



Cabinet meeting on 18th December 2013

Strategic Plan 2014 – 2018 and Medium Term Financial Strategy 2014-2019

Report Summary from Philip Atkins, Leader of the Council and Ian Parry, Deputy Leader and Cabinet Member for Finance, Resources and Transformation



Council Leader, Philip Atkins said:

“By focusing on what matters most to people in Staffordshire and finding new, more efficient and more effective ways of working, we have made a good start on the transformation of Staffordshire County Council and the county’s public sector to meet the needs of local people today and tomorrow.

“However we know the job is nowhere near done. New challenges demand new thinking, not least because people don’t want to be passive recipients of services that no longer fit how we live and work, may be expensive and only benefit a few.

“We are working with residents, voluntary groups, partners and the private sector to find new ways to improve lives. Our approach is about listening, creating the right conditions for Staffordshire’s people to flourish, and allowing people to get on with achieving their goals and aspirations.

“It is also essential for us to work closely with public sector partners who together spend over £7.5 billion of public money in Staffordshire. We have a duty to make sure this money is spent wisely and effectively, reducing the burden on taxpayers.”

Ian Parry, Deputy Leader and Cabinet Member for Finance, Resources and Transformation said:

“Over the last 5 years we have made over £130m of savings whilst freezing council tax, invested in our economy to create more jobs, and worked closer with partners such as the NHS to make every pound of taxpayers’ money we spend have the most impact on our communities.

“Further reductions in resources mean this work has to continue and we need to explore all opportunities. For instance, the power of digital technology means we can take more services into people’s homes, at a time and in a way that suits them, rather than expecting them to come to us. This is about building services around people and communities, and giving them the power to create great places.

“This will allow us to focus our efforts and limited resources on those who need us the most.”

1. This report provides Cabinet with an update on the evolving work to date in preparing our Strategic Plan and Medium Term Financial Strategy (MTFS) which set out the vision of what we hope to achieve for Staffordshire in the next four years and the ways we will work with our residents, communities, businesses and partners to gain the maximum impact from every pound we spend. Our Medium Term Financial Strategy provides details of how we will fund our operations, both investing in priority areas to improve the economy, create jobs and strengthen communities, at the same time as finding savings through new ways of working so that we operate in a modern, efficient and affordable way .

2. **Recommendations** – we recommend that in respect of the Strategic Plan 2014-18 and Medium Term Financial Strategy 2014-2019, Cabinet:
 - a) Note the progress made in developing the Strategic Plan 2014-18;
 - b) Note the financial outlook facing the county council;
 - c) Note the work of the Innovation and Efficiency Board;
 - d) Ask the Innovation and Efficiency Board to continue to work with services to identify additional savings needed to address the funding gap in 2014/15 and future years;
 - e) Ask the Corporate Review Committee to scrutinise the proposed pressures and savings against the principles of a good and balanced budget;

Cabinet – 18th December 2013

Strategic Plan and Draft Medium Term Financial Strategy (MTFS) 2014-19

Recommendations of the Leader of the Council and Deputy Leader of the Council and the Cabinet Member for Finance, Resources and Transformation

1. We recommend that in respect of the Strategic Plan 2014-18 and Medium Term Financial Strategy (MTFS) 2014-19, Cabinet:
 - a) Note the progress made in developing the Strategic Plan 2014-18;
 - b) Note the financial outlook facing the county council;
 - c) Note the work of the Innovation and Efficiency Board;
 - d) Ask the Innovation and Efficiency Board to continue to work with services to identify additional savings needed to address the funding gap in 2014/15 and future years;
 - e) Ask the Corporate Review Committee to scrutinise the proposed pressures and savings against the principles of a good and balanced budget;

Report of Director of Finance and Resources and the Director of Strategy and Customer Services

Background

2. This report provides Cabinet with an update on the work to date in preparing the Strategic Plan which will cover the period 2014 to 2018 and the Medium Term Financial Strategy (MTFS) which provides details of how our operations will be funded over the period 2014 to 2019. The Strategic Plan covers the period of the current administration whilst the MTFS covers five years, in accordance with best practice.
3. Staffordshire County Council's response to working in an environment of economic austerity, and doing more for less is clear. We need to provide strong leadership alongside our partners to transform what we do, and focus on what matters most, securing better outcomes for local people.
4. Over the past four years we can be rightly proud of achievements which have included:
 - **Creating 8,500 new jobs by making Staffordshire a great place to do business, including the 1,400 jobs at Jaguar Land Rover at i54 South Staffordshire;**
 - **Job seekers allowance claimants have almost halved from 20,555 or a rate of 3.9% in April 2009, to 10,380, a rate of 1.9% in October 2013;**
 - **Increasing the number of young people getting five or more good GCSEs including English and Maths from 50.8% in 2009/10 to 58.7% in 2012/13;**

- Continued to deliver reductions in crime with a further 23% reduction over the last four years;
 - Life expectancy at birth has increased across Staffordshire. Female life expectancy has increased from 81.5 years in 2006-08 to 82.9 in 2009-11. Male life expectancy has increased from 77.8 years in 2006-08 to 79.1 years in 2009-11.
5. Whilst we should celebrate our successes and achievements, we also know there is much more to do to meet our vision for Staffordshire.
 6. The Strategic Plan and MTFs are being prepared to provide detail on why and how the county council will meet its vision as agreed by Cabinet in August 2013, for:

“A connected Staffordshire, where everyone has the opportunity to prosper, be healthy and happy”

and how we will work with Staffordshire’s residents, businesses and our partners to make a difference to our three priority outcomes, that the people of Staffordshire will:

- Be able to access more good jobs and feel the benefits of economic growth
 - Be healthier and more independent
 - Feel safer, happier and more supported in and by their community
7. The Strategic Plan and MTFs have been prepared using the county council’s vision, values and behaviours which were also agreed by Cabinet in August 2013, as well as the 12 principles for a connected Staffordshire which underpin the thinking and working of everyone associated with the county council.
 8. A copy of the latest draft of the Strategic Plan is attached as Appendix 2 for the consideration of Cabinet on the 18th December 2013. Cabinet will be given further opportunities to consider the draft Strategic Plan before referring the plan for approval to Full Council in February 2014. (A timetable for the preparation of the Strategic Plan is attached as Appendix 3).
 9. A Staffordshire County Council Business Plan is being prepared to translate the Strategic Plan into action. It is being developed by a group of senior managers and will be refreshed on an annual basis. The Business Plan will include further details of how we measure impact and success and to support the continued improvement of the organisation.

MTFS Underlying Principles

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

A **good** budget means that:

- It has a medium term focus, supporting the Achieving Excellence Business Plan;
- Resources are focused on the Vision for a Connected Staffordshire and priority outcomes;
- It is not driven by short term fixes;
- It demonstrates how the county council has listened to local people, staff and our partners;
- It is transparent and well scrutinised;
- It is integrated with the capital programme; and
- It maintains financial stability

A **balanced** budget means that:

- Income equals expenditure;
- Savings targets and investment proposals are credible and achievable;
- Key assumptions are “stress tested”

Medium Term Financial Strategy (MTFS) update

11. The MTFS sets out the financial implications of the council’s Strategic Plan. The development and refinement of the Strategic Plan is undertaken in conjunction with the financial planning process to ensure that budgets reflect the council’s aims and objectives.
12. The MTFS covers a five year period to promote longer term planning. The Local Government Finance Settlement for 2013/14 included provisional funding amounts for 2014/15 and these have been used to update the MTFS. However, the Spending Round 2013 announced spending totals for one year only, 2015/16, and another Spending Review will follow in 2015, after the general election. Therefore there is a great deal of uncertainty around the levels of funding available from 2016/17 onwards.
13. From 1st April 2013 a new funding mechanism took effect, known as the Business Rates Retention Scheme. This moves towards a system in which local authorities will be able to retain a share of any growth in business rate income, acting as an incentive for councils to promote and facilitate economic growth in their area. As this is the first year of the new system, work has been ongoing to understand the impact this will have on the County Council.
14. Identifying efficiency through innovation and new ways of working featured heavily in last year’s MTFS and, in the light of the current economic climate will continue to be a fundamental part of the council’s plans going forward. The council has a proven track record of delivering savings with over £130m being identified and delivered in the past five years (up to and including 2013/14). The council still has a number of challenges moving forward and the way the council operates, and seeks to improve the lives of people in Staffordshire, must continue to evolve. Meeting challenging savings targets and management of current and future pressures is crucial to the delivery of the MTFS and Strategic Plan. It remains the County Council’s ambition to freeze council tax again from April, but further work is needed to identify the savings required.

15. The county council's Innovation and Efficiency Board consists of Cabinet members and the Senior Leadership Team who meet to assess and challenge savings and investment proposals. In future, the Board will focus on identifying savings which are integrated and focused on our priority outcomes. Beyond the county council, it is essential that we work closer and smarter with our public sector partners to adopt a more focused 'One Staffordshire' approach. A total of £7.5 billion of public money is spent annually by the public sector in Staffordshire, and we have a duty to make sure this money is spent as wisely and effectively as it can be to deliver maximum results and reduce the burden on taxpayers.
16. It is now necessary to update the MTFs for the changes and developments since February 2013, when the MTFs was approved. The key elements of the Strategy discussed in the report are:
- a. The current economic climate
 - b. The March 2013 Budget announcement
 - c. Spending Round 2015-16 (published June 2013)
 - d. Autumn Statement 5 December 2013
 - e. Health and Social Care Funding
 - f. Spending pressures
 - g. MTFs progress to date
 - h. Work of the Innovation and Efficiency Board
 - i. Capital Strategy
 - j. Consultation arrangements
 - k. Select Committee arrangements

Current Economic Climate

17. The Bank of England believes that an economic recovery has now taken hold, however there is still a long way to go before economic conditions return to pre-recession levels. The Bank is likely to maintain its low interest rate until unemployment has reached 7% or below. The impact of the recession is likely to be experienced for a significant period after GDP growth returns in terms of increased demand for county council services and also by the people and households that the county council serves.
18. The latest Staffordshire Job Seekers Allowance (JSA) claimant rate has decreased by 23.2% over the year, standing at 1.9% of the working age population, compared to a claimant rate of 4.2% in Stoke, 3.8% in the wider West Midlands and 3% nationally. Since agreeing the MTFs in February, inflationary pressures have also continued to ease but remain above the target of 2%. The latest CPI data published for October 2013 reported that CPI was 2.2% compared to 2.7% in the previous October. It is expected that inflation will reduce further and should be at the 2% target by the middle of 2014.
19. The interest on the county council's debt remains fairly constant due to the long term nature of our borrowings. The average rate for interest on debt is just above 4%. The income receipts generated are dependant on the interest rates set by the Bank of England. This base interest rate has remained at a historic low of 0.5% since March 2009, and although interest rates will increase in the future,

exactly when and by how much is unknown. Current forecasts show the base rate will remain flat for at least the first two years of the MTFs period.

March 2013 Budget Announcement

20. On 20th March 2013 the Chancellor of the Exchequer presented his fourth Budget to Parliament. For the county council and the MTFs the key announcements were as follows:

- Public Sector pay increases were limited to no more than an average of 1% per annum in 2013/14 & 2014/15. This has been extended to 2015/16. Reductions in pay award have resulted in national control totals being reduced.
- A reduction in total funding of £1.1bn in 2013/14 and £1.2bn in 2014/15; equivalent to a reduction of 1% for most departments. In 2014/15 the control total for local government 'formula funding' has been reduced to £21.7bn.
- Capital Spending - Capital spending plans will be increased by £3bn a year from 2015/16 until 2020, maintaining the temporary increases to capital announced at Autumn Statement 2011 and Autumn Statement 2012.
- Pensions – A single flat-rate pension of £144 a week will be brought forward a year to 2016. From 2016 the second state pension will be abolished for new pensioners. The move to a flat rate scheme for all will mean there is no longer a need for a second state pension and therefore employers and employees previously contracted out will have to pay more in NICs. This will affect local government employees who are part of the Local Government Pension Scheme. Government estimates this change will cost public sector employers £3.3bn a year in total and public sector employees £1.4bn a year.
- Social Care Costs Cap - Drawing on the Dilnot Commission's recommendations a £72,000 cap on reasonable social care costs will be implemented. Means testing will also be extended to give more people access to financial support for their residential care costs from April 2016.

21. In addition, the budget also announced that the Chancellor does not expect to have eliminated the budget deficit until 2018/19 at the earliest.

Spending Round 2015-16 (published June 2013)

22. The Spending Round was announced by the Chancellor of the Exchequer on 26 June 2013 and set out figures which relate to funding for local government in 2015/16. The main points are below:

- The DCLG Local Government Departmental Expenditure Limit will be reduced from £25.6bn in 2014/15 to £23.5bn in 2015/16, a reduction of 10.0% in real terms and 8.2% in cash terms. We had assumed a 9.2% reduction in cash terms;

- Funding for a further council tax freeze in 2014/15, payable in 2014/15 and 2015/16, has been announced, which is equivalent to £2.9m for the county council in each financial year;
- The Troubled Families Programme will be extended to more families from 2015/16, with £200m in funding, led by DCLG and drawn from several government departments;
- Schools funding and the Pupil Premium will be protected in real terms and the new schools funding formula will be introduced from 2015/16;
- The Education Services Grant will be reduced by around £200m in 2015/16 – approximately 20%. This equates to an approximate reduction of £2.7m reduction for the County Council;
- New Homes Bonus will be top-sliced in 2015/16 to help create the Single Local Growth Fund. Consultation has taken place on two options to top-slice this funding and current assumptions are that the county council will no longer receive any New Homes Bonus from 2015/16;
- Lord Heseltine's review of economic growth, published in October 2012, recommended the creation of a Single Local Growth Fund (SLGF). The Government response, published in March 2013, accepted Lord Heseltine's recommendation and committed to the creation of the fund (SLGF) from April 2015;
- The SLGF will total £2.019bn in 2015/16, which Local Enterprise Partnerships will be able to bid for. The county council will work closely with the Stoke on Trent and Staffordshire Enterprise Partnership to bid for the best possible deal for Staffordshire. Funding for the SLGF is contained within departmental settlements.

23. The outcome of the Spending Round is that there will be a significant reduction of £25.9 million in funding for the county council in 2015/16. The outlook from 2016/17 onwards is very uncertain due to the general election and the requirement for another spending review in 2015.

Autumn Statement 5 December 2013

24. The Autumn Statement was announced on 5th December and contained various measures to continue the government's plan to reduce the budget deficit. The Chancellor announced that government departments will reduce their budgets by £1 billion overall but local government will be protected from this reduction. The main implications of the Statement for local government centred around business rates and New Homes Bonus. The changes to business rates mean further protection for small businesses and would have had an impact on the funding received by the County Council, however indications are that the government will fund this impact. The Chancellor also announced that the New Homes Bonus will continue to be distributed as it is currently, whereas we have previously assumed a loss of £2.2 million in 2015/16. Following the Autumn Statement, it is anticipated that the Provisional Local Government Finance Settlement will be announced before the parliamentary recess on 20th December. The Settlement

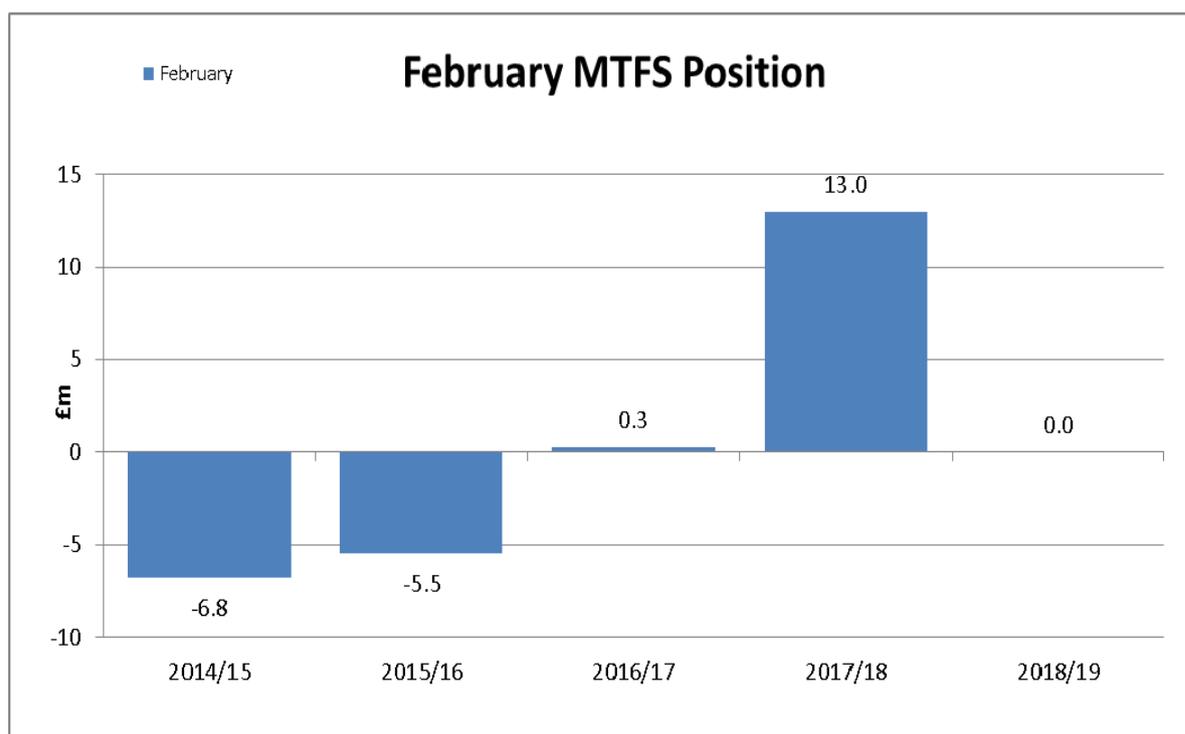
will contain further details on the impact of changes to business rates and the New Homes Bonus funding.

Health and Social Care Funding

25. Included in the Spending Review was the creation of a £3.8 billion fund for health and social care. This fund is known as the Integration Transformation Fund (ITF) and consists of funding from many different areas, mainly from the NHS, being brought together to provide one pooled fund for health and social care. The Fund aims to promote a shared approach from both NHS bodies and councils for health and social care services. Staffordshire continues to be at the forefront of integrating health and social care, following the launch of the Staffordshire and Stoke-on-Trent Partnership Trust in April last year, the largest of its kind in the country.
26. The mechanism for distributing this fund is via Clinical Commissioning Groups (CCGs) and the Health and Wellbeing Board. Plans will be drawn up through these groups to allocate the funding between CCGs and the county council.
27. The various funding streams included in the £3.8 billion are as follows:
 - £900 million which is already included in the base budget;
 - £200 million for 2014/15 which will be allocated according to the same formula as the £900m above;
 - £1 billion from 2015/16 which will be allocated via a formula, as yet this formula is unknown;
 - £1 billion from 2015/16 which will be allocated on a performance basis, the criteria for this are unknown;
 - £700 million from 2015/16 which is made up of various funding streams, a mixture of revenue and capital with an unknown distribution basis. Some of this element is currently allocated to borough and district councils.
28. Currently the MTFs assumes that the county council's share of the £200 million allocation for 2014/15 is £2.8 million. Assumptions for 2015/16 onwards suggest additional funding of £15 million for the county council but a sensitivity analysis shows that this could vary by either a reduction of £7 million or an increase of £13 million depending on the distribution methods used.
29. This funding stream represents the single biggest risk to the MTFs due to the amount of funding that could be made available to the county council, combined with the fact that the money is currently being spent by our partners who may have different priorities. The distribution will include an element of performance-related funding which increases the risk until the plans around this Fund are agreed and performance measure are known. It is anticipated that the Provisional Local Government Finance Settlement will contain further details to help guide our assumptions.

Spending Pressures

30. In the current year, 2013/14, the forecast outturn at Quarter Two, reported to Cabinet on 16th October, predicted an overspend of £9.8m, equivalent to 1.9% of the council's overall service spending. The majority of this projected overspend is caused by the growing demand for social care from adults and children – an issue experienced by councils across the country. This pressure is being managed proactively in Staffordshire by better understanding residents' needs, in order to improve or redesign services, or by working with partners to deliver services differently.
31. It is expected that this approach will result in a reduction in the current projected overspend by the end of the year. However any remaining overspend will reduce the amount in general balances and therefore restrict severely any amount that could be released to support the 2014/15 MTFS. A review of reserves and balances will be undertaken and will be included in the MTFS report to Cabinet in February 2014.
32. When the 2013/14 MTFS was agreed in February, the position for future years estimated a budget gap of £6.8m in 2014/15 and £5.5m in 2015/16, as shown in the graph below.



33. This overall position meant that services already had some work to do in order to close the predicted gap in 2014/15 and 2015/16. Commissioners and Cabinet portfolio holders have met this challenge head-on and have succeeded in identifying a range of options in order to close this gap. The County Council has a forward-thinking approach to plan for future problems and therefore remains able to continue investing in priorities that make a difference to local people.

MTFS progress to date

34. Since February, further pressures have been identified, making the total pressures £18.3m. Services have made strenuous efforts to identify further savings and the total savings, plus invest to save schemes amount to £39.7m. The detailed pressures and savings can be seen in Appendices 4a to 4d and are summarised in paragraph 45.

People

35. The People strategy is to deliver improved outcomes by working with people and communities. The approach is to promote independence and services in the community, joining up provision and commissioning. There will be a greater emphasis on prevention and early intervention to prevent problems from escalating or to stop them altogether, and to focus on the 'whole life' approach for an individual. This approach will give individuals more choice and personalised support so that care is tailored to their needs. Recognising that the county council is not always the most effective organisation at providing what people need, the portfolio is looking to develop partnerships with providers who are best placed to deliver services.

36. The most significant proposed spending pressures are:

- £1.4m in relation to an increase in the number of looked after children despite the success in increasing fostering and adoptions.
- £1.0m for Learning Disability and Mental Health services which have seen an increase in demand for these services. Discussions are on-going to develop a more integrated and sustainable approach to these services.
- £3.2m in total of new care pressures reflect a broad range of smaller issues, but the most significant individual element being £1.7m set aside for the impact of residential fee increases stemming from the 2012/13 review which was approved by Cabinet in June 2013.
- £1.5m linked to rising pressures with Special Educational Needs Transport over the last 18 months, which are currently being reviewed in order to identify options to off-set this by £0.5m, reflected in the savings targets.

37. New and revised savings options of £12.1m have also been identified, which are outlined in detail in Appendix 4a. The most significant for 2014/15 are:

- £7.0m through the review of a range of contracted services and the level and breadth of services that will continue to be commissioned. Also looking where possible at opportunities for potential efficiencies from providers. This work mainly focuses on Staffordshire & Stoke-on-Trent Partnership Trust and Entrust.
- £4.0m resulting from adopting a much more radical approach to commissioning preventative services. Acting early to prevent problems from escalating or even stopping them altogether, means that people will be independent for longer, less reliant on the costly care we provide, and enabling us to save significant amounts of money with minimal impact on people and communities.

- £2.3m from a range of options within Families First including a review of residential provision, management savings, reviews of specific specialist teams and exploring a number of trading opportunities.
- £2.0m based on a fundamental review of services to achieve excellence for young people which is elsewhere on this Cabinet agenda.
- £1.5m through a fundamental review of the effectiveness of services provided through the council's Children's Centres network and exploring different approaches to achieving better results for families with young children who need support.

Public Health

38. Responsibilities for Public Health transferred from the NHS to the County Council in April 2013. Funding is currently provided as a ring-fenced grant from the Department of Health to address challenges and disparities in public health across Staffordshire. There is currently a major programme of public health transformation taking place to address these challenges. As an integral part of the council, public health will operate within the current priorities and financial constraints of the authority. We will therefore ensure that, where possible, the Public Health grant is used to support and improve health and wellbeing outcomes across Staffordshire. Grant spend of £1.6m will be used in 2014/15 to support county council activities that will achieve wider Public Health outcomes.

Place

39. All Commissioners across the Place portfolio have continued to strive for more efficient, effective ways of working to ensure resources are directed towards priority areas, for example:

- *Economic Prosperity / Business and Enterprise County* – creating the right conditions for the economy to grow, creating more jobs and prosperity for the people of Staffordshire continues to be the top priority of the council. Funding is required to ensure the county council can make the best possible case to win its share of the Local Growth Fund and bring the widest benefits to the county. In addition, savings have been generated by reduced project running costs.
- *Built County* – efficiency savings arising from the new contract arrangements (Infrastructure +) are anticipated. A detailed review of road safety provision within the Staffordshire Safer Roads Partnership is to be explored, alongside greater community engagement on the issue. In addition, a review of street lighting provision is to be undertaken to see if we can follow the success of other parts of the country where savings have been made.
- *Sustainable County* - significant ongoing savings are being delivered as a result of the contract to operate the new Waste to Energy plant. Additional savings will also be generated by the recent change to the contract for the management of Household Waste recycling centres and opportunities to deliver further savings are to be explored.

- *Tourism and the Cultural Environment* – development of a new Libraries Framework will explore options for a significant reduction in cost, particularly in the medium term.
- *Transport and the Connected County* – as bus services become more financially sustainable through initiatives such as the transport review, we will be able to reduce the budget for publically subsidised bus services.

Corporate & Support Services

40. The County Council recognises that it is not always the best organisation to provide what our communities need. As it commissions more services from partners and other organisations the County Council is significantly changing and therefore needs to look continually at the nature, size and type of support services it will need in the medium to long term.
41. It is clear that there is a need to change the current support services to ensure they meet the needs of the organization, and newly created bodies that the council has a stake in, such as Entrust, in the most cost effective way.
42. An assessment of current and future needs has been undertaken. Business cases are under development on the future shape of these services and what opportunities exist, for instance, in trading them to other bodies.
43. Further details on both proposed pressures and proposed savings can be seen in Appendices 4a to 4d.
44. Details regarding the assumptions used in the MTFs for the major cost elements and funding streams are attached as Appendix 5.

Summary of Pressures, Investment and Savings

45. The table below provides a summary of the total pressures, invest to save schemes and savings included in the MTFs for the five year period. This is shown in Appendix 6 split over each portfolio.

	2014/15	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m	£m
Pressures	18.292	21.263	25.907	28.497	31.351
Inflation	5.191	15.697	25.520	34.965	44.558
Savings	(39.704)	(58.176)	(73.627)	(76.471)	(76.421)
Invest to Save	(2.959)	(7.465)	(8.345)	(9.825)	(10.345)
TOTAL	(19.180)	(28.681)	(30.545)	(22.834)	(10.857)

Sensitivity Analysis

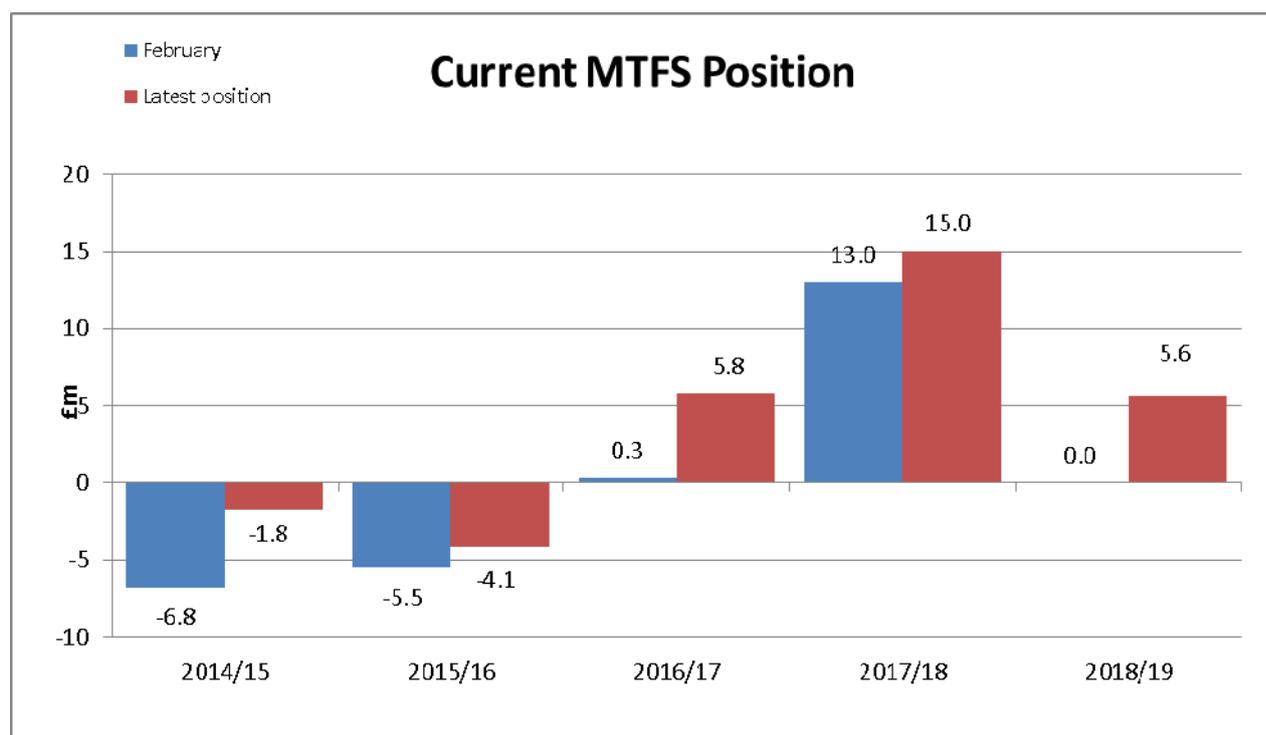
46. In terms of assessing the impact of changes under various scenarios the following table sets out a guide to the effect of changes to the major cost elements/funding streams:

Impact of (+ or -)	Equates to (+ or -)
1% Council Tax	£ 2.9 million
1% Business Rates growth (SCC receives 9% of the total collected rates across Staffordshire)	£2.8m across Staffordshire, of which SCC receives £0.250m (9%)
1% Pay award (excludes staff funded from specific grant (e.g. Dedicated Schools Grant))	£ 1.7 million
1% Non-pay budgets	£ 1.9 million
1% Interest (on balances)	£ 1.8 million

Council Tax

47. In the 2013 Spending Review, the Chancellor announced that a freeze grant would be made available to those authorities who do not increase their council tax in 2014/15. The freeze grant would provide the equivalent of a 1% increase in council tax, in 2014/15 and 2015/16. The current planning assumption for the MTFS period includes a 2% increase in council tax. The county council is keen to freeze council tax in order to reduce the burden on local people, however there is further work to do in terms of generating savings options before a decision can be made on council tax.
48. Based on the options shown in Appendices 4a to 4d, the MTFS still has a gap of £1.8m in 2014/15, rising to £4.1m in 2015/16. However there is headroom in the later years of the period which means that the MTFS is balanced in the medium term. However, the exact level of government funding the county council will receive for 2014/15 and future years will not be known until the Provisional Local Government Finance Settlement is announced in late December.

Current MTFS Position



49. As a gap of £1.8 million still remains for 2014/15, it is proposed that Cabinet continues to work with services to identify the best way of meeting these challenges.

Work of the Innovation and Efficiency Board

50. The Innovation and Efficiency Board consists of Cabinet members and the Senior Leadership Team and it has a key role in helping the organisation to transform the way it achieves its outcomes. The Board has reviewed last year's process and considered recommendations from the Assets and Budget Select Committee for the process to be adopted this year.

51. The Board is forward looking and focused on:

Innovation – to encourage innovative proposals that improve priority outcomes; provide economy and efficiency and deliver excellent value for money for taxpayers.

Challenge – to apply 'business-like rigour' to ensure that MTFS options are in line with the administration's priorities and are managerially deliverable.

52. Delivery of innovations and efficiencies are monitored via our transformation governance arrangements including regular reports to informal Cabinet, Select Committees, SLT, Delivery Board, Service and Project Boards.

53. In light of the gap shown above, the Innovation and Efficiency Board will continue to:

- Provide a forum which provides challenge and rigour to services, whilst providing an encouraging environment to share ideas and models in order to deliver innovative services which meet political priorities set by Cabinet;
- Help deliver service models that not only drive improvement to the front line, but also offer excellent value for money for the taxpayers;
- Recognise that we cannot continue to deliver services in the way that we do, developing a successful business model that is sustainable long term;
- Provide recommendations and assurance to Cabinet that the Medium Term Financial Strategy process has been through satisfactory challenge and scrutiny, recognising that pressures and savings are realistic and are deliverable;
- Encourage appropriate scrutiny of recommendations coming from the Board to ensure that the credibility of the Board remains.
- Test the pressures and savings against the twelve principles and three outcomes for a Connected Staffordshire.

Capital Strategy

54. The Spending Review 2010 announced significant reductions in capital funding. Support for capital now takes the form of cash grants with no central support for borrowing. In the March 2012 Budget, the Chancellor announced that Tax Incremental Financing (TIF) will be available from April 2013. All local authorities will be able to access TIF within the confines of the Local Government Finance System. This will allow councils to borrow against future business rate revenue streams to stimulate investment.
55. In recent years the level of capital receipts generated has reduced due to property market conditions. The latest forecast of capital receipts reveals that this situation is likely to continue so a change in emphasis is required to generate additional capital funding.
56. As part of their service plan preparations, services have been encouraged to undertake a review of the projects contained in the existing capital programme to identify scope for diverting capital resources to other projects and programmes. Any investment required to pump prime initiatives designed to deliver long term, sustainable efficiency savings will further increase the pressure on capital funding streams.

Consultation

57. Effective consultation is a key principle of a good and balanced budget. We want to make sure that we are tackling what really matters to people in Staffordshire therefore good consultation is an integral part of “stress testing” the assumptions included in the MTFS to ensure we meet residents’ needs.
58. For many years the council has undertaken a range of consultation events locally such as focus groups, residents’ and citizens’ panel surveys and other specific events. Throughout 2013 we have consulted with Staffordshire’s residents to understand their wants, needs and aspirations and these have underpinned the development of our vision, priority outcomes, values and behaviours. Early in the new year, consultation will take place with trade unions and the business

community. Further specific consultation will take place as required, if there are any proposed changes to services.

Scrutiny Arrangements

59. Scrutiny of the MTFs is being undertaken by a working group of the Corporate Review Committee. Last year's work has been reviewed to continue with the development of the scrutiny process and key areas of risk were identified for further detailed examination. This ensured that scrutiny efforts have been focussed on key priority and high risk areas. It is requested that the Committee also scrutinise the proposed pressures and savings in this report and report their findings to Cabinet in February.

Risk Assessment and Robustness of Budget

60. The robustness of the budget is essentially a judgement about the assessment of risk. The main risk faced by the council this year is the uncertainty about how much funding will be received from Government. The other key risks identified at this stage that need to be managed effectively are set out below.

- The single biggest risk is the Integration Transformation Fund and the uncertainty surrounding the method of distribution and how much Staffordshire's share will be;
- The impact on income from Business Rates in the current economic climate;
- The potential impact of borough and district councils being unable to collect all council tax owed from those affected by the government's decision to localise council tax benefit support;
- Spending exceeding budgets and/or income falling short of budgets;
- Savings options identified and assumed in the MTFs not being achieved;
- The impact of the current economic climate, including increased inflationary pressures, interest rate changes, reduced levels of income from fees and charges for council services etc;
- Increased demand for council services above estimates, including the impact of welfare benefit changes;
- Impact of any cost transference from other agencies to the county council;
- Expected income from other agencies not materialising;
- Lack of clarity regarding future capital funding, potential restrictions on borrowing and the use of TIF powers.

61. Failure to deliver the savings identified by the Innovation and Efficiency Board will jeopardise the council's MTFs and the delivery of the Strategic Plan. The robust processes put in place by the Innovation and Efficiency Board for delivering these savings provides reassurance that this risk is minimised. The council has a proven track record of delivering savings. Action to deliver the savings included in the MTFs has commenced supported by the Transformation Support Unit and closely monitored by the council's transformation governance arrangements including regular reports to informal Cabinet, Select Committees, SLT, Delivery Board, Service and Project Boards.

62. With regard to the risk of overspending against budget, thorough budget preparation and detailed monitoring during the year coupled with the personal financial accountability framework introduced in 2007 minimises this risk. Furthermore Finance Units are able to identify any concerns at an early stage, advise management teams and recommend measures to mitigate the impact. Budget monitoring reports are regularly considered by management teams and by Select Committees, Portfolio Holders, SLT and Cabinet on a quarterly basis.

Conclusions

63. By focusing on what matters most to people in Staffordshire and finding new, more efficient and effective ways of working, we have made a good start on the transformation of Staffordshire County Council in order to meet the needs of local people today and tomorrow. We are continuing to work with residents, voluntary groups, partners or the private sector to find new ways to improve lives. Our approach is about listening, creating the right conditions for Staffordshire's people to flourish, and allowing people to get on with creating their own prosperous future. In turn this allows us to focus our efforts and limited resources on those who need us the most.

64. It is essential for us to work closer and smarter with our public sector partners who together spend over £7.5 billion a year of public money in Staffordshire. We have a duty to make sure this money is spent as wisely and effectively as it can be to reduce the burden on taxpayers.

65. We will be talking with residents and partners in the months ahead about the role of the county council and will listen further to their ideas on how we must adapt to changing circumstances and help ensure that everyone in Staffordshire can prosper, be healthy and be happy.

Andrew Burns
Director of Finance and Resources

Jacqui McKinlay
**Director of Strategy and
Customer Services**

Equalities implications:

Equalities implications arising from the issues covered by this report will be incorporated into outcome and service plans. Equality Impact Assessments will be undertaken for each specific issue.

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 paragraphs 60-62 of the report.

Climate Change implications:

We have considered the impacts on climate change whilst developing the MTFS and have, in line with the county 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.

Health Impact Assessment

The impact on public health has been considered whilst developing the MTFS. Innovation and Efficiency options proposed aim to improve and promote the health of citizens through closer working with the NHS. Further implications will be incorporated in the outcome plan for Staffordshire as a place where people live longer, healthier and more fulfilling lives.

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