

Medium Term Financial Strategy and Efficiency Plan

Introduction

This document sets out the Council's approach to closing the forecast medium term gap between General Fund net expenditure and funding. It sets out the efficiency plan that is required in order to take up the government's offer of a fixed minimum level of funding for the period until 2019/20.

This plan relates specifically to General Fund budgets. The Housing Revenue Account faces similar financial challenges and the Council is working closely with Northamptonshire Partnership Homes to address these.

Links to Council Plans

This strategy is set in the context of the Corporate Plan and the Capital Strategy, both of which were last approved by Full Council in February 2016.

The Corporate Plan sets out the key priorities of:

- Northampton Alive
- Safer Communities
- Housing for Everyone
- Protecting our Environment
- Love Northampton
- Working Hard and Spending your Money wisely

There are also three Business Development Priorities to drive the Council's efforts to support the delivery of corporate plan commitments and manage the Council's future financial challenge.

- Empowering Communities
- Economic Growth
- Partnership Working

These provide the framework for the delivery of the Efficiency Plan

MTFP – Projected Budget Gaps

The MTFP approved by Council in February 2016 shows an increasing budget gap over the next few years. The Council set a balanced budget for 2016/17, but forecasts a gap of £2.8m in 2017/18 rising to £7.3m by 2020/21 if no action is taken.

The funding forecasts take account of the latest knowledge of likely levels of growth and the impact that will have on income from Business Rates, Council Tax and New Homes Bonus.

NBC Approach to Efficiency – Key Workstreams

Workstream 1 - Economic Growth

This workstream focuses on increasing the pace of economic growth in order to generate further increases in business rates, council tax and new homes bonus. It will also review section 106 receipts to ensure that they are maximised and fully utilised in support of the delivery of the Corporate Plan.

Workstream 2 – Partnership

This workstream will consider and implement closer working relationships with other councils and partners in order to realise efficiency savings.

Workstream 3 - Community Empowerment

This workstream will explore opportunities for the Council to act as an enabler and empower local communities to deliver services themselves that are tailored to local circumstances and needs.

Workstream 4 - Exploiting Commercial Opportunities

The Council will use its substantial asset base to deliver commercial income, through a combination of redefining an asset's use in order to maximise income and through disposal of underutilised assets. This workstream will also look at options to invest in new assets that generate a good rate of return.

Workstream 5 – Being more Efficient

All services will continue to review their working practices to ensure that they deliver high quality services at the lowest possible net cost. Services will identify options to generate the savings required in order to produce a balanced budget.

Other Opportunities for Savings

The development of the Efficiency Plan has highlighted other opportunities for savings in addition to the key workstreams above:

Environmental Services Re-provision – medium term forecasts assume an increased cost at the end of the existing contract in June 2018. Options are being developed to keep this increase to a minimum.

Support Services – the scale and scope of support services provided by LGSS will be reviewed to ensure that they remain fit for purpose and provide a cost effective solution.

Income from Fees and Charges – the level of discretionary fees and charges will be reviewed to ensure that cost recovery is maximised, taking into account any potential impact on demand. Existing income budgets will be adjusted to recognise current levels of income received.

Debt Financing & Technical Budgets – these will be reviewed to ensure that there is optimum balance between prudence and the need to make ongoing revenue savings.

The table below sets out the target level of savings from each workstream and how these together achieve the required level of savings.

	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
Savings Required as at Feb 2016	2,807	5,060	6,711	7,332
Target Savings by Workstream				
Workstream 1 - Economic Growth	-254	-536	-880	-1,409
Workstream 2 - Partnership	0	0	-250	-500
Workstream 3 - Community Empowerment	0	-100	-350	-500
Workstream 4 - Exploiting Commercial Opportunities	0	-100	-1,040	-1,580
Workstream 5 - Being more efficient	-1,496	-2,476	-1,946	-559
Reprovision of Environmental Services	0	-500	-500	-500
Support Services (LGSS Contract)	-50	-250	-500	-1,000
Income from Fees and Charges	-722	-760	-799	-837
Debt Financing Savings & Other Technical Savings	-286	-338	-447	-447
Residual Budget Gap	0	0	0	0

Risks and Reserves

The financial targets within this Efficiency Plan generate a high level of financial risk, due to their scale and diversity. The key risks and mitigations are set out in the table below:

Risk	Mitigation
The Council's financial position over the medium term is not sustainable	NBC are in a good financial position as at September 2016 with a balanced budget and reasonable levels of reserves
Conflict between Corporate Plan priorities and Efficiency Plan financial targets	The workstreams of the Corporate Plan and Efficiency Plan are aligned. Cabinet approval of Efficiency Plan, regular meetings with Leader/Cabinet Member Finance
Non delivery of financial targets set out in the Efficiency Plan	Appropriate governance arrangements are a key part of the Efficiency Plan to monitor progress and take action if targets are not being delivered.
High level of capital investment required to deliver plan	Effective treasury management to minimise interest and MRP
High level of earmarked reserves required to deliver plan	Consolidation of reserves and controls over future allocations

The Council holds General Fund balances in order to provide cover for these risks. The level of balances is reviewed and adjusted as part of the annual budget process and again as part of the final accounts process.

The Council also holds significant levels of earmarked reserves. These are set aside for specific purposes, but will be re-focussed to ensure that they are targeted on two key areas;

Delivering the Efficiency Plan - funding to facilitate the delivery of financial targets, through investment in assets, income generation opportunities and efficiency projects.

MTFP Cashflow - to ensure that there is sufficient funding to ensure ongoing service delivery during the transition period.