



Cabinet Meeting on the 20th January 2010

Strategic Plan and Medium Term Financial Strategy (MTFS) 2010/11 to 2014/15

Report Summary from Philip Atkins, the Leader of the Council

1. This report is about what we plan to do over the next 5 years and how we plan to finance it. Our plans are set out in the draft Strategic Plan which is currently being considered by scrutiny. In developing the plan Cabinet has set out the following overriding values:

- Customer and Citizen Focus
- Listening and Responding to Local Needs;
- Encouraging Personal Responsibility While Protecting Those Who Need Us;
- Prepared To Be Bold and To Show Leadership;
- Provide Efficiency and Economy Through Innovation.

These will now become central to the way the Council works in the future.

2. In terms of our finances our plans are set out in the Medium Term Financial Strategy. This recognises that we are facing a very difficult time for the economy and for public sector finances. This has made it particularly challenging to set a budget for 2010/11. The budget has yet to be finalised, but at this stage I am confident that because of the work of our Innovation and Efficiency Board we will be able to set a budget:

- that maintains frontline services
- that drives efficiency through innovation, and
- that delivers on our commitment to keep Council Tax low.

3. **Recommendations:** I recommend that Cabinet:

- i. note the progress in producing the draft Strategic Plan and consider the emerging issues arising from the initial feedback.
- ii. note the progress in developing the MTFS including the implications of the Pre Budget Report 2009 and other government announcements.
- iii. consider the action taken by the Innovation and Efficiency Board to bridge the funding gap for 2010/11.
- iv. consider comments from The Assets and Budget Scrutiny Committee.
- v. note the five-year Budget targets for services including the Council Tax implications.

Local Members Interest
N/A

Cabinet – 20 January 2010

Strategic Plan and Medium Term Financial Strategy (MTFS) 2010/11 to 2014/15

Recommendations of the Leader of the Council

1. That Cabinet:
 - a) note the progress in producing the draft Strategic Plan and consider the emerging issues arising from the initial feedback.
 - b) note the progress in developing the MTFS including the implications of the Pre Budget Report 2009 and other government announcements.
 - c) consider the action taken by the Innovation and Efficiency Board to bridge the funding gap for 2010/11.
 - d) consider comments from The Assets and Budget Scrutiny Committee.
 - e) note the five-year Budget targets for services including the Council Tax implications.

Joint Report of the Director of Finance and Director of Communities and Chief Executive's Office

Strategic Plan

2. The draft Strategic Plan entitled “Staffordshire Unites 2010/11 - 2014/15” was circulated to CMT and Cabinet for comment on the 22 December 2009. The draft plan was also considered by the Corporate Review Committee at their meeting on the 11 January 2010. The development of the plan is an iterative process and comments and changes can be put forward up until the 28 January 2010.
3. In developing the Strategic Plan, Cabinet have set out a range of overriding values which are
 - Customer and Citizen Focus
 - Listening and Responding to Local Needs;
 - Encouraging Personal Responsibility While Protecting Those Who Need Us;
 - Prepared To Be Bold and To Show Leadership;
 - Provide Efficiency and Economy Through Innovation.

4. The information within the plan has been pulled together by combining various sources of key information including: draft Directorate Improvement Plans, the budget consultation events, the State of Staffordshire 2009 report, and messages from Cabinet and CMT. The Directorate Improvement Plans have been developed alongside the Strategic Plan, and will be included as technical appendices to the final Strategic Plan
5. Initial feedback so far on the draft plan has been received and emerging issues include:
 - Climate change does not stand out as a cross-cutting priority within the plan, should it be a cross-cutting issue that each Directorate focuses on?
 - Each Directorate section is introduced by Cabinet members, should it include Directors as well?
6. Cabinet may wish to consider how they wish to respond to the initial feedback. The final version of the Strategic Plan will be presented to the meeting of Cabinet on the 3 February for formal endorsement and recommendation to full Council.

Medium Term Financial Strategy Update

7. Underpinning the planning framework is the Council's aim of setting a good and balanced budget:

A **balanced budget** means that:

- Income equals expenditure
- Savings targets and investment proposals are credible
- Key assumptions are "stress tested"

A **good budget** also means that:

- It has a medium term focus, supporting the Strategic Plan/Manifesto
- Resources are invested in priority areas
- It is not just driven by short term fixes to immediate issues
- It demonstrates how we have listened to consultation
- It is transparent and well scrutinised
- It is integrated with the Capital Programme
- It maintains our financial stability

8. The MTFS sets out the resourcing and funding implications of the Strategic Plan and the two documents are developed together. It is now necessary to update the MTFS in the light of further developments and progress made by members and officers regarding spending pressures, investments and savings.

9. The key elements discussed in this report are:

- Pre-Budget Report and Other Government Announcements
- Capital Allocations
- Review of reserves and balances
- Innovation and Efficiency Board – further progress
- Scrutiny comments
- Council Tax Considerations
- Overall Revenue Budget Summary

Pre-Budget Report 2009 and Other Government Announcements

Pre-Budget Report 2009

10. The Pre-Budget Report (PBR), announced by the Chancellor of the Exchequer on 9 December 2009, includes updated forecasts for the economy and projections for the public finances. The key announcements in the report for local government are as follows:

- Additional increase of 0.5% in National Insurance contributions for employee, employer and self employed rates from April 2011, but to increase the thresholds so that individuals who earn under £20,000 will not be affected by this increase. This increase is in addition to that announced in the PBR 2008 – meaning a 1% increase in total.
- Public sector current expenditure will grow by an average of 0.8% in real terms from 2011/12 – 2014/15. In 2011/12 – 2012/13, 95% of NHS front line spending will at least rise by inflation, spending on front line schools to rise by 0.7% and sufficient funding to enable the number of front line police officers to be retained.
- Temporary reduction of VAT to 15% will end on 31 December 2009.
- Additional £550m of savings to be found from local government by 2012/13.
- 1% cap on public sector pay in 2011/12 and 2012/13 allowing for £3.4 billion of savings a year by 2012/13.
- Reforms to public sector pensions to save £1 billion a year from 2012/13. It is expected that this will be delivered by those earning the highest salaries, contributing more towards pensions.

11. Also, of particular importance is a paper that was published by Government recently “Putting the Frontline first: smarter government” which announced the following key points:

- By Budget 2010 the Government will publish specific proposals to reduce ring-fencing for local authorities and publish guidance on aligning and pooling local-level budgets.
- The timing and co-ordination of grant payments from departments to local authorities will be aligned from 2011/12.

- Consideration will be given to single area-based capital funding, 'Total Capital', by Budget 2010.
 - The number of national indicators for local areas will be reduced by April 2010, and further reductions will be made from 2011.
 - By 2010/11 the timings of all assessments, inspections and reporting arrangements which focus on similar outcomes will be coordinated; consideration will also be given to a new cross-government data gateway.
 - The number of inspectorates and their work will be reviewed by Budget 2010, in order to save at least £100m.
12. Other than the announcements regarding pay awards and national insurance contributions the precise impact of the above announcements is not yet clear. Once details are received further adjustment to the MTFS may be required.

Schools Funding Settlement

13. Staffordshire's Dedicated Schools Grant (DSG) will increase by a guaranteed 4.2% per pupil in 2010/11. The Department for Children Schools and Families (DCSF) has undertaken a review of the DSG distribution methodology and is committed to consult on any changes in the spring of 2010 with implementation of a new system from April 2011. The current system was introduced in April 2006 and was based upon what each authority had spent in 2005/06. Each year every authority receives a guaranteed increase in per pupil funding plus an additional amount for ministerial priorities. Ministers think that the current methodology does not reflect the current differences in needs and the cost of providing education. It is likely that the new system is based upon the old formula spending share system and there is a risk that the relative funding for Staffordshire pupils could be worse than at present.

Funding for 14-19 year olds

14. Arrangements for funding the transfer of Learning and Skills Council staff to the Council have been settled for 2010/11. The costs of all posts identified as transferring will be met at the average of the top and bottom of the relevant pay band together with an allocation for IT, premises and other costs. The funding will be paid through a special purpose grant within Area Based Grant and is expected to cover known costs to the County Council in full.

Other Specific Grants

15. As reported in December some changes have been made to the other grant arrangements whereby the "Supporting People" grant is now allocated via Area Based Grant rather than as a specific grant. After allowing for this change the remaining specific grants for 2010/11 are broadly in line with those received in 2009/10.

Concessionary Fares

16. Government intends to move responsibility for administering both the statutory minimum and discretionary concessions (under the powers of the Transport Act 1985) away from lower tier local authorities to upper tier local authorities. It is intended that the change in the administrative arrangements will come into force from 1 April 2011. From April 2011 non metropolitan district councils will no longer receive funding for concessionary travel and instead funding will be directed to the County Council.
17. The consultation by the DCLG, which is planned for July 2010, on the next three year local government finance settlement, will consider the funding implications of the administrative changes.

Transfer of Learning Disability Services

18. Responsibility for the social care of Learning Disability clients is being transferred from Health to Local Authorities. For the County Council this means that around £18m of funding will be transferred from a combination of North Staffordshire and South Staffordshire Primary Care Trusts (PCTs). Initial agreements in principle have been reached regarding the direct costs involved but further work is required to clarify potential funding arrangements for overheads and property assets.
19. In addition there is a possible future risk (from April 2011 onwards) that some of the services will be expected to be modernised and improved. For the groups of clients transferring, experience has shown that moving to a model of independent living as opposed to campuses will increase unit cost.

Personal Care at Home Bill

20. The Government have recently introduced a Bill to make personal care free to people in their own homes with effect from 1 October 2010. The Government are consulting on three options for the associated grant distribution arrangements. The proposals require appropriate scrutiny and the views of the Social Care Scrutiny Committee will be considered at the next meeting of Cabinet on 3 February 2010.

Integration with Primary Care Trust Partners

21. It was agreed at Cabinet in October 2009 to explore the possibility of much closer working relationships with the two Staffordshire Primary Care Trusts (PCTs) including the integration of adult social care services with the PCTs' community services. A further report to Cabinet will be made in March 2010 which, subject to agreement, is intended to set out arrangements to make better use of finite public resources, improve care pathways and deliver better outcomes for users and carers. Benefits and risks to the County Council will be covered in the report although it is not expected that there will be any additional impact on the service budget.

Personalisation

22. Individual Budgets are designed to provide social care users choice and control over their care and support. They are the key part of the future delivery of social care services and thus have are significant future financial implications concerning their introduction. Social Care and Health are developing a Resource Allocation System (RAS) during 2010/11 to calculate individual budgets. It is essential that a pilot model is trialled during the year to ensure that RAS is affordable, financially sustainable and that it is aligned to budgetary resources.

Capital Allocations

23. The majority of the general capital allocations have now been received from the government. Details of the allocations, together with estimates for future years, are attached as Appendix 2 and total around £272m over the plan period.
24. The service allocations (after the top slice arrangements) are supplemented by using additional resources, e.g. earmarked capital receipts, developer contributions etc to enhance the capital investment programme. This results in an overall Capital Programme for the next five years of over £500m (including schools), which represents a significant investment by the County Council.
25. An analysis of the programme across services is attached as Appendix 3. The programme includes agreed allocations for the Tipping Street Project, whilst the revenue budget targets include provision for the implications of the Waste to Resource Project to fund the associated “gate fees” and for any estimated payments to the Local Education Partnership regarding the Building Schools for the Future Programme.

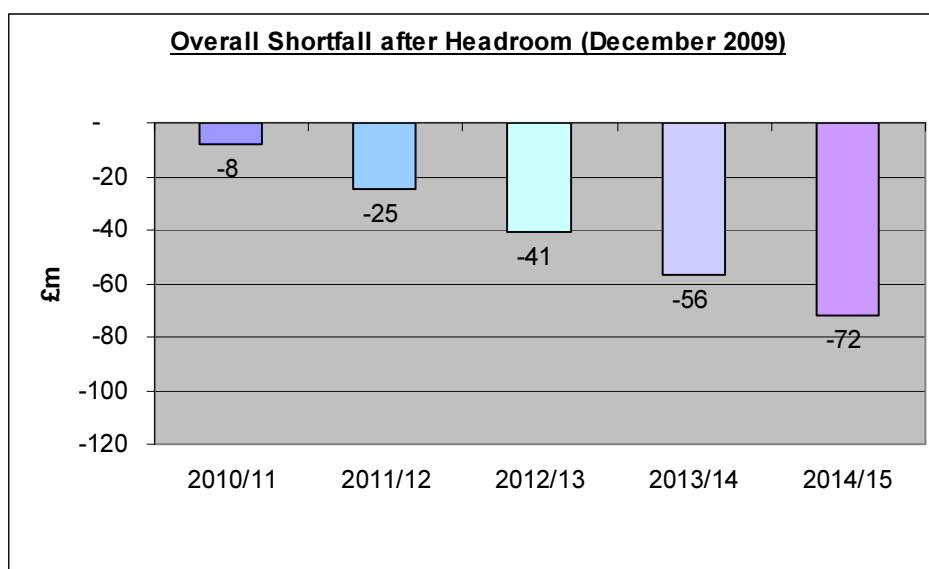
Review of Reserves and Balances

26. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report to the Council on the adequacy of proposed reserves and the robustness of the budget.
27. A risk-based assessment of general balances has been undertaken and is attached as Appendix 4. This assessment suggests that general resources of £17.95m are required to be held to meet unforeseen events. After allowing for the revenue outturn forecast in the current year, general balances are estimated to total around £12m as at 31 March 2010. Over the next few years given the current financial climate it is more important that the Council has sufficient general resources available to meet any unforeseen events or circumstances. Therefore it will be necessary to replenish general balances as part of the overall MTFS considerations.

28. The level of earmarked reserves has also been reviewed and the results of this exercise are attached as Appendix 5. The review has identified that it will be possible to release £3.5m of earmarked reserves. It is proposed that this sum should be transferred to general balances in order to help return them to the suggested levels identified as part of the risk-based assessment.

Innovation and Efficiency Board – Update

29. As reported at the meeting of Cabinet on 16 December 2009 good progress has been made by services in achieving savings targets for 2010/11 albeit further work is required to meet the targets from 2011/12. Of more concern were the identified spending pressures, which exceeded the MTFS planning assumptions. The overall position regarding the MTFS at December was a gap in each year as shown in the following graph:



30. The Innovation and Efficiency Board has challenged the savings, pressures and investment proposals with a view bridging the gap identified above. The Board considered that directorates had performed well in producing savings options which exceeded the target set in 2010/11 of £20m. Consequently the focus of the Board fell to the spending pressures and investment proposals.
31. Since December the Local Government Employers have given a clear steer that they do not expect a pay award to be made for April 2010. This would save the Council £1.8m in 2010/11. Furthermore the Pre-Budget Report 2009 announces a cap on pay of 1% for 2011/12 and 2012/13.
32. Latest forecasts suggest inflation (measured by the Consumer Price Index) will remain at the current low levels for 2010/11 and then rise in future periods. The MTFS currently includes provision for non-pay inflation in 2010/11 at 1%. Given that services have, in the main, identified separately any significant contractual

spending increases above this level then it would be feasible not to allocate any provision for inflation at all for the remain budget areas. This would save the Council £1.5m in 2010/11.

33. In addition to the above, a range of options were considered by the Board for reduced levels of funding. It was recognised that where possible, known funding pressures should be addressed where these fit with the priorities for the Council but that in the current financial climate it will not be possible to meet all requests. After due consideration by the Board, the draft 2010/11 revenue budget includes provision for £19.834m of known spending pressures. In addition, funding is proposed for £1.710m of investments in service delivery improvements.
34. As reported in December services have responded well to the savings target set by the Innovation and Efficiency Board for 2010/11 of £20m. In total over £23.5m of savings have been identified for 2010/11 with some services well on their way to achieving the targets for future years. However, it is important that the good work commenced by the Innovation and Efficiency Board continues in order to address the significant challenges facing the Council over the medium term.
35. It is necessary to replenish general balances as part of the overall MTFS considerations given the level of projected overspending in 2009/10. It is proposed that the MTFS includes a contribution to balances of £2m in 2010/11 to help restore the level of balances. This allocation will result in an estimated level of general balances of £17.5m for 2010/11.

Assets and Budget Scrutiny Committee Comments

36. A good and balanced budget is transparent and well scrutinised. As part of the overall budget setting process the Assets and Budget Scrutiny Committee have a remit to scrutinise the MTFS plans. The committee have met on a number of occasions to interview portfolio holders and directors and to scrutinise the spending pressures, investment and savings proposals considered by Cabinet in December.
37. The committee is to receive and consider their findings at their meeting on 13 January 2010. It is expected that the final report from the Committee will be tabled for consideration at the Cabinet meeting.

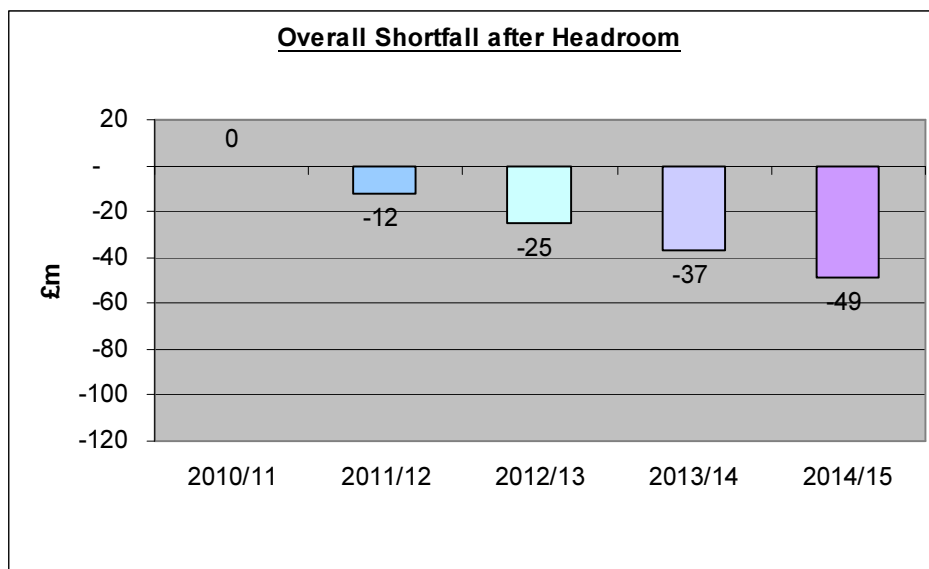
Council Tax

38. As part of the Provisional 2010/11 Local Government Finance Settlement Barbara Follett (Under Secretary of State, Communities and Local Government) re-iterated that the government "...expect the average Band D Council Tax increase to fall to a 16 year low in 2010/11" and that they "...remain prepared to take capping action against excessive increases."

39. The manifesto pledges include a commitment to keep Council Tax low. A large proportion of respondents to the consultation exercises undertaken recently felt that Council Tax should be increased only in-line with inflation.
40. The current MTFS planning assumptions include Council Tax increases of 2% for each of the five years of the MTFS. Initial estimates regarding the Council Tax Base and Collection Fund surplus/deficits have been received from district/borough councils with final figures expected towards the end of January.
41. At this stage although there is a small increase in the Council Tax Base there is an overall deficit position regarding the Collection Fund; mainly arising as a consequence of the current economic situation. The combined impact of these two issues is estimated to be a “cost” to the Council of around £0.5m.

Overall MTFS and Revenue Budget Summary

42. Taking all of the above issues and proposals into account the MTFS position can be summarised in the following graph which shows a balanced position for 2010/11 and a reduced gap for the following years:



43. An analysis of the proposed revenue budget for 2010/11 is attached as Appendix 6.
44. The 5 year targets for the MTFS for the period 2010/11 to 2014/15 are attached as Appendix 7. Services are requested to consider the implication for their services of these targets and identify spending pressure and savings proposals from 2011/12 as part of their medium term planning arrangements.

Risk Assessment and Robustness of Budget

45. Section 25 of the Local Government Act 2003 places a duty on the Chief Finance Officer to report on the robustness of the budget. This involves an assessment of risk. The key risks identified at this stage which need to be managed effectively are:

- Innovation and Efficiency Board Targets not being achieved
- Spending exceeding budgets and/or income falling short
- The impact of the current economic climate
- Increased demand for Council services above estimates
- Changes to the government funding settlement
- Transfer of funding regarding funding for 14-19 year olds, learning disability services, integration with health and concessionary fares
- Implications of free adult personal care at home
- Costs pressures arising from major projects such as Building Schools for the Future or the Waste PFI scheme

Andrew Burns
Director of Finance

Equalities implications:

Equalities implications arising from the issues covered by this report will be incorporated into directorate and service plans.

Legal implications:

At this stage in the development of the MTFs there are no specific legal implications presented by this report.

Resource and Value for money implications:

The Resource and Value for Money implications are set out in the report.

Risk implications:

As outlined in paragraph 45 of the report.

Climate Change implications:

We have considered the impacts on climate change whilst developing the MTFs and have, in line with the Council's key priority concentrated on reducing our carbon footprint in future service delivery plans. As an organisation, over the medium term we are encouraging greater flexible working which aims to reduce emissions even further.

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Appendix 2

Service Actual and Forecast Capital Allocations 2010/11 to 2014/15

	2010/11	2011/12	2012/13	2013/14	2014/15
	£m	£m	£m	£m	£m
<u>Education</u>					
Supported Borrowing	5.081	5.081	5.081	5.081	5.081
Grant	19.601	17,145	0.300	0.300	0.300
Early Years Grant	7.286	0.500	0.500	0.500	0.500
Extended School - Grant	1.728	0.500	-	-	-
Education - Devolved formula capital	5.891	14.572	14.572	14.572	14.572
Education - Devolved - Harnessing Tech Grant	3.349	3.349	3.349	3.349	3.349
Total Education	42.936	41.147	23.802	23.802	23.802
<u>Social Care & Health</u>					
Supported Borrowing	-	-	-	-	-
Grants - Mental Health Allocation	0.243	0.243	0.243	0.243	0.243
Grants - Adults	0.431	0.431	0.431	0.431	0.431
Total Social Care	0.674	0.674	0.674	0.674	0.674
<u>Development Services</u>					
Supported Borrowing	16.267	13.000	13.000	13.000	13.000
Grant	14.732	7.350	7.350	8.100	7.350
Total DSD	30.999	20.350	20.350	21.100	20.350
Total Capital Allocations	74.609	62.171	44.826	45.576	44.826

Appendix 3

Capital Programme – 2010/11 to 2014/15

Service	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Children & Lifelong Learning					
General	46.470	27.972	18.472	18.472	18.472
Children's Services	1.186	0.133	0.133	0.133	0.133
Children & Lifelong Learning Total	47.656	28.105	18.605	18.605	18.605
Development Services					
Highways	51.043	43.135	38.920	33.935	33.205
Economic Development	3.192	0.589	0.800	0.200	0.200
Waste	3.587	2.055	-	-	-
Countryside	1.124	0.150	0.150	0.150	0.150
Property	21.021	10.802	3.614	0.333	0.300
Farms	0.650	0.650	0.650	0.650	0.650
County Fleet Care - Vehicle Programme	2.000	2.000	2.000	2.000	2.000
Development Services Total	82.617	59.381	46.134	37.268	36.505
Social Care & Health					
General	1.000	0.921	0.685	0.685	0.685
Staffordshire Cares	9.573	5.007	1.706	1.316	-
Social Care & Health Total	10.573	5.928	2.391	2.001	0.685
Corporate & Other					
Information & Communication Technology	0.836	2.019	0.848	-	-
Leased Equipment	0.500	0.500	0.500	0.500	0.500
Corporate & Other Total	1.336	2.519	1.348	0.500	0.500
Asset Renewal - Buildings	1.000	1.000	1.000	1.000	1.000
Total	143.182	96.933	69.478	59.374	57.295
Schools Devolved Capital	5.891	14.572	14.572	14.572	14.572
ICT Harnessing Technology	3.449	3.449	3.449	3.449	3.449
GRAND TOTAL	152.522	114.954	87.499	77.395	75.316

The programme includes agreed allocations for the Tipping Street Project, whilst the revenue budget targets include provision for the implications of the Waste to Resource Project to fund the associated "gate fees" and for any estimated payments to the Local Education Partnership regarding the Building Schools for the Future Programme.

Risk Based Review of General Balances

CIPFA guidance indicates that a well-managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves and that chief financial officers should take account of the strategic, operational and financial risks facing the authority.

A risk assessment has been undertaken to identify the key financial risks for next year which can be used as a basis for determining the minimum level of general balances for the County Council. Details of this assessment are provided below. Whilst not a complete list of all the financial risks faced by the Council, the assessment focuses on those most likely (High and Medium risks) to have a significant impact on the budget for next year.

2010/11 Provision £m	Area of Expenditure	Level of Risk *	Explanation of risk/justification of balances
Treatment of inflation and interest rates			
5.000	Inflation	Low	General uplift to budgets is intended to provide an underlying increase approximately in line with inflation. In the light of this there is a low risk of significant expenditure pressures occurring as a result of inflation. However, there will be some risk of further increases in energy costs.
1.000	Treasury Management	Low	1% point increase in interest rate on borrowing against capital programme
0.850	Investments	High	0.5% point drop in interest on balances will reduce the income by £0.850m. This is with the Council assuming 1% interest for 2010/11 on revenue balances.

2010/11 Provision £m	Area of Expenditure	Level of Risk *	Explanation of risk/justification of balances
Estimates of the level and timing of capital receipts			
0	Capital Receipts	Medium	In the event that the estimated level of receipts is not achieved because of unforeseen circumstances, the impact on the revenue budget for 2008/09 should be minimal, as the shortfall would be dealt with by either adjusting the capital programme or by additional short term prudential borrowing, if judged affordable.
The treatment of demand led pressures			
3.500	Adults Social Care	High	Increasing demand for services
1.000	Looked after Children	High	Continual risk that demand pressures from a potential increase in the number and cost of out of county residential care placements will exceed budget provision
0.500	Other areas	Medium	Risks of overspend in other budget areas
0.200	Waste Management	Low	Risk of underestimation of tonnages for disposal – impact of 1%
2.100	Income Reduction in Income	High	Revenue budget supported by government grants with no indication of future grant
1.500	VAT	Low	Risk of exceeding 5% limit for input tax.
The treatment of efficiency savings/productivity gains			
5.000	Non achievement of efficiency savings/'invest to save' costs/ redundancy costs	Medium	Risk of non-achievement of savings and additional unforeseen one off costs to facilitate savings.

2010/11 Provision £m	Area of Expenditure	Level of Risk *	Explanation of risk/justification of balances
The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments			
Nil			
The availability of other funds to deal with major contingencies			
3.000	Change Projects	High	Potential one off costs arising from various change projects being managed by the Council e.g. Staffordshire Cares, Project Pisces
1.000	Disaster recovery	Low	Cost of consequential losses for uninsurable risk incidents such as virus attack on ICT infrastructure
Difficult to quantify 10.000 2.000	Insurance	Low	Risk of: -un-insured Terrorism -gradual pollution liabilities - gap between Aggregate stop and Provision
2.000	Other unforeseen costs/income shortfall	Medium	Risk of income shortfall due to a potential RSG general funding drop. A 1% drop in RSG and NNDR has a net effect of £1.572m.

* Taking account of the robustness of budgeting and monitoring processes, the adequacy of insurance arrangements and any relevant earmarked reserves, the level of the Contingency and other risk mitigating actions.

Level of Balances – Summary

Level of Risk	£m
Total of High and Medium Risks	17.950

Analysis of Earmarked Reserves/Provisions

Reserve	Reason for Reserve	Forecast balance 31 st March 2010 £'000	Funding available for 2010/11 MTFS £'000	Forecast balance after contributions to 2010/11 £'000
Information Technology	To provide finance to cover advance expenditure for information technology projects this will be repaid over future years. The reserve is currently committed for a range of future IT projects including education projects and the broadband network. The reserve is considered appropriate for its purpose.	15,329	0	15,329
PFI Reserves	These reserves are required to ensure sufficient resources are available to meet the County Council's obligations over the whole life of PFI contracts and to even out the charge to revenue over the period. The balance on the street lighting PFI contract is reviewed at the end of each financial year, and at this stage in the contract, it is considered appropriate to maintain the balance of the reserve at its current level, particularly given the volatility in energy prices.	3,121	0	3,121
Winter Maintenance	To ensure sufficient resources are available to meet the costs of undertaking winter maintenance operations in harsh winters and thereby reduce the potential for a reduction in standards/service levels or an overspending on the budget for general highways maintenance. The reserve was fully utilised during the last financial year in meeting the significant costs of the harsh winter, and it is hoped that underspendings in the current year will help bring the reserve up to a reasonable level.	370	0	370

Reserve	Reason for Reserve	Forecast balance 31st March 2010 £'000	Funding available for 2010/11 MTFS £'000	Forecast balance after contributions to 2010/11 £'000
Landfill Liabilities	To meet any third party pollution claims which may arise at closed landfill sites, operational landfill sites or household recycling centres for the cost of remedial works. The level of the reserve is considered appropriate.	206	0	206
Woodlands	To ensure sufficient resources are available to meet expenditure and future expenditure programmes arising from the management of Shugborough Woodlands in accordance with the National Trust Woodland Plan.	92	0	92
Archives	The reserve forms part of the Joint Archives agreement with Stoke City Council and is used to finance any overspends or emergency work (e.g. maintenance of air conditioning systems) that may arise. The current level of the reserve is considered to be sufficient.	164	0	164
Forest of Mercia	The reserve is for any profit or loss arising in any one year to fund any net deficit on the revenue account during the life of the partnership. The reserve is intended to meet any budget shortfall in the operation of the project, which relies heavily upon external funding.	44	0	44
Section 117 Mental Health Provision	This reserve is to provide for potential restitution claims arising from service users receiving after care under S117 of the Mental Health Act. It is considered appropriate to maintain the provision at its current level.	689	0	689

Reserve	Reason for Reserve	Forecast balance 31st March 2010 £'000	Funding available for 2010/11 MTFS £'000	Forecast balance after contributions to 2010/11 £'000
Redundancy	To provide finance for the one-off capital costs of redundancies and early retirements. The reserve will not be restored to its original level of £1m until 2013/14.	(2,428)	0	(2,428)
Job Evaluation	To ensure that sufficient resources are available to contribute towards the cost of Job Evaluation and Equal Pay Claims. The forecast balance takes into account the current equal pay claims and the approved contributions towards increased salary costs following the implementation of 'Single status'. The contributions to the budget were in order to help minimize the impact on service budgets for the transition to the new post JE salary pay grades. It is currently estimated that £2.5m will be available to support the revenue budget. No allowance has been made in the reserve for costs arising from subsequent phases of JE.	7,825	2,500	5,325
General Insurance Reserve	To meet any liabilities not covered by external insurance arrangements, including potential liabilities which may arise following the demise of MMI. Any surpluses/deficits arising on the reserve are shared between the County Council and Stoke City Council under LGR arrangements. The latest advice suggests that the balance on the reserve is more than sufficient to meet known liabilities	1,934	0	1,934

Reserve	Reason for Reserve	Forecast balance 31st March 2010 £'000	Funding available for 2010/11 MTFS £'000	Forecast balance after contributions to 2010/11 £'000
Material Damage and Motor Vehicles Reserve and Provision	To ensure that sufficient resources are available to meet outstanding liabilities in respect of the self funding element of material damage claims. An internal review has been undertaken regarding the level of the insurance provision. The funds available have been assessed as sufficient to meet known and potential liabilities although some minor adjustments between provisions have been required.	2,496	0	2,496
Insurance self-funding Provision (pre LGR)	To ensure that sufficient resources are available to meet outstanding claims not covered by the County Council's former insurance arrangements for the period 1st May 1992 to 31 March 1997. An internal review of the insurance provision assessed the funds available as sufficient to meet known and potential liabilities, although some minor adjustments between provisions have been required.	209	0	209
Insurance self-funding Provision (post LGR)	To ensure that sufficient resources are available to meet outstanding claims not covered by the County Council's insurance arrangements from 1 April 1997. A review has been undertaken regarding the level of the insurance provisions and the funds available have been assessed as sufficient to meet known and potential liabilities.	8,349	0	8,349

Reserve	Reason for Reserve	Forecast balance 31st March 2010 £'000	Funding available for 2010/11 MTFS £'000	Forecast balance after contributions to 2010/11 £'000
Employers Liability Insurance (Pre 1985 reserve)	To ensure that sufficient resources are available to meet outstanding claims where the policy excess is not covered by the County Council's former insurance arrangements. The current balance, at this stage, is considered to be adequate to meet all outstanding claims. An internal review of the insurance provision assessed the funds available as sufficient to meet known and potential liabilities, although some minor adjustments between provisions have been required.	58	0	58
Schools' Balance of Risks Provision and the Sickness Absence Provision	To ensure sufficient funds are available to meet schools claims. An internal review of the insurance provision assessed the funds available as sufficient to meet known and potential liabilities.	3,643	0	3,643
Overseas	To meet any costs of visits from and to overseas partnerships. E.g. Ivanovo – Sri Lanka.	26	0	26
Conservation and Archaeology	To meet the county's obligation towards the Extensive Urban Survey scheme, which is being run in partnership with English Heritage.	12	0	12

Reserve	Reason for Reserve	Forecast balance 31st March 2010 £'000	Funding available for 2010/11 MTFS £'000	Forecast balance after contributions to 2010/11 £'000
Museums	The reserve has been built up from when the Museum sold some firearms. The revenue this sale created can only be used to fund items that can be included within the Museums collection, therefore this funding is not available to support the revenue budget.	17	0	17
Capital Guidelines and Capital receipts Carry Forward	The reserve contains unused allocations from prior years which the County Council can use to fund its future capital programme. The Capital receipts carry forward contains funding received from the sale of County Council assets. The receipt that this sale generates is then earmarked for a specific project. When the project is commenced the funding is utilised from this reserve. There is currently a deficit on this reserve due to the current economic climate resulting in less advantageous conditions to sell certain properties.	(5,454)	0	(5,454)
Trading Services	The trading services reserves are earmarked sums set aside for trading services activity. The balance mainly represents vehicle replacement programmes managed by County Fleetcare but also includes balances that the trading service will draw down on in years when the service creates a deficit.	3,865	0	3,865

Reserve	Reason for Reserve	Forecast balance 31st March 2010 £'000	Funding available for 2010/11 MTFS £'000	Forecast balance after contributions to 2010/11 £'000
Revenue Carry forward Earmarked Reserves	The reserve is used to carry forward unused revenue funds to meet commitments/obligations in future years. The majority of this balance relates to sums set aside for interest rate fluctuations. The saving that was generated in 2008/09 has been earmarked to smooth over the effects of this reduction in income for future years. While the recession looms the capital financing budget will still require funding from this reserve, however it is anticipated that interest rates will pick up from 2012/13 and therefore the reserve will no longer be required. On the basis of these current assumptions £1m could be contributed back to general balances.	1,793	1,000	793
Vehicle/Plant Renewals	To ensure sufficient resources are available to purchase replacement vehicles, plant & equipment for specific services. This includes purchasing mowers, trailers and bush cutters. This funds completely different types of vehicles to those funded through the County Fleetcare reserve.	379	0	379
GRAND TOTAL		42,739	3,500	39,239

Analysis of DRAFT 2010/11 Revenue Budget

	2009/10 Revised Base £m	2010/11 Pressures £m	2010/11 Investments £m	2010/11 Savings £m	2010/11 Draft Budget £m	2010/11 Initial Target £m	2010/11 Variance to Target £m
Children & Lifelong Learning							
LEA Budget	40.844	1.008		(2.162)	39.690	41.126	(1.436)
Children's Services	57.345	4.057	0.660	(2.344)	59.718	55.422	4.296
Sub Total	98.189	5.065	0.660	(4.506)	99.408	96.548	2.860
Communities							
Integrated Youth Support Service	7.854	0.000		0.000	7.854	7.825	0.029
Cultural Services	12.674	0.383		(0.604)	12.453	11.989	0.464
Chief Executive Office	6.912	0.060		(0.404)	6.568	6.672	(0.104)
Sub Total	27.440	0.443		(1.008)	26.875	26.486	0.389
Social Care & Health							
Adults Services	176.003	10.737		(12.030)	174.710	170.456	4.254
Community Services	7.980	0.326		(0.611)	7.695	7.753	(0.058)
Sub Total	183.983	11.063		(12.641)	182.405	178.209	4.196
Development Services							
Staffordshire Highways	35.047	2.299	0.200	(1.992)	35.554	35.839	(0.285)
Waste Management	24.383	0.007		(0.892)	23.498	25.777	(2.279)
Planning & Regeneration	10.911	0.612	0.400	(0.352)	11.571	10.531	1.040
Property	(0.822)	0.590	0.250	(0.290)	(0.272)	(1.081)	0.809
Organisational development and resources	2.914	0.007		(0.071)	2.850	2.850	0.000
Sub Total	72.433	3.515	0.850	(3.597)	73.201	73.916	(0.715)
Corporate Support							
Finance	6.005	0.109		(0.675)	5.439	5.709	(0.270)
Law and Governance	6.788	(0.522)		(0.193)	6.073	5.963	0.110
ICT	4.458	0.161	0.200	(0.891)	3.928	4.060	(0.132)
Sub Total	17.251	(0.252)	0.200	(1.759)	15.440	15.732	(0.292)
Centrally Controlled							
SERVICE TOTAL	399.296	19.834	1.710	(23.511)	397.329	390.891	6.438

Appendix 7

MTFS – Draft Budget by Service 2010/11 to 2014/15

	2010/11 Draft Budget £m	2011/12 Draft Budget £m	2012/13 Draft Budget £m	2013/14 Draft Budget £m	2014/15 Draft Budget £m
Children & Lifelong Learning					
LEA Budget	39.690	40.757	41.554	43.585	45.093
Children's Services	59.718	60.260	61.403	62.887	64.444
Sub Total	99.408	101.017	102.957	106.472	109.537
Communities					
Integrated Youth Support Service	7.854	7.852	7.852	7.852	7.852
Cultural	12.453	12.400	12.541	12.918	13.786
Chief Executive's Office	6.568	6.773	6.864	6.951	7.119
Sub Total	26.875	27.025	27.257	27.721	28.757
Social Care & Health					
Adults Services	174.710	188.709	196.746	205.390	214.686
Community Services	7.695	7.965	8.174	8.459	8.767
Sub Total	182.405	196.674	204.920	213.849	223.453
Development Services					
Staffordshire Highways	35.554	36.128	36.684	37.510	38.172
Waste Management	23.498	25.115	26.844	28.155	29.047
Planning & Regeneration	11.571	11.449	11.725	12.220	13.047
Property	(0.272)	(0.428)	(0.476)	(0.715)	(0.705)
Organisational development and resources	2.850	2.845	2.881	2.964	3.049
Sub Total	73.201	75.109	77.658	80.134	82.610

	2010/11 Draft Budget £m	2011/12 Draft Budget £m	2012/13 Draft Budget £m	2013/14 Draft Budget £m	2014/15 Draft Budget £m
Corporate Support					
Finance	5.439	5.749	5.857	5.939	6.091
Law and Governance	6.073	6.282	6.301	7.107	6.592
ICT	3.928	4.006	4.133	4.220	4.353
Sub Total	15.440	16.037	16.291	17.266	17.036
Centrally Controlled					
SERVICE TOTAL	397.329	415.862	429.083	445.442	461.393
Capital Financing	46.011	46.284	49.474	50.695	51.961
Centrally Controlled	8.662	9.653	9.743	10.077	10.800
Innovation and Efficiency Savings *		(12.100)	(25.303)	(37.073)	(48.765)
Sub Total	54.673	43.837	33.914	23.699	13.996
Contingency	2.000	2.000	2.000	2.000	2.000
Net Revenue Budget	454.002	461.699	464.997	471.141	477.389
Use of LABGI	(0.500)	(0.500)	-	-	-
Use of Reserves	(4.704)	(4.203)	(2.000)	(2.000)	(2.000)
Contribution to of General Balances	2.000		-	-	-
Budget Requirement	450.798	456.996	462.997	469.141	475.389

* still to be applied