elsey

Occasional Membership: Kieron King+ Chris Hyrtt (EMS), Simon Bowers (DDC)

Remit: All Contract Management issues unresolved and recorded on the EMS Primary Action Plan. Policy and strategy development. Changes in service. Disputes.
Escalation point for the Audit Assessment, EMS/Customer Contact and Communications meetings and operational issues meeting to discuss any items that cannot be immediately resolved.

Notes/minutes/action plan updates: Sue Ousley

EMS COMMERCIAL MEETING

Chair: Mick Tyrrell/ Chris Hyett

Core Membership: Mick Tyrrell, Chris Hyatt

Occasional Membership: Steve Elsey, Kash Rahuf, John Farrell

Remit: Financial/Commercial issues. Any issues impacting on finance/invoicing

Notes: Chris Hyett/Mick Tyrell

PARTNERSHIP Management

Agenda items are requested by by any chair or core member of Partnership/Strategic and Contract framework

STRATEGIC

NBC/DDC PARTNERSHIP BOARD

Chair: Relevant Director:(NBC/DCC)/
Core Membership:

NBC/DDC	Enterprise
Councillor Daniel Cribbin	
Councillor John Caswell	
Mick Tyrrell	John Farrell
Steve Elsey	Dave Martin and/or
Julie Seddon	Kash Rahuf
Isabell Proctor	
Simon Bovey	
Audrey Statham	

Occasional Membership: As required

Remit: Any issues escalated to Board/ Major Policy and strategic changes. Major service changes, Performance status. Dispute process, Policy review

Notes: NBC or DDC support as relevant

CONTRACT

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ASSOCIATES LTD

Environmental Management Services Contract Review for Northampton Borough Council

October 2012

Quality Control Sheet

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Project Manager (Final Sign-off)	Dr Jane Beasley	Director

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Executive Summary

Northampton Borough Council (NBC) manages a single outcome based contract for environmental services across the authority. The contract represents a strategic partnership between NBC, Daventry District Council (DDC) and Enterprise Managed Services Ltd (EMS) and includes the provision of waste and recyclate collections, street cleansing, maintenance of public open spaces/parks, public conveniences, allotments and cemeteries. The decision to outsource the contract was based on sound financial judgement and required a high level of service delivery by the Contractor.

Just over one year into the contract term Beasley Associates have been commissioned by NBC to undertake a detailed review of the contract; it should be noted that although it is a joint contract with Daventry District Council, the focus of this review is Northampton only[1].

The review takes into consideration the original justification for the contract, identifying the financial context within which the decision to outsource was taken. It considers the contract requirements, management and delivery and identifies the monitoring systems in place.

A detailed evaluation explores the contract content, identifying any weaknesses and also the suitability and appropriateness of supporting contract documentation. The performance of the contract to date is evaluated against the performance targets set out in the contract.

The findings identify a number of achievements of the contract, for example the significant savings made by NBC within the first year of operation. The contract is also on schedule to achieve the predicted year two savings. In addition the service has expanded with food waste collection now included for all households and the range and frequency of recyclate collection has increased. The monitoring data shows that performance of the contract against a number of KPIs has been good and within target.

However the review has also identified a number of keys issues which require management to ensure the long term success of the service, specifically:

- Performance failures of the contract against a number of KPIs, specifically the problems experienced with the number of missed bin collections;
- The need to further improve the robustness of current data and reporting systems;
- Ambiguities within the contract and issues in relation to clarity and interpretation;
- Incomplete fulfilment of Contract requirements and gaps in supporting strategic and management documentation

Focusing on the areas that require resolution the review concludes that, although the performance of EMS has been good in relation to some aspects of the service, they are

[1] Daventry is conducting its own internal review of the contract via its scrutiny committee

currently still underperforming in a number of areas as demonstrated in their performance data. In addition they have not satisfied all contractual requirements.

There have also been some issues with NBC's management of the contract arising from the need to 'fire fight' in the face of poor performance by EMS, leading to some lack of focus on strategies and documentation. This has however been recognised by the Partnership Unit and the staff associated with the contract, and measures have already been initiated to address this.

In conclusion, NBC needs to continue to ensure that EMS is held to account in relation to all aspects of the contract and the contract team within NBC needs to be fully empowered and supported to use the tools available to drive delivery. There is evidence that the need to do this is recognised by NBC and good foundations have been put in place, which need to be built upon. The Partnership Unit need to ensure all requirements of the contract are scrutinised in the appropriate detail and are being rigorously adhered to at all times.

In terms of moving forward a number of key recommendations have been proposed, including:

- Review the Contract Management within NBC;
- Further develop the data validation system;
- Develop a Contract Protocol;
- Prioritise the documentation to be provided by EMS;
- Reinforce performance measurement systems for all agreed KPIs; and,
- Review training needs within NBC.

1. Introduction

1.1 Setting the Scene

Northampton Borough Council (NBC) manages a single outcome based contract for environmental services across the authority. The contract represents a strategic partnership between NBC, Daventry District Council (DDC) and Enterprise Managed Services Ltd (EMS) and includes the provision of waste and recyclate collections, street cleansing, maintenance of public open spaces/parks, public conveniences, allotments and cemeteries. Having previously operated an in-house service,the decision to award the contract to EMS was made in April 2012 and the contract commenced on 4th June 2011. The initial term of the contract is for seven years with the option to review and extend for a further seven years.

Just over one year into the contract term Beasley Associates have been commissioned by NBC to undertake a detailed review of the contract; it should be noted that although it is a joint contract with Daventry District Council, the focus of this review is Northampton only[2].

1.2 Project Scope

The purpose of the review is to evaluate how effectively the contract is operating and to make recommendations for moving forward. It should be noted that at the point of commissioning the review a number of issues have been experienced with the performance of the contract (discussed further in Section 5), however the scope of the review is to independently consider all aspects of the contract and includes:

- The justification and realisable benefits of the contractual arrangements;
- An assessment of the actual financial benefits against those anticipated;
- An assessment of the financial envelope used in the contract negotiations and a comparison between the services implicitly included in the financial envelope and the services actually supplied through the contract;
- An assessment of the status and effectiveness of the contract ;
- The adequacy of the monitoring arrangements ;
- An assessment of the collation of performance data, the processes in the contract team for checking the data, and a comparison to the contractually prescribed performance;
- The performance of the contractor against contractual commitments;
- Robustness, adequacy and satisfaction of services provided including an assessment of customer contacts;
- An assessment of staff and equipment used on the contract against that specified in the contract;
- The sustainability and any current weaknesses of the contract.

[2] Daventry is conducting its own internal review of the contract via its scrutiny committee

2. Contract Rationale

2.1 Justification for the Contract

The decision by NBC to outsource environmental services originated with a decision in July 2009 by the Cabinet to market test the council's waste, grounds and street care services. It was also decided to conduct the resultant procurement in partnership with DDC.

The rationale for this major change in the councils' service provision and outsourcing in partnership with DDC was based on the following[3]:

- Recognition that the council faced major challenges in terms of financial sustainability of existing and future service levels especially in relation to requirements from regional, national and European level;
- Recognition of the sea change in the waste industry coming from the implementation of policy and fiscal measures to drive waste from landfill including Landfill Tax increases, LATS, targets for recycling and composting and the climate change agenda;
- Recognition of the implications for waste management services of the identified need in the NJMWMS for service response to the significant housing growth planned for Northampton over the next 14 years;
- Recognition of the need to ensure that the council's plans for waste management were fully aligned with the environmental objectives and targets set out in the NJMWMS and that the correct infrastructure was in place; and,
- An overall purpose of ensuring that the most effective and efficient delivery model was established in relation to the specific operating environment of NBC to ensure delivery of environmental and waste objectives and in response to the needs of all of NBC's diverse communities.

In addition to this business case rationale, it was also acknowledged that there are likely to be commercial advantages for private sector service providers compared to the public sector, specifically through the following[4]:

- Economies of scale;
- More advantageous supply chains;
- Greater buying and selling power;
- Ability to encourage investment;
- Flexibility to grow business; and,
- Access to additional capital.

On this basis, the project to procure the new service from an external provider was expected to produce a number of key project outcomes (Table 1).

[3] NBC Cabinet, Report of Overview and Scrutiny Committee – Pre-Scrutiny of Environmental Services Procurement, 19th January 2011 – Appendix 5a, summary of business case

[4] NBC Cabinet, Report - Procurement of Environmental Services with Daventry DC, 9th February 2011, para 3.1.8

Table 1: Anticipated Project Outcomes

Key Project Outcomes	Generation of cashable savings to the authority
	Addressing of financial pressures faced by the authority, whilst improving service delivery
	Ensuring the service is fit for purpose and conforms to legal requirements
	Addressing the concerns raised by the audit commission in the inspection of Environmental Services in both councils
	Increase recycling in line with or above the targets set out in the NJMWS
	Reduce waste taken to landfill in line with or below the NJMWS targets
	Clean streets in line with targets set against the National Indicator 195
	Minimisation of the carbon footprint from both Authorities' Environmental Services operations
	Deliver high levels of public satisfaction with parks and open spaces.

2.2 Financial Context

NBC identified anticipated Year One savings of £[redacted][5]. This was for the part-year based on the contact starting two months into the new financial year. The full year estimate for savings compared to a 2011/12 continuation budget for NBC was £[redacted] based on NBC's share of the new contract costing £[redacted] in Year One.

The final financial data appended within the Contract shows a Year One total contract price of £[redacted] (for both Authorities). Based on an apportionment of 74.6% of costs to NBC, this represents a share to NBC of £[redacted].

In terms of the financial envelope used in contract negotiations in the Pre-Scrutiny Report of 19th January 2011, it is noted that the following services were included in the scope of the procurement project:

- Waste management (including commercial waste at DDC);
- Environmental cleansing;
- Grounds maintenance; and,
- Relevant fleet and machinery.

Excluded were:

- Environmental protection;
- Parks and open spaces strategy; and,
- Food waste.

The Financial Template F3 (Appendix 12 of the Contract) breaks down by service the total contract cost of £[redacted] in Year One (Table 2).

[5] NBC Cabinet, Report - Procurement of Environmental Services with Daventry DC, 9th February 2011, para 4.3.8 to 4.3.10

Table 2: Cost of the Service

Category	£
SOMS1 – Street Scene Waste Management (residual; recycling and reuse; commercial; hazardous)	[redacted]
SOMS2 – Environmental Cleansing (street sweeping; litter; toilets; flytipping)	[redacted]
SOMS3 – Street Scene Open Spaces (grounds maintenance; cemeteries; parks; trees; allotments)	[redacted]
Non attributable (various overheads, insurance, contract management etc)	[redacted]
TOTAL	[redacted]

Food waste was excluded from this contract price schedule (from Financial Template FT1 to FT10 inclusive). FT11 prices separately the provision of a food waste service, which adds a net cost of £[redacted] to the Year One[6] contract price and a total of £[redacted] to the total contract price over seven years.

Overall it was anticipated that savings in Year One directly arising from the contract would be of the order of £[redacted] - £[redacted]. There were also other substantial savings indirectly arising from the contract. The financial case for the contract was therefore extremely strong.

3. Contract Requirements, Management & Delivery

3.1 Contractual Details & Requirements

The contract with EMS is an output specification, entirely outcome focused and target orientated, driven as defined through the Performance Mechanism and the Contract. The specification requires the regular, reliable and effective collection of residual waste (including a weekly collection from those properties with black sacks), garden waste and recyclate, and to introduce a food waste collection service across the borough. It requires a comprehensive street sweeping and litter picking service, and a regular, reliable and effective fly tipping, flyposting and graffiti service. It requires open space management which enhances the appearance of the local environment and provides a high quality Green Space and management of all parks and trees within the boundaries of the borough. In addition it requires effective management of toilets, allotments, cemeteries. High levels of public satisfaction are expected across the service.

The Contract sets out the legal requirements and is supported by a number of annex documents including a series of Service Outputs/Method Statements (SOMS) which provide the management and delivery detail of the contract with the day to day delivery of the

[6] A part year commencing 3.10.11 ending 3.6.13 and then aligning to the contract year renewal at 3rd June

street scene service identified in SOMS 1-3, infrastructure contained within SOMS 4, service development within SOMS 5 and finally business continuity as the focus of SOMS 6. These series of statements cover the service objectives, standards, monitoring and performance. Within the SOMS is a commitment by the Contractor to produce an Annual Business Plan for the service.

Within the Contract itself a number of strategic, management and delivery documents have been identified to be produced by the Contractor; these are discussed further in Section 4.1.2.

Finally it should be noted that although commercial waste is included within the contract (and EMS are very active in Daventry in terms of commercial waste collection) there is still just over a year to run of an exclusivity agreement signed by NBC with Veolia following from the sale of the local authority commercial waste collection service.

3.2 Current Management of the Contract

3.2.1 Enterprise

The present management structure within EMS consists of a Partnership Director, supported by three Managers, namely: Streetscene Manager, Parks and Open Spaces Manager, and Facility and Transport Manager. Initially there was also a Collections Manager providing support to the Partnership Director, however following an internal reorganisation in April 2012 responsibility for collection now falls within the remit of the Partnership Director. Enterprise are presently conducting an internal consultation as to where responsibility for collection should sit in the future. Sitting below this tier of management is a raft of Managers and Supervisors, supported by Lead Charge Hands and Round Coordinators, underpinned by 360 operatives across the service.

Administrative support is provided by an Office Manager leading an administrative team of 4.5 personnel (responsible for both Daventry and Northampton) who manage the customer complaints, queries and issues in addition to wider administrative duties.

In total there are currently [redacted] staff and [redacted] operatives working on delivering the contract; of the Operatives [redacted] are currently Agency staff[7].

3.2.2 NBC

Within NBC there is a Partnership Unit which basically consists of a Contract Manager supported by a Performance and Business Support Officer.

The Contract Manager is responsible for the contract management and strategy function with NBC, providing commercial and contractual strategic direction and guidance and establishing and administering a corporate governance approach for contracts. They have a key role in maintaining an effective working relationship with all stakeholders, providing advice in relation to performance of services, preparing reports and recommendations for

[7] Data provided by Simone Wade during interview on 6th September

consideration and investigation, monitoring and responding to complaints and enquiries on all aspects of the contract.

The Performance and Business Support Officer's role is varied and includes responsibility for processing the performance data, raising invoices and Purchase Orders and liaising with Enterprise on general financial elements, day to day involvement in the management of the complaints that are raised in terms of advising Enterprise and also acting as Complaints Champion for the service.

Since March 2012, NBC has also put in place a Head of Service position to oversee and provide strategic support to the contract management function.

3.2.3 Interaction between NBC and Enterprise

Monthly meetings are held between the Partnership Director (EMS) and the Contract Manager (NBC). In addition informal meetings are held on an *ad hoc* basis between personnel within EMS and the Contract Manager; a good relationship has been built upon between these personnel which have resulted in a positive approach to engagement whenever required.

Quarterly meetings are held with the Partnership Board who provide senior level guidance, leadership and strategy for the management of the Contract and whose role includes to: receive and review the Annual Contract Review (prepared by the Contractor); determine business strategy and provide guidance on policy matters which may impact on the implementation of the Services; consider and resolve Disputes escalated to the Partnership Board.

3.3 Monitoring of the Contract

As the contract is outcome based rather than prescriptive in terms of service operation an essential element of managing the contract is the use of KPI's. These are clearly set out in the Contract (Annex 10, Part 6). The KPIs include those requiring monthly, quarterly, four monthly and annual monitoring. In addition the performance standards, performance targets and methods for monitoring performance are set out in the Service Outputs/Method Statements documents (SOMS1 – 6).

It is the responsibility of EMS to collate the necessary data in relation to the service and to ensure this is forwarded to NBC. In terms of customer complaints and queries, all calls and emails in relation to the environmental service are received by a team within NBC who log the issue on the council system 'Lagan'. This information is then transferred to Enterprise in real time. For most issues there is a 10 day turnaround time for EMS to deal with the content of the call or email. In addition to their entry on Lagan missed bins are also recorded on a separate spreadsheet which is emailed over to EMS immediately in an effort to ensure timely resolution (within the 24 hour target KPI). NBC keeps an in house record of all contacts and also the number of missed bins. However it should be noted that this data does not always relate to the data issued by EMS; this is discussed further in Section 5.2.1.

4. Contract Evaluation

4.1 Contract Content

4.1.1 Clarity of Content

Whilst the Contract is fairly easy to digest and review it does have a number of weaknesses, as evidenced by the ongoing need for clarity and resolution, particularly in relation to financial aspects of the contract and scope of service. It should be noted that this is further compounded by the absence of a number of key strategic and delivery documents discussed further in Section 4.1.2 below.

It is accepted that all contracts undergo a 'bedding in' process where a number of issues may arise requiring consensus as to their interpretation and application, however after a year of operation there are still areas which the Partnership Unit, the Finance Department and the legal team within NBC are having to address as result of differing opinions arising from NBC, EMS and DDC in contract interpretation. This may be questions over additional payments for services which EMS consider outside the scope of the contract, or disagreements as to how the payment performance mechanism is calculated and applied, or even issues of definition.

The Contract covers all the key 'ingredients' expected to appear in an environmental services contract but the narrative, although wordy does not necessarily provide the detail required in terms of the service procured. Whilst it is accepted that there is not a fundamental problem with the Contract (and it does not account for the performance problems experienced to date), the ambiguities which arise mean that effective contract management within NBC is even more important to ensure that the Contract delivers exactly what is required.

In addition the members of the contract team who primarily developed the contract and worked closely with contractor during the competitive dialogue stage are no longer employed by either NBC or DDC; this makes the supporting contractual documentation all the more important to provide the level of detail required.

4.1.2 Suitability and Appropriateness of Contract Documentation

The Contract consists of the main document supported by a series of annex documents providing additional information; although still useful it should be noted that a number of these annex documents are now out of date and therefore their relevance in some cases is limited.

Within the main Contract various strategic and management documents are identified as forming part of the contractual requirements. However it should be noted that EMS has failed to produce a significant number of these documents to date. NBC must continue to challenge EMS over their absence.

The documents are:

- **Contract Manual** – identified in clause 14 of the Contract, to form part of the contractors quality assurance procedure and to be reviewed at least once a year and

submitted to the Contract Officer no later than one month from each anniversary of the Commencement Date. The manual or series of manuals should have been prepared as part of the Handover Plan and it was the intention that the manual should enable the Staff from Supervisory Staff down to operatives on the street to understand the nature of the Services, the obligations of the Contractor and their own obligations. A copy of the relevant Contract Manual should have been issued in hard copy to each member of Staff on their employment and thereafter annually and it is stated that the Contractor shall take reasonable steps to ensure the Contract Manual is read and understood by those to whom it is issued. It should also be noted that this is reiterated under Staffing (clause 33). The manual has not been produced to date.

- **Resource Audit** – identified in clause 29, to be undertaken in March and September of each year. There is the original tendered Resource Audit attached to the Contract but it is outdated and clearly does not resemble the current level of resources in terms of equipment and personnel. The Resource Audit should contain detail regarding staff, vehicles, contractor equipment and any other materials or plants used in connection with the provision of the service. Without this documentation NBC has no basis against which to verify the resources in use.

- **Annual Contract Review** – identified in clause 30, to be undertaken by the Contractor within two months of the beginning of each Contract Year and should consider: the continued value for money of the requirement for a Bond; an analysis of the Services throughout the previous Contract Year, focussing on those areas which were particularly successful and those areas where the Services might have been improved; an identification in the Contractor's view of the reason for the successes and weaknesses; a comparison of the Services benchmarked against substantially similar services to the Services performed by the Contractor for other local authorities; an action plan setting out the Contractor's suggestion of measures that might be taken by the Contractor. The Contractor should submit the Annual Contract Review to the Contract Officer who should in turn present it to the Partnership Board. To date this review has not been completed.

Supplementary documentation identified in the SOMS, designed to provide supporting evidence in relation to management, delivery and performance, but which have failed to have been produced to date include:

- **Annual Business Plan** – specifically mentioned in all the SOMS1 – 6 documentation, a business plan should have been produced for 2011 and updated in 2012 and should include all aspects of the service including current performance, planned performance and variations to any operations. The plan will also include amended Service Outputs/Method Statements and will include an up to date Performance Management Framework. The contents of the Annual Business Plan are supposed to be agreed at the Partnership Liaison meetings "ensuring that the business plan takes into account the objectives of the Councils for that year and the focus which is being applied to specific services areas or ideas. On this basis measures/milestones and their respective weightings are to be varied from year to year to reflect the Councils priorities". The

Annual Business Plan is intended to include: financial plan and budgets; human resource plan; service outputs/delivery plan; improvement, innovation, sustainability and investment plan; and, communication plan.

- **Records of Crew Audits** – identified in SOMS 1 and 2 as part of the performance audit to ensure that the crews are delivering the right level of service and to enable repeat patterns to be identified. The idea is that this process ensures "a high level of service is achieved" and records of the audits are supposed to be made available to NBC each month.

- **Resource Marketing Plan** – identified in SOMS is the requirement to produce and comply with a Resource Marketing Plan. The Resource Marketing Plan should have been presented for approval, at least, 1 month prior to the commencement of the contract. Within the Service Specification it was the intention that the plan is to be updated, as a minimum, on an annual basis and submitted to the Councils one month before the anniversary of the contract commencement.

There are other documentation which it is unclear whether they have been produced i.e. they may exist in another form or may not have been shared with NBC to date. It may also be the case that the documentation exists but is not as described in the Contract.

These are:

- **Operational Plan** – included in clause 13 of the contract, to be reviewed annually and submitted to the Contract Officer for approval...Whilst it is assumed that the Operational Plan is reflected in part in the SOMS1 – 6 documentation, only one set appears to be available from 2011/12 and there hasn't been a review issued to NBC for 2012/13. In addition, according to the Contract the Operational Plan should include: the Contractor's self monitoring regime; recruitment and retention policy; depot management plan; health and safety plan; vehicle management plan (including loading within weight tolerances); method statements; Contractor's procedures. Clearly the SOMS do not satisfy all these requirements.

- **Recycling strategy** – included in clause 18 of the Contract, to comply with the Councils own recycling Policy and to be reviewed annually as part of the Operational Plan.

- **Communications strategy** - a communications plan has recently been produced by EMS and submitted to NBC however it is felt that the focus is solely on service information, ensuring that recycling is maximised. There is concern that the plan should address wider issues and the opportunity to build bridges in the community should not be missed, particularly in relation to performance failures experienced to date (discussed further in Section 4.2).

4.2 Contract Performance

4.2.1 Achievement against the KPIs

Based on evidence collated from EMS directly and from Performance Plus all available data has been mapped against the KPIs identified in the Contract and the SOMS.

Annual Targets

Targets for 2011/12 have not been met. Also EMS has failed to issue data in relation to a number of annual targets and is being pressed to do so by the Partnership Unit. It is worth noting however that although under target the progress in terms of recycling has been good.

Four Monthly Targets

Performance is better with regard to the four monthly targets. Data has been generated for all KPIs and all are on target with the exception of N195c and N195d (Percentage of land and highways that is assessed as having deposits of graffiti and flyposting respectively, that fall below an acceptable level) which in 2011/12 were slightly over the target. Performance has improved for N195d in 2012/13 to date but there is still a slight variation with N195c in terms of performance achieved against target.

Quarterly Targets

With the quarterly targets, again it is only graffiti and flyposting that underperformed in 2011/12; however improvement in this KPI has been seen to date with figures for June on target.

Monthly Targets

The biggest issue in terms of the monthly targets has been 'missed bins' and also the 'number of missed bins put right within 24 hours'. The progress at the start of 2012/13 was not much better, with EMS exceeding their annual target in the first four months of the year.

In addition, although there is an absence of data provided for the first 8 months of operation the number of missed bins put right in 24 hours has been below target from February 2012 to July 2012, although the latest data from Enterprise shows that they are on target for August 2012. The number of customer complaints also regularly exceeds the target. Aside from complaints regarding collection, grounds maintenance has attracted a lot of negative attention.

4.2.2 Financial Performance

In terms of the cost of the service and the end of year 1 outturn there is no evidence to suggest deviation from budgeted costs; there have been no requests for variation which has led to increased costs against what was anticipated and planned for in the service. A number of issues in relation to pensions and superannuation costs have been addressed (to the benefit of NBC) and a number of issues have had to be resolved which have not been clear in the Contract in terms of scope of service, responsibility for payment and transfer of income streams. However the overriding view of NBC is that the anticipated level of savings has been achieved in year 1 of operation and the Contract is on schedule to deliver year 2

savings. It should also be noted that with the implementation of the performance payment mechanism the contract may come in under budget.

5. Key Issues

5.1 Performance Failures

Clearly the number of missed bins is the most significant failure of the contract to date[8]. Since mobilisation when the system was completely changed in Northampton, collecting waste from all households has posed a challenge and this is reflected in the continual failure in meeting the target for the permitted number of missed bins. Repeat missed bins, particularly assisted collections, make up a significant proportion of the data. Two of the contributing factors given by Enterprise for this ongoing problem is the reliance on agency staff and the way the rounds are currently structured. The number of operatives presently required to deliver the service is significantly higher than the staffing levels Enterprise anticipated needing; according to the SOMS documentation it was anticipated that [redacted] operatives would be needed across the service, only 1 of which would be agency compared to the current scenario of [redacted] operatives with [redacted] agency staff. At present Enterprise operate [redacted] rounds across Northampton (rather than the [redacted] rounds predicted in the base case), using a 6 day working week to maximise the use of vehicles and maintain a high level of workforce, with staff working a [redacted] hour rota system. It can take a cycle of 4 weeks for a crew to return to a round and with a constantly changing work force crews are not getting established and are not getting to know their rounds sufficiently. In addition rounds are presently not equal in terms of their size and the time needed to service the properties therefore crews from other rounds are being called across to complete rounds and either a lack of information or lack of use of information in relation to assisted collections on those routes is resulting in repeated missed bins.

The use of agency staff within waste management is certainly not a new concept; for many years the waste industry has relied on agency staff to maintain continuity of service delivery. However, many of the mechanisms that are set out in SOMS1 and 2 to ensure quality of service and effectively monitor performance have not been fully implemented to date; these mechanisms should theoretically address the challenges posed by crews rotating around rounds, through the use of in-cab information, real time monitoring and clear accountability. In-cab systems are not universally in place at present and will not completely come on line until EMS has finalised and agreed its latest review of rounds; the new proposed round system was reported as ready to be presented week commencing 10th September[9]. In-cab systems provide a visual representation of the route and identify all assisted collections. Real time monitoring can take place and data transferred immediately to each crew to provide notification of missed bins as that data comes in to NBC. The justification in delaying

[8] Payment performance mechanism has been initiated in the first quarter of this financial year to impose penalties on EMS for underperformance in relation to the number of missed bins and complaints.

[9] Date provided by Simone Wade during interview on Thursday 6th September. A date for roll out of new rounds has not been provided.

instalment of the in-cab system has not been made clear to NBC. Also the basis for the delay in installing this equipment has not been adequately communicated to NBC.

With such a high volume of agency staff delivering the rounds, ensuring they are trained appropriately is a challenge. Within EMS all crews are subject to an induction training session however this appears to be primarily verbally based and it is unclear whether any of the techniques identified in SOMS6(a) to support crews have been fully utilised, particularly with the Agency staff. For example:

Contract Manuals have not been produced to date and it is unclear what additional material is provided to staff.

There has been some criticism from within NBC that the means by which the material is being collected, namely using a Kerbsider, is not appropriate for the local environment and is contributing to the issue of missed bins. Under the terms of the contract the means by which the outcomes are to be achieved are for EMS to decide, therefore decisions made regarding vehicle type, whilst not necessarily broadly supported by NBC, are for EMS to make alone. However, within the contract documentation a clear audit trail and information flow to NBC is required detailing how the service is being, and will be delivered, over the coming financial year. This includes under clause 41 of the Contract (Property and Equipment) that "Two weeks before the anniversary of the Commencement Date the Contractor shall deliver to the Contract Officer a forecast showing whether Vehicles are expected to need replacement during the following year and what (if any) new or additional Vehicles will need to be acquired during the following year for the purpose of the provision of the Services". It is not

evident that these systems are being followed. Coupled with the Resource Audit NBC should have a very clear picture of what equipment and staffing are currently in place.

The other aspect of environmental services which has been challenging is grounds maintenance. A high number of customer complaints reported by NBC have been in relation to quality of grounds. The challenges of weed control and maintaining verges and open spaces to optimum conditions is widely reported by other authorities this season, as a consequence of extreme weather experienced this year; rapid growth and conditions not conducive to cutting have placed pressure on grounds maintenance teams across the country. However, it is felt that the demands of the collection service have placed undue pressure on the grounds maintenance service in terms of resources made available to this part of the service. Like waste this is a highly visible part of the service and one in which the public will be less tolerant to accept deviations in quality. There is the view that insufficient resources were put into grounds maintenance initially, making it difficult for the crews to catch up on the backlog of work that has resulted from extreme weather conditions. Whilst these are clearly operational issues outside the remit of NBC, the annual business plan and resource audit, once in place, will make it clear whether resources were to blame. EMS have confirmed that additional resources are currently in place to ensure grounds maintenance is back to a level that is acceptable.

Whilst all of the above may offer some explanation as to the potential causes for performance failure measured against contract KPIs, the issues outlined are outside of the direct control of NBC and are indeed operational issues for EMS. Rigorous enforcement of the contract however could influence these operational failings. This is discussed further in Section 6).

5.2 Data and Reporting Systems

With an outcome based contract having accurate data is essential in order to effectively monitor the performance of the contract. Any discrepancies or anomalies with the data can have a direct effect on confidence and trust between all partners.

5.2.1 Data Errors and Anomalies

It should be noted that although all partners who participated in this review were extremely helpful in supplying data and evidence in relation to performance, there remains some challenges in relation to data. It is therefore clear that there are some issues yet to be resolved in relation to monitoring and reporting systems and also the strengthening of verification and audit protocols that have recently been put in place.

EMS has also stated that there have been issues with the way they have managed data internally which has led to inconsistencies on occasions in recording performance. For example, as a result of incorrectly closing down reports of missed bin once they had been collected, there were occasions when the collection day recorded was the day of closure of the report rather than the actual day the bin was collected; this has implications on the KPI 'missed bins put right within 24 hours'. There have been assurances that this has now been rectified to ensure a true picture of performance is being presented and that recording against the relevant KPI is more accurate as far as EMS are concerned.

It was reported in the Internal Audit Report[10] that reliance should not be placed on the information provided by the contractor. This should be audited and validated frequently to provide confidence in the reported outcomes as being an accurate reflection of performance. The contract management team have access to the systems used by Enterprise allowing spot checks to be performed and clarification of data to be secured. Validation procedures have recently been put in place but could be further strengthened.

5.2.2 Non reporting of some KPIs

Within the Contract "non reporting by the Contractor of any aspect of its performance in relation to the Key Performance Indicators..." is considered to be a 'Critical Performance Default'. There are still some omissions in reporting data. The reasons for such omissions need to be resolved and where it is agreed that KPIs can be excluded from the reporting mechanism there needs to be a clear audit trail.

5.3 Clarity of Contract

5.3.1 Definitions

EMS have tried to make the case that if a missed bin is then collected on the same day of its scheduled collection then it should not be classified as missed. NBC do regard it as a missed bin and have insisted such occurrences are counted towards the total of missed bins when the KPI is reported each month. It is NBCs view that it is of paramount importance that such failures do not occur in the first place, they are however supportive of the tactic of collecting missed bins on the same day. This approach, whilst not improving performance against the missed bin KPI, is having a positive effect on reducing customer complaints.

5.3.2 Ambiguities

There remain queries over minor issues in the Contract, principally points requiring clarification which are open to interpretation. It is crucial that there is a clear joint understanding of exactly what the Contract means and what it says and expectations are managed accordingly. Any lack of understanding within the Partnership Unit means that ambiguities with EMS and DDC take time to be effectively challenged and resolved.

5.4 Contention over the Baseline Data

EMS has raised a number of issues with regard to the baseline data upon which they based their original proposal and which underpins their service design, namely:

- The total number of households requiring a collection service;

- The categorisation assigned to households in relation to that collection service;

- Clarity of asset information;

- Total number of households assigned as assisted collection.

[10] Northampton Borough Council, Internal Audit Report 2011/2012 for Northampton Borough Council (November 2011 Environmental services contract review)

Clearly the above issues have a bearing on the operation of the contract, particularly its delivery. It is in NBCs best interests, in terms of maintaining a positive partnership relationship, to achieve early resolution and NBC is therefore working hard to resolve these queries.

5.5 Fulfilment of Contract Requirements

5.5.1 Awareness of contractual requirements

When questioned about the existence of contract documentation there was a lack of awareness within EMS of what was required contractually. Within EMS there is no clear justification about why this documentation has not been produced; it is assumed that the production o this documentation is relatively normal practice with their other contracts in place across the country.

Inevitably delivery problems have overshadowed the enforcement of all performance indicators, with the priority being ensuring a fully operational service is provided to all residents. However NBC has advised that the Partnership Unit has now put plans in place to ensure that the full requirement of the Contract is applied and that the Contract Manager has the capacity and support to achieve this.

5.5.2 Lack of appropriate documentation

Incomplete contract documentation means that NBC has some gaps in the formal documentation against which to measure the ongoing delivery. Missing information can lead to a lack of confidence in EMS in terms of their forward planning and indeed their ability to resolve day to day operational problems they are encountering.

6. Conclusions & Recommendations

6.1 Concluding Comments

The findings identify a number of achievements of the Contract, for example the significant savings made by NBC within the first year of operation. The contract is also on schedule to achieve the predicted year two savings. In addition the service has expanded with food waste collection now included for all households and the range and frequency of recyclate collection has increased. The monitoring data also shows that performance of the contract against some KPIs has in fact been good and within target.

However what is also apparent is that EMS is currently underperforming in a number of significant areas as demonstrated in their performance data. In addition they have not satisfied all contractual requirements. Whether this is a failing in local management is immaterial to NBC as the only consideration they have is delivery of the outputs specified within the Contract documentation. However it is worth noting that a new Regional Director has recently come into post as a result of an internal reorganisation and there is recognition that the Contract has encountered a number of problems in its delivery. In terms of the operation of the Contract there are assurances that the in-cab systems are coming on line imminently, and a fundamental review of the rounds, coupled with the employment of 51

permanent staff from mid September is intended to address the ongoing performance issues in relation to missed bins.

Within NBC there have inevitably been issues with full performance of the contract management role arising from the need to 'fire fight' in response to the operational failures of EMS. This has been recognised by the Partnership Unit and the staff associated with the Contract and measures have already been initiated to address these issues. This includes an acknowledgement that the monthly communications between the Partnership Director and the Contract Manager need to be more formalised and supported internally, at least in the short term, to ensure that the right focus is given to these meetings and technical issues do not dominate. It is intended that the Head of Public Protection will be attending these meetings in addition to the Contract Manager.

NBC has also recognised the gap in contract documentation and is working hard to ensure that all the appropriate documentation is provided by EMS and is up to date.

In conclusion whilst the Contract may be lacking in detail at some points and some management documents are yet to be provided by EMS, the performance outputs required are clear. What is also clear is that the requirements of the Contract are not been rigorously adhered to by EMS. Therefore the internal management of the contract will remain vitally important to ensure that the most appropriate systems are in place.

6.2 Key Recommendations

1. Review the Contract Management within NBC

Whilst there are clear systems in place to collate and review performance data and information and to respond to day to day operational problems, there must continue to be senior support provided to the contract management function. The Contract Manager must continue to be supported in challenging and rigorously assessing the contract in its delivery. The problems which have been encountered to date, since the roll out of the new contract has left some members of the Partnership Unit essentially 'fire fighting' in relation to aspects of environmental services delivery and it should be acknowledged that the technical expertise of the Contract Manager appears to have been invaluable at this time. However strategic input and senior support into contract management will also continue to be important for some time to come.

Because of the need to fire fight, points of clarification and ambiguities have taken longer to resolve and have led to uncertainty within the Partnership Unit as to the correct response. The staffing structure of the Partnership Unit needs to be kept under regular review to ensure the necessary capacity is in place to perform a robust contract management function.

2. Implement a data validation system

It is essential in a contract which relies on data to assess performance and to drive the payment and performance mechanism, and incorporates a Client self assessment approach to data collection, that a robust validation system is in place. NBC needs to have confidence

in the data set and also needs to be sure that it is an accurate reflection of what is happening. Validation processes have recently been put in place but consideration should be given to further strengthening these processes overtime to ensure continued confidence in the data supplied by EMS into the future.

3. Develop a Contract Protocol

There is inevitably ambiguity with some aspects of the Contract and gaps in contract documentation which could cause a lack of understanding and awareness of what is required on occasions. Therefore it is recommended that all staff who have an involvement in the Contract are equipped with a Contract Protocol identifying what is required, by when, pulling out pertinent points and timelines required. This will enable NBC to proactively identify areas of potential ambiguity and have a position ready should a differing of opinion and interpretation arise between NBC, DDC and or EMS. Included within this should also be a monitoring protocol which clearly sets out the processes to follow should the Partnership Unit identify performance failures.

4. Prioritise the documentation to be provided by Enterprise

It is recognised by NBC that enforcing the production of missing documentation is not just a theoretical exercise which will enable them to simply tick a box in terms of EMS contract delivery. Data and information has to be constantly chased and there is a reliance on NBC being proactive in this. It is recommended that EMS is instructed to generate the following documentation:

- Contract Manual – this is essential bearing in mind the staffing challenges experienced by EMS and their role in the failure of the service in terms of the number of missed bins
- Annual Contract Review – this will ensure that EMS undertake an analysis of the service with a view of the reasons for any weaknesses. It will also require the service to be benchmarked against those undertaken elsewhere and requires a detailed action plan for moving forward.
- Business Plan for 2012/13 – this will ensure that the right focus is being applied by EMS and will update the SOMS and clarify the project management framework which is currently in place. The Business Plan would allow NBC to see evidence of forward planning and give confidence in the future.

It is also recommended that, considering EMS is a national company and should be used to issuing documentation of this nature, and bearing in mind how overdue these documents are, a long time frame is not given for their completion.

5. Formalise communication between EMS and NBC on monthly basis.

As already stated in the conclusion steps are being taken to formalise communication between EMS and NBC. In addition to attendance by the Head of Public Protection an additional officer will be made available to keep a record of what has been discussed. As there are multiple means of engagement undertaken with Enterprise on both a formal and

informal basis a single EMS Service Improvement Action Sheet has been proposed to ensure that all actions and activities are recorded in a single source and can be tracked more effectively; this action sheet should be a standing item on the agenda of the monthly partnership meetings.

6. Measure performance against all agreed KPIs

Without exception, all KPIs agreed as set out in the Contract and SOMS, need to be reported upon within the appropriate timescales. NBC need to ensure that EMS provide all appropriate data.

In addition it is recommended that more detailed performance data is accessed, at least in the short term to allow for a better understanding by NBC where the failures are occurring. It will also equip NBC with an extra level of detail to challenge and validate the summary data being provided by EMS. This may seem onerous but it is essential that NBC have the depth of knowledge required to really understand where and why the performance failures are happening. EMS do generate more data than required by NBC (for example day to day break down of missed bins); this level of detail will assist with spot checks undertaken as part of a strengthened validation system.

7. Identify training needs within NBC

It is recommended that any training needs in relation to contract management are identified and addressed. In addition NBC accept that some complaints are not valid within the agreed definition and NBC have asked for input from EMS to establish whether the call centre is using the best descriptors and categorisation of complaints and enquiries etc. The issue of further training for staff may then need to be considered.

Appendix 1: Interviews and Communication

With thanks to the following people who gave their time to this project:

- David Kennedy, Chief Executive (NBC)
- Julie Seddon, Director (NBC)
- Francis Fernandes, Borough Secretary and Monitoring Officer (NBC)
- Isabell Procter, Director of Resources (NBC)
- Steve Elsey, Head of Public Protection (NBC)
- Olive Gray, Customer Relations and Support (NBC)
- Mick Tyrrell, Partnership Contract Manager (NBC)
- Simone Wade, Partnership Director (Enterprise)
- Dave Martin, Regional Director (Enterprise)
- Kieron King, Street Scene Manager (Enterprise)
- Paul Chambers, Parks and Open Spaces Manager (Enterprise)
- Councillor David J Mackintosh, Leader of the Council (NBC)
- Councillor John Caswell, Portfolio Holder for the Environment (NBC)

Glossary of Terms

Client	Northampton Borough Council
Contractor	Enterprise Managed Services Ltd
DDC	Daventry District Council
EMS	Enterprise Managed Services Ltd
FT	Financial Templates (part of the Contract
NBC	Northampton Borough Council
NJMWMS	Northamptonshire Joint Municipal Waste Management Strategy
SOMS1 - 6	Service Output/Method Statements

Appendices: 1

NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	External Audit Progress Report

AGENDA STATUS: **PUBLIC**

Audit Committee Meeting Date:	14th January 2013
Policy Document:	No
Directorate:	Resources
Accountable Cabinet Member:	Cllr Alan Bottwood

1. Purpose

1.1 To present to the committee the 2012/13 latest progress report.

2. Recommendations

2.1 To note the progress of external audit plans as presented to the Committee by the Council's external auditors.

3. Issues and Choices

3.1 Report Background

3.1.1 The Council's external auditors, the Audit Commission, audit the Statement of Accounts and major grant claim and returns. They report to the audit committee progress against plan and any issues arising.

3.2 Issues

Progress Report

3.2.1 The purpose of the progress report is to provide the Audit Committee with an update on the progress in delivering the responsibilities as the authority's external auditor. It also includes an update on the externalisation of the Audit Practice.

3.3 Choices (Options)

3.3.1 To comment on any matters arising from the two reports.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None.

4.2 Resources and Risk

4.2.1 There are no specific resources and risk implications arising from this report.

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.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Protecting and enhancing the reputation of Northampton Borough Council.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

Appendix 1 – Progress Report

Isabell Procter
Director of Resources, ext 8757

KPMG

cutting through complexity™

External Audit Progress Report

Northampton Borough Council

December 2012

Northampton Borough Council

External audit progress report (December 2012)

Introduction	On 1 November 2012 your external audit service transferred from the Audit Commission's Audit Practice to KPMG. On the same date the Audit Practice staff in the East Midlands also transferred to KPMG. As part of this transition your new audit team has met with the Director of Resources and the Head of Finance and Resources. We will meet, subsequent to this audit committee, a number of other key officers at the Council including your Chief Executive and Internal Audit Manager. The Audit Commission remains, and at present has the same statutory powers and duties in relation to audit as follows: • Appointing auditors to local government and NHS bodies; • Prescribing how auditors should carry out their functions through a Code of Audit Practice; and • Setting scales of fees for audit work.
Summary of work planned in the next quarter	Over the next quarter we will focus upon scoping ("planning") audit work. We anticipate that we will complete this work between December 2012 and February 2013. This will involve: • Agreeing timescales for delivery of our work with the finance team; • Periodic planning discussions with Council officers to inform our preparation of the 2012/13 accounts work plan including discussion of any technical accounting issues affecting the 2012/13 accounts; • Regular meetings with Internal Audit regarding the managed audit approach for the 2012/13 accounts work; and • Scoping and completion of our review of our VFM conclusion audit work. We plan to carry out this work as part of our interim audit visit as far as possible. We are also aiming to begin our interim visit. We expect to present our 2012/13 audit plan at the next Audit Committee meeting.

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Northampton Borough Council

External audit progress report (December 2012)

Actions	We ask the Audit Committee to: • **NOTE** this progress report
Contacts	Consistency in the audit team is being maintained with two of the three key former Audit Commission staff continuing to be involved in the audit. The key contacts are:

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