

**Revenue Budget, Capital Budget and Corporate Planning
Strategy 2011/12 to 2014/15****SUMMARY**

- 1.1 This report outlines the medium term financial strategy in terms of the revenue and capital budgets and corporate planning strategy over the next four years period 2011/12 to 2014/15. The report also recommends changes to balance the Council's in year 2010/11 budget due to the Coalition Government's cuts announcement on 10 June 2010. The key issues covered include:
- The current financial climate of austerity measures and funding implications, outlined in paragraph 3.
 - The 2010/11 in year impact of budget reductions announced by the Coalition Government on 10 June 2010 and subsequent savings required to balance, outlined in paragraph 4.
 - Future Government Funding based on the Coalition Government's 'emergency' budget of 22 June 2010, which announced average budget reductions of 25% across the public sector over the next four years 2011/12 to 2014/15, outlined in paragraph 5.
 - The impact and revised Council budget position for 2011-2015, outlined in paragraph 5.
 - Revenue Grant supporting the revenue budget, as outlined in paragraph 6.
 - Potential revenue budget impact in 2011-2015, outlined in paragraph 7.
 - The Revenue reserves position, outlined in paragraph 9.
 - The approach to delivering savings to set a balanced budget 2011/12 to 2014/15, outlined in paragraph 10.
 - One Derby, One Council Transformation Programme, outlined in paragraph 11.
 - The 2011-15 capital programme position, outlined in paragraph 12.
 - Council Priorities and Corporate Planning, and the links to the Sustainable Community Strategy 2011 – 2026, outlined in paragraph 13.
 - The Council's Value for Money Strategy, outlined in paragraph 14.

- 1.2 In the coming months we will continue to explore other key assumptions/areas further including:
- general price inflation
 - specific and Area based grants
 - pay inflation
 - pension contributions
 - the Council's reserves position
 - implementation of Job Evaluation and Single Status pay and conditions
 - Treasury Management budget.
- 1.3 Actions to balance the in year budget reductions have been identified. The longer term anticipated budget reductions require more significant options analysis, which will be undertaken over the coming months. These options will be reviewed against the Government's comprehensive spending review when they are announced on 20 October 2010.

RECOMMENDATION

- 2.1 To approve the 2010/11 in year budget reductions to balance off the budget reductions announced by the Coalition Government on 10 June 2010.
- 2.2 To note the estimated financial position and funding gap facing the Council for 2011/12 to 2014/15, and the assumptions included within these forecasts, as set out in paragraph 5.
- 2.3 To note the Council's earmarked revenue reserves and approve the proposed treatment as set out in paragraph 9.
- 2.4 To agree the investigation of key highlighted Directorate savings options as set out in paragraph 10
- 2.5 To approve an increase to the One Derby, One Council budget savings target as set out in paragraph 11.
- 2.6 To note that immediate consultation with the unions will commence.
- 2.7 To note the Sustainable Community Strategy links to the budget planning process.
- 2.8 To recommend Council approve the revenue and capital budget strategy on 28 July 2010.

Background to the current funding environment

- 3.1 This report takes into account the Coalition Government's revenue and capital budget reductions announced on 10 June 2010 and the content of its Emergency Budget on 22 June 2010. The impact of the in year 2010/11 budget reductions announced on 10 June is detailed in paragraph 4. The background to the emergency budget announcements are shown below.
- 3.2 The Chancellor of the Exchequer - George Osborne - unveiled the first part of the government's plans to reduce the national deficit by announcing a series of tax rises, including increases in VAT and capital gains tax, and reductions in public spending. However, the full details of the chancellor's plans and the impact on local government will not be known until the comprehensive spending review on 20 October 2010 which will set out in detail the budget reductions for all Government Departments over the four year period 2011/12 to 2014/15.
- 3.3 The emergency budget proposed 25% average reductions across all government department budgets over the next four years from 2011/12 to 2014/15. The 25% is based on an average across all Government Departments after excluding 'Health and Overseas Aid' and will have a severe financial impact on the Council. The local government cuts could be as high as 35% over the four year period, should other departments be less than the 25% average. For budget modelling purposes, we have based our figures at 30% real cut over the four years.
- 3.4 In addition the proposed potential changes in grant and council tax will cause different impacts on different local authorities dependent on the existing reliance and levels of council tax income compared to the levels of reliance on Government Grant to balance their budgets. This is known as the 'gearing' effect and as Derby is a low council tax authority when compared to others, we are a highly geared authority when compared to most. This will mean the larger reduction in grant will affect us adversely when compared to other authorities. Further work to assess these implications and possible representation on this point through our support agencies including SIGOMA will be ongoing.
- 3.5 Significant measures will need to be taken to address this scale of budget reduction including a full review of our capital strategy and the revenue funding required to support this, along with a review of revenue service provision and growth items built into the indicative medium term financial plan. Through both the revenue and capital strategies, the short and medium term impact on jobs will also be identified.
- 3.6 Derby has been subject to the direct impact of budget reductions including Area Based Grant on our revenue budget and Local Transport Plan funding which has impacted on our capital budget.
- 3.7 Derby has also been subject to the indirect impact of budget reductions to other public sector bodies that fund some of our services, in particular the East Midlands Development Agency - EMDA - Single Programme fund which we have tended to use as match funding to support bigger capital schemes.

- 3.8 Legally the Council only has to set a balanced revenue and capital budget for one year, but is also required to demonstrate the affordability of its revenue budget for the two subsequent financial years, after taking into account its plans for capital expenditure. As the Comprehensive Spending Review – CSR - is assumed to be for a 4 year period the budget strategy within this report covers the 4 year period 2011/12 to 2014/15.

Changes to 2010/11 budget planning assumptions

- 4.1 Our 2010/11 budget provided for a 1% pay inflation contingency. The latest position is expected to be a pay freeze for 2010/11 which will release £0.8m of base funding. To ensure a level of forward planning, it is proposed that this is transferred to the redundancy/pension reserves in 2010/11. The ongoing saving will add to a further possible pay freeze in 2011/12 and is identified as a change to the 2011/12 onwards budget assumptions in paragraph 5.5.

Revenue budget 2010/11

- 4.2 The Coalition Government cut our Revenue Budget by £2.12m on 10 June 2010, with the major impact relating to the £1.8m reduction in our Children and Young People - CYP - Services area based grant, with some lesser impact on Supporting People and other service areas.
- 4.3 The £1.8m reduction has proven to be very difficult to achieve through savings against CYP funding streams alone in the current year. Savings of £0.85m in 2010/11 have been identified within CYP to date but this leaves a funding gap of £0.95m still to be found in year. Permanent savings within CYP to meet the full £1.8m reduction have been identified from 2011/12 on the assumption that this will be a permanent reduction in area based grant. A full list of the budget changes are shown in Appendix 2, with the most significant changes noted below:
- Children's Fund - £38,000 in 2010/11, £375,000 from 2011/12
 - Connexions - £100,000 in 2010/11, £590,000 from 2011/12 – with a full review of the Connexions service
 - Positive Activities for Young People - £160,000 in 2010/11, £220,000 from 2011/12.
- 4.4 To address the remaining gap of £0.95m in 2010/11 a review of pressures added to the 2010/11 budget approved by Full Council on 1 March 2010 has been undertaken to establish if these pressures had been committed, and if they could be delayed as a temporary measure. The proposed budget changes of £0.95m to bring the 2010/11 to balance are shown in table 1 below.

Table 1 – Temporary Service budget reductions 2010/11 to bring the overall budget to balance

Service Area	Pressure included in 2010/11 base budget £m	Supporting Information	One off Saving £m
Dementia Strategy	0.4	Forecasting an underspend this year only as new services are put in place	0.40
Carers support	0.5	Forecasting an underspend this year only as new services are put in place	0.10
Property Repairs and Maintenance	0.5	Partial delay of maintenance programme	0.10
Performance Investment Budget	0.2	This has not been committed so full budget taken as a saving	0.20
Regeneration Fund (one-off)	1.0	Partial reduction in scope	0.15
			0.95

- 4.5 The measures to reduce base budgets ensure that the existing reserve position remains constant to address future budget risks, and helps to implement service savings which are unlikely to be covered by future government grant.
- 4.6 Other area based grant reductions announced on 10 June 2010 can be contained within the service budgets. The budget reduction to Supporting People (funding for housing-related support) administration grant equates to £160,000 and the corresponding saving can be achieved through use of the main Supporting People grant. Budget reductions of £100,000 in Home Office grants to the Community Safety Partnership and £90,000 in our Road Safety service can be met within services by reducing revenue activity supported by the application of revenue reserves.
- 4.7 Any ongoing budget pressures emerging from the 2010/11 early monitoring will need to be addressed by directorates as part of the detailed budget planning, on the basis that there will be no additional corporate allocation for pressures.

Capital budget 2010/11

- 4.8 The major impact relates to the Neighbourhood Directorate's Local Transport Plan - LTP - funding reductions of £1.205m, including £75,000 in road safety grant. In addition to this, £175,000 of essential urgent work to highway interceptors has recently been identified. To address the budget reduction and this additional urgent work, this increases the level of budget pressures required to balance to £1.38m.
- 4.9 Options to address this have been formulated, involving a combination of unspent funding from 09/10, slippage of schemes from 2009/10, and removal/reduction of schemes within the current 2010/11 LTP programme. Principles used in arriving at these options, include the protection of Neighbourhood priorities, vital maintenance and essential works. The slippage and underspend in the 2009/10 programme is also reported in our capital outturn report to this Cabinet.

- 4.10 The £1.38m will be met by:
- not transferring the original £75,000 road safety capital grant to the road safety partnership
 - using £371,000 of underspend from 2009/10
 - using £221,000 of the 2009/10 slippage no longer required
 - reducing the 2010/11 LTP programme by £713,000.

Details of the changes to individual schemes are shown in Appendix 3.

- 4.11 Should they be approved, these changes will be reflected in the revised capital programme. It should be noted that the latest capital programme position reported to this Cabinet, as part of the Finance and Contract Procedure Matters report, does not take account of these proposed changes, until approval by Cabinet is given.
- 4.12 These options on LTP need to be considered against an immediate review of the whole 10/11 capital programme. Alternative options may be available, although the long term impact on LTP is likely to be consistent across the following four years and significant programme reductions, and the impact on the workforce is being developed
- 4.13 An immediate review of 2010/11 capital schemes has been completed to establish whether some of these should be delayed until a wider review of the capital programme has been developed.

2011 - 2015 forecast revenue position

- 5.1 The revenue funding position for 2011 to 2015 is likely to be less secure. The Government's Formula grant system determines the majority of the non-schools funding received by local authorities. For the next CSR period this will be based on four years and cover 2011-15. Although there is likely to be a negative impact on funding, this will at least allow local authorities to plan with greater certainty up to 2014/15. As of now, there is little information about the Spending Review but it is prudent to forecast that the Council's grant settlement will depend on both the general economic outlook and on the distribution formulae currently being reviewed by the Department of Communities and Local Government - DCLG. As in previous years we will continue to influence this review in favour of Derby through our membership of SIGOMA and by responding directly to Government on the existing grant distribution system, especially in relation to grant 'floors and scaling back' where we are currently significantly penalised by £4.8m.
- 5.2 Our indicative budget plan for 2011/12 and 2012/13 assumed a 0.5% cash reduction in Government grant for 2011/12 followed by a cash freeze in 2012/13. This equates to a real term reduction in grant if inflationary increases are experienced.
- 5.3 In order to address the more significant funding reduction forecast at around 30% in real terms over the next four years from 2011/12, we have mapped out the cash value of this level of reduction as well as what this means in terms of a percentage of net service budgets.

- 5.4 The impact also needs to take account of any other budget plans already in place along with the impact of further announcements by government including a zero Council Tax increase in 2011/12 and a public sector pay freeze for 2011/12 and 2012/13.
- 5.5 Table 2 maps out these figures, with several assumptions, which are:
- inflation assumptions are based on 2.5% per year
 - figures have been calculated over Government Formula Grant, Business Rate Grant plus Area Based Grants
 - Council Tax freeze in 2011/12 with a corresponding 2.5% increase in formula grant
 - meeting the ongoing corporate pressures on Concessionary Fares.

Table 2 - % and cash £m implications of the Emergency Budget 22/06/10

	2011/12	2012/13	2013/14	2014/15
Percentage funding adjustments				
30% in real terms (<i>straight line across each year</i>)	7.50%	7.50%	7.50%	7.50%
Inflation assumptions	(2.50%)	(2.50%)	(2.50%)	(2.50%)
Further budget assumptions	(0.50%)	-	-	-
NET impact of 30% Reduction	4.50%	5.00%	5.00%	5.00%
Translation into £m funding implications				
As a value of Formula Grant & NNDR (£110m base)	£4.95m	£5.50m	£5.50m	£5.50m
ABG assumed reductions (30% taking into account £2.1m (8%) net reduction in 10/11)	£1.40m	£1.40m	£1.40m	£1.40m
Council Tax freeze (based on 2.5% indicative)	£2.00m	-	-	-
Sub Total	£8.35m	£6.90m	£6.90m	£6.90m
Less Other assumed changes				
Council Tax freeze met by central government	(£2.00m)	-		
Pay freeze (net) through release of pay inflation contingency (see note (i) below)	(£1.00m)	(£0.10m) additional	-	-
Estimated savings from NI thresholds increase	(£0.50m)	-	-	-
VAT increase estimate	£0.10m			
VAT increase passed onto customers	(£0.10m)			
Plus base budget review targets included in budget strategy	£1.74m	£0.43m	-	-
On-going corporate budget pressures from 2009/10 outturn				
Concessionary Fares	£0.35m			
Total Impact - Savings to Find	£6.94m	£7.23m	£6.90m	£6.90m
Translation into % of net service costs (excluding schools)				
% of net service costs (per 10/11 base of £215m)	3.23%	3.36%	3.21%	3.21%
Total over 4 years				13.01%
Total savings to find over 4 years				£27.97m

Note (i) Pay freeze figure has been adjusted for £250 per annum increase for salaries below £21,000 (cumulative for 2 years)

- 5.6 The headline estimated figures show a net reduction in Council budgets of £27.97m over four years, based on a prudent 30% government funding reduction.
- 5.7 Points to note from the above assumptions:
- the 2.5% VAT increase on 4 January 2011 will be passed on to customers. This will coincide with a review of fees and charges
 - the Council Tax freeze in 2011/12 will be recovered through Government Grant – details of how this will be achieved have not yet been published
 - our council tax base is not adjusted upwards
 - the forecasted council tax collection rate remains at 98.4%
 - planned efficiencies through the One Derby One Council transformation programme will continue to be delivered
 - a £250 increase per annum for 2011/12 and 2012/13 for employees on salaries less than £21,000.
- 5.8 Concessionary fares continues to be an ongoing corporate pressure requiring funding in the budget from the 2009/10 revenue outturn and early 2010/11 revenue budget monitoring. There is a forecasted budget shortfall in concessionary fares compared to the latest estimated annual costs, of £353,000. This has increased the overall savings to be found.
- 5.9 When the CSR announcement is made on 20 October, the strategy and any service prioritisation will be mapped against the resources allocated for the CSR period which is likely to be for four years. This information will update the strategy and form the basis of consultation during November 2010 to January 2011.

Revenue Grant supporting the revenue budget

- 6.1 Area based grant - ABG - in 2010/11 was originally around £24m. Taking into account the in year 2010/11 changes announced on 10 June 2010 this has reduced to approximately £22m. Area based grant is treated in the same way as formula grant for budget planning purposes and base budgets have therefore been added to services. There is anticipation that the in year reductions in Department for Education - DfE - allocated ABG will become permanent following the CSR, and that a similar reduction may apply to other government department allocated ABG. Whilst this impact is modelled in the revised budget funding table in paragraph 5.5, the exact treatment of service budget reductions will be considered when the CSR is announced.
- 6.2 ABG is un-ringfenced and therefore allows us flexibility in reallocating resources in line with Council priorities. However it is only one of a number of funding sources which can be reallocated across our priorities and should therefore be reviewed in the wider budget strategy on how we allocate our resources.
- 6.3 The Council also currently receives approximately £40m in specific grants, of which the major grants are Schools Development (£12m), Schools Standards (£8m) and Sure Start (£8m). Whilst we have not received any indication that these grants will be reduced, any future reductions in specific grants would require consideration of an equivalent scaling back within these service activities should this be the case.

- 6.4 A review of external funding streams supporting the revenue budget is also being undertaken. This will provide information on the current level and use, estimated future levels, scope for use and exit strategies required when external funding runs out. Consideration can then be given during the budget process to ensuring grants are used to deliver priority services, value for money is maximised and exit strategies are in place to avoid pressures on the Council's revenue budget.

Other Potential Revenue Budget Changes 2011/12 to 2014/15

- 7.1 There is a number of service and corporate issues and new developments which could also generate revenue budget pressures as outlined below, although at this stage no pressure has been included in the revised budget position. These will be considered further during the course of the budget process, together with any further service pressures that may emerge. On confirmation of any emerging pressures, consideration will need to be given as to whether the pressure is added to the overall budget position thereby increasing the budget gap or whether the pressure must be contained within the indicative departmental revenue budget cash limits.
- 7.2 The areas with potential risk are:
- **Energy and Fuel Price Increases** – work is underway to review the latest contract inflation against that provided for in the indicative budget.
 - **Pension costs** - uncertainty over the actual employer contribution rates for the Local Government Pension scheme at the next actuarial revaluation from 2011/12. These figures will be known in autumn 2010.
 - **Carbon Reduction Commitment Scheme** – uncertainty over the level of cashflow required to purchase credits, along with any surplus/deficit on trading
 - **Implementation of Job Evaluation Single Status pay** – an annual contingency budget of £1m in 2010/11 rising to £2.5m from 2011/12 is maintained in the revised budget position together with a corporate reserve of £5m. At this stage no additional budget change is proposed and will be considered further as the implementation of single status progresses.
 - **Capital Programme** - revenue impact of the capital programme - The Capital Strategy for 2011/12 to 2014/15 has a direct impact on the Treasury Management revenue budget in terms of the cost of borrowing required to support capital investment and the opportunity cost of reduced cash balances from the use of capital receipts and reserves. Decisions on the future capital programme will need to take into account the overall priorities and affordability in revenue as well as capital terms.
 - **Treasury Management budget** - the budget includes assumptions on the level and timing of borrowing and level of cash balances available for investment, dependant on the final approved capital programme for 2011/12 to 2014/15 and actual spend profiles. In addition, forward estimates of borrowing and investment rates have been included and are subject to fluctuation due to the financial markets. Any changes to the level, timing or funding source for the capital programme, and any corporate capital programme allocations not financed from external grants and contributions will have a Treasury Management revenue budget implication.

- **Dedicated Schools Grant - DSG** - and other school grant funding streams are subject to review from 2011 but at present we are assuming a continuation of current definitions is the likely outcome, though the distribution between authorities may change. It is worth noting that it is becoming progressively more difficult to charge wider children's services budgets to the DSG as its rate of growth also slows down.
- **New legislation, Central Government initiatives and Council Strategies** – no increases have been included at present.

Dedicated Schools Grant

- 7.3 The Schools Budget is funded from a ring-fenced grant called the Dedicated Schools Grant - DSG - and is used to fund direct schools' spending and some centrally provided schools' services. To put this into context the DSG for 2010/11 is £154 million, of which £139.6m is delegated directly to schools.
- 7.4 It has been announced that schools funding will be protected for one year in 2011/12 although it is clear that changes will be made through the mainstreaming of grants and the proposed establishment of the pupil premium. A consultation period has just closed on the future funding of schools and more details will be announced in the autumn although we can expect a move from the current mechanism for distribution to a formulaic approach which will inevitably result in some winners and losers. It is difficult to assess the impact of any changes at this stage until further detail is announced.
- 7.5 There have been changes to major funding streams that will require action and exist strategies. The following grants are likely to be mainstreamed:
- School Development Grant
 - School Standards Grant
 - School Standards Grant (personalisation)
 - School Lunch Grant
 - Ethnic Minority Achievement Grant
 - Extension of the Early Years Free Entitlement
 - Extended Schools – sustainability and subsidy.

Primary and Secondary Targeted Support is currently funded through the Standards Funds allocations and is used to support attainment in schools. The grant is currently £1.4m and this will cease from 2011/12 and will be available for more targeted support through a national bidding process. The Children and Young People's Directorate is currently making plans to deal with this loss of funding.

Personalisation in Adult Social care

- 7.6 In addition to all of the above, the Council is continuing to work to implement personalisation within the Putting People First Programme for Adult Social Care. Part of this requires the implementation of Personal Budgets and freedom of choice to replace the more 'traditional offer' of social care services for many people. The financial implications of this, in particular any increase in demand which it may generate, are not yet clear.

- 7.7 Putting People First also requires the development of more prevention, early intervention and re-enablement services that help reduce the demand for long term support by helping people get back on their feet quickly and can have a positive effect on budget pressures.

Managing Budget Risks

- 8.1 Contingency budgets are included in the revised budget position for known material budget risks as follows:
- estimated pension contribution increases and national insurance increases from 2011/12
 - inflation contingency
 - job evaluation - single status
 - waste disposal costs
 - One Derby, One Council implementation costs.
- 8.2 In addition, an uncommitted corporate budget risk reserve is held with a current balance of £1.8m to provide further one-off resources to cover budget uncertainties and unforeseen pressures in the year they could arise, whilst a permanent funding solution is found in future budget planning. As there is uncertainty over the future economic position, this reserve is needed to manage our exposure to risks.

Revenue Reserves Policy

- 9.1 The general reserve of £6.7m continues to be held at 2% of the Budget requirement including the Schools Budget, in line with recommended best practice.
- 9.2 Appendix 4a provides the latest position on corporate revenue reserves totalling £36.9m, showing the balance at 31 March 2010 and the approved commitments against them during 2010 to 2015.
- 9.3 There are a number of service and earmarked revenue reserves totalling £41.8m held for defined purposes to support one-off spending. Appendix 4b provides details of service revenue reserves showing the balance at 31 March 2010.
- 9.4 Reserves will be reviewed in light of the recent funding announcement to reassess the purpose for which they are being held.

Delivery of Savings

- 10.1 The revised budget position based on current estimates and assumptions is a budget funding gap in 2011/12 of £6.94m with a further £7.23m in 2012/13, £6.90m in 2013/14 and £6.90m in 2014/15, totalling £27.97m by 2014/15.
- 10.2 It is proposed that a strategic approach is needed to develop options to close this gap through Strategic Directors in conjunction with Cabinet Members, with thorough budget scrutiny and review of service and capital investment priorities and value for money across the Council. Therefore, no arbitrary allocation of savings targets to individual directorates is proposed at this stage and all service area opportunities will be explored. This will lead to final approval by full Council in March 2011.

- 10.3 In order to address the significant budget reductions we will need to challenge the services we provide, how we provide them, to what level they are provided or subsidised, and who should provide them in the future. A thorough review of this will begin from the beginning of August 2010 and will form the basis for decisions on savings proposals during the autumn.
- 10.4 Key principles to underpin the budget strategy and deliver savings are proposed below:
- We will review and determine at what level we provide statutory services.
 - We will explore alternative service delivery models including:
 - Voluntary sector support
 - Private sector outsourcing
 - Shared services with other public sector bodies.
 - We will reduce inefficiency in all areas.
 - We will ensure payment for services is at an appropriate level.
 - We will deliver relevant service at the optimum level of subsidy.
 - We will determine the level of assessment and eligibility for our services.
 - We will review our commitments against the capital strategy which impact on levels of revenue funding, as detailed in paragraph 12.
 - We will review our levels of reserves, as detailed in paragraph 9.
 - Partners will help in our work to support budget reductions.
 - All proposals will be supported by a risk analysis.
- 10.5 As an outline strategy the proposed range of revenue savings to be developed during the coming months include:
- **Efficiency** - additional service efficiency savings through the One Council One Derby - ODOC programme – to supplement the ODOC savings target.
 - **Borrowing** - a review of the capital programme, including scheme phasing – leading to a possible reductions in borrowing, thereby reducing the reliance on the revenue budget to support the capital programme.
 - **Base reviews** - targeted base reviews across directorates - to identify service reductions.
 - **Transformation** - additional ODOC savings targets, following detailed analysis and implementation of the projects contained within the design mandate – identified as the level of stretch in the transformation programme.
 - **Charging** - a review of charging policies – leading to an acceptable level of charges for Council services.
 - **Subsidy** - a review of the level of subsidy within existing budgets – leading to a decision on the optimum level of subsidy the Council should provide for services.
 - **Eligibility** - a review of eligibility criteria – leading to possible changes to the levels of service provided.
 - **Grants** - a review of grants to outside bodies and contributions to partnerships – to assess the service benefits and future allocations.
 - **Contracts** – a challenge of costs within existing a future contracts.

- 10.6 Strategic Directors have started to identify possible savings option which will be considered by Cabinet Members from early August. To address the significant level of budget reductions facing the Council some early areas being explored, in line with the principles outlined in paragraph 10.4 are ...

Adult, Health and Housing Directorate:

- a review of fees and charges in Adult Services
- a review of advice and care provision
- eligibility criteria: consider raising the eligibility for adult social care services
- service reductions: reduce in real terms the number of Supporting People services and grants to Voluntary Sector organisations.

Children and Young People Directorate:

- a review of the Building Schools for the Future delivery budget in the context of a reduced programme
- a review of Youth and Connexions Services to deliver an integrated youth support model
- a review of certain in-house provided services
- a review of the of the role and functions of Neighbourhood Nurseries and Children's Centres
- a review of how we use transport.

Neighbourhoods Directorate:

- a review of cultural facilities to explore options for working with the third sector, consider trust status, or rationalisation of facilities in size and scope
- the level of statutory and discretionary services provided
- a review of trading services.

Resources Directorate:

- rationalisation of learning and development across the Council
- challenge the levels of subsidy in housing benefit payments for rent and discretionary rate relief in the Business Rates Service
- further exploration of shared services for back office services and sale of our services to other public sector partners.

Chief Executives Office:

- a review of partner services such as the Derby City Partnership, Community Safety Partnership and Youth Offending Service
- rationalisation of property to reduce maintenance liability
- review of economic investment in the capital programme.

- 10.7 Progress, timing and estimated implications of savings options being developed will be tracked during the budget process using the draft savings proposals schedule at Appendix 5. Savings options will be prioritised for delivery in 2011/12, 2012/13, 2013/14 or 2014/15 after consideration of dependencies and actions that would be required for implementation to ensure that savings targets built into the budget are realisable. The savings options development process will include base budget reviews of key areas. In addition we will continue to review management levels at Tiers 1 to 3, as services areas are rationalised and as posts become vacant.

One Derby, One Council – ODOC - Transformation Savings

- 11.1 Specific Council initiatives outlined in the ODOC Design Mandate report to this Cabinet are expected to contribute to the delivery of savings to support the existing budget, through the transformational change the Council is undertaking.
- 11.2 Our transformation change programme will be a key mechanism for delivering efficiency savings on an ongoing basis. The One Derby One Council programme includes base budget savings over 2010/11 to 2012/13 rising to a permanent £12.7m. A review is in progress to assess the level of certainty within the programme to consider adjustments to the budgeted savings, although no changes are reflected in the revenue budget strategy at this stage.
- 11.3 £7.1m of the permanent budget savings, approved on a prudent basis in the current budget period 2010/11 to 2012/13 relate to a reduction in staff numbers through efficiencies in transforming our services. The design mandate, outlined by our transformation partners PWC, highlights that further savings could be made above the budgeted level. Whilst there is a case for increasing the budget target to match the Design Mandate, the latest funding position has created an opportunity to apply the transformation process to address both efficiency savings within services at the same time as transforming services to meet the revised budget gap.
- 11.4 To address part of the budget gap over the next three years, it is proposed that the staff savings target numbers are increased from 465 to 750. These savings will be achieved through a thorough reassessment of each element of the transformation process. This will ensure that whilst our resource base is being transformed to drive out efficiency, elements of service change will be considered at the same time. The early estimate is that approximately £12m of further savings could be met from this approach, over and above the current budget savings target.
- 11.5 As the proposals outline a further stretch in the number of staff savings required to have to part deliver the budget gap, there is a potential that some of the reductions will be met through redundancies, both voluntary and compulsory, although we are still confident the majority of reductions will be via deletion of vacant posts that arise over the next three years.
- 11.6 The unions will be consulted on these proposals on an ongoing basis once approval to the strategy has been agreed.
- 11.7 Procurement Savings – the ODOC transformation savings include approximately £5.6m from procurement opportunities. These are being developed and will be tracked by the ODOC Project Board. No increase to these budgeted savings has been included in the budget strategy at this stage.
- 11.8 In addition, our central Procurement Division is working closely with directorates to identify savings/benefits and helping directorates to ensure compliance with Corporate Procurement practices e.g. Contracts Register and Contract Procedure Rules, in order to reduce the risk of more expensive, out of contract expenditure.

- 11.9 For the purposes of the allocation and treatment of savings from cross-cutting initiatives, any savings relating to the Schools budget will be ringfenced and passported to the benefit of the Schools budget. This follows the general budget strategy and funding of the Schools budget whereby all pressures and developments have to be funded from within the total ringfenced Dedicated Schools budget funding.

2011- 2015 capital position

- 12.1 The headline statement from the Coalition Government's emergency budget was that there were no further reductions in capital expenditure beyond those already announced on 10 June 2010. However, the distribution of funding is likely to change, with government department capital allocations being based on a 'fundamental review of spending plans which will identify the areas of spending that will achieve the greatest economic returns'. The announcements on Building Schools for the Future funding shortly followed where our capital funding was cut by £170m.
- 12.2 Although no further announcements have been made, there has been the consideration of a Regional Growth Fund, accessible to all areas of the UK, which will provide finance for regional capital projects over the next two years. This fund may incorporate existing housing, transport, regeneration and other funding streams into 'one pot' which is expected to be distributed in part through formula and in part through a bidding process.
- 12.3 The Councils existing capital programme over the period 2010 to 2014 totals approximately £424m, including previous years' slippage, and is also affected by the recent announcements on BSF. The programme is funded from a variety of sources, outlined in paragraph 12.9.
- 12.4 A significant part of the capital programme is supported by corporate funding. The available resources and planned allocations are summarised in Table 3 below. The latest proposed allocations over the period 2010/11 to 2013/14 total £126.5.0m, against resources available of £130.8m, leaving a £4.3m unallocated balance. It should be noted that almost all resources are allocated by 2012/13, along with a reliance of achieving a forecast £8.3m in capital receipts and £0.6m of rent savings in 2013/14. There is therefore some risk in resourcing the existing programme. A revised forecast of capital receipts is underway.

Table 3 – Latest Corporate Capital Programme Summary 2010-14

Original Corporate Programme	2010/11	2011/12	2012/13	2013/14
	£m	£m	£m	£m
Resources brought forward	15.6	5.2	4.8	0.6
Add estimated resources in year	25.7	39.0	31.9	18.6
Total resources available	41.3	44.2	36.7	19.2
Total proposed allocations	36.1	39.4	36.1	14.9
Resources carried forward	5.2	4.8	0.6	4.3

- 12.5 The revenue budget supports the capital programme, through borrowing. £98m of the allocation totals above is funded by corporate unsupported borrowing. Within the overall capital programme there is further unsupported borrowing financed by individual services totalling £42m and £2m of service spend to save borrowing. The priority review against each capital scheme will have an effect on the borrowing requirement and the level of revenue budget required to support it.
- 12.6 Full details of the latest corporate programme, including slippage from 2009/10, are shown in appendix 6a. Full details of the unsupported borrowing schedule against individual schemes are shown in appendix 6b. A review of unsupported borrowing which is funding the existing programme is underway.
- 12.7 An urgent review of the status of our 2010/11 capital programme has been undertaken. Options to amend the programme, and to allow the potential release of revenue funding to support either the revenue budget shortfall or reprioritised capital schemes will be developed in the next few months.
- 12.8 Several areas are being urgently considered in order for a medium term capital strategy to be developed. The issues include ...
- **A review of the funding position** - a wholesale review of the funding assumptions in the existing capital programme including: the reliance on capital receipts; the affordability of both corporate and service unsupported borrowing (linked to the revenue position); and certainty of government grants remaining in the system. It is also proposed that section 106 monies available to support the capital programme are also included for review as part of the development of the capital programme. To ensure that they are being used for priority schemes, within the constraints of the agreements.
 - **A review of the 5% VAT de minimis impact** - the level of capital expenditure affects our constraints around vat rules, therefore a review of the programme will be undertaken to ensure we are aware of the risk associated with going beyond the 5% de minimis limit.
 - **A review of spending proposals** - a review of schemes and existing priorities both within the current approved programme and the previously prioritised unfunded list of potential schemes that was assessed by the previous administration. In addition to this we will undertake a review of the impact of the reduced Building Schools for the Future programme, and options to address some of the schemes which have now stopped.
 - **A review of capital funded posts** - a review of the number of permanent employees who are supported by capital funding that maybe at risk. A review of posts against existing capital schemes funded by government grant has already been undertaken, but the recent announcements have not provided sufficient evidence yet that this funding is at risk. However the reduction in revenue funding of 30% (based on our budget assumptions at this stage) over the next 4 years is bound to have an impact. Alongside this is the impact on posts following any changes to local capital priorities.

- 12.9 The financing principles underpinning the service capital programme for 2011/12 to 2014/15 will need to be reviewed in light of the current funding position. The sources of funding are:
- All Supported Capital Expenditure (Revenue) - SCE-R - allocations for borrowing from Government, including housing, schools, children's and adults services, highways, transport and flood defence. We will review the level of which these will be spent on the services to which they are allocated.
 - Supported Capital Expenditure (Capital) - SCE-C - grants from Government specific to services programmes. These will continue to fund specific programmes.
 - Earmarked proceeds of section 106. These will be reviewed as part of the development of the capital programme, to ensure that they are being used for priority schemes, within the constraints of the development agreements.
 - Other external resources and grants. These will be allocated in so far as these are earmarked for a specific service use.
 - Service capital receipts other than those pooled for corporate reallocation as set out in the capital receipts policy. These are subject to review of risk of receipt availability.
 - Contributions to service capital from within service revenue budget, either directly or to finance prudential borrowing. These will be subject to affordability in the revenue budget in line with budget priorities determined as part of the budget process.
 - Spend to save capital schemes funded through self-financing prudential borrowing to deliver service improvements. These re-shape service delivery to address service and budget pressures or support the Transformation programme.

Capital Programme Priorities

- 12.10 Initial funded programmes service proposals and investment priorities will be reviewed by the Asset Management Group in the autumn to ensure alignment of priorities with the Corporate Asset Management Plan, Council Priorities, Transformation Programme, and address any dependencies or links between potential schemes.
- 12.11 A set of criteria, developed as part of the previous budget process will be used to evaluate capital programme priorities. This will include consideration of the following:
- impact of structural and service reviews. The outcome of a number of reviews need to be known before decisions can be taken on future investment plans needs to be considered
 - identification of other dependencies and links between potential schemes.
 - VAT partial exemption implications, where relevant to schemes, which may result in a financial implication
 - early identification/estimation of the carbon impact.
- 12.12 Prioritisation and funding assumptions need to be fully developed well before the 20 October 2010 CSR announcement so that an updated strategy can be presented to Cabinet and Full Council.

- 12.13 It is also proposed that the capital prioritisation process takes into account the existing work being done on the Sustainable Community Strategy and Infrastructure Planning.
- 12.14 As well as the traditional funding options, we will explore opportunities to release more of our existing property stock and to consider options to sell and lease back our retained stocks, which may release funding to deliver the existing or expanded capital programme.

Council Priorities and Corporate Planning

- 13.1 The Council's corporate priorities are central to the budget planning process as they guide resource allocation in line with our overall vision for the city. A new Sustainable Community Strategy - SCS - is being developed for 2011-2026. Consultation is currently underway to define a new vision and scope the priority outcomes to be achieved in the short, medium and long term. The Strategy will be launched in April 2011 and it is proposed that the Council continues to adopt the vision and outcomes contained in the SCS as its own priorities.
- 13.2 A visioning day will be held on 6 September 2010 to agree the vision and priority outcomes. Delivery planning will then take place during October and November, with further consultation and approval by Partnership and Council during February and March 2011.
- 13.3 It is proposed to align the Council's Corporate Plan and Budget process with the SCS by integrating planning towards the agreed outcomes. Key milestones have been included in the timetable shown in Appendix 7. A more detailed report which explains the approach will be presented to Cabinet on 28 September 2010.

Value for Money

- 14.1 The existing Efficiency / VFM strategy was written in 2007. A new draft strategy has been developed that provides an updated context for Value for Money, including the latest funding cuts, Total Place initiative and user perceptions of Value for Money arising from the public's perceptions from the 'Place Survey' that was carried out last year. Given the dynamic nature of some of these issues, some elements of the new strategy will be kept under review.
- 14.2 The draft strategy has six priorities:
- Ensure a sustainable financial future, with sufficient resources to support priority areas.
 - Understand our costs, how they relate to our performance and how we compare to others.
 - Maintain or improve service performance for similar or less resources through challenge and innovative service redesign.
 - Ensure a corporate value for money culture is embedded across the Council.
 - Develop a consistent and controlled approach to procurement to deliver value for money.
 - Engage with communities and improve the perception that the Council is delivering value for money services.

- 14.3 It is recognised that a number of other strategies play a key role in delivering these priorities, including the budget strategy. Aims, objectives and an action plan have been developed to deliver value for money across our services.

Budget and Corporate Planning timetable, consultation and scrutiny

- 15.1 An integrated corporate and financial planning timetable to deliver a balanced and affordable four year revenue budget strategy and capital programme, in line with the Corporate Plan and Council priorities, is attached at Appendix 7.
- 15.2 A series of Chief Officer and Cabinet Member “Star Chamber” portfolio meetings will take place in the Autumn to develop and scrutinise service budgets and budget proposals and develop options to close the budget gap. It is proposed that the Neighbourhood priorities will be considered at the Star Chamber meetings as part of developing the budget plans in line with the Council’s priorities.
- 15.3 The budget proposals will be considered by the Scrutiny Commissions before Council Cabinet makes the budget and council tax recommendations to Council on 15 February 2011. The content, format and timing of budget information provided to the Scrutiny Commissions in the previous budget process was well received, so it is proposed that a similar process is followed this year. The Scrutiny Management Commission will be consulted on this and their recommendations will be reported to the 26 October 2010 Council Cabinet.
- 15.4 The budget proposals will also be communicated for consultation to the public via the website and Neighbourhood Boards, to other Council committees, partners and the business community before the final recommendations to Council Cabinet on 15 February 2011. Specific plans are currently being developed.

The budget and corporate planning process – key actions

- 16.1 Directorates, through the Chief Officer Group in conjunction with Council Cabinet Members, will identify options and develop the savings proposals for consideration. They will also review existing savings and pressures in the indicative budget plans and new pressures for consideration. It should also be noted that any new service pressures identified, not already taken account of in the revised budget position above, and approved for inclusion in the budget will necessitate corresponding additional savings proposals to balance.
- 16.2 In relation to the development of the capital programme, a Cabinet/COG workshop planned for September 2010 will consider the resources position and scheme priority evaluation, after the evaluation by the Asset Management Group. It is proposed to bring a report back to the 26 October 2010 Cabinet to update Members on the resources position and scheme priority evaluation outcome. This may require an update to the 2010/11 to 2014/15 capital strategy to be considered at the Full Council on 18 November 2010.
- 16.3 A set of proposals to deliver a balanced budget in line with the Council’s priorities, after consultation and scrutiny, will be reported to Council Cabinet on 15 February 2011 for recommendation to Council on 2 March 2011 to approve, together with the 2011/12 Council Tax.

- 16.4 A review of external funding streams supporting the revenue budget will be undertaken and considered as part of the budget process. Directorates will also need to develop exit strategies where one-off, or time limited funds, are currently being used to support on-going services and expenditure, to avoid on-going budget pressures. Exit strategies will also need to include the funding of any employee severance costs. This is specifically required for the following areas ...
- External funding due to cease between 2010/11 and 2013/14 with no confirmed replacement or continuation at this stage, identifying in the process the policy and service implications. This review will also need to include Partnership budgets supported by external funding.
 - Reliance on service reserves to fund service developments and improvement plans, which have an on-going budget implication.
- 16.5 Directorates are aware of their responsibility to manage budgets within approved budget totals, including the delivery of savings, together with close monitoring and immediate action for any emerging budget pressure on risk budgets.

For more information contact:	Martyn Marples 01332 255334 e-mail martyn.marples@derby.gov.uk
Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – CYP – ABG changes – 2010/11 Appendix 3 - LTP capital programme changes – 2010/11 Appendix 4a – Corporate Reserves Appendix 4b – Service and Earmarked Reserves Appendix 5 – Draft Savings Schedule Appendix 6a – Corporate Capital Programme Appendix 6b - Unsupported Borrowing Appendix 7 – Budget Planning Timetable

IMPLICATIONS

Financial

- 1.1 As detailed in the report.

Legal

- 2.1 The Council is required to set balanced revenue and capital budgets for 2011/12 by March 2011. Under the Prudential Code established by the Local Government Act 2003, it is also required to demonstrate the affordability of its revenue budget for the two subsequent financial years, after taking into account its plans for capital expenditure.

Personnel

- 3.1 No new implications assumed at this stage.

Equalities Impact

- 4.1 None.

Corporate objectives and priorities for change

- 5.1 As set out in the report.

CYP – ABG changes – 2010/11

Description of Grant	Original ABG Allocation		Reductions 10/11	Reductions 11/12
	£			
CHILDREN AND YOUNG PEOPLE				
Choice Advisers	35,549	Use of other funding streams to support activity	35,549	35,549
Children's Fund	808,117	Reduction of some planned activity for 2010/11 and ongoing with a review of the contract management of this fund from 2011/12	38,000	375,374
Education Health Partnerships- Healthy Schools	70,943	Reduction to be achieved by not committing unallocated budgets	17,026	17,026
Secondary National Strategy – Behaviour and Attendance	68,300	Reduction in some planned activity	16,392	16,392
School Development Grant - Local Authority Retained Element - General	377,857	Uncommitted funds in 2011/12		30,000
School Development Grant - Local Authority Retained Element - Teaching Assistants	96,000	No change		
School Development Grant - Local Authority Retained Element - AST's	7,000	No change		
School Development Grant - Local Authority Retained Element - Excellence in Cities and Cluster working	423,000	Staffing vacancies not to be filled	45,100	50,000
School Development Grant - Local Authority Retained Element - Behaviour Improvement	328,000	No change		
School Intervention Grant	64,600	Reduction to be achieved by not committing unallocated budgets. Less central funds available to support schools facing school standards issues	40,000	64,600
Teenage Pregnancy	141,000	A reduction in some planned activities	17,000	17,000
Secondary National Strategy – Central Coordination	165,250	A reduction of supply rates reimbursed to schools to cover supply costs for teachers on training courses in relation to school curriculum activities (only available in 2010/11)	80,000	

Description of Grant	Original ABG Allocation		Reductions 10/11	Reductions 11/12
Primary National Strategy – Central Coordination	164,326	As above		
14-19 Flexible Funding Pot	72,911	No change		
School Improvement Partners - Primary/Secondary	103,730	A reduction in some planned activities and not filling vacant posts	24,895	24,895
Extended Rights to Free Transport	232,379	This budget is currently unallocated as transport costs are funded by core Council funding	107,379	107,379
Child Death Review Process	39,514	Reduction to be achieved by not committing unallocated budgets	10,000	10,000
Extended Schools Activities	346,081	A reduction in planned activity in schools to deliver extended services	83,059	166,118
Sustainable Travel General Duty	19,025	Savings to be achieved by neighbourhood Directorate, the service continues with budget reductions at this stage	19,025	19,025
Child and Adolescent Mental Health Services CAMHS	526,709	No change		
Care Matters White Paper	310,136	No change		
Children's Social Care Workforce	93,310	No change		
Child Trust Fund	8,593	No change		
School Travel Advisers	28,000	Savings to be achieved by neighbourhood Directorate, the service continues with budget reductions at this stage	6,720	6,720
Carers Grant	207,621	No change		
Designated Teacher Funding	15,643	Reduction to be achieved by not committing unallocated budgets	15,643	15,643
Connexions	2,458,612	A reduction in planned activity but services to continue	100,000	590,067
Positive Activities for Young People	660,578	A reduction in planned activity but services to continue	160,000	220,000
LSC Staff Transfer: Special Purpose Grant	280,663	No change		
January Guarantee - Connexions	37,212	A reduction in planned activity but services to continue	37,212	37,212
TOTAL	8,190,659	Total Reductions	853,000	1,803,000

Local Transport Plan programme changes – 2010/11

Strategy area	Scheme	Original LTP capital budget (£000's)	Saving identified (£000's)	Impact of saving on programme delivery
Strategic Integrated Transport Schemes (SITS)	London Road Bridge Replacement/London Road SITS	200	15	Reduced scope of work within a budget of £100,000 to look a maintenance profile for bridge, modelling work to support bridge element, complete bridge design work, and conclude SITS proposals with outline option designs. Wouldn't be detailed design as planned - wouldn't update value for money business case. The work may progress further using the further £85,000 dependent on advice and guidance on likely availability of regional funding.
	A514 Osmaston Road SITS	50	15	Reduced scope in view of guidance on major schemes. Design and maintenance profiling would conclude but work would not include the economic assessment as originally planned.
Smarter Choices	Delivery of Smarter Choices Strategy initiatives	40	20	Reduced scope of strategy development and delivery in 2010/11
LS+AI - Safety	Completion of Speed Limit Review	10	6	Work wouldn't include small scale implementation this year as previously planned – this would need to be considered in future years
	Accident investigations Reactive Pot	30	15	Reduction in reactive work
	SRTS General small scale improvements	70	20	No impact – work costs less than anticipated
	Normanton Road/Rosehill St	50	5	No impact – work costs less than anticipated
	Accident investigations and Future Years	25	5	Small reduction in future years scheme design

Strategy area	Scheme	Original LTP capital budget (£000's)	Saving identified (£000's)	Impact of saving on programme delivery
LS+AI - Traffic management	Traffic Management Reactive Pot	40	20	Reduction in reactive work
	High Street, Chellaston	7	5	No impact – work costs less than anticipated
	Development of Parking and Safety Issues at The Parade, Mickleover	20	10	No impact – work expected to cost less than anticipated
	Roe Farm Lane, Derwent	10	5	No impact – work expected to cost less than anticipated
	Merrill Way	15	8	No impact – work expected to cost less than anticipated
	Hillsway/The Hollow	10	5	No impact – work expected to cost less than anticipated
	Scheme Investigation and Design	35	13	Small reduction in future years scheme design
LS+AI - parking	Blenheim Parade, Allestree	40	20	Reduced scope of work due to physical restrictions on site. There are currently 2 scheme options, both resulting in savings.
	Chaddesden parking issues	20	15	No impact – scheme costs less than anticipated
	Investigation of parking issues - Victory Road	5	2	No impact – work costs less than anticipated
	Lay-by 455/457 Utttoxeter Road	5	3	No impact – work costs less than anticipated
Cycle Derby	Number of cycle schemes – it is proposed to replace the original LTP capital funding with 100k cycling England funding.	104	100	LTP block replaced by Cycling England funding therefore all schemes progress as planned.

Strategy area	Scheme	Original LTP capital budget (£000's)	Saving identified (£000's)	Impact of saving on programme delivery
Strategic Public Transport Improvements	Bus Station Improvements	150	30	Minimal impact - work slightly reduced in scope
	Bus Shelter Electrical Connections	40	40	Scheme removed from the programme
Strategic Traffic Management and Demand Restraint	Development of Network Management Plan	15	15	Work to be completed within revenue budget instead
	Nottingham Road / Acorn Way	8	8	Minimal impact - Work to be combined with LS+AI 5LTP4D45
	Remote monitoring equipment at traffic signals	15	15	Removal or work from the 10/11 programme - All 'easy' sites have been done. Any new sites will need new controllers which will be considerably more expensive than 15k budget allocated.
	CCTV traffic cameras	15	5	No impact – work expected to cost less than anticipated
	Bus lane enforcement	40	40	Removal of work from the 10/11 programme. Further enforcement work would be on hold / to be considered in future years.
	Future Years Design	30	12	Reduced scope of design work for future years schemes
	Real Time Information	50	35	Reduced scope of real time information work
	Osmaston Park Road / Victory Road	60	40	Work reduced to design elements only. Implementation would not begin this year as planned. Implementation would be considered in future years programmes.
	Local Transport Plan Progress/LTP3 Development, Network Management Plan and HAMP	10	10	Work will be covered in HAMP development work

Strategy area	Scheme	Original LTP capital budget (£000's)	Saving identified (£000's)	Impact of saving on programme delivery
Maintenance of Transport Infrastructure - Highways	Strategy Development	10	10	Minimal impact – strategy work now to be covered in HAMP development
	Shaftesbury St. (Columbo to r'bout)	140	40	No impact – work expected to cost less than anticipated
	Highfield Road (Willson to Merridale)	40	40	Scheme completed as part of patching work therefore surfacing work not needed this year
	Chaddesden Lane End Drainage	50	10	No impact – work expected to cost less than anticipated
	Clinton Street	66	36	No impact – work expected to cost less than anticipated
	Design of Future Years Schemes	100	20	Minimal impact - scheme design work slightly reduced in scope
TOTAL SAVINGS			713	

Corporate and Reserves

Corporate Reserves Summary

Corporate Reserve	Purpose of Reserve	Actual Balance 31/3/2010 £m	Estimated Balance 31/3/2011 £m	Estimated Balance 31/3/2012 £m	Estimated Balance 31/3/2013 £m	Estimated Balance 31/3/2014 £m
Held for defined purpose:						
Treasury Management Commutation reserve	In -year contingency for material fluctuations in assumptions on borrowing levels and interest rates	1.617	1.617	1.617	1.617	1.617
Trading Services reserve *	In-year contingency in the event of Trading Account losses that cannot be met from the overall revenue outturn	1.000	1.000	1.000	1.000	1.000
Job Evaluation Corporate Reserve*	To provide for implementation costs of single status	5.032	5.032	5.032	5.032	5.032
Corporate Modernisation Fund	To pump prime service modernisation on a repayable basis	0.131	0.047	0.177	0.391	0.411
Climate Change Board	To fund projects to support the Climate Change Strategy	0.338	0	0	0	0
Local Public Service Agreement Reward fund	Allocated to approved revenue schemes	0.432	0	0	0	0
Car Park Income Reserve	Contingency against car park income shortfall	0.149	0	0	0	0

Corporate Reserve	Purpose of Reserve	Actual Balance 31/3/2010 £m	Estimated Balance 31/3/2011 £m	Estimated Balance 31/3/2012 £m	Estimated Balance 31/3/2013 £m	Estimated Balance 31/3/2014 £m
Contingency Insurance Claims	Contingency against Council liability for insurance claims	1.328	1.328	1.328	1.328	1.328
Supporting People	Future programme of investment	3.023	1.780	0.580	0	0
Derby Live Reserve	£100k to support Culture capital, £100k to support Culture revenue	0.386	0	0	0	0
Building Schools for the Future *	Project and implementation costs	1.141	1.141	1.141	1.141	1.141
Local Authority Business Growth Incentive	Allocated to approved capital schemes	1.917	0	0	0	0
Regeneration Fund reserve	LABGI allocated to the Regeneration Fund	0.105	0.105	0.105	0.105	0.105
Older People's Strategy *	To support the revenue costs associated with the Older People's Strategy capital investment	1.470	1.470	1.470	1.470	1.470
Highways Repair and Maintenance	Planned maintenance 2010/11	0.439	0	0	0	0
Waste Strategy *	Waste contract and landfill tax contingency	2.074	2.074	2.074	2.074	2.074
Total held for defined purpose		20.582	15.594	14.524	14.158	14.178
General reserve	Emergency reserve held at 2% of budget requirement	6.743	7.143	7.543	7.943	8.343

Corporate Reserve	Purpose of Reserve	Actual Balance 31/3/2010 £m	Estimated Balance 31/3/2011 £m	Estimated Balance 31/3/2012 £m	Estimated Balance 31/3/2013 £m	Estimated Balance 31/3/2014 £m
Held to support 2010/11 to 2012/13 approved budget						
Transformation Reserve	To support one Derby one council and Accommodation Strategy revenue implementation costs	3.839	0.295	0	0	0
Budget Risk Reserve	Allocated to support the 2011/12 revenue budget	3.240	3.240	0	0	0
Total held to support the budget		7.079	3.535	0	0	0
Uncommitted corporate reserve						
Budget Risk Reserve	Contingency held to support future budget planning and unforeseen in- year budget pressures	1.785	1.785	1.785	1.785	1.785
Backdated Council Properties Business Rates Reserve	Unallocated corporate contingency reserve	0.719	0.719	0.719	0.719	0.719
Total Uncommitted reserves		2.504	2.504	2.504	2.504	2.504
Total Corporate Reserves		36.908	28.776	24.571	24.605	25.025

Notes

Items marked * it is likely that these reserve balances will be required over the next three year period, but the amount and timing cannot be finalised at this stage.

The 2010/11 estimated balances do not include any assumptions on transfers from the revenue budget at the year-end, at this stage.

Service and Earmarked Reserves

Reserve	Balance 31 March 2010	Purpose of Reserve
RESERVES EARMARKED FOR PRIVATE FINANCE INITIATIVES		
Housing PFI Contract Reserve	-835,196.30	These balances represent a surplus to date which has been produced as a result of the PFI grant received being in excess of unitary charge payments to the contractor. However, the grant is received on an annuity basis, therefore over time, the unitary charge changes and the surplus grant will be used to fund any increases.
Schools PFI revenue costs (switch from capital funds)	-312,524.00	Earmarked for City Council element of annual service charge, Academy and PFI complexities still to be advised by government.
Schools PFI Contract Reserve	-5,298,763.85	These balances represent a surplus to date which has been produced as a result of the PFI grant received being in excess of unitary charge payments to the contractor. However, the grant is received on an annuity basis, therefore over time, the unitary charge changes and the surplus grant will be used to fund any increases.
HRA PFI Reserve	-4,220.00	Earmarked for development costs
Housing PFI revenue costs (switch from capital funds)	-552,990.62	Earmarked for development costs for Housing PFI new build and acquired projects.
Street Lighting PFI reserve	-4,670,089.75	These balances represent a surplus to date which has been produced as a result of the PFI grant received being in excess of unitary charge payments to the contractor. However, the grant is received on an annuity basis, therefore over time, the unitary charge changes and the surplus grant will be used to fund any increases.
Total Reserves Earmarked for Private Finance Initiatives	-11,673,784.52	

Reserve	Balance 31 March 2010	Purpose of Reserve
RESERVES EARMARKED FOR PARTNERSHIPS		
Derby City Partnership	-692,243.00	Ringfenced reserve to Derby City Partnership - To support one-off future years budget gaps.
Community Safety Partnership	-300,136.00	Ringfenced to CSP - Earmarked
Neighbourhood Boards	-316,909.00	Ringfenced reserve for Neighbourhood Boards.
Total Reserves earmarked for Partnerships	-1,309,288.00	
RESERVES EARMARKED FOR HOUSING REVENUE ACCOUNT (HRA)		
HRA	-16,879,617.39	A reserve not earmarked specifically but generates interest and helps finance the overall HRA Business Plan. The reserve has/will also be used to fund HRA Capital expenditure for projects such as the replacement of outdated electric storage heaters, insulation of homes and adaptations for the disabled.
HRA Management Fee Reserve	-1,097,338.71	Derby Homes Management Fee Reserve
HRA Repairs Reserve	-103,553.09	Housing Repairs fund.
HRA Estates Pride Funding Reserve	-2,380,267.00	Earmarked for Estates Pride Work
HRA Major Repairs Reserve	-1,039,804.92	Ringfenced government allowance to be credited to major repairs.
HRA Housing Repairs A/C	-4,912.81	Balance on repairs account to be utilised shortly
HRA White Goods Reserve	-134,168.37	To pay for furniture packs.
Total Reserves earmarked for Housing Revenue Account	-21,639,662.29	

Reserve	Balance 31 March 2010	Purpose of Reserve
RESERVES EARMARKED FOR INSURANCE AND RISK		
Insurance Savings Reserve	-233,215.66	General insurance reserve for Council
Risk Management Reserve	-35,606.00	To pump prime developments/Corporate governance
Treasury Management	-9,377.00	Cash flow and investment advice
Insurance Reserve-Schools Property and Fire	-495,694.23	Reserve for insurance - schools property and fire full amount committed
Total Reserves earmarked for Insurance and Risk	-773,892.89	
RESERVES EARMARKED FOR ADULT SOCIAL SERVICES AND HOUSING		
Learning Disabilities Development fund	-459,712.49	Funding received from the Primary Care Trust in previous year for ring fenced learning disabilities development fund. Use of the reserve is to compensate the reduction in Area Based Grant over a period.
Adult Social Services - Earmarked Reserve	-419,989.14	Reserves required to fund unidentified Section 117 cases which were not included by the Mental Health Service when initial work was carried out.
Maintenance Fund - Bedford St	-27,997.04	To provide for maintenance at the Bedford Street development – a group of still relatively new houses managed and maintained by the Council (Derby Homes) on behalf of the owners – Northern Counties Housing Association
Milestone House Maintenance Fund	-88,000.00	Earmarked for future maintenance costs
Housing General Fund - Earmarked Reserve	-209,000.00	£22k committed to Houses in multiple occupation & £187k ringfenced external funding for projects
Total Reserves earmarked for Adult Social Services and Housing	-1,204,698.67	

Reserve	Balance 31 March 2010	Purpose of Reserve
RESERVES EARMARKED FOR CHILDREN & YOUNG PEOPLE		
Area Child Protection Committee (ACPC)	-59,498.53	Ring-fenced funding now supporting Local Children's Safeguarding Board - successor to ACPC Joint financing arrangement with PCT
CAMHS (Child and Adolescent Mental Health Services) holding account	-68,752.52	Balance of ring-fenced funding for targeted schemes - Child and Adolescent Mental Health - committed in 10-11 due to reductions in Area Based Grant. Also scheme is a joint financing arrangement.
LSC Leaving Care Holding account	-20,428.11	Ring-fenced funding to supporting leaving care service(previous ringfenced grant) Grant used to fund support employee costs.
Building Schools for the Future costs	-74,197.00	Earmark funding for Building Schools for the Future (BSF) - committed as part of BSF however awaiting decision on BSF Programme.
GM Schools Reserve	-9,322.20	Schools Rates Reserve to cover increases in rates over and above amounts delegated to individual schools - revaluations underway to be used in 10-11
Building Schools for the Future - Lakeside	-27,470.00	Reserve for Building Schools for Future - Lakeside Primary
Dedicated Schools Grant	-30,522.00	Ringfenced for Schools budgets
Total Reserves earmarked for Children and Young People	-290,190.36	
RESERVES EARMARKED FOR NEIGHBOURHOODS		
Racecourse ATP Replacement Reserve	-15,000.00	Reserve required as part of the lottery agreement on creation of the pitch to fund the replacement of Astro Turf Pitch at the racecourse site.
Hackney Carriage Licensing Reserve	-117,563.80	Surplus on fees required to be set on cost recovery basis only - ringfenced for Taxi Licensing and use requires recommendation of Taxi Licensing and Appeals committee

Reserve	Balance 31 March 2010	Purpose of Reserve
Environment Revenue Ear Marked Fund	-362,936.71	Various Environmental Health and Sport & Leisure Grants received to be carried forward.
Commutated sums grounds maintenance	-487,006.21	Annual call on reserve to cover additional grounds maintenance costs of new public open spaces, as built into the approved revenue budget
Comm Parks Revenue Earmarked Fund	-38,144.00	Cover outstanding capital works at Arboretum Park following major refurbishment.
Arboretum Park HLF reserve	-371,542.37	Planned use up to 2014 to part cover additional revenue costs of refurbished park - as built into the approved budget.
Environmental Services Unsupported Borrowing costs reserve	-822,853.00	To smooth impact in Trading Accounts of capital assets funded from self-financing unsupported borrowing.
Derby College Synthetic pitch	-65,255.25	Hold towards future pitch replacement as per funding agreement with Derby College
Springwood Leisure Rsv	-141,592.00	Essential repairs to leisure centres pending major refurbishments plus revenue costs associated with leisure strategy
Highways Reserve	-50,307.00	New reserve to fund potential Highway Maintenance claim for TUPE redundancy costs
Traffic & Transportation reserve	-25,000.00	Reserve to fund expenditure on 2010/11 on the Local Transport Plan 3 development.
Commutated Sum - Regeneration and Community	-165,548.00	Reserve for payments received from third parties as a contribution towards the future maintenance of Kedleston Road surface water drainage and Jurys Inn retaining wall for specific assets adopted/ transferred.
Emergency Planning	-119,779.00	Reserve held for Emergency Planning initiatives including Flood Risk Assessments. Held for unforeseen or unexpected incidents that would otherwise create a budget pressure.
Museums purchasing funds	-78,526.49	Ringfenced - Donations for specific for general Museum service improvements
Library Management System	-25,552.00	To fund previously approved installation costs of libraries management system

Reserve	Balance 31 March 2010	Purpose of Reserve
County Structure Plan reserve	-229,552.00	Fully committed against Core Strategy and the Local Development Framework
Development Control action plan	-754,196.00	Approved Development Control action plan costs - still required for original purpose
Revenue Support Bus Service	-2,500.00	Reserve no longer required for original purpose - Transfer to corporate unallocated reserve
Westfield Reserve	-94,000.00	Reserve to support increased area traffic management responsibilities as a result of major developments. Specifically to fund staff time on work associated with the Development - Approved Traffic Posts 2010-11
Regeneration and Community Revenue Earmarked Fund	-151,830.00	Previous Regeneration & Community Service Reserve held for Historic Building Grants, Library building work, Assembly Rooms PA system & Eco Fest
Total Reserves earmarked for Neighbourhoods	-4,118,683.83	
RESERVES EARMARKED FOR RESOURCES		
Corporate Services Earmarked	-118,089.00	Previous Corporate Services department underspends held for markets budget risks.
Derbyshire e-Government Partnership Reserve	-23,222.00	Ringfenced Partnership funds held for e-Government developments.
Resources Department - Earmarked Reserves	-116,951.86	Previous Resources department underspend held temp HR post and ICT development.
Oracle Financial System Reserve	-30,000.44	Funding for Financial Systems Development
Strategic Planning Reserve	-24,999.00	To hold budget Payment (Best Value satisfaction survey) Committed 3 year cycle.
Human Resources /Payroll Replacement Project Reserve	-17,000.87	Funding for Human Resources systems development Upgrade - Committed
Total Reserves earmarked for Resources	-330,263.17	

Reserve	Balance 31 March 2010	Purpose of Reserve
RESERVES EARMARKED FOR CHIEF EXECUTIVES		
Festive Lights Reserve	-90,000.00	Reserve for Festive Lights of which £24,000 has already committed in 10-11
Public Realm Revenue Maintenance Reserve	-45,000.00	The Public Realm programme has a requirement for a revenue maintenance budget to maintain the new paving and infrastructure works created the capital programme scheme of works.
Repair and Maintenance Backlog	-254,068.00	Committed to 10/11 maintenance programme.
Condition surveys	-44,276.00	Specific budget for programme of property condition surveys to assess the level of maintenance work required.
Total Reserves earmarked for Chief Executives	-433,344.00	
TOTAL SERVICE REVENUE EARMARKED RESERVES AT 31 MARCH 2010	-41,773,807.73	

[illegible]

ODOC(b) – One Derby One Council savings already in the budget plan from service/process reviews
 ODOC(p) – One Derby One Council savings already in the procurement review
 ODOC(n) – One Derby One Council savings - new efficiencies
 SR – **S**ervice **R**eductions

Latest Corporate Programme for 2010/11 to 2013/14

Scheme	Cost		
	2010/2011 £000	2011/2012 £000	2012/2013 £000
<u>Resources - Housing</u>			
Affordable Housing	250		
Contribution to Housing General Fund	400	-	-
<u>E Services</u>			
Content Management System	20		
ICT Transformation Contract	2,250	-	-
<u>Corporate & Adult Social Services</u>			
Planned Maintenance (PM)	4,408	825	825
Multi Storey Car Parks/Highways	756	300	300
Dementia Centre	500	3,858	-
Theatre Walk	197	-	-
Extra Care Development	1,300	300	-
Hydro Electric Power Station	1		-
National Care standards	159	-	-
<u>Chief Executive</u>			
Accommodation Strategy	8,684	17,139	6,175
One Derby One Council	4,277	5,199	2,348
Capitalised Valuer	37	37	37
<u>Environmental Services</u>			
Leisure Centre Strategy	1,000	10,000	25,000
Playground Improvements	198	275	-
Nottingham Road Racecourse Improvements	548	38	-
Crematorium	925	550	-
Gayton Swimming Pool	792	-	-
Riverside Path	61	-	-
Alvaston Park Changing Rooms	3		
Springwood Leisure Centre & Library	27	-	-
<u>Regeneration & Community</u>			
Connecting Derby	2,392	648	-
Chaddesden Park Library	1,133	90	-
Littleover Brook Rehabilitation	192	-	-
Bramble Brook Culvert	42		
Surface Car Parks resurfacing	847	-	-
Bus Station Improvements	234		
Friargate Creative Industries Workspace	116	-	-

Scheme	Cost		
	2010/2011 £000	2011/2012 £000	2012/2013 £000
<u>Public Realm</u>			
Project Management	4		
Wardwick, Friargate & Cheapside Feasibility	1,781	-	-
East Street	10	-	-
Castleward Boulevard - Construction Costs Phase 1	68	-	-
Castleward Boulevard - Detailed Design	222	-	-
Wayfinding Public Art Masterplan	37	-	-
Full St Corridor / Heritage Walk Ph 1 (Ph1 is Morledge/Corporation Street) - Detailed Design	130	-	-
Full St Corridor / Heritage Walk Ph 1 (Ph1 is Morledge/Corporation Street) - Construction Costs	1,228	-	-
Victoria Street	15		
Building Frontage Enhancement Scheme	60	36	-
Wayfinding - design and construction costs	119	117	-
Public Realm Contingency	750	-	-
<u>Children & Young People</u>			
BSF associated highways work	-	-	1,500
Total	36,173	39,412	36,185

Latest Unsupported Borrowing Schedule for 2010/11 to 2013/14

Scheme	2010/11 £000	2011/12 £000	2012/13 £000	Future Years £000	Total £000
Corporate					
Chaddesden Library	1,133	90	-	-	1,223
Libraries in Renewal Areas	94				94
Gayton Swimming Pool	792	-	-	-	792
Planned Maintenance	951	279	47	-	1,277
Content Management System	20				20
Accommodation Strategy	8,570	17,139	6,175	-	31,884
Leisure Centre Strategy	-	10,000	23,778	14,000	47,778
Extra Care Development	1,048	300	-	-	1,348
Dementia Care	500	3,858	-	-	4,358
Crematorium	599	550	-	-	1,149
National Care Standards	149	-	-	-	149
Connecting Derby	2,267	648	-	-	2,915
Springwood Leisure Centre - Gym & Library Extension	45	-	-	-	45
Community Centre - Sunnyhill	10				10
Bramble Brook Culvert	57				57
Littleover Brook Rehabilitation	207	-	-	-	207
Riverside Path	68	-	-	-	68
Connecting Derby	125				125
Friargate Creative Industries Workspace	116	-	-	-	116
East Street	10	-	-	-	10
Public Realm					
Hydro Electric power station	40	-	-	-	40
Building Frontage Enhancement Scheme	134				134
Wardwick, Friargate & Cheapside	1,785	-	-	-	1,785
Full St Corridor / Heritage Walk (Phase 1 is Morledge/Corporation Street) - Detailed Design	139	-	-	-	139

Scheme	2010/11 £000	2011/12 £000	2012/13 £000	Future Years £000	Total £000
Full St Construction Costs	1,228	-	-	-	1,228
Castleward Boulevard Construction Costs	68	-	-	-	68
Castleward Boulevard Detailed Design	222	-	-	-	222
Victoria Street	15				15
Wayfinding - Public Art Masterplan	40	-	-	-	40
Wayfinding - design and construction costs	-	-			-
Theatre Walk	197	-	-	-	197
Public Realm Contingency	627	-	-	-	627
Total Corporate Unsupported Borrowing	21,248	32,864	30,000	14,000	98,113
Service Financed					
Grounds Plant & Equipment	110	250	200	-	560
Refuse Vehicles & Plant	375	460	135	-	970
Street Cleaning Equipment	350	326	182	-	858
Bold Lane MSCP replacement & upgrade parking control system	179				179
School Meal Production Facility	590	-	-	-	590
Waste Disposal Plant	-	-	25,000	-	25,000
Building Schools for the Future	-	-	14,000	-	14,000
Total Service Financed Unsupported Borrowing	1,604	1,036	39,517	-	42,157
Service Financed Spend to Save					
Hydro Electric Power Station	1,227	135	-	-	1,362
Electronic Social Care Records	90				90
Energy Management	225	-	-		225
St Giles Special School - create additional capacity for children with Autistic Spectrum Disorder	333	17	-	-	350
Total Service Financed Spend to Save Unsupported Borrowing	1,875	152	-	-	2,027
Grand Total Of Unsupported Borrowing	24,727	34,052	69,517	14,000	142,297

Timetable

Date	Key Stage	Revenue	Capital	Corporate Planning
27 July 2010	Council Cabinet	<ul style="list-style-type: none"> Recommend to Full Council the revenue and capital budget changes for 2010/11 Recommend to Full Council the Revenue Budget, Capital Budget and Corporate Planning Strategy 2011/12 to 2014/15 		
28 July 2010	Full Council	<ul style="list-style-type: none"> Approve revenue and capital budget changes for 2010/11 Revenue Budget, Capital Budget and Corporate Planning Strategy 2011/12 to 2014/15 		
During August	Liberal Democrat Group Member Briefing	Briefing on the Revenue, Capital and Corporate Planning Strategy		
During August	Labour Group Member Briefing	Briefing on the Revenue, Capital and Corporate Planning Strategy		
During August	Develop budget preparation work	<ul style="list-style-type: none"> Detailed budget preparation Scrutiny and consultation guidance to be considered Develop detailed budget proposals for new savings Develop activity and performance measures to feed into Star Chamber process in October 	<ul style="list-style-type: none"> Capital funding position to be reviewed Capital prioritisation documentation to be prepared 	
6 September 2010	Partnership			Partnership Visioning day
8 September 2010	COG/CABINET	COG/Cabinet discussion on revenue budget savings proposals	COG/Cabinet discussion on capital programme priorities	
28 September 2010	Cabinet			Consider the SCS update
During September 2010	Further develop revenue budget preparation work	<ul style="list-style-type: none"> Further detailed savings proposals developed 		

Date	Key Stage	Revenue	Capital	Corporate Planning
During September 2010	Asset Mgt Group		Corporate capital programme re-evaluation	
21 September 2010	Scrutiny Management Commission	Report on the review of the budget setting process		
6 October 2010	COG/CABINET	COG/Cabinet discussion on revenue budget savings proposals	COG/Cabinet discussion on capital programme priorities	
20 October 2010	Comprehensive Spending Review announcement			
26 October 2010	Council Cabinet	Updated Revenue & Capital Strategy		
19 November 2010	Full Council	Approval of Updated Revenue and Capital Strategy		
23 November 2010	Cabinet			Draft outcomes emerging from the work undertaken by the partnership and proposals on the draft plan
During November 2010	Budget Scrutiny Process – Star Chamber meetings	Star Chamber approach involving Leader, Chief Executive, Strategic Director of Resources, Director of Finance & Procurement, Cabinet Members, Strategic Directors and Heads of Finance		
From November 2010 to January 2011	Corporate Planning			<ul style="list-style-type: none"> Partnership commencing work on delivery planning Session at the Director's workshop on drafting the Corporate Plan
From November 2010 to January 2011	Budget consultation and final proposals	<ul style="list-style-type: none"> Further budget scrutiny and agreement of budget proposals for consultation – to be complete by the end of November Budget consultation documentation prepared Specific steps and dates to be determined following agreement on budget consultation process 		
January 2011	FINANCE	Draft revenue budget and Council Tax prepared	Draft capital programme prepared	

Date	Key Stage	Revenue	Capital	Corporate Planning
11 January 2011	Corporate Plan Scrutiny			First draft of the Corporate Plan to Citizens Advice Bureau and Scrutiny Management Commission
15 February 2011	Council Cabinet	Council Cabinet considers 2011/12 Revenue Budget and Council Tax and Indicative Revenue Budget 2012/13 and 2014/15	Council Cabinet considers 2011/12 to 2014/15 Capital Budget	Final draft of the Corporate Plan to be reviewed by Cabinet
2 March 2011	Full Council	Full Council approves Revenue Budget and Council Tax and Corporate Plan Action Plan		
April 2011	Finance/ Performance	Detailed budgets published		Communication of Corporate Plan to all employees