NORTHAMPTON BOROUGH COUNCIL

Medium Term Financial Strategy

2011/12 to 2013/14

Contents

OVERVIEW

Purpose of the document

The purpose of the Council's Medium Term Financial Strategy (MTFS) is to support the Council's corporate planning process and to provide strategic financial direction, which will shape the Council's annual budget development and medium term financial plans.

It will help to identify external factors that are likely to put pressure on the council's finances in order that these can be properly taken into account in financial and service planning. Areas that can cause pressures of this sort include Government policy and new initiatives, economic climate, statutory changes, etc. Further information on such pressures can be found on page 13.

The MTFS provides a stable and sustainable financial framework against which the Council will plan and manage its priorities and resources to enable the effective delivery of its key plans and strategies aimed at delivering excellent and value for money services to its customers.

This document sets out the current and projected financial forecasts over a three-year planning period to March 2014 and is aimed at supporting the Council's 2011/12 to 2013/14 budget.

The Council approved its annual budget for 2010/11 in the February 2010. Council will approve the 2011/12 budget at its meeting in February 2011.

The strategy will be updated and rolled forward each year in preparation for the budget process.

Links to Key Corporate Plans and Strategies

"We believe Northampton will be a successful and confident town where people feel they belong, feel they have a future, feel they have financial stability and, where appropriate, business opportunities. It will also be a place that has vibrant cultures and lifestyle opportunities and where everyone who chooses to live here, work here or visit the town feels at home."

The Council's Corporate Plan details the Council's integrated planning process and links the Sustainable Community Strategy, the Council's ambition, aims and corporate priority areas through to service planning and individual staff performance. It ensures that we provide efficient and effective services that deliver value for money as well as securing continuous improvement in service delivery.

Developing the Council's ambition and priorities involved consultation with many key stakeholders and analysis of current information available about residents' views. The priorities are revisited annually with Councillors to ensure that they continue to be the right focus. They are then consulted upon as part of the annual corporate planning and budget consultation process.

The Council aims for the Corporate Plan and service and financial strategies to be strategically linked to ensure that the entire planning process is integrated with a view to delivering value for money for all services delivered in accordance with the corporate ambition, aims and priorities.

REGIONAL SPATIAL STRATEGY

The Sustainable Communities Strategy for Northamptonshire

The Sustainable Communities Strategy for Northampton

Northampton Borough Council Corporate Plan

Our ambition is "To be recognised as one of the best Councils, in terms of public service, within 5 years"

NBC strategic plans:

- Customer Excellence Strategy
- Community Engagement Strategy
- People Strategy
- ICT Strategy
- Risk Strategy
- VfM Strategy
- Joint Core Strategy
- Central Area Action Plan
- Procurement Strategy
- All other overarching strategic plans

Medium Term Financial Strategy and Value For Money framework – The budget

Service Plan Priorities

Team and individual work plans

Local Context

A number of local factors have an impact of service delivery and associated costs, as well as levels of demand. Some examples of these and their effects are outlined below.

1. Growth Agenda

Northampton has a diverse and increasing population that includes a substantial, and rising, migrant population. Northampton lies within the Milton Keynes South Midlands growth area as determined by the previous government's Sustainable Communities Plan. The Council has worked with others within this area to form a new South East Midlands Local Enterprise Partnership to assist with investment priorities and supporting economic growth. The new Government has indicated that it will be for local authorities to determine housing numbers appropriate to their local circumstances. These targets will replace those set out in Regional Spatial Strategies, which Localism Bill proposes to abolish. The West Northamptonshire Joint Core Strategy which will be issued for publication in February 2011. It will set out housing and employment targets which are likely to focus on meeting locally generated needs, rather than seeking to plan for substantially increased levels of in-migration.

Office of National Statistics mid year population estimates for 2009 indicate that Northampton's population has reached 210,500. Northampton's youngest population between 0-14 make up 19.2% of the population (increasing) with people of working age 15 to 64 male/59 female 64.4% (decreasing) and older people 65 male/60 female 16.4% (increasing). In 2009 the number of people aged 65 or over was 13.6%.

Impacts on Council services from the increasing development and population growth include:

- new work in areas such as local tax collection, legal and planning work around development work generally including easements, wayleaves and planning enforcement.
- increased pressure on various services including:
  - Additional workload for example increased Electoral Registrations, or the benefits service in terms of caseload, which has already significantly increased,
  - Waste collection - financial constraints mean this mandatory service has to be delivered without further expansion of resources
  - enforcement activity of client departments such as Environmental Health, and Streetscene, leading to increases in legal work
- Increased number of contacts for individuals accessing the Council who do not speak English as their first language.
- major challenges and opportunities for regeneration and a strategic overview of the towns regeneration and associated growth in its economy. Securing funding remains critical and challenging in the current climate.
- Increasing demand for leisure facilities and services along with the urban development.
- Employment prospects within Northampton are high but average wages remain low and work is often of a temporary unskilled nature. This availability of work is resulting in a large migrant population as well as high local demand for affordable housing.

2. Deprivation

24 Super Output Areas in Northampton fall within the 20% most deprived areas nationally. 1 falls within the 5% most deprived. Deprivation in Northampton is particularly a function of income, education, health and crime. Northampton is ranked in the most income deprived and employment deprived quartile of local authorities.

In the 2007 IMD, Northampton is ranked slightly below average in relation to other local authority areas in England. In the ranking from 1 (most deprived) to 354 (least deprived Northampton has an overall rank of 140, and so it is among the 40% most deprived authorities.

3. Urban/Size

Northampton is the county town and works alongside 5 rural district authorities that are small in comparison and do not offer comparable services. Specialist services (for ex-offenders, drug and alcohol-related homelessness, hostel accommodation etc) are centred within Northampton, and clients from the other 5 districts tend to gravitate towards these services.

The density of the housing planning area and the nature of the built environment places greater demands on the housing service than more rural areas. Affordable/social rented housing is in short supply and there is high demand from all competing sectors of the housing market.

NBC has a large amount of high density housing areas which require an increased sweeping frequency; and the use of alternate weekly refuse collections has impacted on cleansing workloads particularly regarding issues with side waste.

NATIONAL AND EXTERNAL INFLUENCES

1. General

Both national and local factors will affect the final outcomes of the MTFS, for instance:

- The general economy and inflation rates
- Increases in demand due to changing demographics
- Government changes in legislation
- Local elections 2011
- Changes in interest rates
- Financial implications arising from new technology
- Community expectations for better services
- Impact of market forces on costs and resource availability particularly with regard to major contracts and local market rates

2. Comprehensive Spending Review and Emergency Budget June 2010

The conclusions of SR 2010 are challenging for local authorities. The key features for Local Government included:

- Significant front loaded cuts in local government funding from CLG
- Launch of Local Government Resource Review including fundamental revision of local government funding
- Housing Finance Reform confirmed
- Significant welfare reform including localisation of council tax benefit
- Increase in PWLB rates and decrease in central funding for capital
- No recycling of revenues under the carbon reduction scheme

A number of Government grants have been discontinued such as HPDG and LABGI and others have had their ring fencing removed or rolled into formula grant with the distributional distortions that this entails. A key concern has been the removal of the ring fence on the Supporting People Grant which channels through NCC to the Borough. New grants are proposed in the Spending Review 2010 such as the New Homes Bonus, but it is unclear exactly how those will work as yet.

3 Council Tax

The Coalition Government has offered a specific grant to local authorities that implement a council tax freeze for 2011/12. The grant will be approximately equivalent to a 2.5% increase on council tax. This has been incorporated in the 2011/12 budget build.

Council tax increases for future years will be considered each year with various options being modelled for planning purposes, including a 0% increase. In order to achieve a balanced budget efficiency savings will always be the preferred option, but for any remaining funding gap a balance must be found between increases in council tax, higher fees and charges and reductions in services.

4 Formula Grant Distribution

Historically the formula grant has accounted for approximately 60% of the Council's main funding streams. The draft formula grant settlement for 2011/12 and 2012/13 was announced on 13 December 2010, with the final figure for 2011/12 being due to be confirmed at the end of January/early February 2011. The draft settlement is extremely tough as it reflects the Government's austerity measures and the spending review cut backs.

Due to the local government funding review the draft settlement only contained figures for 2011/12 and 2012/13. Figures for 2013/14 and 2014/15 have therefore been estimated assuming the CSR national overall cut of 28% by 2014/15 applies.

Formula Grant Projections for the Medium Term.

	2010/11 Actual £m	2011/12 Provisional £m	2012/13 Provisional £m	2013/14 Estimate £m	2013/14 Estimate £m
Formula Grant	18.936	14.149	12.978	12.606	12.244
Concessionary Fares Adjustment		-2.302	0	0	0
Cash Change on Previous		-2.485*	-1.171	-0.372	-0.362

**Note that the cash change on the previous year from 2010/11 includes an adjustment of £2.3m relating to the move of concessionary fares to upper tier authorities.*

The authority continues to work closely with Northamptonshire County Council and other districts in the local area to lobby Government for improvements to the funding for authorities in the local area.

5. Economic Environment and Credit Crunch

The general economic environment, and the credit crunch in particular, is already having a significant impact on a number of areas within the NBC budgets. These mainly relate to property and development related budgets, utilities and income. These areas are now a major influence on the medium term financial strategy and include:

- Car Parking
- Building Control income (also impacted by greater private sector competition).
- Investment Income (impacted on by low interest rates in the investment market)
- Debt Financing Costs
- Levels of income achievable for sale of council assets
- Timing and negotiation of s.106
- Effects on council tax base and collection
- Effects on sundry debt collection
- Utilities and Fuel
- Planning income

There are also more generalised pressures arising from the effects of higher levels of inflation on the type of goods and services that the authority must pay for.

In addition there may be a medium term impact if the credit crunch leads to people losing their homes, thereby leading to a risk of increasing pressure on the homelessness service and on housing waiting lists.

Budget Priorities - Prioritising our activity to meet local people's needs

The Council has embedded a rigorous budget prioritisation process based on comprehensive engagement with our communities and residents to ensure that the Council responds to the needs of local people. The authority has good intelligence on the needs of the borough as a whole and of different communities within it and this information supported development of the Corporate Plan.

The Council works with key stake holders and partners to deliver value for money and efficiency gains. We undertake comprehensive consultation with our customers with feedback obtained through regular consultation with our Citizens Panel and other service specific consultations. The budget and corporate planning consultation process includes consultation with a large group of stakeholders, customers and partners, using a variety of methods to encourage participation and feedback. The Council carries out targeted focus groups to enable local people to influence choices and have direct input into improving services.

The Council is committed to continually improving the way we engage with our communities and has a Community Engagement Strategy that sets out how it will work with its citizens to ensure that the Council is listening, involving and communicating with them effectively. This forms part our wider agenda of expanding methods of customer contact and encouraging communities to have a voice in how services are shaped and delivered. We are committed to ensuring that services meet the needs of our customer by continuing to innovate and improve by giving individuals and communities a stronger voice in the transformation of services through various means including community forums, consultations, and surveys.

The Council is exploring the options for participatory budgeting as outlined in the Communities in Control, Real People, Real Power white paper (and the Community Empowerment, Housing and Economic Regeneration Bill). This sets out the CLG aim of having a form of participatory budgeting in every local authority by 2012 under the duty to involve (Local Government Act 2007). The way forward for this under the new coalition Government has yet to be clarified.

From the research undertaken local people's views were distilled into five main priorities, set out in the Corporate Plan alongside the Management Aims which were adopted to enable these priorities.

Service Planning

Our Service Planning process is driving performance improvements across the Council. The plans clearly set out what is to be achieved within the Corporate Plan, how this will be done and how it will be measured. Service Plans are a key component of our performance management framework. Individual performance plans and personal development plans are linked to Service Plans to help employees see how their own efforts contribute to delivering the corporate priorities.

Service Planning content is reviewed annually and improved where necessary. Service Plans incorporate consideration of Value for Money (VFM) and VFM profiles are used to help identify where performance needs to be improved and efficiency savings could be made. The financial implications of the service plans are reflected in the annual revenue budget and capital programme. These budgets will identify where specific elements link in with the Corporate Plan priorities. In order to deliver services within the overall financial envelope the Council will exercise strong control over performance, efficiency and value for money.

Monitoring performance and Service Delivery

The Council's Performance Management Framework (PMF) ensures that comprehensive processes provide timely performance information, which informs both our strategic and operational decision making processes and business objectives. The PMF system incorporates monthly reporting across all service areas using a consistent format. This approach ensures improvement actions and reporting extend through to team and individual staff performance management.

The PMF sets out the flow of management information across the Council. Monthly performance reports detail progress against targets. Indicators collected monthly, quarterly or annually are reported on their own timelines. Updates against improvement plans, service plan actions, financial performance, risks and service specific issues are highlighted and communicated to senior managers on an exception basis using a traffic light system to ensure progress is on track.

Performance, including financial monitoring, is monitored closely at both Cabinet and senior management level on a regular basis. The Leader works with the Portfolio Holder for Performance and Cabinet and the relevant Overview and Scrutiny Committee regularly reviewing performance.

Performance information is communicated widely and reports are also placed on the Council's website to enable public access. All Councillors are provided with the monthly performance reports, which are also presented to each meeting of Cabinet by the Portfolio Holder for Performance, with officer support. These reports focus on performance against priority indicators and set out an analysis of quartile performance so that it can be compared to the best performing Councils.

We will continue to monitor the quality of our services by seeking the views and experiences of residents, service users and council staff in the following ways:

- Residents surveys which seek opinions on Council services
- User forums
- Analysis of complaints and comments received
- Consultation and focus groups on particular issues
- Staff surveys

Data Quality

We are committed to maintaining and improving the quality of the financial and non-financial data underpinning our medium term financial planning. We have integrated our financial and non-financial planning, so that we are using the same data for service and financial planning.

Standardising our budget processes and challenging the budgets at various stages allows us to scrutinise particular areas verify the accuracy of the underpinning data. For the 2011/12 budget process Heads of Service will have their respective service area budgets challenged by the Director of Finance and Support, Management Board, Portfolio Holders and other Members including the Overview and Scrutiny Committee.

Equality

Equality and diversity themes are embedded into policy development and service planning, as well as the annual MTP options and capital appraisals. We actively promote equality of opportunity and are committed to eliminating unlawful discrimination for all our stake holders. The Council values diversity and service plans include equality actions to ensure services address the needs of all of the borough's communities. Mainstreaming equalities into all of our service activity is further enhancing service quality, improving access and delivering better value for money.

The Council is an Achieving authority under the Equality Framework for Local Government and is committed to ensure that everyone is fairly and equally treated. Reflective tools like Equality Impact Assessments are used in the budget and service planning processes to help us to think about how what we do things might affect particular groups of people in the community, and to plan to reduce or remove any negative impacts.

Medium Term Planning option appraisals and Capital appraisals have equalities assessments for completion. These are reviewed and challenged by Finance and are also independently reviewed by the Community Engagement and Equalities Officer. Where this information highlights equalities issues, positive or negative, it is made available to members as part of the budget setting reports so that informed decisions can be made.

RESOURCES

Council Tax and the tax base

The Council has a strong commitment to keep levels of Council tax as low as financially prudent. The Council will take advantage of any appropriate measures made available by Government to keep the council tax down. The longer-term plan is currently not to increase council tax above 5%, however needs are assessed on an annual basis.

The tax base for the 2011/12 budget and council tax will be 66,899 Band D equivalents (66,896 in 2010/11). The tax base is set using planning assumptions up to March 2010 and a non-collection percentage of 2.5%. A three-year council tax figure has not been set. The tax base is reviewed on an annual basis.

Budget Setting (General Fund and HRA Revenue and Capital)

The Management Board, comprising of the Chief Executive and Directors, approved the timetable and process for the Medium Term Plan and budgets.

<table>
<tr><td>June 2010</td><td>Pre Budget Preparation</td><td></td><td></td></tr>
<tr><td>July 2010</td><td rowspan="2">GF and HRA Options and Capital Appraisals developed</td><td></td><td>Direction and Priority Setting</td></tr>
<tr><td>Aug 2010</td><td></td><td rowspan="7">Consultation on Priorities and Budget Proposals</td></tr>
<tr><td>Sept 2010</td><td></td><td rowspan="3">Challenge Process</td></tr>
<tr><td>Oct 2010</td><td></td></tr>
<tr><td>Nov 2010</td><td></td></tr>
<tr><td>Dec 2010</td><td></td><td></td></tr>
<tr><td>Jan 2011</td><td></td><td></td></tr>
<tr><td>Feb 2011</td><td>Budget Decision Making</td><td></td></tr>
<tr><td>March 2011</td><td></td><td></td><td>Service Plan Completion</td></tr>
<tr><td>April 2011
To
March 2012</td><td></td><td>Monitoring and Review</td><td></td></tr>
</table>

The key milestones are as follows:

- June – Budget and medium term planning process launch. Officers work up budget including inflation, fees and charges, Medium Term Planning Options, etc.
- August – Launch of consultation process.
- September – First stage revenue budget challenged by Head of Finance and/or Director of Finance and Support. Capital programme challenge begins.
- October/November – Further challenge by Management Board. Ongoing monitoring of Government announcements, including Spending Review 2010 is undertaken.
- November – Draft Housing Subsidy Determination

- December – Provisional Formula Grant and supported borrowing announcements. Cabinet consider and agree proposals for consultation budgets.
- December/January – main public consultation on capital and GF revenue budgets and proposed level of council tax.
- End January/February – Final Formula Grant settlement announcement is announced by Government.
- February – Cabinet recommends budgets and fees and charges to Council. Council agrees budgets and council tax.

Resource Allocation to Services - Methodology

The Medium Term Planning (MTP) cycle effectively links resources to Council objectives and priority areas. Our MTP budget option and capital appraisal forms incorporate best practice and require information on the contribution to Council objectives and equality impacts of each option.

Medium Term Planning Option and Capital Appraisal forms also include a section for managers to explain how their proposal delivers value for money. These are used as part of the challenge process with members and Management Board during the autumn challenge phase of the budget process. At this point the challenge may also identify additional VFM options to be investigated and, where applicable, brought forward. The budget process, incorporating the Medium Term Financial Strategy (MTFS), ensures that the principles of improving VFM are an integral part and impact on equality is also now assessed for all options.

Resource allocation to individual service areas will be calculated by:

- Allowing for the impact of unavoidable demographic, inflationary and legislative impacts on the Council's cost base.
- Making sufficient service review savings to set a balanced budget.
- Providing funds for 'investment' in priorities identified in the Corporate Plan released by cross-cutting review savings.

Cost pressures

Whilst financial management has greatly improved significant financial risks still remain. These pressures are a mix of clearly quantifiable cost pressures and other factors, which are more challenging to quantify. This is because some external factors are outside the authority's control or influence and therefore best estimates must be made.

A balance needs to be struck between areas where budget pressures need to be recognised within the medium term plan where they are quantifiable, and areas of risk where it is deemed that the level of balances held, derived through a robust risk assessment process, will cover any potential realisation of the financial impact of that risk. The areas can be broken into three categories.

1. Quantifiable areas as a result of the economic down turn; examples include:

- **Car Park Income –** The general economic downturn continues to impact on car park usage and there is likely to be a direct link between reduced car use and the high level of uptake of the concessionary fares scheme. The impact is already putting pressure on the 2010/11 budget and may have an impact on income in future years.
- **Reduction in income levels** – this covers a number of categories such as investment income, licensing, building control and planning fees.

2. **Quantifiable areas as a result of service pressures:**

- **Pay and Grading / Single Status project –** The implementation date for Pay and Grading is 1 January 2011. Like most authorities Northampton is not implementing single status on a cost neutral basis, so this is included in the budget proposals.
- **Equal Pay Claims** – the authority has settled the majority of the equal pay claims with the remainder due to be settled in 2010/11, but there is a risk that further claims may be lodged. Government has granted NBC a capitalisation directive, which will allow the authority to fund such costs incurred in 2010/11 through prudential borrowing or capital receipts. If it is funded through borrowing the ongoing revenue impact will be built into the budget. The authority will seek capitalisation directives for similar costs in the future.

3. **Unquantified areas of High Risk:**

- **Future years pay settlement –** The Government has announced a 2 year pay freeze for public sector employees earning over £21,000 from 2010/11, with those earning less than this receiving an increase of at least £250 each year. For the period after the freeze it is unclear what the pay settlement will be.
- **2011/12 and future years formula grant settlement –** The Government has announced a front loaded 28% reduction in local government funding over 4 years. The exact impact for Northampton is not yet known and a local government funding review has been announced that is likely to take effect from 2013/14.
- **Capital receipts:** Continuing impact of the recession on the values obtainable from selling property assets that are no longer required.
- **Changes in Accounting Regulation –** Changes in accounting regulations under Code of Practice on Local Authority Accounting 2010/11 will impact on revenue budgets in relation to MRP charges due to component accounting. The Council will manage its funding to minimise the effects of these changes.
- **Planning Appeals –** if more appeals take place there will probably be additional costs.
- **Fuel and Utility Costs –** the costs of fuel and utility costs have fluctuated sharply over recent years. It is therefore difficult to assess the pattern these costs will take in the next few years. Work is ongoing to reduce the Council's carbon footprint, which should generate related savings in fuel and utility costs. However changes to the Carbon Reduction scheme in the Spending Review 2010 will lead to new costs in 2012/13.

Other Areas.

Other areas which need to be considered as part of the financial element of the medium term plan include:

1. **Growth**

   The population served by the authority has growing swiftly under the previous Government's Sustainable Communities Plan. This, linked with the regeneration needs of the borough, leads to strain on both the revenue and capital budgets as well as the need to frequently work with the County and other partners to deliver the necessary infrastructure.

   Project development puts a financial strain on the authority – feasibility studies are normally revenue expenditure because there is no certainty that they will generate a positive outcome or a fixed asset. In it emergency budget in June 2010 the Government terminated the Local Authority Business Growth Incentive Scheme (LABGI) which this authority had previously ring fenced to the Regeneration and Growth department.

   It is hoped that the New Homes Bonus and Local Government Resource Review announced in the Local Growth white paper may contribute to funding this type of work, depending on the outcome.

2. **Capital Projects**

   The authority receives no supported borrowing allocation in most years other than for Housing. This means that any capital projects have to be funded by other capital funding sources including capital receipts, capital grants, Major Repairs Reserve (HRA only), section 106 planning obligations and third party contributions, unsupported (sometimes called prudential) borrowing, or revenue contributions.

   Where projects are to be funded by s.106 there is often a timing issue due to the way in which payments under the agreements arise at trigger points during the development.

   In ideal circumstances, due to pressures on the revenue budget it is advisable to assume that prudential borrowing will only be undertaken where savings on a 'spend to save' scheme will cover the borrowing costs. However, in practice there may be priority schemes that members consider have to go ahead or items that have to be funded this way for affordability reasons (e.g. capitalisation directives).

REVENUE

Description	Budget Proposals 2011/12	Budget Proposals 2012/13	Budget Proposals 2013/14
Summary			
Service Continuation Budget	**36,544,240**	**36,620,570**	**37,683,559**
Medium Term Planning Options			
Savings & Efficiencies	(4,797,623)	(5,071,056)	(5,035,512)
Change and Performance Programme	500,000	(1,500,000)	(2,000,000)
Growth	253,680	328,990	394,450
Total MTP Options	**(4,043,943)**	**(6,242,066)**	**(6,641,062)**
Corporate Budgets			
Debt Financing	2,170,552	1,345,330	532,533
Recharges out of GF	(5,141,000)	(5,141,000)	(5,141,000)
Potential impact on recharges to HRA of budget options submitted	285,000	285,000	285,000
Parish Grants	(22,000)	(22,000)	(22,000)
Parish Precepts	963,000	995,000	1,030,000
Contribution from Earmarked Reserves	(867,983)	(140,785)	(112,863)
Contribution to/from Change and Performance Programme Reserve	(500,000)	600,000	400,000
Contribution to General Fund Balances	100,000	100,000	100,000
Total Corporate Budgets	**(3,012,431)**	**(1,978,455)**	**(2,928,330)**
Revenue Budget Requirement	**29,487,866**	**28,400,049**	**28,114,167**

Funding			
Revenue Support Grant	(3,336,587)	(3,060,414)	(2,972,670)
NNDR	(10,812,304)	(9,917,360)	(9,633,022)
Total Formula Grant	**(14,148,891)**	**(12,977,774)**	**(12,605,692)**

Council Tax			
Previous Years	(14,024,746)	(14,025,375)	(14,075,375)
Taxbase changes	(629)	(50,000)	(50,000)
Increase	0	0	0
Council Tax Freeze Grant	(350,600)	(351,900)	(353,100)
Collection Fund Deficit	0	0	0
Parish Related Council Tax	(963,000)	(995,000)	(1,030,000)
Total Council Tax	**(15,338,975)**	**(15,422,275)**	**(15,508,475)**

Total Funding	**(29,487,866)**	**(28,400,049)**	**(28,114,167)**

Remaining Gap	**0**	**0**	**0**

Working Balances and Earmarked Reserves

As at the end of 2009/10, the General Fund working balance was £2.45m and the HRA working balance was £6.76m. The latest available figures will be taken into account during the budget setting process.

For 2010/11, the General Fund balance is expected to be approximately £2.55m. Due to the level of financial risk in local Government currently, the council aims to increase its balances over the next 3-5 years to at least £3.0m based on a risk assessment of reserves.

Earmarked reserves as at the end of 2009/109 and the estimated 2010/11 balances are detailed in the table below.

Reserve	Balance 31/03/2010	Estimated Balance 31/03/2011
	£000s	£000s
Leasing	31	31
Insurance	1,520	1,520
Rent Deposit Scheme	100	100
Subsidy Equalisation	600	400
Core Business Systems	299	299
Building Maintenance	500	500
Corporate Initiatives	401	381
Service Improvements	832	473
Debt Financing	478	478
General	7,033	6,756
Arts	46	46
Carbon Management/Salix	78	78
HRA	11,200	11,200
	23,118	**22,262**

Of these reserves at the end of 2009/10 £11.2m are HRA and £11.9m are General Fund. The figures for the 2010/11 year-end are estimated as at 15 December 2010. The levels of the earmarked reserves required are reviewed on an annual basis.

The Revenue Budget Strategy to meet Pressures

The 3-year financial statement highlights that there will continue to be a gap between spending pressures on the Authority and the available resources projected.

The Council recognises these pressures and will adopt the following 3-year strategy to meet them:

- The Council will put an effective Medium Term Financial Strategy in place to drive forward the financial planning process and resource allocation. The financial strategy is determined in the context of policies and priorities contained within the Corporate Plan and other key internal Strategies, feeding through to and up from Service plans.
- The Council will seek to protect and enhance front-line services and, as far as possible, will aim to contain these pressures within existing resources. Cabinet Members will examine all budget pressures and seek to reduce them where possible.
- The Council will seek new funding and new ways of working. Cabinet Members will continue to look at new methods of service delivery to improve services to the public and the value for money that they provide.
- The Council is keen to improve efficiency and deliver value for money. Cabinet Members will seek to identify efficiencies that will not impact on service levels, and options that will improve value for money through improving performance, and/or reducing service costs.
- The Council is launching a budget change and performance programme which will enable the authority to meet the revenue costs of continuing to change the Council to meet its financial targets, continue to improve towards its ambition to be one of the best Councils in the country by 2013, and maximise the amount of service delivery achieved with each pound of tax payer and customer money.
- The Council will carry out an annual risk assessment of reserves and will use reserves to manage the budget and limit service reductions and council tax increases where there are excess balances above the risk assessed level.
- Given the financial pressures faced by the Authority, the Council has determined that budgetary growth can only be supported in priority areas, or where the Council is required to fund new items e.g. by new legislation.
- The Council will continue to undertake strategic business reviews to deliver ever better service outcomes for the public and efficiency and effectiveness in the organisation.
- The Council will include strategic property acquisitions in its investment strategy in order to create a balanced investment portfolio of treasury and property assets.

A fund will be created from earmarked reserves for the Budget Change and Performance Programme to be spent on ‘spend to save and improve’ work with a target ratio of 3:1 net revenue savings in the first year. Capital costs will be considered on a case by case basis. This will help to replace the regional improvement fund which is coming to an end.

Council Tax Level

While addressing its priorities and setting a balanced and prudent budget, in view of the Capping regime, the Council will seek to keep any increase in the Council Tax to the lowest possible level and will always consider a 0% increase.

The planning assumption for the medium term is an annual 0% increase in Council Tax.

Housing Revenue Account

Introduction

The two main revenue budgets of the Council cover the General Fund (which determines and is funded by the Council Tax) and the Housing Revenue Account (which contains the income and expenditure related to the provision of Council Housing including Housing Rents).

The level of housing subsidy set by the Government determines the level of resources that the Council can use to provide services to tenants of its Council houses. The subsidy comes in two forms: the revenue subsidy comprises “Management and Maintenance allowances” (M&M), which are derived from complex formulae related to the make up of the stock; and a capital subsidy in the form of a “Major Repairs Allowance” (MRA) which again is formula based. As rent income exceeds the amount of M&M and MRA allowances, the balance is currently paid to Government in the form of a “Negative Subsidy”, estimated for the current year 2010/11 at £12.96 million (£12,958,000). In recent years the Council has kept substantially within the M&M allowances for revenue expenditure and has been able to make contributions to repairs reserves, but that is unlikely to continue.

On 25th February 2010 the Council approved the 2010/11 HRA budget and projections for 2011/12 and 2012/13, including the council house and garage rents, heating and service charges. In setting the HRA budget, due regard is given to the resources available in the context of achieving and maintaining the Decent Homes Standard, and to comply with Government policy on rents. As with the General Fund budget, the HRA budget was constructed to reflect the Council’s corporate priorities as set out in the Corporate Plan 2010-2013.

Key Issues in the 2011/12 Budget

The Housing Business Plan states that over the next two years the new Housing Directorate will work for customers:

- To ramp up the Decent Homes programme to raise the energy efficiency of all council homes with an accompanying programme to address environmental concerns to achieve decent neighbourhoods. (This is subject to receiving additional funding from the HRA).
- To reduce homelessness and to provide advice and support to homeless people and those in housing need
- To provide an excellent service to council housing tenants and leaseholders and to achieve top-quartile performance in resident satisfaction, rent collection, repairs and re-letting vacant housing (voids).
- To develop housing related care to enable more people to remain in their own homes in safety and security
- To deliver an effective tenant support and estate management service and combat Anti-Social Behaviour to enable council housing tenants and leaseholders to enjoy their neighbourhoods as well as their homes
- To maximise involvement of service users (including ‘hard to reach groups’) in realistic assessments of the quality of services provided and in planning service improvements, fostering community pride and engagement
- To provide a repairs and maintenance service with a “right first time, every time” objective which demonstrates value for money
- To ensure sustainability of the HRA 30 year Business Plan subject to settlement from Government following Housing Finance Reform announced within the Localism Bill.

Medium to Long Term Financial Projection

The financial pressure on the HRA is increasing. This arises from a number of factors, including:-

- Rents pressure through the Government's rent restructuring process;
- Sale of council houses through Right to Buy where, generally, the better quality housing stock will be sold;
- Repairs costs through the pressure to meet and maintain the decent homes standard.
- Uncertainties around the nature and impact of housing funding reform

An overview of the findings of the HRA financial model was reported to Cabinet on 15th July 2009. This will be used to forecast the impact of major initiatives on the long-term viability of the HRA, which will be considered alongside the Housing Asset Management Strategy (consultation draft, also approved for consultation at the 28 July 2010 Cabinet meeting.

The main pressure on the Council Housing service is in capital, where there is an estimated shortfall in the resources required over the next five years of £77.4 million to reach and then maintain the decent homes standard. Without additional action being taken, the provision of additional capital resources through revenue financing or borrowing will impact on the revenue position. In order to maintain the HRA position, the revenue impacts of the additional capital financing must be matched by efficiencies or savings from within the HRA. For these reasons savings targets on HRA revenue budgets have been identified for 2011/12. These savings would be made with a view to re-directing resources to tenant services.

Review of Council Housing Finance

In July 2009 the Communities and Local Government (CLG) Department consulted on possible reforms to the HRA subsidy system, with a favoured option of scrapping the subsidy system. This would apply to all local authorities with retained council housing and would involve a re-allocation of the national HRA debt. Whilst attempts have been made to model various levels of national HRA debt being allocated to Northampton, in practice there are too many variations in possible assumptions and timing for the full implications to be known at December 2010. Following confirmation in the Spending Review 2010 that this will is still ahead, it is expected that it would require primary legislation and would not take effect before 2012/13. In the meantime, the existing financial projection model will be updated regularly as subsidy determinations are issued by CLG.

Future Options

The Council is currently reviewing future options following the Government decision to drop its PFI bid following the Spending Review 2010. In addition, the very recent release of the Localism Bill incorporating housing funding reform will need to be analysed and built into the medium term plan for Housing

Alternative options, around the delivery of the decent homes programme to the whole of the stock, will be reflected in the new 30-year financial model as and when appropriate.

CAPITAL, TREASURY, & ASSETS

Capital Overview

Capital expenditure represents major investment in new and improved assets such as land, buildings, infrastructure, equipment and information technology. It therefore plays a key part in the development of the Council's services.

Capital Programme - Project appraisals were completed for all 2010-11 capital programme bids. In order to set a capital programme that fulfils the Council's Capital Strategy each appraisal demonstrates how the scheme will contribute to:

- Achieving the Council's priorities set out in the Corporate Plan and other NBC Plans/Strategies
- Meeting legal/contractual obligations
- Improving performance against national and local targets
- Improving efficiency and effectiveness in service delivery
- Promoting partnership working
- Generating or increase income streams
- Promoting effective Asset Management, including DDA and Health & Safety issues

Council agreed that Cabinet be authorised, once the programme was set, to approve priority new capital schemes and variations to existing schemes arising during 2010-11, subject to the funding being available and the schemes in accordance with the Council's objectives and priorities.

Decisions on capital investment are made against the background of constrained resources, and the Council is heavily dependent upon capital receipts and grants from central government to support its capital programme. Other funding sources available include prudential borrowing, third party contributions, and revenue contributions. These are actively pursued and are applied in a structured way to deliver an optimal, revenue efficient, financing strategy.

Due to pressures on the revenue budgets it is advisable to assume that prudential borrowing will only be undertaken where savings/income on a 'spend to save' scheme will cover the borrowing costs. However, in practice there may be priority schemes that members consider necessary or items that have to be funded this way for affordability reasons (e.g. capitalisation directives).

Every project in the capital programme and all new bids for capital investment are managed by a named budget manager who is responsible for delivering the project within the agreed budget and timescales. Operational responsibility may be delegated, in which case accountability remains with the budget manager, with the operational responsibilities being managed by the project manager.

The Capital Team provides financial support, advice to budget/project managers, capital strategy and co-ordination of the building, monitoring and reporting requirements of the capital programme.

Capital Strategy

The three-year Capital Strategy was approved by Council on the 25th February 2010 and will be updated on an annual rolling basis. The strategy for 2011-12 to 2013-14 was drafted during the summer of 2010, for approval by the Council's elected members in February 2011.

The Capital Strategy provides a clear framework for capital funding and expenditure decisions in the context of the Council's vision, values, objectives and priorities, resources, and spending plans. It also outlines the management and monitoring arrangements that the Council has in place for effective delivery of the strategy. The Asset Management Plan is closely linked with both the revenue and capital budgets, so it is important that this is recognised in the capital strategy.

The development of an approved capital programme shows the Council's commitment to maintaining and improving its capital assets and infrastructure. This underpins the delivery of high quality and value for money services and helps to secure a better environment for local people. The Capital Strategy covers the present position and future plans, the former setting the context for the latter.

Balance Sheet Management

Balance sheet management is a comprehensive approach to managing assets and liabilities to ensure that resources are used effectively (both financially and operationally) and that appropriate governance arrangements are in place around the use of public sector assets and liabilities. Failure to do this could expose the authority to a range of operational, reputational and accounting risks.

We already have embedded processes to review our fixed assets, strategies for treasury management and borrowing, and processes for managing and making provisions for outstanding debtors. The authority will undertake a self-assessment of our balance sheet management to ensure that it is effective and will implement any appropriate changes.

Asset Management

The Asset Management Strategy relates to all land and buildings owned by the Borough, except for housing forming part of the Housing Revenue Account. The Strategy considers planned and responsive maintenance and confirms that expenditure on safety related issues will be prioritised.

The reduction of backlog maintenance is to be reduced by active management to ensure that property is fit for purpose and does not present a barrier to effective service delivery, and renewals/enhancements undertaken where necessary. This is achieved by:

- Focussing capital and revenue investment on properties identified as being required as a long term part of the council's holdings.
- Not investing limited resources in properties not considered essential to service delivery, and disposing of property where there is no case for retention.
- Using capital receipts (where appropriate and subject to Cabinet decision) to invest in renewals and improvements to property considered 'core' to the delivery of services and the capital value will be materially enhanced.

Capital schemes for new property will only be advocated where this is the optimal solution and there are related reductions in existing revenue liabilities to offset any new liabilities. Similarly the council will consider investing in partner's property where this would generate financial and operational benefits to the council.

Levels of energy consumption and resultant carbon emissions can have a significant impact on the council's overall carbon footprint. In 2008 the council adopted a Carbon Management Strategy and has set a very ambitious target for 2012 of reducing carbon emissions from the base year (2005/06) by 35%. For property acquired, procured, or held by the council design, environmental and energy performance, and location will therefore be taken into account. This will help reduce the costs of the Government's carbon reduction scheme.

Carbon Trading Strategy

In October 2010 the Government announced in the Spending Review 2010 that the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme would be simplified to reduce the burdens on businesses. As part of the same announcement, the first sales of allowances (relating to 2011/12) will now take place in 2012 instead of 2011. At the same time the Government announced that the income from sale of allowances would not be recycled to participants, but would be retained by Government to support the public finances.

The Government intends to launch a 'public dialogue' with scheme participants on proposals to simplify the scheme.

The Council's carbon trading strategy will be further developed between now and when the first allowances are due to be purchased in April 2012, and will continue to evolve as the carbon trading market matures. When any carbon trading decision is taken then as a minimum the following information will need to be considered:

- Carbon allowance forecasts
- EU market price & forecasts
- Euro exchange rate & forecasts
- UK trading scheme market prices & forecasts

Under the original scheme proposals an initial blind auction was to be constructed using the above information and to make use of a technique called a 'marginal abatement curve'. This would have enabled the Council to asses which carbon saving projects it might undertake depending on the financial incentive offered by the price awarded in the auction.

Standard approaches to carbon trading can be categorised in the following way:

Passive	Buy allowances at the end of the year from the secondary market when needed
Opportunistic	Aim to buy allowances when cheap
Cautious	Overbuy allowances at the start of the year
Commercial trader	Buy and sell to make profit
Balanced	Buy sufficient allowances at start of the year but monitor on a regular basis for opportunities

Source: KPMG, 2009

Subject to the changes from the simplification of the scheme the Council's strategy will be that the responsible officer will adopt a mixture of these strategies, except commercial trader, depending on market conditions at the time, and the Councils own circumstances. The Council will not act as a 'Commercial Trader'.

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of the risks inherent in carbon trading, and will report as a matter of urgency, the circumstances of any difficulty in achieving the Council's objectives in this respect.

The Council will ensure that all of its carbon trading 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.

The Council recognises that future legislation or regulatory changes may impact on its carbon trading activities and will adapt its practices as necessary.

The Council will seek to ensure that its stated carbon trading policies and objectives will not be compromised by adverse market fluctuations, and will seek to protect itself from the effects of such fluctuations.

The 'safety valve' feature within carbon trading may be linked to products that are traded in Euros. This may lead to reliance on forecasts of foreign currency exchange rates. The Council will manage its exposure to fluctuations in exchange rates to minimise any detrimental impact on its budget.

The Council will identify the circumstances that may expose it to risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. It will employ suitable systems and procedures, and will maintain effective contingency plans.

The Council is committed to the pursuit of best value in its carbon trading activities, and the use of performance methodology in support of that aim. Carbon trading will be subject to ongoing analysis of the value it adds in support of the organisation's stated business objectives. This will include regular examination of alternative methods of service delivery, availability of fiscal or other grant subsidy incentives, and the scope for other potential improvements. Carbon trading performance will be measured using benchmarks that will be set once the market has had time to develop.

The Council will maintain full records of its carbon trading decisions, both for the purpose of learning from the past, and for demonstration that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

Upon commencement of the carbon trading scheme the minimum reports that the Executive will receive are:

- an annual report setting out the strategy and plan to be pursued in the coming year
- an annual report on the outlining the effects of the decisions taken during the year

More frequent reports will also be made to the Carbon Management Board, or other appropriate senior management body.

The Council will approve and, if necessary, amend (in accordance with financial regulations), an annual budget for carbon trading, which will bring together all of the costs and income involved in trading carbon allowances.

The council will ensure that its auditors, and those charged with regulatory review, have access to all information supporting the activities of carbon trading as are necessary for the proper fulfillment of their roles, and that such information and papers demonstrate compliance with external and internal policies.

The Council recognises the importance of ensuring that all staff involved in carbon trading are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint capable and experienced individuals and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise.

Treasury Management

The Treasury Strategy for 2010-11 to 2012-13 (agreed at Council on 25 February 2010), incorporates:

a) The Capital Financing and Borrowing Strategy for 2010-11 to 2012-13 including:

   (i) 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.

   (ii) The Affordable Borrowing Limit for 2010-11 to 2012-13 as required by the Local Government Act 2003.

b) The Investments Strategy for 2010-11 to 2012-13 as required by the DCLG (formerly ODPM) Guidance on Local Government Investments issued in 2004.

The CIPFA Prudential Code for Capital Finance in Local Authorities (October 2003) sets the requirements for the manner in which capital spending plans are to be considered and approved together with the requirement for an integrated treasury management strategy. The Prudential Code requires the Council to set a number of prudential indicators for capital finance and a report setting out the prudential indicators for 2010-11 to 2012-13 was approved by Council on 25 February 2010. Regard is given to these prudential indicators when determining the Council's Treasury Management Strategy.

The main features of the Capital Financing and Borrowing Strategy are:

- The capital programme prioritises sources of finance other than borrowing, such as capital receipts, grants, third party contributions and revenue contributions.
- The Council makes use of operating leases to fund some types of expenditure that would otherwise be treated as capital where operating leases offer better value for money.
- Wherever possible, the Council's policy is not to enter into finance leases, which have to be treated as capital expenditure, and generally do not offer financial benefits to the authority. However the treatment of leases is set to change with the introduction from 2010-11 of International Financial Reporting Standards (IFRS). Some leases currently defined as operating leases will be treated as finance leases, and this will include some retrospective adjustments.
- From 31 March 2008 the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008 required local authorities to make 'prudent provision' for the repayment of debt. This debt repayment is known as the Minimum Revenue Provision (MRP). The underlying principle is that the repayment of debt should be aligned to the useful life of the significant component or components the borrowing was applied to.

  As a transitional measure, authorities were able to calculate MRP for all capital expenditure prior to 1 April 2008 at 4% of debt principal each year as if the previous regulations still applied. Under the new regulations the authority must prepare an annual statement of their policy on MRP for approval by Council.

  The Council's policy is to use the transitional arrangements to provide for MRP at 4% of debt principal. The debt liability relating to capital expenditure incurred in 2008-09 and future years 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. The detailed policy was approved by Council in February 2010.
- 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. Given the changes in the property market and impact on capital receipts, the Council is likely to take new prudential borrowing in 2011-12 and 2012-13.

- The Council's Borrowing Strategy for 2011-12 is to use internal borrowing while this is optimal in revenue terms and fixed rate borrowing where long-term rates are favourable. Should external variable rate borrowing be used, short-term loans will be arranged and replaced by long-term fixed rate loans later when rates are more favourable to balance certainty with risk.

The main features of the Investment Strategy are:

- Under the Local Government Act 2003 the Council is required to have regard to the DCLG (formerly ODPM) Guidance on Local Government Investments issued in March 2004 and CIPFA's Treasury Management in the Public Services Code of Practice (2009) and updated Guidance Notes (2009). The Council has adopted these.
- All investments, except those to other local authorities, 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 colour rating by Sector Treasury Services, whose list is updated monthly. This list is based upon credit ratings issued by the main rating agencies.
- The majority of the Council's investments in the medium term will fall into the category of specified investments.
- Prior to the start of each financial year officers will review which categories of non-specified investments they consider could be prudently used in the coming year.

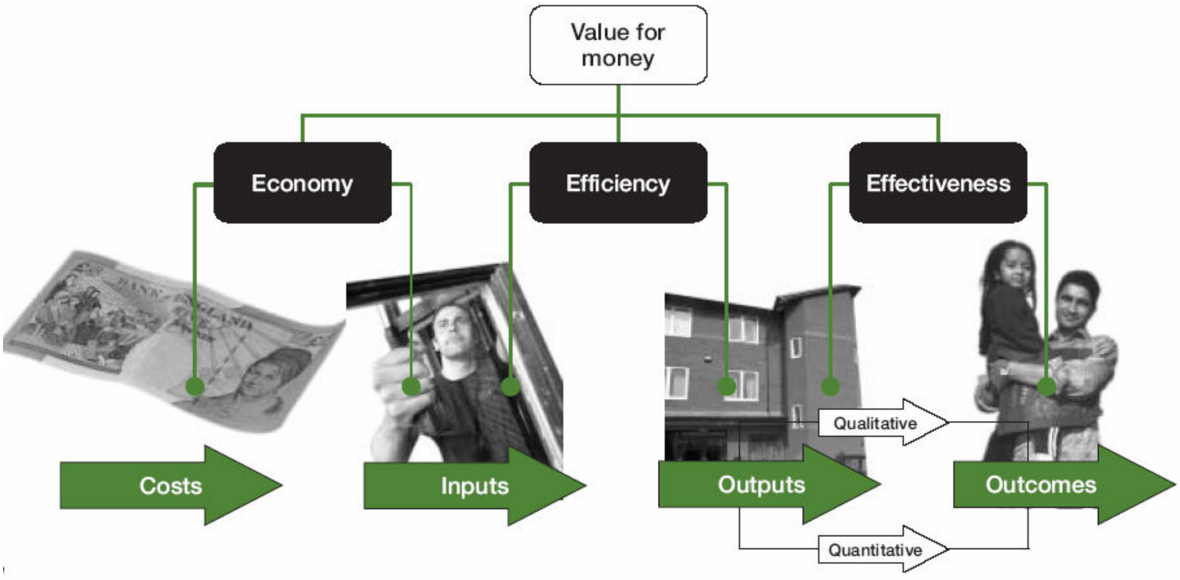
  The officer recommendation for new investments from 2010-11 onwards is that long-term investments (those for periods exceeding 364 days) may be undertaken to a limited extent taking into account the security of the principal as a priority. Advice will be taken from Sector Treasury Services before entering into any long-term investments. This policy will be reviewed on a regular basis.

  The maximum amount that the Council will hold at any time during the year as long-term investments is £6m. This is well within 10% of the forecast average level of total investments in 2010-11, which is around £63m. This could be undertaken without having an adverse effect on cash flow.
- Most short-term investments are held for cash flow 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 longer as a non-specified investment.
- The majority of the Council's long-term debt is in the form of Money Market LOBO (Lenders Option, Borrowers Option) loans. Officers consider that the degree of risk on these loans attached to small variations in interest rates is low.

VFM STRATEGIC FRAMEWORK

Introduction

The Audit Commission defines Value for Money as the relationship between economy, efficiency and effectiveness (see diagram below). Value for money is high when there is an optimum balance between all three – relatively low costs or inputs (economy), high performance or outputs (efficiency) and successful outcomes or impact (effectiveness). Impact is generally measured on a community wide basis.



Key drivers for our VFM Strategic Framework:

- Comprehensive Spending Review 2010 (SR2010)
- Continued inflationary pressures and the general economic environment
- Ongoing best value requirements for all services and activities
- Increasing customer expectations of service quality
- Impact of the Gershon report (2004) and the more recent Varney report (2006) regarding efficiency and service improvement
- Efficiency targets of 4% per annum from 2010/11
- Significant changes to our demographic profile
- Local factors affecting levels of service costs
- Government pressure to keep Council Tax increases at an appropriate level
- Increasing legislative frameworks within which the Council operates.

Corporate Strategy and Value for Money

Ensuring that our services are delivering value for money is a key priority for Northampton. Our Corporate Plan makes it clear that we put the customer and community at the heart of what we do. There will be clear links between our VFM activity and key Council plans and actions, for example:

- Our budget strategy will be linked to the Council's priorities and supporting value for money services.
- Innovative methods of procurement will be explored for value for money opportunities.

- Ongoing efficiency savings will be identified as part of our three-year planning and performance framework and subject to annual review and update. These efficiency savings will be used to fund cost pressures and service improvements.
- Better procurement & partnerships will be sought through implementation of e-procurement and through an ongoing series of fundamental efficiency reviews of categories of spend.
- Our Asset Management Plan will be fully integrated with a Capital Strategy and will set out clearly how we will deliver effective asset management.
- We will ensure that options appraisals are a key part of making capital investment decisions.

What We Will Do To Achieve VFM

To achieve VFM we have set the following objectives:

- integrate VFM principles within corporate and service planning and review processes
- implement recognised good practice where appropriate
- establish a review programme that targets services and/or cross cutting areas identified as requiring improvement (e.g. high cost/low performance services).
- provide a robust framework to benchmark the Council's activities
- promote a culture of continuous improvement
- communicate to stakeholders that achieving VFM is sought in all activities undertaken
- designing processes to optimise efficiency and deliver VFM
- ensure that all staff recognise their continuing obligation to seek and deliver VFM for the Council as part of their routine activities

How We Can Demonstrate VFM

Achieving VFM is also described in terms of the "three Es":

- Economy – minimising the cost of resources for an activity (doing things at a low price).
- Efficiency – performing tasks with reasonable effort (doing things the right way).
- Effectiveness – the extent to which objectives are met (doing the right things)

By using this model in service planning all service areas will demonstrate Value for Money through:

- Evidence of cost management (e.g. streamlining processes, partnership and procurement).
- Setting VFM targets for improvement, including building efficiency targets into the budget.
- Comparing Service's inputs, outputs and impact to others (*allowing for local context, performance and legitimate policy choices*).
- Evidencing that VFM is improving and efficiency gains are being made.

Efficiency drivers

Government has withdrawn the National indicator on performance on efficiency as of June 2010, but has made no mention of withdrawing the 4% efficiency saving target.

The Spending Review 2010 and the backing of community budgets with the pilot for families with complex needs highlight the Government's ongoing requirements for delivery of efficiency savings. The Government has said that the spending review 2010 has a particular focus on reducing 'wasteful spending'. Our VFM strategic framework will be updated for the implications of SR 2010 and the Chancellor's June 2010 Emergency Budget Report.

2008/09 VFM Profiles

VFM profiles are reported annually to management board and members via a traffic light system and a cost/performance grid and this requirement has been extended to central services for 2008/09 – benchmarking is already in hand for financial services via CIPFA. Our VFM profiling system is also used to form a key part of the evidence for identification of VFM review work.

We have completed detailed VFM profiles for our frontline services and mapped these on a cost/performance grid shown below. There is clear overall trend compared to 2007/08 with more services positioned in the higher performance/lower cost areas.

cost			
High	• Community Safety	• Street Cleansing	• Housing Benefits • Economic Development
Medium		• Customer Services • Other community housing • Procurement • Council Housing • ICT	• Licensing
Low		• Parking & Town Centre • Planning services • Corporate & Democratic Core • Finance	• Environmental Health services • Homelessness • Local Tax/ Rates collection • Culture & Heritage • Concessionary Fares • Parks & open Spaces • Waste Collection • Sports & Recreation
	Low	**Medium**	**High**
		performance	

Risk Management and Business Continuity

The Council's Risk Management Policy states that "Risk management is a positive tool that is incorporated into the management process to help achieve corporate and directorate objectives. The Council is committed to adopting a corporate, systematic and structured approach to the control of risk".

We see risk management as pivotal in supporting the achievement of our priorities and objectives. We are working towards embedding risk management in all day-to-day management processes across all business functions and activities.

Management Board has approved the changes to our risk management approach, and leads and supports the introduction of new monitoring functions and responsibilities.

The key developments in Risk and Business Continuity Management across the authority in the last year include:

- Cabinet approval of the revised Risk Management Strategy in January 2009. The Risk Management Strategy now incorporates Business Continuity Management as a function of managing risk.
- Improvements in the visibility and accessibility of risk and business continuity guidance and supporting documents by including a dedicated section on the Council's intranet site.
- Audit Committee taking an active role in risk assurance, routinely requesting updates on the risk management function.
- Undertaking risk reviews as part of the annual Service Planning Process, ensuring the risks identified are linked to service objectives and corporate priorities.
- The approval and introduction of a defined risk appetite.
- The introduction of new risk management software to facilitate closer linkages between performance management and risk.
- Undertaking a Strategic Risk Workshop, attended by Management Board, to refresh the Strategic Risk Register.
- Quarterly reviews of the Strategic Risk Register undertaken by Management Board.
- Undertaking a Councillor Training Session on Risk Management.
- An approved list of Business Continuity Critical Functions.
- All Service Areas with Critical Functions have well-developed Business Continuity Plans in place.

Procurement

Impact of Comprehensive Spending Review 2010 and Emergency Budget (June 2010)

The previous Government, set specific efficiency targets for local authorities, the latest one being 4% for 2010/11. While the national indicator has since been set aside, the target itself has not officially been withdrawn for this or future years. NBC's Management Board has therefore adopted the 4% as a local target. The Government continues to advocate effective procurement as a key to delivering significant efficiency savings.

For several years the Council has been working on a series of Strategic Business Reviews whereby ultimately every service in the council will have been reviewed in detail for efficiency and appropriateness of service delivery with a view to driving out savings.

A discussion paper for the purposes of identifying and developing a strategy for improving Local Government Procurement activities throughout the East Midlands was issued in October 2007 by the East Midlands Centre of Excellence. This paper identifies a number of key themes to be developed across the region.

Cabinet approved the Procurement Strategy 2008-11 on 3rd March 2008, following consultation with Management Board and Overview and Scrutiny. The Strategy aims to achieve minimum cost for the goods and services we require, whilst maintaining or improving the quality of our services:

- by paying less for what we currently buy.
- through buying more for the same price or at a lower price and
- by improving procurement working practices across the Council".

This will help to release resources for use elsewhere in the organisation and support the delivery of high quality services to the citizens of Northampton. A number of other criteria will also be considered in procurement matters such as sustainability, equalities and whole life costs

Sustainable Procurement

The Council takes clear action to improve the quality of life of its residents and visitors, and to create and sustain a better environment. Wider social and environmental impacts are assessed as a matter of course for material procurement decisions, in particular, carbon footprint.

The Council was selected in 2007 to take part in The Local Authority Carbon Management Programme with the Carbon Trust. The Carbon Management Strategy and Implementation Plan was approved by the Cabinet on the 3rd of March 2008 and commits the council to a target of reducing CO_2 by 35% by 2012.

A number of energy/carbon reduction projects have been implemented to date that will realise the Council carbon and cost savings and will be. Savings will be re-invested to fund future energy saving projects at the Council. We are also working on a programme of projects, which will help the Council achieve the 2012 target and will go a long way to achieving 'carbon neutrality' by 2020. There is clear support for carbon management from the Councillors, which has endorsed an aim to achieve carbon neutral status by 2020. Our sustainable development officer has a clear remit to support development and implementation of the Carbon Management plan.

Partnership Working

Our partnership vision for Northampton:

We believe Northampton should be a successful and confident town in which everyone who chooses to live in, work in or visit the town feels they belong, have a future, have financial stability and, where appropriate, business opportunities. It should also be a place that has a vibrant and diverse culture and welcomes a variety of lifestyles.

To achieve this the Northampton Local Strategic Partnership developed a Sustainable Community Strategy for Northampton, which includes key themes from a county-wide strategy and focuses on key strategic objectives local to Northampton. Its vision is that by 2011 Northampton will be:

- Recognised for good quality, environmentally friendly housing
- Safer
- Healthier
- Well served by modern and efficient public services
- Cleaner

Partnership Involvement

The Council works with its partners and other key stakeholders to jointly deliver services within the Borough, and, where appropriate to deliver services differently and more effectively through the combination of partnership working, pooling of resources and negotiated flexibilities from Central Government.

We have analysed our major partnerships using “Sharing Success” (the Chesterfield BC and NE Derbyshire DC Partnership Development and Evaluation Toolkit). We have established improved partnership arrangements around monitoring, performance, policy, and guidelines for entering into from partnerships. In addition, we aim to establish a central depository of information relating to all partnerships. There has been external acknowledgement of our partnership working e.g. Charter Mark Accreditation for Leisure services with best practice rated Partnership Working. The council utilises extensive partnership working to deliver VFM via shared service and other collaborative arrangements.

Shared Services

We already operate a number of Shared Service arrangements. These represent innovative delivery options to improve service delivery to achieve lower costs through developing standardised process and systems with key partners. Current examples are

- Our business rates shared service with Wellingborough has resulted in top quartile performance at low cost, is considered an exemplar, and other Councils now wish to join
- West Northamptonshire Joint Planning Unit is a joint planning service covering the districts of Northampton, South Northamptonshire and Daventry districts.
- ‘Reaching Out’ is a joint programme aimed at tackling hard to reach businesses across Northamptonshire.