

**Revenue Budget, Capital Budget and Corporate Planning
Strategy 2010/11 to 2012/13****SUMMARY**

- 1.1 This report outlines the Council's medium term financial strategy in terms of the revenue and capital budget and corporate planning strategy over the next three years period 2010/11 to 2012/13. The key issues covered include ...
- The revised budget position based on current estimates and assumptions shows a budget funding gap for 2010/11 of £0.64million rising to £7million in 2011/12 and £8million by 2012/13. See paragraph 3.19.
 - It is proposed that a strategic approach is needed to develop options to close the budget gaps through Chief Officers 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 departments is proposed at this stage. See paragraph 3.38.
 - The Council's corporate priorities are central to the budget planning process as they guide resource allocation in line with our 2020 vision to create 'Derby - a city of all ages'. In April 2009, Derby City Partnership published its new Sustainable Community Strategy - SCS – 2009-2011. For 2010/11, it is proposed that the Council adopt the ambitions and priorities for action contained in the SCS as its own corporate priorities. See paragraph 3.1.
 - A Council Tax increase of 2.5% rather than the 4.9% built into the indicative budget for 2010/11 and 2011/12 agreed by Council on 2 March 2009 creating a financial pressure of £2.074m in 2010/11 and £2.23m in 2011/12. See paragraph 3.10.
 - Actions will be taken in departments during 2009/10 to deliver permanent staffing savings of £1.310m to satisfy the 1% salary savings targets agreed by Council on 2 March 2009 without the use of any likely savings arising from the 2009/10 pay award settlement. See paragraph 3.6.
 - The 2009/10 budget included a provision for a 2.5% pay award. Based on the current proposal being negotiated, the actual pay award is likely to be lower at 1.25% on SCP 4 to 10 and 1% on SCP 11 and above. It is proposed that any savings in 2009/10 from a lower pay award which could be over £1.5m be transferred to our existing 'Budget Risks' corporate reserve which currently has a balance of £3m. See paragraph 3.6.

- Because of the significant fall in inflation in the past 12 months, the £584k inflation contingency included in our 2009/10 budget is no longer needed and should be transferred to our Budget Risks corporate reserve for both the 2009/10 and the ongoing savings in future years that this releases. See paragraph 3.7.
- Given that 2011/12 is outside the existing three year grant settlement period (CSR 2007), we have made a revised prudent assumption of a cash freeze in Government Grant for 2011/12 and 2012/13.
- The 2010/11 Area Based Grant funding, anticipated to be £23.578m, including £10.556m for Supporting People, be passported to the funded organisations and service areas as in previous years. However, as ABG is un-ringfenced and therefore allows some flexibility in reallocating resources in line with Council priorities and the 35 key Local Area Agreement priorities, the grant should be reviewed in the wider budget strategy on how we allocate our resources as the budget process develops.
- Pay inflation assumed at 1.5% which equates to around £1.8m annually for all three years.
- General price inflation and income inflation assumed at 1.5% for all years. This equates to a reduction of 1.5%, £0.7m for 2010/11 and 1%, £0.4m for 2011/12. A 0.5% inflation contingency has been maintained in the budget from 2010/11.
- A number of ongoing pressures requiring funding in the budget have emerged from the 2008/9 revenue outturn and early 2009/10 revenue budget monitoring and require adding into the overall budget position. These are summarised at paragraph 3.18.
- Implementation of Single Status – an annual contingency budget of £2.5m is maintained with a corporate reserve of £4m. At this stage no additional budget change is proposed and will be considered further as the implementation of single status progresses.
- Transfer £2m from the Treasury management reserve to create an Accommodation Strategy/New Ways of Working reserve, to provide additional funding that can support both the capital programme and associated revenue costs that may arise.
- That £400k currently in the capital programme for Automatic Reading Meters that is no longer required be ringfenced for climate change initiatives.

RECOMMENDATION

- 2.1 To approve and recommend to Council on 9 September 2009 that the Council adopts the ambitions and early priorities for action contained in the Derby City Partnership's city wide Sustainable Community Strategy 2008-2011 as the Council's own corporate priorities as set out in Appendix 2.
- 2.2 To note the estimated financial position and funding gap facing the Council for 2010/11 to 2012/13, and the assumptions included within these forecasts. See paragraph 3.9.
- 2.3 To approve the treatment of variations to the 2009/10 revenue budget and ongoing implications as set out in paragraphs 3.3 to 3.7.
- 2.4 To note the service and cross cutting reviews earmarked to deliver the committed £884k Transforming Derby savings target in 2010/11. See Appendix 4.
- 2.5 To note the Council's earmarked revenue reserves and approve the proposed treatment as set out in paragraph 3.51 to 3.55.
- 2.6 To recommend Council approve the revenue and capital budget strategy and corporate priorities on 9 September 2009.

SUPPORTING INFORMATION

Council Priorities and Corporate Planning

- 3.1 The Council's corporate priorities are central to the budget planning process as they guide resource allocation in line with our 2020 vision to create 'Derby - a city of all ages'. In April 2009, Derby City Partnership published a new Sustainable Community Strategy - SCS - 2009-2011. For 2010/11, it is proposed that the Council adopts the ambitions and early priorities for action contained in the SCS as its own corporate priorities. Whilst it is not a national requirement to adopt the priorities of Local Strategic Partnerships, this does represent good practice and will:
 - demonstrate full integration between Council and City Partnership priorities
 - facilitate strategic planning across the Council with only one set of outcomes to work towards
 - support our response to the new Comprehensive Area Assessment.
- 3.2 The SCS ambitions and early priorities for action, which were approved by Council in March 2009, are shown in Appendix 2. Existing corporate plan actions and measures have already been mapped to the SCS ambitions and early priorities for action. No significant gaps have been identified with the exception of those supporting the current priority around delivering excellent services and value for money. A review of the current Council Corporate Plan will take place during August and September with options identified for Cabinet consideration on 29 September 2009.

Indicative Revenue Budget 2010/11 and 2011/12

- 3.3 The 2009/10 to 2011/12 Revenue Budget approved by Council on the 2 March 2009, included amendments to the budget agreed and recommended by Council Cabinet on 17 February 2009 for the following ...

Budget increases £1,747,000

- Reduce Council Tax increase to 3.25% - £750,000
- Remove use of reserves in 2009/10 - £713,000 (one-off)
- Retention of Derby City Transport services - £80,000 increase
- Providing decision making powers to Neighbourhood Boards for highway projects - £170,000 increase and additional post to support this delegated budget - £34,000 increase.

Funded by:

- reduction of 1% from total salary costs reduction of £1.310million
- reduction from Public Realm revenue financing capital - £200,000
- reduction from Derby Live revenue budget - £100,000
- use in 2009/10 only of one-off funds from the Local Authority Business Growth initiative for capital schemes of £137,000 instead of revenue financing (one-off).

- 3.4 This resulted in a balanced budget for 2009/10 without the use of corporate reserves providing the £1.310m, 1% salary savings target approved by Council on 2 March 2009 is delivered. On the basis that the 2009/10 budget amendments approved above that were not one-off should be treated as ongoing, the indicative revenue budgets were:

- 2010/11 - a net £344k surplus, assuming the identified savings are delivered plus the removal of the £232k use of corporate reserves
- 2011/12 - a net budget shortfall of £1.908m with the removal of the £155k transfer to corporate reserves.

The indicative 2011/12 position is £499k less than the £2.407m ('unidentified savings') included in the 2011/12 budget recommended to Council on 2 March 2009, to reflect the ongoing impact of the removal of the use of corporate reserves in 2009/10, which had already been removed by 2011/12 in the indicative budget approved by Council in March 2009. This position is before the revisions explained below.

- 3.5 For budget planning purposes for 2010/11 onwards, it is assumed at this stage that the pressures and savings included in the approved indicative 2010/11 and 2011/12 budget remain the same and all identified savings will be delivered, including the £884k Transformation Programme in 2010/11.

- 3.6 It has been assumed also that actions will be taken in departments in 2009/10 to deliver permanent staffing savings of £1.310m from the 1% salary savings targets without the use of any likely saving arising from the 2009/10 pay award settlement. The 2009/10 budget includes provision for a 2.5% pay award, however, based on the current proposal being negotiated the actual pay award is likely to be lower at 1.25% on SCP 4 to 10 and 1% on SCP 11 and above. The Unison ballot on acceptance or not closes on 3 September 2009. At this stage, it is proposed that any savings in 2009/10 from a lower pay award be transferred to our Budget Risks corporate reserve and any ongoing saving be factored into the revised budget position to help offset known pressures.
- 3.7 The 2009/10 budget also includes a £548k inflation contingency budget, after releasing on a permanent basis £363k to Department's 2009/10 base budgets to cover the additional 0.3% pay award granted in 2008/9 following a lengthy arbitration process. Because of the significant fall in inflation in the past 12 months this contingency is not likely to be required and can be removed from the budget. The same treatment is proposed as with the pay award provision above, to transfer the saving to our Budget Risks corporate reserve for both the 2009/10 and the ongoing savings this releases.

Updated Revenue Resources Forecast 2010/11 to 2012/13

- 3.8 The Government's Formula grant system determines the majority of the non-schools funding received by local authorities, and from 2008/09 was set on a three-year basis, allowing local authorities to plan with greater certainty up to 2011/12. The next three-year settlement will begin in 2011/12, in line with the Government's Spending Review which could be delayed until after the next General election. The amount of Government Grant beyond 2010/11 is therefore unknown at this stage and is unlikely to be to be known until Summer 2010 at the earliest. 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 DCLG. We hope 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.
- 3.9 Given that 2011/12 is outside the existing three year grant settlement period - CSR 2007, we have made a revised prudent assumption of a cash freeze in Government Grant for 2011/12 and 2012/13 based on latest information from central government, the LGA, SIGOMA and what other authorities within the SIGOMA grouping have assumed. The range of increases within SIGOMA authorities is 0% to 2% with most assuming 0%. This would be a real term cut in grant if inflationary increases are experienced. Based on this major assumption, the indicative and revised revenue resources position is shown in Table1.
- 3.10 A lower Council Tax increase of 2.5% than the 4.9% built into the indicative budget for 2010/11 and 2011/12 that was agreed by Council on 2 March 2009 has also been included in the revised Resource position in Table 1. This assumes that the taxbase will remain at the 2009/10 level rather than the 0.25% increase that was factored into our indicative resource planning, but that the Council Tax collection rate will remain at 98.4%. In line with the indicative budget no surplus or deficit on the Collection Fund has been included in the revised position at this stage.

Table 1 Revenue Resource Forecast 2010/11 to 2012/13

| | 2010/11 % | 2011/12 % | 2012/13 % |
|-----------------------------------------|-----------------------|----------------------|----------------------|
| RSG/NNDR | | | |
| Indicative | 3.26 | 2.15 | N/a |
| Revised | 3.26 | Nil | Nil |
| £m Budget Impact of Change | Nil | £2.358m reduction | Nil |
| <i>Value of 1% Change</i> | <i>£1.062m</i> | <i>£1.097m</i> | <i>£1.097m</i> |
| | | | |
| Council Tax Requirement increase | | | |
| Indicative | 5.16* | 5.16* | N/a |
| Revised | 2.50 | 2.50 | 2.50 |
| £m Budget Impact of Change | £2.074m reduction | £2.234m reduction | £2.047m increase |
| <i>Value of 1% Council Tax Change</i> | <i>£0.779m</i> | <i>£0.820m</i> | <i>£0.819m</i> |
| | | | |
| Total £m | | | |
| Budget Impact of Change | £2.074m reduction | £4.592m reduction | £2.047m increase |
| Cumulative Change | +£2.074m Reduction | £6.666m reduction | £4.619m reduction |

*The Council Tax increase budget impact takes account of the change to the Band D increase and Tax Base increase percentages assumed.

Revenue Grant funding supporting the revenue budget

- 3.11 Area Based Grant - ABG - for 2010/11 is anticipated to be £23.578m, including £10.556m for Supporting People, if CLG decide to include this element. Excluding Supporting People the 2010/11 grant is £13,022m. This compares to £14.446m in 2009/10. The main anticipated variations are:
- reduction in NRF transitional funding of £1.032m
 - reduction in Safer, Stronger Communities of £0.258m
 - reduction in Extended Schools Start up of £0.496m
 - increase in Extended Rights for Free Transport of £0.085m
 - increase in Positive Activities for Young People of £0.152m
 - increase in various other net funding of £0.125m.
- 3.12 The anticipated changes in ABG for 2010/11 have already been included within the indicative budgets identified as part of the 2009-11 budget planning process at this stage. It is therefore proposed that the 2010/11 ABG funding is passported to the funded organisations and service areas as in previous years. Overall budget planning will assess the allocation of all funding against priorities as the process develops.
- 3.13 ABG is an un-ringfenced grant and therefore allows us flexibility in reallocating resources in line with Council priorities and the 35 key Local Area Agreement - LAA - priorities. ABG however 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.

- 3.14 Given the significant value of the Supporting People budget, a decision will need to be considered as and when this funding becomes part of ABG.
- 3.15 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.

Revised Indicative Revenue Budget Position 2010/11 to 2012/13

- 3.16 The assumptions made in the previous budget process when the indicative 2010/11 and 2011/12 budgets were set have been reviewed. A revised budget position for 2010/11 and 2011/12 together with an estimate for 2012/13 is provided in Table 2 at paragraph 3.20 below. This is on the basis that the treatment of 2009/10 revenue budget variations explained in paragraphs 3.4 and 3.5 above are approved and that the Schools Budget is treated as ringfenced for budget planning purposes, thereby excluding any variations impacting on the Schools Budget.
- 3.17 The indicative inflation rates for 2010/11 and 2011/12 have been revised downwards in light of the current economic downturn and price indices, and continuing lower rates have also been assumed for 2012/13 as follows:
- pay inflation assumed at 1.5% for all years, a reduction of 1%
 - general price inflation and income inflation assumed at 1.5% for all years, a reduction of 1.5% for 2010/11 and 1% for 2011/12. A 0.5% inflation contingency has been maintained in the budget from 2010/11.
- 3.18 A number of ongoing pressures requiring funding in the budget have emerged from the 2008/9 revenue outturn and early 2009/10 revenue budget monitoring and require adding into the overall budget position. These are ...
- Benefit payments £150k from 2010/11 – due to the possible loss of reward funding plus higher benefit payments attracting nil or reduced rate subsidy.
 - Concessionary fares currently estimated as £650k from 2010/11. There has been an increase in the share of journeys across the county due to a change of allocation basis using journey data.
 - Continuation of the Building Schools for the Future delivery budget required through the construction phase estimated at an additional £600k from 2012/13.
 - Treasury management revised estimates for cash balances which have changed the assumptions on the level and timing of external borrowing that will be required to fund the indicative capital programme. This generates a budget pressure of £0.7m in 2011/12 and assumes no new corporate capital programme allocation and borrowing requirement for 2012/13.

- Local Government Pension scheme revaluation. This will apply from 2011/12 and we will not know the outcome of the actuarial revaluation until well into the next year's budget process. The indicative budget includes a £750K contingency budget towards the likely increase in employer contribution rates. In light of the risk of lower return on pension fund investments due to the current economic climate resulting in a higher fund deficit, it is prudent to increase the contingency provision to £1.5m in 2011/12 which equates to roughly a 10% increase in employer pension contributions.
- Meter Reading Data for the Carbon Reduction Commitment Scheme - estimated £50k per annum from 2010/11 to buy in the data rather than purchase the hardware to collect ourselves. Based on latest guidance this is the best way forward and would release £400k of capital reserves previously approved to fund the purchase of meter reading equipment, which could be invested in direct climate change schemes.

3.19 **Table 2 Revised Revenue Budget Position 2010/11 to 2012/13**

| | Changes | | |
|------------------------------------------------------|---------------|---------------|---------------|
| | 2010/11 £m | 2011/12 £m | 2012/13 £m |
| Budget | | | |
| Base | -0.344 | +2.252 | 0 |
| Add budget change from previous years | 0.000 | -1.388 | +0.379 |
| Adjusted Base | -0.344 | +0.864 | +0.379 |
| Add proposed changes: | | | |
| Inflation | | | |
| • Pay Inflation | -1.148 | -1.174 | +1.788 |
| • Net Other Inflation | -0.746 | -0.351 | +0.536 |
| • Inflation Contingency | 0 | -0.410 | 0 |
| Sub Total Re Inflation Adjustments | -1.894 | -1.935 | +2.324 |
| Budget Pressures | | | |
| • Concessionary Fares | +0.650 | 0 | 0 |
| • Benefits Payments | +0.150 | 0 | 0 |
| • BSF | 0 | 0 | +0.600 |
| • Local Government Superannuation | 0 | +0.750 | 0 |
| • Treasury Management | 0 | +0.700 | 0 |
| • Climate Change | +0.050 | 0 | 0 |
| Sub Total Re Budget Pressures | +0.850 | +1.450 | +0.600 |
| Total Budget Change | -1.388 | +0.379 | +3.303 |
| Add Total Resources Change From Table 1 above | +2.074 | +6.666 | +4.619 |
| Resulting Estimated Budget Gap | +0.686 | +7.045 | +7.922 |

Other Potential Revenue Budget Pressures 2010/11 to 2012/13

- 3.20 There is a number of service and corporate issues and new developments which could also generate a revenue budget pressure 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 cashlimits.
- 3.21 Energy and Fuel Price Increases – work is underway to review the latest contract inflation against that provided for in the indicative budget. It is proposed that any saving from reducing the inflation provision in the indicative budget is allocated to the Climate Change budget to support carbon reduction measures, either directly in revenue or to fund capital investment through unsupported borrowing for schemes that would not produce budget savings to fund unsupported borrowing costs.
- 3.22 Uncertainty over the actual employer contribution rates for the Local Government Pension scheme at the next actuarial revaluation from 2011/12.
- 3.23 Carbon Reduction Commitment Scheme - participation in the Carbon Reduction Commitment Scheme will be mandatory from April 2010. The potential revenue and capital budget implications for the Council will need to be identified and quantified for consideration during the course of the budget process. This scheme will also apply to the Schools and the treatment within the Dedicated Schools Grant and impact on the Schools Budget has yet to be determined. No pressure has been included at present for the potential cost of trading under the schemes on the grounds that any funding allocated as part of the budget process should be to implement carbon reduction measures rather than to cover the cost of high consumption levels and not meeting carbon reduction targets.
- 3.24 Implementation of Single Status – an annual contingency budget of £2.5m is maintained in the revised budget position together with a corporate reserve of £4m. At this stage no additional budget change is proposed and will be considered further as the implementation of single status progresses.
- 3.25 Revenue impact of the capital programme - The Capital Strategy for 2010/11 to 2012/13 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. In addition, the principle was agreed in the 2009-2012 capital budget strategy to provide from the revenue budget ongoing contributions to a sinking fund to pay for future repairs and maintenance costs be built into the revenue costs of major capital schemes. This could be funded either from departmental budgets or as a corporate pressure. There will clearly be more of an impact on the revenue budget where schemes are not producing revenue savings, and this will need to be considered in the overall capital approval process.

- 3.26 Accommodation Strategy/New Ways or Working – NWW. The revenue cost of the indicative capital budget is included in the indicative Treasury management revenue budget. Any net savings from building running costs identified, after setting aside resources for lifecycle maintenance costs, are being treated as ringfenced to help support the capital costs. It is proposed that any one-off revenue costs of implementing NWW are funded from the Transformation reserve, subject to specific Cabinet approval as they arise.
- 3.27 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 2010/11 to 2012/13 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 2012/13 corporate capital programme allocations not financed from external grants and contributions will have a Treasury management revenue budget implication.
- 3.28 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. On DSG, there is an annual amount of £622,000 (uplifted for inflation) already committed to fund the BSF delivery budget and, subsequently, the affordability gap on the contract for the PFI schools within BSF. The treatment of any benefit of making the capital contribution through prudential borrowing, as either a DSG or General Fund benefit, will need to be determined. In addition, the LSC transfer of 16-18 year old funding takes place from 2010. We are still waiting for guidance on exactly what the conditions of grant will be. The bulk of the funding will come in and be paid out according to a national formula though there will be a small grant to fund the staff or posts transferring to the Council.
- 3.29 New legislation, Central Government initiatives and Council Strategies – no increases have been included at present except for those around the Carbon Reduction Commitment Scheme. Key areas which may require consideration are:

- Child protection requirements and the Laming report.

As a result of the Laming Inquiry and the Government's response there are new more rigorous and demanding inspection requirements and thresholds that Children's Services will have to meet. This together with the increased expectation and reporting of child concerns has led to significant additional workload pressures for social care workers. There is already a noticeable increase in the numbers of children in care bringing further financial pressures to meet these needs.

- Case law regarding homeless 16/17 year olds

The House of Lords Ruling (G vs Southwark) made in the House of Lords on 20 May states that “local authorities should presume any lone, homeless children should be provided with accommodation under section 20 of the 1989 Children Act. Where the criteria for section 20 have been met, children’s services do not have the discretion to choose to use section 17 powers instead to provide accommodation”. This means that where 16-17 year olds have previously been accommodated under housing legislation, unless they were clearly identified as extremely vulnerable, now all 16-17 years will be assessed with the presumption that care services should be provided under section 20 of the Children Act 1989. A regional response to the ruling has been sent by the East Midlands Directors of Children’s Services - EMDCS - Group. The potential additional costs for the Council as a result of this ruling could be in excess of £1m per year. (Based on current numbers of homeless 16 – 17 year olds presenting to the Housing Options Centre.)

- Safeguarding Adults - A response to the report on the Consultation on the Review of “No secrets: Guidance on developing and implementing multi-agency policies and procedures to protect vulnerable adults from abuse” has made safeguarding a national strategy. Safeguarding is now a mandatory part of every adult social care inspection and it is very likely that the Council will be inspected during 2010/11. The judgement on safeguarding affects the overall adult social care judgement and hence the CAA judgement. A review of the national guidance is expected with increased responsibilities for local authorities with financial consequences.
- Dementia Strategy - A response to the first ever National Dementia Strategy that will transform the quality of dementia care in Derby. This sets out initiatives designed to make the lives of people with dementia, their carers and families better and more fulfilled. The national strategy published on 3 February 2009 will increase awareness of dementia, ensure early diagnosis and intervention and radically improve the quality of care that people with the condition receive. Proposals include the introduction of a dementia specialist into every general hospital and care home and for mental health teams to assess people with dementia. A local strategy is required and there will be significant financial implications.
- 'Valuing People Now' sets out the Government's strategy for people with learning disabilities for the next three years following consultation. It also responds to the main recommendations in 'Healthcare for All'; the independent inquiry into access to healthcare for people with learning disabilities. This strategy focuses on personalisation of services, improved housing, better health, advocacy and rights and improving the workforce.

Additionally, the Learning Disability Development Fund is at present due to end in March 2011 which will leave a substantial pressure within the service.

- Carers - The national strategy 'Carers at the heart of 21st century families and communities' was launched in June 2008. Since then the Council has developed its local strategy (March 2009) which addresses the need for a range of increased support services for carers. This also links to our stretched LAA carers' targets which requires the Council to more than double the existing level of carer support between 2008/09 to 2010/11.

In addition to all of the above the Council is currently continuing to work to implement personalisation – The National Framework Programme for Adult Social Care. Part of this requires the implementation of Personal Budgets 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.

On the capital side there are also areas where we need investment and this could be a proposal for use of some of the one off funding that may become available this year.

- Flood and Water Bill – When enacted this will place significant additional responsibilities on upper tier authorities for the coordination of flood prevention and relief. We have recently been granted £125k one off funding to start the process but there will be significant ongoing pressures if we are to deliver all the responsibilities.
- Older People and Dementia Care Strategies - A review of the in house provision for older people and those with dementia care.

- 3.30 Council buildings repair and maintenance – no further increase to the revenue budget for planned repair and maintenance is proposed. There are some specific large pressures for consideration in the capital programme as explained later in this report.
- 3.31 ICT Contract – contract cost smoothing funding may be required in the early years of the contract from corporate reserves, to be repaid in future years.
- 3.32 Ongoing implications of 2009/10 budget monitoring variances - any ongoing budget pressures emerging from the 2009/10 early monitoring will need to be addressed by departments as part of the detailed budget planning, on the basis that there will be no additional corporate allocation for pressures.
- 3.33 Highways Maintenance Contract – subject to the approval at this Cabinet to the funding of the shortfall to address the backlog and delivery of the action plan, no further budget pressure is expected.
- 3.34 Waste Landfill Costs – if recycling rates continue to improve from 40% to 50%, and waste volumes remain the same as in the previous two years, then we expect to contain this pressure within our medium term financial strategy.
- 3.35 Impact of the economic downturn – the 2008/09 outturn and 2009/10 monitoring is showing an impact on Markets and Estates income, car park income and the demand for welfare services is increasing. This will need to be closely monitored to assess any ongoing impact and options to address any consequential budget pressure.

Managing Budget Risks

- 3.36 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
 - single status
 - waste disposal costs.
- 3.37 In addition, a corporate budget risk reserve is held 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 the inflation provision has been significantly scaled back but there is uncertainty over the future economic position, this reserve is needed to manage our exposure to risks. The balance currently stands at £3m, however over the next three years over £1m will be needed to maintain General Reserves at 2% of the Budget Requirement.

Delivery of savings

- 3.38 The revised budget position based on current estimates and assumptions is a budget funding gap in 2010/11 of £0.636million rising to £7million in 2011/12 and £8million by 2012/13. It is proposed that a strategic approach is needed to develop options to close the gap through Chief Officers 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 departments is proposed at this stage.
- 3.39 Progress, timing and estimated implications of savings options being developed will be tracked during the budget process using the Savings Proposals Report at Appendix 3. Savings options will be prioritised for delivery in 2010/11, 2011/12 or 2012/13 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.
- 3.40 Specific Council initiatives outlined below are expected to contribute to the delivery of savings to close the budget gap as part of the transformational change the Council is undertaking to deliver as explained below.
- 3.41 Transformation Programme - going forward, a key mechanism for delivering efficiency savings will be the Council's transformation programme. The Chief Executive is currently developing proposals for an expanded programme which will be launched in the autumn of 2009. The programme will bring together the existing themes of the Transforming Derby programme with a range of other initiatives. A key element of the new transformation programme will be implementing the findings of the DECATS – Delivering Efficient Corporate and Transactional Services – project. The project will be completed in early September and the final report and recommendations will be presented to Cabinet on 27 October 2009.

- 3.42 DECATS will deliver a portfolio of projects which will achieve significant long term reductions in the Council's operating budgets. Estimated savings from these projects will then be assumed and built into the budget process to contribute to reducing the estimated budget gap. We will take steps to ensure that there is no double counting of savings with other specific proposals being developed.
- 3.43 The 2010/11 indicative budget includes a savings target of £884k to be delivered through the Transformation programme. Appendix 4 outlines the initiatives currently identified to deliver the savings which are estimated at present to deliver £443k although more work is underway to confirm these early estimates and identify how the balance of savings required is to be met.
- 3.44 Procurement Savings - our central Procurement Team is working closely with departments to identify savings/benefits and helping departments 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.
- 3.45 Travelplan – an £800k savings target is included in the 2010/11 indicative budget. Consultation on the proposals is currently taking place.
- 3.46 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.

Linking Budgets to Performance and Value for Money, VFM

- 3.47 We are currently reviewing service cost indicator information and benchmarking against Derby's other local authority comparator group average. This will give a broad estimate of the potential savings if we were to spend at the same level as our group average, including a number of other 'four star' authorities. These cost indicators are based on gross expenditure (we will need to take account of external resources), and will only give us a potential indication for further probing and due consideration, rather than coming to any firm conclusions around VFM.
- 3.48 Following feedback from the Chief Officers Group on this piece of VFM work, we intend to produce a performance matrix bringing together all our performance indicators including both high and low cost, and good and poor performance. This will provide sound evidence and analysis that can be used effectively in this year's budget process.
- 3.49 We are also developing a more integrated approach to monitoring VFM across all of the above areas in order to better manage ongoing budget pressures and demonstrate improvements in efficiency. The new Use of Resources assessment is now placing more emphasis on councils' understanding of the links between costs, activities and outcomes.

- 3.50 We will establish key service performance indicators - Pls - and provide outcome targets for each budget that is monitored on Performance Eye. Heads of Service will be asked to work with their service accountants in order to confirm these Pls where they are already in place, and develop new ones where they are not. This will inform the selection of areas for benchmarking and budget reviews through an ongoing programme concentrating first on high risk budget areas with high spend and comparably poor performance, service areas not subject to a base budget review as part of the development of savings options, then moving on to areas of discretionary spend. The new Improvement and Efficiency Board will take a lead role in providing the independent monitoring and reviewing role for these performance indicators and subsequent budgetary reviews.

Revenue Reserves

- 3.51 The general reserve continues to be held at 2% of the Budget requirement (including the Schools Budget), in line with recommended best practice.
- 3.52 Appendix 5 provides the latest position on corporate revenue reserves, showing the balance at 31 March 2009 and the approved commitments against them.
- 3.53 In addition, to corporate reserves held as a contingency for known budget and financial risks the following reserves are held to support new ways of working as follows ...
- A transformation reserve to fund any potential one-off costs associated with the Transformation agenda including employee reviews costs, which cannot pay back as savings have already been taken within the revenue budget.
 - A Modernisation fund to provide funding to implement service improvements and alternative service delivery initiatives on a repayable basis. There is currently a pump priming fund to support similar projects but on a small scale. It is proposed to delete this reserve and transfer the balance into the Modernisation fund as part of the rationalisation of reserves and development of a corporate reserves policy.
 - Cabinet approval is sought to transfer £2m from the Treasury management reserve to create an Accommodation Strategy/New Ways of Working reserve, to provide additional funding that can support both the capital programme and associated revenue costs that may arise. A review has been carried out on the potential budget risks for the Treasury Management budget that could arise from the potential for needing to borrow additional sums up to our borrowing limit or major fluctuation in interest rates and it is proposed that a reserve of £1m should be retained.
- 3.54 There are a number of service revenue reserves held for defined use to support one-off spending. Appendix 6 provides details of service revenue reserves showing the balance at 31 March 2009 and the purpose for holding the reserve and proposed use for approval.
- 3.55 The revised budget position does not include the use of corporate reserves to support the revenue budget. Apart from the grounds maintenance commutation reserve, service reserves do not support the annual revenue budget.

Indicative Corporate Capital Programme

- 3.56 Council on 2 March 2009 approved the indicative capital programme for 2010/11 and 2011/12. The latest indicative programme including any impact of slippage is attached at Appendix 7.
- 3.57 An exercise is underway to review the capital receipts position regarding anticipated receipts built into the indicative programme. A review is also required to ascertain the likelihood of success in securing a variety of multiple external funding sources anticipated to support and supplement the indicative programme, particularly around Public Realm schemes.
- 3.58 It is anticipated that the above reviews will result in a lower level of resources available to the corporate capital programme. To partly offset this, it is proposed that £1.203m LABGI uncommitted and £0.545m Housing and Planning Delivery Grant uncommitted will be treated as resources for the corporate capital programme.
- 3.59 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.

Corporate Capital programme priorities

- 3.60 An update is provided below of significant projects within the indicative programme and emerging pressures.
- **Accommodation Strategy and New Ways of Working** - bids were expected back from three bidders at the end of August 2009 with a view to selecting the preferred bidder and actual accommodation scheme by Spring 2010. Until then any amendments to the amount set-aside in the current indicative capital programme are not known.
 - **Public Realm** – all outline projects not yet commenced within the Public Realm programme will be considered each on its merits as part of the overall capital programme re-evaluation alongside other capital investment priorities. The likelihood of securing external funding to support schemes will need to be reviewed.
 - **Waste Project** - Derby City Council and Derbyshire County Council are jointly procuring a long term contract for the disposal of waste, which will include the construction of a waste disposal plant. The Councils are currently in dialogue with a preferred bidder, and are expecting financial close in the next few weeks. The Cabinet approved on 28 October 2008 to invest up to £25m in the Special Purpose Vehicle, set up to deliver Waste Disposal Services through the joint procurement with the County Council.

The £25m capital contribution will be funded via prudential borrowing and go towards the capital cost of the Waste Disposal plant, post construction in 2012, hence reducing the unitary charge to the Council, as Public Works Loan Board borrowing is expected to be cheaper than commercial banks. Derbyshire County Council will also be making a £25m capital contribution to the capital cost of the Waste Disposal plant. The cost will be contained within the Waste contingency budget.

The waste project is expected to move to financial close with our preferred bidder in early September 2009 which will be subject to a separate Cabinet Report on 29 September 2009.

- **Building Schools for the Future** - In line with the Building Schools for the Future - BSF - procurement process, the Council is currently in competitive dialogue with three potential bidders to choose one preferred partner, to deliver a programme of refurbishment or rebuild, and provide an ICT managed service to all secondary schools within the Council, estimated to cost approximately of £232.6m. Within the BSF programme, 3 schools are planned to be rebuilt by the preferred partner using Private Finance - Lees Brook, Noel Baker and St Martins, at a total cost of £60.7m. The preferred bidder will be seeking to access capital funding for building these three new PFI schools from commercial financial institutions, and pass on the resultant funding costs to the Council via the unitary charge. However, using prudential borrowing powers, it will be financially prudent for the Council to make a capital contribution to the capital cost of the PFI schools (up to a maximum of 20% of the total borrowing). This would reduce the financing costs of the PFI scheme, as borrowing from the PWLB is expected to be cheaper than borrowing from commercial banks, and therefore reduce the unitary charge from the contractor to the Council. This approach has been agreed by Partnership for Schools and HM Treasury with another authority going through the BSF procurement process (Barnsley Council).

It is proposed that a capital contribution of approximately £14.4m be made to the BSF scheme (approximately 20% of the total borrowing of the PFI schools), after completion of the PFI schools in Sept 2012, thereby reducing the unitary charge paid by the Council to the contractor, subject to Council approval.

- **Climate Change issues** - We need to ensure that new buildings, extensions and major refurbishment projects contribute to the aim of reducing carbon emissions with an incremental move towards the Government's ambition for all new public buildings to be zero carbon by 2018. The ultimate target should be compliance with the Building Research Establishment Environmental Assessment Method - BREEAM - excellent rating. Few studies exist into the additional cost of achieving BREEAM excellent, over and above that required to meet building regulation requirements, but one such study suggests this to be between 10-12% of the capital costs. Whole life cost, rather than just initial capital cost, also needs to be considered.

Taking into account the capacity and cost of moving towards these standards, it is proposed that for the next three years capital programme planning for all corporate and department new build and refurbishment projects, the requirement is to achieve a minimum of energy performance rating B and we work towards rating A by 2012. Proposals for capital projects should give details of the carbon impact. Whilst recognising that in the early stages of a project this can only be in general terms, this should be developed as the scheme progresses to give an accurate expectation of the buildings performance. This should be reported on the scheme commencement report. In addition to additional costs, adequate time will need to be allowed in the building programme to accommodate the necessary research.

Whilst some work with a short payback has been done primarily through Salix funding, a detailed programme of improvements to existing buildings has yet to be developed. Salix is a non profit making company set up by the Carbon Trust. The Salix funding of £100,000 together with a £100,000 Council matched funding created a £200,000 reserve to invest in schemes meeting the funding criteria on a repayable basis to provide an on-going £200k funding pot. A wider programme has been delayed pending the outcome of the service reviews of significant parts of the portfolio including administrative accommodation, leisure centres, and residential homes, in addition to Building Schools for the Future and the Primary Capital Programme. The following generic programme can be implemented in addition to building specific issues:

- improved insulation
- upgrade all non-condensing gas boilers
- window replacement/upgrade programme
- install heat recovery wherever practicable.
- upgrade lighting to high frequency or LED where appropriate
- improve building controls and zoning
- install voltage optimisers wherever there is a reasonable likelihood of consumption reduction.

It is proposed that £400k currently in the capital programme for Automatic Reading Meters that is no longer required be ringfenced for climate change initiatives, subject to securing annual revenue budget provision to buy in meter reading data instead. In addition, consideration will be given during the re-evaluation of the capital programme priorities to setting aside a further sum from the corporate capital programme to enhance the energy efficiency of new buildings and improve that of existing buildings together with providing financing for schemes which do not pay back to cover unsupported borrowing costs but are viable initiatives.

- 3.61 **Local Investment Plan.** The Homes and Communities Agency - HCA - is developing a new Single Conversation process. This process is intended to lead to the development of a Local Investment Plan which will set out the regeneration priorities not only for the City Council but also Amber Valley and South Derbyshire district councils who together make up the designated Housing Market Area for the purposes of the Single Conversation. It is likely that the development of a Local Investment Plan will take up to 18 months to complete. Even then, the HCA have said that they can give no guarantees that they will be able to fully fund the priorities that such a plan may set out. This needs to be taken into account in consideration of the Council's aspirations and investment plans for the development of key areas including Osmaston, Castleward and Rosehill, as it could impact on the likelihood of the availability of external funding.
- 3.62 **Other issues.** There are a number of other potential capital investment priorities which also need consideration for re-evaluation together with the existing indicative corporate capital programme for corporate funding during 2010/11 and 2011/12. These include ...
- The development of district centres.
 - A new library at Littleover.
 - Friargate studios further improvements to try and increase tenancy rates.
 - High level of building maintenance backlog.
 - Specific, large maintenance projects including:
 - Market Hall - major roof repairs
 - Repairs and refurbishment of leisure facilities, including Moorways Sports Centre track, depending on review outcome
 - Queens leisure Centre - urgent roof repairs
 - Central Library and Museum - major repairs and refurbishment
 - Multi-storey car parks - structural repairs
 - Schools' Vic Hallam buildings.
 - Older People and Dementia Care Strategies - a review of the in house provision for older people and those with dementia care.
 - Disabled facilities grant.
 - Depot rationalisation- it is assumed at this stage that any proposal will be self-financing.
 - BSF opportunity for the development of wider community asset use with Council investment.
 - Highways and footways – funding is now in place to address the backlog so there should be no additional capital investment pressure.
- 3.63 Another longstanding issue which the Capital Strategy recommends we try to address is the need to set aside adequate annual provision for a “sinking fund” for repairs and maintenance for new buildings or where buildings are rebuilt or refurbished. The sinking fund would build up in the early years of a new or refurbished building's life and would then be available for use when it is showing more sign of wear and tear. This could be funded from savings where these arise from a capital project business case, or otherwise would have to be built into corporate or departmental budget proposals.

Evaluation of the capital programme priorities

- 3.64 A set of criteria will be developed. The evaluation process will include consideration of the following:
- impact of structural and service reviews. The outcome of a number of reviews which need to be known before decisions can be taken on future investment plans are due back in the Autumn
 - identification of other dependencies and links between potential schemes such as the Accommodation strategy, Full Street plans, any district heating scheme options
 - VAT partial exemption implications, where relevant to schemes, which may result in a financial implication
 - early identification/estimation of the carbon impact.

Departmental Capital Programmes

- 3.65 The funded service capital programme for 2010/11 to 2012/13 will be developed consistent with the principles previously agreed in the 2009/10 to 2011/12 capital strategy and indicative capital programme. 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. 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.
 - Earmarked proceeds of section 106, subject to the review mentioned at paragraph 3.59.
 - Other external resources and grants 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, subject to review of risk of receipt availability.
 - Contributions to service capital from within service revenue budget, either directly or to finance prudential borrowing, 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, re-shape service delivery to address service and budget pressures or support the Transformation programme.
- 3.66 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.
- 3.67 The energy performance rating standards set out in paragraph 3.60 will apply to the funded service programmes also. The cost of this will need to be built into scheme budgets.

The budget and corporate planning process – key actions

- 3.68 At this stage Departments should plan and prepare detailed budgets for 2010/11 to 2012/13 on the basis that their cashlimits will only be increased for inflation and other changes included in the revised budget position at Table 2 above. Draft indicative individual cashlimits for each Department will be provided to Chief Officers on this basis. A set of standard inflation uplift percentages will be issued for detailed budget planning for 2010/11 to 2012/13 in line with the revised percentage uplifts at paragraph 3.17.
- 3.69 The scale of savings required to be identified for implementation from 2010/11 onwards to deliver a balanced budget will need to be confirmed as the budget process progresses and capital programme priorities and potential savings from DECATS are agreed. At this stage it is estimated that the budget process needs to ensure that £7m of new savings proposals by 2011/12 with at least a further £1m in 2012/13 are developed and included in our balanced budget proposals to members for consideration and approval by Council on 1 March 2010.
- 3.70 When we get to this stage in the budget process, savings targets will be allocated to departments as relevant, departmental cashlimits will be reduced accordingly and detailed budgets adjusted to reflect the proposals. Any cross-cutting savings targets that cannot yet be apportioned to department's budgets will be held as Transforming Derby savings targets in the original approved budgets.
- 3.71 Departments, 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.
- 3.72 In relation to the development of the capital programme, the Cabinet/COG workshop planned for the 7 October 2009 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 27 October 2009 Cabinet to update Members on the resources position and scheme priority evaluation outcome. This may require an update to the 2010/11 to 2012/13 capital strategy to be considered at the Full Council on 18 November 2009.
- 3.73 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 16 February 2010 for recommendation to Council on 1 March 2010 to approve, together with the 2010/11 Council Tax
- 3.74 A review of external funding streams supporting the revenue budget will be undertaken and considered as part of the budget process as outlined in paragraph 3.10 above. Departments 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 and 2013 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.

3.75 Departments 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.

Budget and Corporate Planning timetable

3.76 An integrated corporate and financial planning timetable to deliver a balanced and affordable three year revenue budget strategy and capital programme, in line with the Corporate Plan and Council priorities, is attached at Appendix 8.

Budget Consultation and Scrutiny

3.77 A series of Chief Officer and Cabinet Member “Star Chamber” portfolio meetings will take place in the Autumn to develop and scrutinise the budget proposals and 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.

3.78 The budget proposals will be considered by the Scrutiny Commissions before Council Cabinet makes the budget and council tax recommendations to Council on 16 February 2010. A review of the content, format and timing of budget information provided to the Scrutiny Commissions is underway as part of the Scrutiny Management Commissions budget process review, to improve the information provided to facilitate more effective budget scrutiny. The Scrutiny Management Commission recommendations will be reported to the 27 October Council Cabinet.

3.79 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 16 February 2010. Specific plans are currently being developed.

For more information contact: Carolyn.Wright 01332 256288 e-mail carolyn.wright@derby.gov.uk

Background papers: None

List of appendices:

Appendix 1 – Implications
Appendix 2 – SCS Ambitions
Appendix 3 - savings report template
Appendix 4 – Transforming Derby projects
Appendix 5 – Corporate Revenue Reserves
Appendix 6 – Service Revenue Reserves
Appendix 7 – Indicative Capital Programme
Appendix 8 – Corporate and budget planning process timetable 2010/11

| |
|---------------------|
| IMPLICATIONS |
|---------------------|

Financial

- 1.1 As detailed in the report

Legal

- 2.1 The Council is required to set balanced revenue and capital budgets for 2010/11 by March 2010. 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.

Sustainable Community Strategy 2009-11

| Ambition | Early priorities for action |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| City that builds a brighter future for children and young people who enjoy a healthy, safe and happy childhood, with the opportunity to achieve their full potential | Supporting Derby's parents and carers to be positive, caring and responsible, to enable children and young people to meet the five outcomes identified by government. |
| | Safety, belonging and being valued in the community ensuring all children and young people are listened to and can participate in decision making in their local communities. |
| | Building ambition, aspiration and achievement – supporting children and young people to develop and maintain positive relationships and have access to new opportunities. |
| | Physical, emotional wellbeing and safe choices –children, young people and their families will be supported to understand risk and how to make safe choices. |
| City of Growth , opportunity and innovation, a thriving and attractive city for all, with an environment that we will sustain and protect for future generations. | Sustaining Derby's status as the UK's number one high-tech city through its portfolio of higher value, knowledge based employment |
| | Energising all of Derby's communities, capturing their full potential and retaining and growing a wide range of employment opportunities for all. |
| | Ensuring Derby is the location of choice for the most talented, attracting and retaining creative, imaginative and forward thinking people and businesses. |
| | Responding to the opportunities and challenges of climate change and transforming Derby's physical assets to the benefit of Derby, its communities and the planet. . |
| City for Stronger, Safer and Cleaner Communities where everyone feels safe and confident in their daily lives. | Developing stronger and more cohesive communities where local people are able to influence decisions and become active citizens. |
| | Developing safer communities with reduced crime, anti-social behaviour and harm caused by the misuse of drugs and alcohol. |
| | Developing cleaner communities with cleaner streets and well managed public open spaces. |
| Significant Cultural City that inspires, engages and celebrates diversity. | Improving the range and quality of Derby's cultural and learning opportunities and facilities. |
| | Celebrating diversity and ensuring everyone has the opportunity to take part in cultural and learning activities. |
| | Contributing to regeneration and prosperity and ensuring the importance of culture in the economy of the city is better understood. |
| Healthy City where people enjoy long, healthy and independent lives | Improving health and reducing differences in health between neighbourhoods and communities. |
| | Improving the standard of health and social care services in Derby. |
| | Improving the health of our residents, especially vulnerable adults by providing decent, affordable and sustainable housing. |

Budget Review – Summary Progress Report

Progress, timing and estimated implications of savings options being developed will be tracked during the budget process using this Savings Proposals Report

| | | | | | |
|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------|-----------------|-----------------|
| Ref No: | COG XXX / CAB XXX | | | | |
| Review Title: | | | | | |
| Department: | | Resp. Officer: | | | |
| Cabinet Portfolio: | | | | | |
| Review Type: | Service Reduction / Cost Reduction / Income Generation | | | | |
| Background | (Provide any background information relevant to the review and why it is happening) | | | | |
| Review objectives: | (What is the review trying to achieve? Include details of any service benefits apart from financial benefits which should be included under financial implications below) | | | | |
| Outline Business Case: | | | | | |
| Options: | (Brief description of the different options considered for the review) | | | | |
| Benefits expected: (To be updated at each review period covered by the highlight report) | | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 | 2012/13 £000 |
| | Existing targets | | | | |
| | New Targets | | | | |
| | One-off Implementation Costs | | | | |
| Risks: | (Summary of the key risks / constraints of the review) | | | | |
| Timescales | (Include key dates for the review including highlight reporting and final recommendations) | | | | |

Budget Review Highlight Report

| | | |
|-------------------------------------------------------------------------|--|---------------------------------------------------------------|
| Review title and lead officer: | | |
| Period covered: | | |
| Progress made since last reporting period: | | |
| Key findings since last reporting period: | | |
| Issues blocking progress: | | |
| Planned activities to be completed in the next reporting period: | | |
| Expected review end date: | | Reasons for changes to review end date (if applicable) |
| | | |

Transforming Derby Budget Savings for 2010/11 Target £884k

| Project | Estimated Savings in 2010/11 | Comments | Lead |
|---------------------------------------------|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Printer rationalisation | 50,000 | Will require budgets to be reduced in every Business Unit moving from desktop printing to MFDs | NWW Project Team |
| Accommodation – Heritage Gate | 33,000 (£100,000 full year savings) | Savings from moving files to offsite storage and releasing one floor at Celtic House at end of lease. (Nov 2010) | NWW Project Team |
| Stationery | 100,000 | A reduction in the range of stationery available. Will require a reduction in budgets across the Council. | NWW Project Team |
| Procurement of external design and printing | 50,000 (est. could be a lot more) | Savings yet to be quantified. Achieved by using more in-house design and printing services. | Yvonne Wilkinson |
| Mail room re-organisation | 20,000 (est. 0.5 FTE) | Minimal savings to be achieved – probably only through natural wastage. | Mick Styne |
| Use of external venues | 20,000 (est. based on some preliminary work) | Negotiation of corporate rates for hiring external venues. Based on 10% saving on current spend. | Change Management Team / Corporate Procurement Team |
| HR Review – Advertising | 80,000 | Dependent on the outcome of the ESC implementation. | Rod Wood |
| Mobile Phone Contract Review | 90,000 | Review of mobile phone contracts across the Council. | John Cornall |
| Estimated savings | £443,000 | | |
| Shortfall | £441,000 | | |

Corporate Revenue Earmarked Reserves

| | Adjusted Balance 31/03/2009* £m |
|---------------------------------------------------|----------------------------------------------------|
| General Reserve | 6.486 |
| Held for defined purpose: | |
| Transformation Reserve | 2.243 |
| Highways Backlog | 0.500 |
| Repair and Maintenance Backlog | 0.500 |
| Waste Strategy | 0.361 |
| Accommodation/NWW* | 2.000 |
| Older People's Strategy | 1.470 |
| Treasury Management | 1.632 |
| Trading Services Reserve | 1.000 |
| Single Status Corporate Reserve | 4.068 |
| Corporate Modernisation Fund | 1.876 |
| Climate Change Board | 0.183 |
| Car Park Income Reserve | 0.750 |
| Insurance Reserve | 1.278 |
| Springwood Leisure Centre | 0.160 |
| Supporting People | 3.022 |
| Benefits Payments/Subsidy Reserve | 0.400 |
| Derby Live Reserve | 0.836 |
| Building Schools for the Future | 1.141 |
| Local Authority Business Growth Incentive | 1.941 |
| Total | 25.361 |
| Uncommitted Corporate Budget Risk Reserve* | 3.319 |
| Total Reserves | 35.166 |

* Adjusted for proposed changes contained in this report

Service Revenue Earmarked Reserves at 31 March 2009

| Dept Key | Balance 31 March 2008 £000 | Reserve | Balance 31 March 2009 £000 | Purpose of Reserve |
|----------|----------------------------------------|-----------------------------------------------------------------|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | RESERVES EARMARKED FOR PRIVATE FINANCE INITIATIVES | | |
| R | 684 | Housing PFI revenue costs (switch from capital funds) | 685 | Earmarked for development costs |
| R | 341 | Schools PFI revenue costs (switch from capital funds) | 327 | Earmarked for City Council element of annual service charge for Merrill and Lakeside |
| R | 915 | Housing PFI contract reserve | 890 | 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 will exceed the level of grant received in future years, therefore the surplus from early years will fund the deficit in the later years of the project. |
| R | 4,802 | Schools PFI contract reserve | 4,284 | |
| R | 1,585 | Street Lighting PFI reserve | 3,392 | |
| | 8,327 | Total Reserves Earmarked for Private Finance Initiatives | 9,578 | |
| | | RESERVES EARMARKED FOR PARTNERSHIPS | | |
| R&C | 276 | Derby City Partnership | 472 | Ringfenced to DCP £276k and for use to cover the shortfall in external funding grants due to be received in 09-10. Also to include £195k ABG Underspend from 08-09. |
| R&C | 49 | Community Safety Partnership | 40 | Ringfenced to CSP £49k to be reduced by £9k in 2008/09 for net balance against overall budget on 2008-09 recoverable in 2009/10. |
| | 75 | Neighbourhood Boards (Formerly Area Panels) | 170 | Ring fenced carry fwd of £51616 relating to former Area Panel budget (now part of Neighbourhood Boards budgets) and Neighbourhood Board carry fwd from 2008/09. Balance of £23116 relating to previous spend against services to be transferred to General Fund Reserve. £95k underspend from 08-09 agreed Cabinet 07/07/09 to include |

| Dept Key | Balance 31 March 2008 | Reserve | Balance 31 March 2009 | Purpose of Reserve |
|-----------|--------------------------------|---------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| R&C | 284 | Area and Neighbourhood | 211 | Ringfenced to Area Neighbourhood Working. |
| CYP | 619 | LAA Underspends | 0 | Reserve used in 2008-09 |
| | 1,303 | Total Reserves Earmarked for Partnership | 893 | |
| | | SERVICE RESERVES FOR SPECIFIC USE - PREVIOUSLY APPROVED BY CABINET | | |
| CAS-ASS | 459 | Learning Disabilities Development fund | 460 | Funding received from the PCT for defined developments. Funding transferring to Area-Based Grant. A detailed expenditure plan is in place for this funding. |
| CAS-ASS | 180 | Adult Social Services - Section 117 Reserve | 420 | Reserve required to fund cases which were not included by the Mental Health Service when initial work identify affected service users was undertaken. |
| CAS-ASS | 73 | Learning Disabilities Modernisation Reserve | | Reserve to pay compensation to staff for loss of meals provision owing to modernisation of Learning Disability Day Services. |
| CAS-ASS | 40 | Adult Social Services - It Infrastructure Reserve | | Upgrade of IT Infrastructure to support independent sector provider in Learning Disabilities. |
| CAS-Other | 16 | Maintenance fund - Bedford St | 25 | 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 |
| CAS-Other | 176 | Condition surveys | 176 | Specific budget for programme of surveys |
| CAS-Other | 17 | Estates Rent Deposits Contingency | 3 | Set up to hold Estates deposits whilst clarifying position on provision |
| CYP | 84 | Schools staffing pooled premium | 45 | From school budgets contributions - ringfenced schools monies to cover staff absences |
| CYP | 76 | Area Child Protection Committee (ACPC) | 65 | Ring-fenced funding now supporting Local Children's Safeguarding Board - successor to ACPC |
| CYP | 152 | CAMHS (Child and Adolescent Mental Health Services) holding account | 187 | Balance of ring-fenced funding |
| CYP | 33 | LSC Leaving Care holding account | 27 | Ring-fenced funding supporting leaving care service |
| CYP | 359 | Individual School Budgets general provision | 340 | To earmark for Building Schools for the Future - schools contribution |
| CYP | 9 | GM Schools Reserve | 9 | Schools Rates Reserve to cover increases in rates over and above amounts delegated to individual schools |
| CYP | 63 | School Improvement | 0 | Transferred to BSF |
| CYP | 458 | Insurance Reserve-Schools Property and Fire | 785 | Reserve for insurance - schools property and fire |
| ES | 364 | Commuted sums grounds maintenance | 367 | Annual call on reserve to cover additional grounds maintenance costs of new public open spaces, as built into the approved revenue budget |

| Dept Key | Balance 31 March 2008 | Reserve | Balance 31 March 2009 | Purpose of Reserve |
|----------|--------------------------------|------------------------------------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ES | 460 | Arboretum Park HLF reserve | 318 | Planned use up to 2014 to part cover additional revenue costs of refurbished park - as built into the approved budget. |
| ES | 57 | Hackney Carriage Licensing Reserve | 82 | 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 |
| ES | 746 | Environmental Services Unsupported Borrowing costs reserve | 823 | To smooth impact in Trading Accounts of capital assets funded from self-financing unsupported borrowing |
| ES | 65 | Derby college synthetic pitch | 65 | Hold towards future pitch replacement as per agreement with Derby College |
| R | 23 | Derbyshire e-Government Partnership | 23 | Ringfenced Partnership funds held for e-Government developments |
| R | 52 | HCI employee contribution to unsupported borrowing | 13 | Arisen from timing difference between contributions and costs |
| R | 40 | Risk Management Reserve | 40 | To pump prime developments/Corporate governance |
| R | 55 | Financial Systems Developments | 20 | Funding for Financial Systems development |
| R | 287 | HR/Payroll Replacement Project | 236 | Funding for HR systems development |
| R | 80 | Transforming Derby | 41 | Funding for delivery of efficiency projects |
| R | 14 | Building on Excellence programme | 0 | Approved schemes commitments used |
| R | 8 | Strategic Planning Reserve | 17 | To hold budget Payment (Best Value satisfaction survey) |
| R | 14 | E Derby | 14 | Money to be used for Placement in Change Management Team |
| R | 37 | Oracle Financial System | 37 | Funding for Financial Systems development |
| R | 594 | Insurance Savings Reserve | 34 | |
| R | 112 | Planning and Tech (R & C General) Revenue EM Fund | 103 | R&C Service Reserve currently incorporating monies for Historic Building Grants, Library building work, Assembly Rooms PA system & Eco Fest |
| R&C | 34 | Museums purchasing funds | 44 | Donations for specific for general Museum service improvements |
| R&C | 94 | Westfield reserve | 94 | To fund staff time on work associated with the Development - Approved Traffic Posts 2010-11 |
| R&C | 49 | Building control trading account | 0 | Ring fenced pursuant to the Building (Local Authority Charges) Regulations 1998 to offset any future trading account deficit. Used to cover trading deficit in 2008/09. |
| R&C | 31 | Library management system | 26 | to fund previously approved installation costs of libraries management system |
| R&C | 230 | County structure plan reserve | 230 | Committed against the Local Development Framework |
| R&C | 160 | Incubator centre contingency reserve | 62 | Required to offset external funding reduction |
| R&C | 3 | Revenue support bus service | 3 | Reserve no longer required for original purpose - Transfer to corporate unallocated reserve |
| R&C | 658 | Development Control action plan | 735 | Approved DC action plan costs- Still required for original purpose |
| R&C | 452 | Concessionary Fares | 0 | Reserve used in 2008/09 to meet additional costs from operators |

| Dept Key | Balance 31 March 2008 | Reserve | Balance 31 March 2009 | Purpose of Reserve |
|----------|--------------------------------|------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| R&C | 120 | Emergency Planning | 120 | Reserve held for Emergency Planning initiatives including Flood Risk Assessments |
| | 7,034 | Total reserves for specific service use | 6,089 | |
| | | DEPARTMENTAL PREVIOUS CARRY FORWARD RESERVES BALANCES | | |
| | | Resources department including corporate ICT and systems developments | | |
| R | 39 | Department commitments previously approved | 10 | Sigoma subs |
| R | 245 | Corporate ICT | 81 | Corporate ICT Infrastructure |
| R | 11 | ICT approved voluntary early retirement costs | 0 | Early retirement costs |
| R | 14 | Corporate financial systems, customer services and ICT developments | 14 | Upgrade SQL operating system |
| CAS | 40 | e-Recruitment project | 40 | e-Recruitment project |
| CAS | 25 | HR Added Years Contribution | 25 | HR Added Years Contribution |
| | | Corporate Adult Services department - non Adult Social Services | | |
| CAS | 70 | Future budget risks | 70 | Future budget risks |
| CAS | 48 | Markets Voids | 48 | Markets voids |
| | | Environmental Services Department | | |
| ES | 136 | Comm Parks Revenue Earmarked Fund | 86 | £41k allocated to retentions on Arboretum Park capital scheme. The remaining £45k is requested to be changed from a reserve for job evaluation costs for Trading Accounts to a reserve for sundry repairs to Stores Road and London Road depots required in 2009/10 |
| | | Regeneration and Community Department | | |
| R&C | 3 | Historic grants commitments in 2008/9 | 0 | |
| | 631 | Total Departmental Carry Forward Reserves | 374 | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| Dept Key | Balance 31 March 2008 | Reserve | Balance 31 March 2009 | Purpose of Reserve |
|----------|--------------------------------|------------------------------------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------|
| | | New reserves from 2008/9 closure of accounts | | |
| R & C | 0 | Highways Reserve | 50 | New reserve to fund potential Highway Maintenance claim for TUPE redundancy costs |
| ES | 0 | Environment Revenue Ear Marked Fund | 534 | Various Environmental Health and Sport & Leisure Grants received in 2008/09 and carried forward to 2009/10 |
| CYP | 0 | BSF - Lakeside | 27 | Building Schools for Future - Lakeside Primary |
| R | 0 | ICT Reserve | 390 | Contract transition cost as previously approved by Cabinet |
| R | 0 | Treasury Management | 30 | Cash flow and investment advice |
| R & C | 0 | Area Based Grant | 20 | Underspend from Area Based Grant - City Growth |
| | | | | |
| | 0 | | 1,051 | |
| | | | | |
| | 17,295 | TOTAL SERVICE REVENUE EARMARKED RESERVES AT 31 MARCH 2009 | 17,985 | |

Department Key

| | |
|-----|----------------------------|
| R | Resources |
| CAS | Corporate Adult Services |
| CYP | Children and Young People |
| ES | Environmental Services |
| R&C | Regeneration and Community |
| HSG | Housing |

Indicative Capital programme

Latest Corporate Capital Programme 2009/10 to 2011/12
As at 28 July 2009 Cabinet

| Indicative Programme | Amount 2010/11 | Amount 2011/12 |
|--------------------------------------------------------|-------------------|-------------------|
| HSG - Affordable Hsg | 500,000 | 0 |
| E Services | 643,100 | 0 |
| CASS - Planned Maintenance | 2,825,000 | 825,000 |
| CASS - Accommodation Strategy | 16,000,000 | 20,240,000 |
| CASS - Disposal Officer | 37,000 | 38,000 |
| CASS - Extra Care | 1,000,000 | 580,000 |
| CASS - Dementia | 2,210,000 | 1,710,000 |
| Env - Playground Imp | 115,000 | 275,000 |
| Env - Alvaston Pk Changing Rooms & Notts Racecourse | 38,000 | 0 |
| Env - Crem | 1,125,000 | 550,000 |
| Env - Moorlway Ln | 1,160,000 | 0 |
| Env - Community Centres | 50,000 | 50,000 |
| R&C -Connecting Derby | 2,417,000 | 384,000 |
| R&C - Chad Pk Lib | 960,000 | 138,000 |
| R&C - Silk Mill | 0 | 1,975,000 |
| R&C - Surface Car Pks Resurfacing | 562,000 | 0 |
| PR - Corp Funding | 3,976,864 | 6,265,551 |
| Total | 33,618,964 | 33,030,551 |
| | | |
| FUNDING | | |
| Unsupported Borrowing: | | |
| Core | 9,689,000 | 6,072,000 |
| Public Realm Inc War Memorial | 3,609,807 | 5,940,551 |
| Acc Strategy/CH Refurb | 6,200,000 | 15,754,000 |
| Capital Receipts | 10,847,157 | 4,524,000 |
| Govt Grant - Gwth Points | 1,348,000 | |
| Govt Grnt - LABGI | 998,000 | 90,000 |
| Rev/ServRes | 927,000 | 650,000 |
| TOTAL | 33,618,964 | 33,030,551 |

Budget and Corporate Planning Timetable 2010/11 to 2012/13

| Date and Key Stage | Activity |
|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 September 2009 Council Cabinet | <ul style="list-style-type: none"> Revenue Budget, Capital Budget and Corporate Planning Strategy 2010/11 to 2012/13 |
| 2 September 2009 1.30pm to 3.30pm Cabinet and Chief Officers | <ul style="list-style-type: none"> Budget strategy workshop to consider update on savings options and pressures and capital evaluation criteria |
| 2 September 2009 4pm to 5pm Labour Group Member Briefing | <ul style="list-style-type: none"> Chief Officers and Cllrs Williamson and Dhindsa - to formally consider the budget strategy and corporate plan priorities |
| 4 September 2009 11.30am to 12.30pm Conservative Group Member Briefing | <ul style="list-style-type: none"> Chief Officers and Cllrs Jennings and Holmes - to formally consider the budget strategy and corporate plan priorities |
| 9 September 2009 Council | <ul style="list-style-type: none"> Revenue Budget, Capital Budget and Corporate Planning Strategy 2010/11 to 2012/13 Capital Strategy 2010/11 to 2012/13 |
| During August and September 2009. Develop budget preparation work | <ul style="list-style-type: none"> Detailed budget preparation, scrutiny and consultation guidance issued, subject to outcome of SMC review Develop detailed budget proposals for new savings Performance team and accountants, in conjunction with service managers, develop activity and performance measures to feed into Star Chamber process in October |
| September 2009 DECAT's Project final report | <ul style="list-style-type: none"> to Transforming Derby Strategic Board 18 September 2009 |
| September Efficiency Board | <ul style="list-style-type: none"> Activity/performance measures progress report |
| 22 September 2009 AMG | <ul style="list-style-type: none"> Corporate capital programme re-evaluation |
| 28 September 2009 SMC | <ul style="list-style-type: none"> Report on the review of the budget setting process |
| 7 October 2009 1.30pm to 3.30pm | <ul style="list-style-type: none"> Further budget strategy workshop to consider update and capital prior to Star Chamber budget scrutiny meetings |

| | |
|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| During October and November 2009 Budget Scrutiny Process – Star Chamber meetings | <ul style="list-style-type: none"> • To consider revenue and capital • Star Chamber approach involving Leader, Chief Executive, Director of Resources, Cabinet Members, Chief Officers and Heads of Finance |
| 27 October 2009 Cabinet | <ul style="list-style-type: none"> • Capital programme development update • DECATS • Budget consultation and scrutiny process |
| From November 2009 to January 2010 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 • Draft budget and Council Tax prepared |
| 16 February 2010 Cabinet | Council Cabinet considers 2010/11 Revenue Budget and Council Tax and Indicative Revenue Budget 2011/12 and 2012/13 |
| 1 March 2010 Full Council | Council approves Revenue Budget and Council Tax and Corporate Plan Action Plan |
| April 2010 | Detailed budgets published |