

Cabinet	CAB/001/11
Date: 8 th February 2011	

Corporate Plan Budget Report 2011/12

1. Purpose of Report

- 1.1. To inform the Cabinet of the process for the development of the corporate business plan, and the provisional revenue and capital budgets for 2011-12 and beyond, and to seek agreement to the proposed 2011-12 budget and to the draft 2012-13 budget.
- 1.2. It should be noted that this report is based on the provisional settlement announced by central government on 13th December. The final settlement was announced on 31 January, but due to publication timetables, there was not sufficient time to incorporate this into the report. A short update report will be issued prior to the Cabinet meeting.

Recommendations

- 1.3. It is recommended that Cabinet:
 - 1.3.1. considers the revenue budget proposals for the years 2011-12 and 2012-13.
 - 1.3.2. recommends to Council a net budget requirement of £864.432 million for 2011-12 (subject to the final settlement) and an indicative net budget requirement of £858.304 million for 2012-13.
 - 1.3.3. recommends to Council a capital programme of £231.456 million for 2011-12 and indicative programmes of £126.015 million for 2012-13 and £101.550 million for 2013-14.
 - 1.3.4. recommends to Council that the council tax precept for 2011-12 be set at £1,086.75 per annum for a Band D property, this equates to a 0% increase over 2010-11. This generates a total precept of £578.685 million based upon a final taxbase of 532,492 as formally notified to us by the billing authorities.
 - 1.3.5. recommends to Council a schools budget of £923.906 million funded by a Dedicated Schools Grant of £871.336 million (the balance of £52.570m is met by post 16 funding made available by the Young People's Learning Agency).

- 1.3.6. recommends to Council a General Balance for 2011-12 of £42.000 million.
- 1.3.7. recommends that any changes arising from the final settlement not exceeding £0.5 million be reflected in the general balance. Any changes exceeding this amount will be reflected in the recommendations to Full Council.

Decisions

- 1.3 For Cabinet to approve the recommendations in this report.

Corporate Plan

2. Background

- 2.1 A Cabinet Member Steering Group has met several times to oversee development of the Corporate Plan and Budget Book (to be known as 'the Corporate Plan'). This group is also coordinating the development of EssexWorks pledges for 2011-12.
- 2.2 Our current Corporate Plan (*Resourcing EssexWorks*) was designed as a one-year plan for 2010-11. Work has been underway to develop a three year Corporate Business Plan that will take effect from April 2011. This document will set out the County Council's vision and priorities to the public, our partners, and our staff, and the financial resources applied to it for the period 2011-12 and 2012-13. It will also include high level budget figures for 2013-14, but in the absence of detailed information from central government, this can only be taken as indicative at this stage.
- 2.3 The Corporate Business Plan will be presented before Full Council on 22nd February 2011, and dependent on the agreement of the document, will then be published on the council's public website.

Proposed Revenue and Capital Budgets 2011-12 and beyond

3. The Provisional Settlement – National Position

- 3.1. The Government announced the Provisional Local Government Finance Settlement for 2011-12 and 2012-13 on 13th December 2010. This followed the Comprehensive Spending Review 2010 (CSR), which was announced on 20th October 2010. The CSR suggested an average of 7.25% per annum cuts to local government over the next 4 years, but with front loading of 10.7% in 2011-12. While the CSR covers a 4 year period, the provisional settlement is only for 2 years.
- 3.2. The provisional settlement followed the CSR pattern through stating that nationally, excluding Police Grant, formula grant will be £24.9 billion in 2011-12 and £22.9 billion in 2012-13. This compares to an adjusted 2010-11 base of £28.3 billion, hence a 'raw' reduction of 10.2% between 2010-11 and 2011-12 and 5.9% to 2012-13.
- 3.3. In order to mitigate some of the heaviest impacts of the reduced grant funding, a 'transition grant' was introduced to protect those authorities most dependent on grant funding. In order to allocate this transition grant, the Government used a new calculation of "Revenue Spending Power" to judge the movement in grant between years, a measure which includes council tax, formula grant, specific grants and new funding directed through the NHS to support social care and benefit health. As part of his Settlement speech to the House of Commons, the Secretary of State for

Local Government, Rt Hon Eric Pickles MP, stated that no authority would face more than an 8.9% reduction in spending power in either 2011-12 or 2012-13.

- 3.4. Over £4 billion of other grants have been rolled into formula grant and ring-fencing of most revenue grants, except some schools grants, has been removed for 2011-12 and 2012-13.
- 3.5. The Government is providing £1 billion of additional funding through the NHS budget and in 2011/12 PCTs will receive allocations totalling £648 million to support social care. PCTs will need to transfer this funding to local authorities to invest in social care services to benefit Health, and to improve the overall health gain. In 2011/12 the anticipated allocation to be transferred to ECC is £16.1m. In addition, Personal Social Services grant for social care has been increased by £1 billion nationally to £2.4 billion a year by 2014-15, rolled into formula grant.
- 3.6. The Council Tax Freeze grant is new funding across each of the four years of the spending review, to protect council tax payers by enabling councils not to increase council tax in 2011-12.
- 3.7. The removal of ring-fencing of grants is generally welcomed by local government. However, with significant numbers of grants being rolled into formula grant, many authorities have been seriously affected by the distributional effects of the four block model used to allocate formula grant, including Essex County Council.
- 3.8. Government has also implemented a more complex floor arrangement compared to previous years, with the floor position being judged according to the ability of the authority to raise funding locally through council tax. There are four bands as illustrated in the Table 1, with Essex County Council falling into Band 4. This means that Essex County Council can lose the maximum before protection applies due to our perceived ability to raise council tax – see comment below (paragraph 4.4).

Table 1

	2011-12	2012-13
Grant 'floors' (minimum grant increases) for Education and Social Care authorities:		
Band 1	-11.3%	-7.4%
Band 2	-12.3%	-8.4%
Band 3	-13.3%	-9.4%
Band 4	-14.3%	-10.4%

4. Impact of the Provisional Settlement on Essex County Council

- 4.1. Essex County Council's provisional allocation of Formula Grant for 2011-12 is £284.0 million. This compares to an adjusted 2010-11 base of £324.0 million, a reduction of £40.0 million, -12.4%. ("Adjusted base" means the 2010-11 allocation adjusted to reflect transfers of individual grants or functions that are rolling into or out of formula grant, to provide a like-for-like comparison between years).

- 4.2. After the Comprehensive Spending Review (CSR), Essex County Council had been planning for formula grant in 2011-12 of £302.6 million based on the same proportionate share as for 2010-11. The headline allocation of £284.0 million meant that we had to find an additional £18.6 million of savings for 2011-12.
- 4.3. Government only announced two years' settlement information and for 2012-13 the situation was slightly worse with our previously modelled formula grant of £290.5 million comparing to an allocation of £260.4 million, a gap of £30.1 million.
- 4.4. Following the implementation of the new floor arrangement, Essex County Council falls into band 4 which assumes most ability to raise local funds and hence has received a lack of support from the floor mechanism. Furthermore, as we are above the floor, we have had £15.7 million removed from our funding to support authorities who would otherwise fall through the floor.
- 4.5. Essex County Council also applied for capitalisation of redundancy costs, following an invitation by CLG to bid for this for 2011-12 only. Regrettably the application was unsuccessful. As a result the severance costs will be a further burden on the budget in the year in which they fall.
- 4.6. Schools and other services supporting the operational provision of learning for school aged pupils and students are currently funded from a range of specific grants: the Dedicated Schools Grant (DSG); Specific Grants; and (for 16-19 year olds) the Young People's Learning Agency (YPLA). The DSG is the major funding source.
- 4.7. From 2011-12, the government has decided that specific grants will be "mainstreamed" into DSG.

The Table 2 highlights the impact on DSG of mainstreaming specific grants:

Table 2

Year	Amount per pupil (GUF) £	Pupil Numbers	Gross DSG £,000	Academies deduction £,000	DSG remaining with LA £,000
2010-11 (updated) DSG	4,237.80	191,769.4	812,680	(28,120)	784,560
Specific grants	578.43		110,926	(4,419)	106,507
Total Grants 2010-11	4,816.23		923,606	(32,539)	891,067
2011-12 DSG (estimate)	4,816.23	191,769.4	923,606	*(52,270)	871,336

*the 2011-12 Academies deduction relates to the schools which have or will have transferred to Academy status by 31 March 2011 according to a national formula. Numbers change on a monthly basis as more schools opt to transfer.

- 4.7.1. There has been no increase in school funding per pupil, year on year, and there is unlikely to be any increase in per pupil funding through 2011-15.
 - 4.7.2. The Schools Forum is reviewing how the specific grants that have been rolled into DSG might be distributed to schools in 2011-12.
 - 4.7.3. Final DSG 2011-12 will be determined following the schools' January Census; numbers will be available mid to late February.
 - 4.7.4. The estimated schools budget is **£923.906m**; made up of £871.336m of DSG and £52.570m of sixth form funding from the Young People's Learning Agency.
- 4.8. The Government will introduce a new Pupil Premium in 2011-12 which will increase to £2.5 billion nationally by 2014-15. Resources will be delivered to schools in 2011-12 on the basis of the numbers of 4-15 year olds with a Free School Meal Entitlement at a rate of £430 per pupil. Further, the premium will support Looked After Children at the same rate and children from a military background at £200 per pupil. It is anticipated that Essex schools will receive between £8 million and £10 million in 2011-12. No assumptions have yet been incorporated in the County Council's budget with regard to the Pupil Premium.

5. Mitigating Actions Taken to Address the Budget Gap

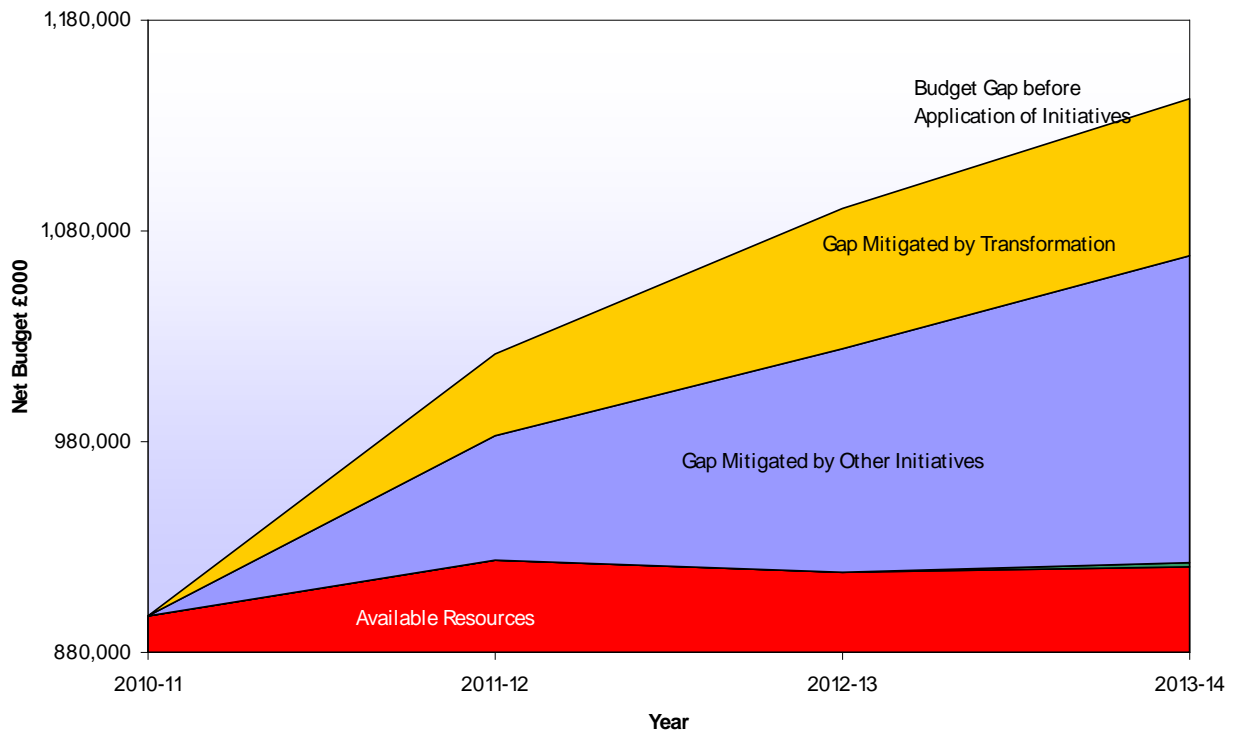
- 5.1. The Council has been preparing information for the future years' budgets since July 2010, against a back drop of predicted stringent financial constraints. The transformation programme, already in progress, has assisted considerably in managing in this environment.
- 5.2. A number of bilateral portfolio meetings took place over August and reviewed progress towards achieving cash reduction targets. This meant that we were largely prepared for the Comprehensive Spending Review (CSR) 2010 announcement on 20th October and the Council had a significant amount of information about its own circumstances from which to react.
- 5.3. Following our interpretation of the CSR but before the settlement, we had calculated that the Council needed to find £98 million of initiatives (savings, efficiencies and service reductions) to set a balanced budget.
- 5.4. A significant number of initiatives were identified to close this estimated gap

- 5.4.1. Thorough review and analysis of reserves – reducing Service Improvement / Transformation Reserve, reprofiling the replenishment of the Waste Reserve, removing the Developing Partnership Reserve. This review was to continue post-settlement
 - 5.4.2. Critical analysis and review of some pressures and savings – to provide assurance around the rationale applied to pressures and to ensure savings plans will deliver in full and on schedule
 - 5.4.3. Risk analysis and review – to ensure appropriate approach to risk is applied across the council and to identify and highlight risk as included in the forecast budget position
 - 5.4.4. Critical analysis of transformation projects to ensure a consistent approach in accounting for all projects, and a review to ensure robust delivery plans and monitoring arrangements are in place for all projects.
- 5.5. After the Provisional Settlement, with the knowledge that our estimated gap had been increased by a further £18.6 million, another review and analysis of reserves was carried out and new initiatives considered. The gap was closed through:
- 5.5.1. Further adjustments to the Waste Reserve, but ensuring that payback occurs to deliver the target by 2014-15 in order to mitigate potential council tax increases in that year and beyond which could arise as a result of the Waste Strategy.
 - 5.5.2. Ensuring that any new funding sources are applied to existing service commitments as a priority, before undertaking new commitments.
 - 5.5.3. Reduction of the capital programme and the resultant impact on the capital financing requirement
- 5.6. The £300 million Transformation Programme represents our desire to take control of our financial destiny by ensuring we operate as a joined-up, customer focussed organisation. The process has helped us to understand in more detail the costs of the services we provide, in order for us, as one council, to better meet the needs of stakeholders with the resources we have available.
- 5.6.1. The Transformation Programme has been helping support the need to drive a more streamlined & efficient way of delivering valued services to our stakeholders. This has been a considerable undertaking, changing the way the organisation thinks about service provision, the costs associated with delivering these services and challenging us to ensure we are receiving value for money for the services we deliver.
 - 5.6.2. The Transformation Programme has been initiated to ensure consistent change is understood, managed and governed appropriately throughout Essex County Council. To provide funds for this large scale and proactive

programme it has been necessary to draw down from reserves, although as described below at 7.2.6 the Transformation Programme will support the Council in a stable budgetary approach which avoids this approach in future.

- 5.6.3. The Transformation Programme is currently forecast to deliver at least £300 million in benefits by 2012-13. To date the Transformation Programme has delivered savings in excess of £60 million in 2009/10 and is on course to deliver nearly £90M in 2010/11.

5.6.4. The following chart clearly demonstrates how our Transformation Programme and other savings and efficiency initiatives will enable us to meet the substantial gap we face between the ever-increasing demands on our services and the resources we have available to meet those needs:



5.6.5 Table 4 details the movement in our recommended budget position from 2010-11 to 2011-12 and includes provisional figures for 2012-13:

Table 4

	2011-12 £000	2012-13 £000
Original Net Budget (as submitted Feb 2010)	904,094	904,094
New Pressures	108,951	147,987
Savings and Efficiencies (Services)	(97,796)	(172,633)
Net Cost of Services before Reserve Movement / Financing	915,249	879,448
Reduced Contribution to Waste Reserve	(19,886)	(391)
Movement in Other Reserves	19,790	38,960
Net Cost of Services	915,153	918,017
Contribution to General Balance	8,612	-
General Government Grants (Including Council Tax Freeze Grant)	(59,333)	(59,714)
Forecast Budget Requirement	864,432	858,304

6. Achieving a Balanced Budget: Analysis by Portfolio-Proposed 2011-12
budgets :

Table 5

Controllable Net 2009-10 Actual £000	Portfolios / Policy Budgets	Controllable Net		
		2010-11		2011-12
		Original Budget £000	Latest Budget £000	Original Budget £000
	Budget Summary			
342,208	Adults, Health and Community Wellbeing	375,807	378,817	353,733
276	Children's Services	7,987	(12,395)	(4,563)
150,451	Dedicated Schools Budget	137,610	151,377	186,963
	Non Dedicated Schools Budget			
150,727		145,597	138,982	182,400
	Education and 2012 Games			
13,233	Dedicated Schools Budget	721	10,905	1,717
29,480	Non Dedicated Schools Budget	52,920	44,651	45,872
2,548	Lee Valley Park and 2012 Games	2,508	2,508	2,746
45,261		56,149	58,064	50,335
72,638	Highways and Transportation	73,987	73,602	85,996
61,408	Chief Whip and Environment & Waste	64,333	64,452	66,142
22,496	Heritage, Culture and the Arts	21,518	21,444	18,302
16,265	Leader	17,364	20,303	9,650
5,276	Communities and Planning	5,001	5,510	4,576
1,962	Major Projects and Commercial Services	1,882	1,586	1,073
	Deputy Leader, Finance and Transformation Programme			
559	Central Services	1,131	1,101	1,265
(165)	Non distributed costs	-	-	-
1,348	Precepts and Magistrates	1,545	1,545	1,750
1,742		2,676	2,646	3,016
29,525	Other operating costs	68,139	35,924	71,910
	Recharged Support Services			
	Highways and Transportation			
1,304	Transport Coordination Centre	1,415	1,415	1,296
288	Car Provision Scheme	(300)	(487)	(300)
904	Chief Whip and Environment & Waste	918	897	888
	Democratic Services			
	Leader			
1,877	Communications and customer relations	2,275	2,502	2,024
2,269	Customer Services	2,278	4,644	3,089
	Major Projects and Commercial Services			
14,847	Facilities Management Service	12,970	13,076	11,161
4,344	Essex Legal Services	2,622	4,193	356
2,765	Asset Management	2,672	4,279	2,640
2,830	Procurement	1,989	9,877	2,092
	Deputy Leader, Finance and Transformation Programme			
30,553	Information Services	15,807	17,105	11,990
21,719	Finance	7,140	16,729	13,566
7,562	Human Resources	7,830	8,542	6,427
7,845	Insurance Cost Recovery Account	5,354	4,685	4,685
2,072	Transformation Support Unit	6,019	4,728	4,147
		-	-	-
5,939	Building Maintenance	2,652	3,402	3,960
856,626	Net cost of Services	904,094	896,917	915,153
6,611	General Balance Contribution/ (Withdrawal)	-	318	8,612
(60,065)	General Government Grants	(82,031)	(75,172)	(59,333)
803,172	Budget Requirement	822,063	822,063	864,432

The Government have calculated an alternative notional budget for 2010-11 to reflect the funding adjustments that have been made in 2011-12. This enables a like-for-like comparison with the 2011-12 budget. The alternative notional amount for Essex County Council is £899.372 million. When the 2011-12 budget is compared to this amount, the year-on-year

movement in the budget requirement is £34.940 million or -3.9%

6.1. Adults, Health & Community Wellbeing

	2011-12 £000
Original Net Budget 2010-11 (as submitted Feb 2010)	374,027
New Pressures	21,845
Savings and Efficiencies	(42,139)
Total Net Budget	353,733

Context

The Care Quality Commission judged our services to adults as 'excellent' in both our 2010 Service Inspection and Annual Performance Inspection but we recognise that there is always more to do to ensure that our services meet the changing needs and aspirations of our residents. We want to maintain and build on this level of service whilst promoting independent living.

Our primary aims are to realign our investment into services that prevent or delay people developing social care needs; to support people to recover or develop their own skills and knowledge where such needs have emerged and – where longer term support is required – to enable people to determine the services that best meet their outcomes. More generally we want to help people to find their own solutions to their needs whilst also ensuring that they are safeguarded.

For those who retain longer term support needs, the Council has promoted and helped to provide personal budgets to thousands of adults since 2008, building on our previous success with Direct Payments. These budgets empower eligible people to choose their own programme of care and support to meet agreed outcomes.

As part of our approach to supporting all citizens to find the best solutions for themselves, we are focusing on improving the scope, quality and accessibility of information and advice to support independence. We also remain committed to using and further developing Assistive Technology so that vulnerable adults can live safely in their homes.

Key Savings and Efficiencies

The Service is committed to providing the highest possible service levels within a reducing financial envelope. To accomplish this, the Service is focusing on both demand management and the accomplishment of efficiencies, the major aspects of which are provided below.

- Procurement efficiencies of approx £21.2m, including implementation of new framework contracts with suppliers.
- Joint working with Health – ECC is working collaboratively with Health partners to target efficiencies of approximately £500,000 and to aid the delivery of GP commissioning clusters across Essex.

- New Ways of Working – a programme to review processes and working practices that will target £2.3m of efficiencies in 2011/12.
- Demand Management and Other efficiencies – targeted to deliver £17.2m of efficiencies in 2011/12 incorporating a review of inflationary pressures and areas of spend for which grant has been withdrawn.

6.2. Children's' Services

	2011-12 £000
Original Net Budget 2010-11 (as submitted Feb 2010)	144,993
New Pressures	48,662
Savings and Efficiencies	(11,255)
Total Net Budget	182,400

Context

Whilst improvements have been made in our safeguarding services during the past 18 months we still have further to go to deliver the quality of service our children deserve. We are working together with the Primary Care Trusts across Essex and the Police to strengthen our joint working arrangements and working practices to improve our ability to identify vulnerable children and provide appropriate services at the right time and in the right place.

The children's social care service remains under pressure as the number of referrals to social care and the number of Children Looked After have increased significantly in the last 12 months. Essex now has over 1,500 children in care compared with around 1,350 in December 2009.

Nevertheless, our significant investment in the service has started to make a positive difference. We have increased the recruitment of permanent social workers, adding much needed capacity in our assessment teams. We have successfully seen a reduction in the number of child protection plans issued over the past two years and we have greatly increased the number of initial assessments carried out on time.

We want to support families early on to help them cope with the challenges they face. We are currently running three Family Intervention Projects with local partners in Essex, which support families with complex needs by using shared services and work programmes. These projects deliver key supports and can save up to £67,000 per family per year, while improving outcomes and putting families needs first. We have also been chosen by the Government to become one of 16 community budget pilot areas to expand this work more widely into supporting families with complex needs.

Our Children's Centres are being re-designed to become health and well-being hubs for our most vulnerable people at all ages and stages in their lives, this is being done in conjunction with adult services and the Primary Care Trusts.

We are working with the Primary Care Trusts to align our resources to provide more efficient and effective services to children with disabilities, special educational needs and emotional difficulties, alongside the development of a safeguarding hub of designated doctors and nurses and sexual abuse resource centre. (SARC)

Key Savings and Efficiencies

- Negotiating better prices with suppliers of residential home and school placements for children and young people. Savings of £0.74m in 2011-12, and £2.0m by 2012-13.
- Residential services restructure, saving £1.7m in 2011-12.
- Transformation and redesign of early years service as part of the preventative strategy TS2. Savings of £4.49m in 2011-12, up to £8.94m in 2013-14.
- Maintaining short breaks for disabled children under new reduced funding regime with efficiencies and service re-configuration, saving £0.75m in 2011-12.
- The authority has reviewed the provision of Home to School Transport at Cabinet in December and savings will be from changes to policy and processes, re-negotiations of contracts with Transport providers to reduce costs and staff reductions. The savings affect Childrens and Education 2012 portfolios, and will be £3.01m in 2011-12.

6.3. Education and the 2012 Games

	2011-12 £000
Original Net Budget 2010-11 (as submitted Feb 2010)	55,914
New Pressures	3,227
Savings and Efficiencies	(8,807)
Total Net Budget	50,335

Context

Schools, Children and Families has worked to deliver savings required in a way that minimizes the impact on children, young people and families across Essex. This strategy has been based on the following:

- Ensuring excellent services despite constrained budgets
- Targeting our resources to those with the greatest need and where we can have greatest impact
- Ensuring that all children are enabled to achieve their potential
- Working with partners to deliver better services and value for money

Due to funding constraints, we inevitably have to reduce some of our services. This will include the transition to new ways of working for Youth Services through improved involvement of community partners, including independent advice and guidance for youth and improving how we prevent and interact with youth not in education, employment or training (NEETs). Our support to schools will be refocused to those schools that need the most assistance. We will be reducing the non-statutory elements of our home to school transport policy, but we will ensure those that need assistance to attend school can still do so safely.

Our schools continue to improve and GCSE outcomes (5+ A*-C grades including English and Maths) have increased by 4.4 percentage points since 2009. We have significantly reduced the number of primary schools failing to meet required performance targets and only two secondary schools remain below the national threshold.

Even though GCSE attainment levels in Essex are now above the national average, we are determined to continue improving standards across all key stages so that we keep pace with or exceed the national average to enable all children and young people to achieve their potential.

We recognise the contribution that sporting activity can make to healthier lifestyles and we recognise the unprecedented boost that the 2012 Olympics can make. We are committed to promoting sport and physical activity, and a big part of our efforts to do this surrounds our participation in hosting the 2012 Olympic Mountain Bike event at Hadleigh Farm. With our partners The Salvation Army, we have been

working towards development of land at Hadleigh Farm for the mountain biking course.

Key Savings and Efficiencies

- Following the withdrawal of the Area Based Grant that funded the Connexions service a review of the Integrated Youth Service (including Connexions) was undertaken (Cabinet in December) to deliver savings/efficiencies to offset this grant reduction. Of this savings of £2.8m will be realised in 2011-12 once the Connexions structure discontinues in July/August 2011, with a full savings of £7m annually being realised by 2012-13.
- Where the Local Authority has seen cuts to Area Based Grant, the Commissioning Service have reduced spend in areas that this grant was supporting. Within this portfolio, this includes savings from offering up uncommitted start up funds for Extended Schools services and a reduction in our allocated grant for Extended Rights to Free Travel. Savings of £1.41m in 2011-12.
- Home to School Transport: The authority has reviewed the provision of Home to School Transport and savings will be from changes to policy and processes, re-negotiations of contracts with Transport providers to reduce costs and staff reductions. Savings of £1.67m in 2011-12 and a cumulative of up to £2.95m by 2013-14.
- Changes in the Building Schools for the Future programme have resulted in a savings of £0.82m in 2011-12 in capital project support costs. There will also be a corresponding savings of £0.76m in strategic development support.
- Staff savings of £ 0.17m in 2011-12 through restructure and reduction in capital programme consultancy expenditure.

6.4. Highways and Transportation

	2011-12 £000
Original Net Budget 2010-11 (as submitted Feb 2010)	75,254
New Pressures	21,862
Savings and Efficiencies	(10,124)
Total Net Budget	86,992

Context

The transport network affects people in their daily lives whether for work, school, leisure, and many other purposes. Road condition and congestion regularly feature high in residents' priorities and public transport is often the only means of transport for some people, particularly in rural areas. The recent severe winters have added an extra challenge in terms of keeping networks open and recovery from the damage caused by freezing conditions and often followed by flooding and summer dry spells.

We are currently fundamentally transforming the way we deliver our Highways services post April 2012. A process is now well underway to appoint one Integrated Service Provider (ISP) who will deliver significant budget savings and efficiencies in the Highways service. The Highways Improvement Programme involves several projects to deliver efficiency savings with a view to reduce staffing by just under 100 full time equivalent posts.

Government funding has been reduced for Integrated Transport and Maintenance, in addition to the funding cuts implemented in 2010-11. With DFT capital and revenue budgets also reducing over the planning period, the priority will be to mitigate the effect by focusing on maintenance and core activities as well as driving through efficiencies via the Highways Improvement Programme and the Highways Strategic Transformation Project.

Construction work is well underway for Sadler's Farm and Roscommon Way and there are three major schemes expected to be completed in 2010/11 - New A12 junction, Basildon Enterprise Corridor and Harlow A414 dualling.

Investment in maintenance has ensured that road conditions have been returned to pre winter conditions. Congestion is being tackled in key locations through widening of roads and use of new technology. Once again the number of people killed or seriously injured has fallen faster than the national average. Within Passenger Transport, ECC won the UK Bus Awards for accessibility and was shortlisted for the Public Sector Fleet of the Year in the GreenFleet Awards 2010.

Key Savings and Efficiencies

- Cessation of youth Concessionary Fares (£0.7 million saving)
- Restructure of the A12 patrols (£0.8 million saving)
- Efficiency savings in Highways Maintenance (£1.0 million)

- Savings to Road Safety expenditure (£1.0 million)
- Savings in Passenger Transport (£0.5 million)
- Staff savings (voluntary redundancies) (£1.8 million)
- Park and Ride Saturday closure (£0.1 million)
- Other (including absorbing the costs of inflation) (£4.1 million)

Environment and Waste

	2011-12 £000
Original Net Budget 2010-11 (as submitted Feb 2010)	63,702
New Pressures	10,212
Savings and Efficiencies	(6,883)
Total Net Budget	67,031

Context

ECC has a long commitment to protecting the environment and encouraging recycling in Essex. In 2009/10 over 46% of household waste was recycled in Essex and this will increase to over 50% in 2011. The council has committed to invest over £6million per annum in improving local recycling services. We also offer support to households looking to reduce their energy use, including lending energy meters to residents through our libraries. This is especially necessary as there has been an increase in landfill tax, as well as a reduction in landfill space and sites.

We are equally committed to protecting Essex's own natural resources. All seven of Essex County Council's Country Parks have been awarded the prestigious Green Flag Award (given to the best parks and open spaces in the country) and we have delivered year-on-year improvements in local biodiversity.

Safeguarding the environment remains a top priority for Essex residents. Although money is scarce, with the help and support of Essex communities we can protect our county's natural assets and reduce the burden we place on the local environment.

We recognise that one of the public's top priorities is making communities safer. Since 2007/08 the number of crimes in Essex has fallen by 12%. That is 12,000 fewer incidents of crime. We will continue to work with the Police to make Essex the safest place to live in England.

Essex has recently set up a partnership for Flood Management under its new responsibilities as Local Lead Flood Authority. We want to use our new responsibilities in flood management to bring together the responsible authorities and co-ordinate effective protection for the residents of Essex from hazard floods.

Key Savings and Efficiencies

- Procurement savings from retendering waste contracts £1.45m
- Reduction in landfill volumes - £0.90m
- Waste Category Plan - £0.40m in 2011-12 and £4.5m by 2012-13
- Colchester's decision not to sign up to Inter Authority Agreement - £1m
- Slippage of Chelmsford and Braintree schemes - £0.7m

- Reduction in composting credits paid due to Inter Authority Agreement roll out - £0.5m
- Staff savings through restructure - £1.68m by 2011-12

6.5. Heritage, Culture and the Arts

	2011-12 £000
Original Net Budget 2010-11 (as submitted Feb 2010)	21,383
New Pressures	1,297
Savings and Efficiencies	(4,378)
Total Net Budget	18,302

Context

Essex County Council has a longstanding commitment to supporting communities through the services that make up this portfolio. Libraries have long been the hub of communities and our 'sector leading' library service maintains an excellent reputation while exploring opportunities to arrange mutually beneficial partnerships which are enabling the service to become more efficient while widening the services offered to the public.

In 2010, a peer review, which followed The Scottish Government's Public Library Quality Improvement Matrix (PLQIM) framework, gave Essex Libraries the highest ranking possible for information and reading services and more recently, Essex Libraries was successful in winning a contract to provide library services to Slough Borough Council.

Our Adult Community Learning services were awarded Beacon Status in early 2010 in recognition of its outstanding services and our tourism team have celebrated the value of tourism increasing by 7% to £2.7billion (2009) and 147 members joining our public-private tourism partnership since its inception in July 2010.

The Arts are an essential and enriching part of communities and they provide an invaluable contribution to tackling social problems, supporting the vulnerable, exploring culture and promoting learning. Coupled with this, in 2009 alone the arts sector generated over £31 million for the local economy; in 2010 over 150,000 people attended 285 events across the county in the OneWorld Festival.

Our Historic and Built Environment teams are extremely successful in protecting our heritage and shaping the future of developments to encourage sustainability and quality. The Essex Design Initiative, incorporating the Essex Design Guide and the Brentwood Renaissance programme, incorporating the new high street, has been short-listed for the national Royal Town Planning Institute (RTPI) awards.

Key Savings and Efficiencies

- Greater Library service partnership working and sale of expertise (£0.5 million in 2011-12, £2 million in 2012-13)
- Review of library service hours (£0.4 million in 2011-12, and a further £0.4 million in 2012-13)

- Review of mobile library fleet (£0.1 million in 2011-12)
- Reduction in the Library stock resource fund (£0.25 million in 2011-12)
- Public Art Capital Programme to be reviewed
- Library staffing review £0.7m in 2011/12

Leader

	2011-12 £000
Original Net Budget 2010-11 (as submitted Feb 2010)	21,625
New Pressures	(2,695)
Savings and Efficiencies	(4,167)
Total Net Budget	14,763

Context

We are proud of our track record of promoting growth in the Essex economy. Throughout the recession we have promoted Essex at home and abroad, securing support for entrepreneurs (e.g. research grants, innovation support and export sales support) and investing to ensure that Essex can enjoy the benefits of recovery: investing in young people's skills; providing financial support to help businesses become more sustainable.

In October 2010, we established a Local Enterprise Partnership (LEP) with our partners in Greater Essex, Kent and East Sussex. One of the first wave of 24 LEPs approved by the Government, the Essex-Kent-East Sussex LEP is the largest in the UK and will allow us in the future to benefit from large-scale partnership working, to deliver better services, and to secure economic development and regeneration for Essex.

We are also committed to promoting Essex as an outstanding destination for national and international business. Our marketing and promotion activities through **Invest Essex**, have exceeded their targets for new investment projects, responding to 90 inward investment propositions from 17 different countries. We have also helped over 40 Essex companies to develop their export sales in China and India and helped them develop business opportunities abroad.

Like most areas across the country, Essex has seen a significant increase in the number of young people not in employment, education or training in recent years as a result of the recession. Our successful Essex Apprenticeship scheme (a partnership project between the council, local businesses, FE colleges, the EU and many local organisations) has provided 1,250 new apprenticeships for young people in Essex.

Key Savings and Efficiencies

- Reductions in the Democratic core largely via reduced staffing budgets and removing vacancies (£963,000 saving)
- Reduction in Essex Initiatives budget (£488,000 saving)
- Reduction in non-essential contributions and subscriptions (£133,000 saving)
- Merging of Inward Investment and International Trade teams (£0.2 million)

- Reduced contingency budget (£100,000)
- Reduction in Area Based Grant (£98,000)

- **Planning and Communities**

	2011-12 £000
Original Net Budget 2010-11 (as submitted Feb 2010)	4,912
New Pressures	448
Savings and Efficiencies	(784)
Total Net Budget	4,576

Context

Spatial Planning has worked together with a wide range of national, sub-regional, and district partners in order to ensure that the County Council's strategic policy interests and service delivery needs are effectively represented in the planning system.

We have developed an Integrated County Strategy (ICS), a strategy framework for future development, growth & regeneration in Essex over the next 10-20 years. The ICS was prepared jointly with district and unitary council partners and supported by cross-cutting ECC officer level input from Policy Community Planning & Regeneration, Highways & Transportation, and Spatial Planning.

We have developed and published the Minerals Development preferred approach, which is designed to respond to a demand for around 4 million tonnes of sand and gravel which the county is required to meet each year.

Consultation is currently underway on possible issues and options for the Council in providing a waste strategy and plan. This is the waste development document for sites to meet our waste requirements over the next 15-20 years. The consultation will shortly end and a preferred strategy will be prepared and consulted on in 2011.

Using funding provided by the Department of Communities and Local Government, the Council's Gypsy and Traveller Services have now successfully completed the expansion of the Sandiacres site by two plots.

Over the course of this financial year we have been able to determine planning applications in accordance with or often higher than agreed time targets. This was helped to ensure high customer satisfaction. Furthermore we have also implemented a Spatial Capacity Review which has helped to deliver the associated savings.

Key Savings and Efficiencies

- More focused joint operations with police reducing budgets allocated to crime and disorder reduction and anti-social behaviour budget (£0.2 million in 2011-12)
- Community Initiatives Fund (saving of £0.5 million in 2011-12)

- Staff savings through restructure, New ways of working and reduction in consultancy spend - £0.69m in 2011-12

6.6. Major Projects and Commercial Services

	2011-12 £000
Original Net Budget 2010-11 (as submitted Feb 2010)	24,786
New Pressures	(185)
Savings and Efficiencies	(3,319)
Total Net Budget	21,282

Context

We have achieved £48.3m of procurement savings as at the end of November 2010, which equates to 32% of the overall procurement target to deliver £150m worth of savings by 2012/13.

Through our procurement and capital programme, we have made it simpler to do businesses with us: we have reduced the size of our standard pre-qualification questionnaire by half, increased the amount of construction work that is tendered in the open market, and engaged with local suppliers through working groups.

In September 2010, 4 schools in Essex started their redevelopment as part of the Building Schools for the Future (BSF) programme. The schools are located in Canvey Island, Chelmsford and Basildon. Each school will see state-of-the-art educational facilities, including information and communications technology and online 'Learning Platforms'.

Achieved high quality and value for money construction through the SMARTE East Framework. Queen Boudica Primary School reached the finals of the Best Educational Building (Eastern region) at the Local Authority Building Control Awards and our contractor Lakehouse was awarded with a Gold Award under the Considerate Contractor Scheme for Doddinghurst Primary School.

We have commenced a pilot project for standardised design at White Court Primary School, Braintree, to reduce the cost of delivery.

We are now implementing efficiencies in the way we procure facilities management services for our property estate.

We have agreed a corporate Property Strategy which puts us on track to ensure we have the right property in the right place for the right cost and that we make the best use of sharing property with our partners in Essex.

We have drafted an Energy Strategy to establish the Council's approach to reduce our energy consumption cost and environmental impact.

We have developed the Legal Service Partnership with Essex Districts and beyond, and have had increasing success in trading legal services, generating income of over £3million.

The Coroners service has achieved an enhanced rate of processing inquests, and is continuing work to modernise the service. We are currently exploring the use of Contact Essex as first point of contact.

We have introduced new technology for electronic cash book and electronic diary in our registration service, and also implemented Single District into the service.

Key Savings and Efficiencies

- Staff savings through restructure : £1.52m in 2011-12
- Facilities Management procurement savings of £1.45m in 2011-12
- Property transformation of £1.20m by 2012-13

6.7. Finance and Transformation

	2011-12 £000
Original Net Budget 2010-11 (as submitted Feb 2010)	49,358
New Pressures	412
Savings and Efficiencies	(5,940)
Total Net Budget	43,830

Context

Finance

A new structure from April 2010 has delivered strong input to budgetary control, management of the capital programme, and support and encouragement of projects – the transformation programme in particular. We have now achieved transformation and restructure of the finance function, which has led to a reduction in staff numbers and cost to date.

We have ensured efficient and effective transactional processing, and ensured consistent application of the corporate framework for policies, controls and governance.

In Shared Services we have also achieved a 38% reduction in cost base over the last 3 years by, from £9.5m to £5.9m. This has largely been achieved through delayering of management levels, re-engineering of processes, and systems improvements.

People

“Our People” is a key aspect of the Council’s ambition to deliver the best quality of life in Britain. Human Resources’ role is to support and enable the organisation to reach its vision and deliver its full potential. This involves operating at a number of levels to ensure that we have a highly engaged workforce, which cultivates a positive climate for organisational change and improved business performance.

The “People Strategy” sets out our vision for our workforce: to be the best employer in Essex, and recognised nationally, while delivering the best outcomes to the people of Essex. It also outlines how we plan to maintain and develop our workforce and the organisational culture we need to deliver our vision, values and priorities.

We aim to achieve this vision by focussing on six strategic themes:

- Leadership
- Capability and Performance
- Engagement
- Change

- Resourcing

Transformation

The Transformation Support Unit (TSU) is the team that supports the delivery of the EssexWorks: Customers First programme. The TSU structure was refreshed in July 2010 to ensure that it is able to provide continued support for the delivery of the programme, through 4 key services: Planning and Design, Delivery, Commercial and Reporting, and Finance.

Planning and Design is concerned with the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in cost, quality, speed, and service. This team also leads on development of the Target Operating Model, which articulates how the organisation will look and operate in the future.

Delivery is concerned with achieving the transformation projects that make up the EssexWorks: Customers First programme, as well as our intermediate milestones or 'transition states'.

Commercial and Reporting provides the central information source for transformation, monitors and reports on progress, and evaluates business cases for transformation projects.

Finance underpins the other services as it closely monitors progress towards our savings target of at least £300m, and offers expert advice on project finance.

The transformation programme has delivered savings in excess of £60 million and is on track to deliver a further £90m by the end of the 2010/11 financial year.

Information Services

We have successfully brought IT services back in house, achieving significant savings as a result. We have also delivered the wide area network replacement, which delivered higher network specification and resilience alongside savings of approximately £400k.

In IS we have increased the average 'first time fix' percentage from 19% to 72% by re- focussing resource in the remote team to reduce numbers in the field. This has reduced time and cost spent on support calls, increasing efficiency and value to our customer.

Key Savings and Efficiencies

- Improving the Finance Professional Services offering and modernising reporting systems - £0.8m from 2011-12
- Additional income generation from the sale of HR services - £0.3 million from 2011-12
- Reduced consultancy spend for programme management - £0.8 million from 2011-12
- Reduced Equality & Diversity service capacity e.g. supporting the Single Equality Bill - £0.2 million from 2011-12

- Progressive transition to a Cloud environment, improving processes & rolling out the Local Area Network to all networked offices - £2.8 million from 2011-12, £6.0 million by 2013-14

Operating Costs

	2011-12 £000
Original Net Budget 2010-11 (as submitted Feb 2010)	68,139
New Pressures	12,382
Savings and Efficiencies	0
Total Net Budget	80,522

Context

The largest part of Essex County Council's operating costs relate to the revenue financing costs required to fund our ongoing capital programme: interest payable on borrowings and Minimum Revenue Provision (MRP), which is an amount which Local Authorities are normally required to set aside each year to pay for debt arising from borrowing or credit arrangements used to finance capital expenditure.

Severe pressure on our revenue budget as a result of the Government cuts has necessitated a renewed focus on this area of our expenditure and as a result there has been significant re-prioritisation of our capital programme, with a number of schemes being either reduced, delayed or cut completely.

Also included within our operating costs are transfers to and withdrawals from our reserves. In previous years we have built up acceptable and reasonable levels of reserves to be used in times of difficulty, or in the advent of financial shocks. This year our budget process has made use of reserves and postponed planned contributions to ease the financial pressures but this has been done in a responsible and sustainable way. See section 7.3 below for more on reserves and balances.

7. Robustness of the Budget

7.1. Assessment of Risks

- 7.1.1. Although best estimates have been taken into account when compiling the budget, the nature of the services provided by the Council means that there will always be a level of financial risk which needs to be monitored and managed.
- 7.1.2. Risks have been quantified based on the Corporate Risk Scoring Guidelines using a 4x4 matrix. The matrix assesses likelihood and impact of any event occurring, with the highest scores indicating the highest level of risk.
- 7.1.3. In 2011-12, these high and/or significant risks have been assessed as having a value of £32.6 million, comprising savings risks of £18.8 million and demand risks of £13.8 million.

Savings Risks

- 7.1.4. £18.8 million (58%) of the risk profile relates to the delivery of savings and efficiency programmes.
- 7.1.5. The Council's ambitious savings and efficiencies work, through the Transformation Programme, totals £98 million in 2011-12.
- 7.1.6. Strong project management, benefits tracking and robust financial management, combined with appropriate governance structures to support decision making, will be key to ensuring that these plans are delivered.

Demand Risks

- 7.1.7. £13.8 million (42%) relates to the risk of demand pressures from service users resulting in costs exceeding budget provision (particularly relating to adult social care, support for vulnerable children, concessionary fares and waste disposal).
- 7.1.8. The council is responsible for the care of some 24,000 adult service users, including some whose needs are severe and complex. Pressures can arise both from increases in the numbers of service users beyond expectations and changes in the average cost of packages of care due to changes in the mix of severity of cases and of care solutions. The average cost of an older person receiving home care is £6,000 per year, a residential care package could cost up to £23,000 per year, and someone with complex learning disabilities could require care costing on average £67,000 per year (although more complex cases can cost more than double this amount).
- 7.1.9. The numbers and type of care package for 'looked after children' significantly impact on the total costs of providing Children's Services. The cost of a residential care package can be around £180,000 per year whilst the average cost of supporting a child or young person in a fostering placement is £26,000 per year.

- 7.1.10. Waste costs will vary according to the level of waste which needs to be disposed of. A 1% increase in waste volume could cost an additional £200,000 to £250,000 per annum.
- 7.1.11. The Winter maintenance gritting budget (within the Roads and Footways Policy) is constructed on the basis of an average of 43 precautionary gritting runs, with a cost of approximately £30,000 per gritting run. However, for the last 3 years commencing 2008-09 severe winters have been experienced, resulting far in excess of the 43 average runs. In 2009-10, 74 gritting actions were required. This creates budget pressures resultant from direct gritting costs of approximately £1m, but with the variable cost of grit/salt and expensive actions in relation to snow clearance, the total budget pressure relating to the recent severe winters is significantly higher, at approximately £1.5m.
- 7.1.12. These costs do not include the costs of repairing the damage to the highway itself which is caused by the severe weather. This again is a significant cost.

7.2. Steps to Minimise and Manage Risk

- 7.2.1. In building the budget, the authority has considered the risks inherent within it and has mitigated these as follows:
 - 7.2.1.1. The consideration of specific service contractual obligations which may not conform to general inflation levels.
 - 7.2.1.2. The on-going impact of the Schools, Children and Families improvement programme and the additional impact of the 'Baby P' case.
 - 7.2.1.3. The reflection of lower interest rates on the investment returns and borrowing budgets. 1% change in investment returns implies an estimated movement of £1.1 million in the budget, while a 1% change in borrowing costs implies an estimated movement of £2.7 million.
 - 7.2.1.4. The absence of the use of capital receipts to finance the capital programme to reflect the fall of activity in this area.
 - 7.2.1.5. At present pay awards are assumed to be low with only £250 per annum for staff paid less than £21,000 per annum. This is equivalent to 0.35%% on the pay bill. A 1% pay increase is equivalent to £2.4m.
- 7.2.2. In addition, the authority has a number of processes embedded within its day to day working to minimise, and manage its risks, including:
 - 7.2.2.1. A robust approach to financial planning with services, looking at both the near and longer term.
 - 7.2.2.2. Use of performance reporting and balanced scorecards to act as an early warning system.
 - 7.2.2.3. Regular reporting to Members of the projected outturn, including outlining remedial action where appropriate – the quarterly reports to Cabinet are also considered by the Audit and General Scrutiny Committee.
 - 7.2.2.4. An established system of financial management, culminating in the presentation of monthly reports to the Corporate Leadership Team.
 - 7.2.2.5. The operation of a risk management approach as set out in our Risk Management Policy and Strategy: Prudence, Strength and Performance.
 - 7.2.2.6. The presence of the Council's internal control framework, including the Financial Regulations and Schemes of Delegation for Financial Management which provides the framework for delegated budget management.
- 7.2.3. Many other processes exist. However, it has to be recognised that these steps will not serve to eliminate risk entirely, especially for those that come

from external sources, such as the demand pressure for social care support, and price fluctuations beyond those already included in the budget. There are further measures that can be taken to diminish the overall financial effect of these risks:

7.2.3.1. Slowing down or stopping spending or increasing income elsewhere in the organisation. The greater the extent that this is possible, the lower the overall impact of risks.

7.2.3.2. The extent to which it is possible to move funds around the organisation, and so utilise savings in one area against pressure in another.

The authority has demonstrated its ability and willingness to take the above steps in the past when it has been necessary.

7.2.3.3. The Council's insurance arrangements – the overall budget and insurance provision allow for estimated excesses on claims and costs that fall to the council.

7.2.3.4. The level of the council's emergency contingency, which is set at £8 million.

7.2.4. A further source of funding is, of course, the Council's reserves and balances.

7.2.5. While the S151 officer (Executive Director for Finance) is able to certify the robustness of the budget, the combination of an intensive savings and efficiencies programme with its inherent delivery risks and the use of reserves on a short term basis, does mean that both adequate general reserves and robust management of delivery programmes is required to maintain sound finances. In this way, future reliance on reserves to sustain services can be avoided and the firm foundations of sound budgeting with ongoing funds restored.

7.3. Reserves and Balances

7.3.1. Reserves provide for mitigation of the level of risk inherent in building a budget in times of financial constraint. As well as providing for the future we know that balancing our budget requires innovative savings plans which may suffer delays, for example. Our reserves are essential to cushion services against shortfalls.

7.3.2. We have built up acceptable and reasonable levels of reserves so that the authority can continue to deliver services, even in the advent of financial shocks. Our budget process has made use of reserves to ease the financial pressures but this had to be done in a responsible and sustainable way.

7.3.3. Many of the reserves e.g. waste, PFI and insurance are earmarked to enable us to afford to pay our bills in future years without further impacting the council tax - i.e. we are saving today for the rising costs of tomorrow to smooth costs. This is a prudent approach to these future pressures.

- 7.3.4. The Waste reserve, in particular has been set up by Essex County Council to smooth the year on year increase in waste disposal costs arising from EU legislation re landfill limits. This was exemplary forward prudent planning by the authority which has won us praise from central government project assessors.
- 7.3.5. Raiding the reserves is not a long-term sustainable policy as they soon run out and in any case, ongoing revenue funding requirements should not be funded from one-off sources. Consequently any 'borrowing' from reserves is budgeted for pay back in later years.
- 7.3.6. We have made use of reserves to fund invest to save (transformation) projects. This is a good example of where we are using one off money to fund one off expenditure and then paying back from the savings that ensue. In addition, we are being very flexible about the payback period to ensure the strain on individual years is not too great and current expenditure on key services is protected as far as is possible
- 7.3.7. We have incorporated £42 million of general reserves in the 2011-12 draft budget that are not earmarked. This, combined with the £8m of Emergency Contingency, amounts to some 5.7% of the net revenue budget and it is the view of the S151 Officer (Executive Director for Finance), that given the level of risks inherent within the budget, it would be imprudent to go lower.

8. Capital Programme

- 8.1. In a welcome move from Central Government, both the Department for Transport (DfT) and the Department for Education (DfE) have provided 100% capital grants to support the capital programme. These grants are a mixture of ring fenced and non ring fenced thus allowing the authority some flexibility in how to use the grant awarded.
- 8.2. In the last three year settlement, there was a noticeable shift in the proportion of grants to supported borrowing and this appeared to be recognising that Local Authorities needed cash grants not revenue funded borrowing. This trend has been continued in the 2011-12 allocations. The indicative figures for future years imply that this will be sustained for the following three years.
- 8.3. The level of funding from DfT was a little lower than the previous years' as the integrated transport block was reduced by a third. The DfE allocations were significantly reduced as programmes either ended i.e. Extended schools, significantly reduced like the Primary Capital Programme or were removed.
- 8.4. Table 6 sets out the central government funding allocations (Supported Capital Expenditure (SCE) and Grant) for the Highways and Education programmes

Table 6

Analysis of grant and supported borrowing awarded by central government departments			
	2010-11	2011-12	2012-13
	£000	£000	£000
SCE (R)	51,546	-	-
Grant	234,040	159,274	90,387

8.5. Table 7 shows a summary of the council's proposed capital programme by portfolio

Summary of Capital Programme			
	2011-12	2012-13	2013-14
	£000	£000	£000
Adults, Health and Community Wellbeing	5,500	220	200
Children's Services	1,844	7,100	8,206
Education & 2012 Games	115,026	63,012	47,804
Highways and Transportation	83,879	40,000	33,902
Chief Whip and Environment and Waste	9,854	11,745	7,950
Heritage, Culture and the Arts	1,423	738	738
Leader	8,394	500	-
Communities & Planning	3,162	1,500	1,500
Major Projects & Commercial Services	2,374	1,200	1,250
Finance & Transformation Programme	-	-	-
Total	231,456	126,015	101,550
Financing			
	2011-12	2012-13	2013-14
	£000	£000	£000
Specific grant funding	153,971	84,386	68,707
Contributions (eg. from developers)	11,170	5,063	4,835
Capital receipts (ringfenced)	4,998	6,356	5,410
Unsupported borrowing	60,317	30,210	22,598
Capital receipts	1,000	-	-
Total	231,456	126,015	101,550

9. Future Years – Medium Term Financial Plan (MTFP)

- 9.1. As explained earlier in this report, the Government has only announced two years' settlement information, for 2011-12 and 2012-13. In his Local Government Settlement speech on 13th December, Eric Pickles, the Secretary of State for Communities and Local Government, announced this settlement as a transitional one, using an inherited system. He said that in providing details for the next two years he was aiming to strike a balance between the need to help councils plan and the need to reform the system.
- 9.2. As a result, whilst considerable work has been undertaken on the 2013-14 budget, there remains some uncertainty over the resources available. Consequently, there

are no funding figures shown in Table 8 as they cannot be predicted with any certainty.

Table 8

	2011-12 £000	2012-13 £000	2013-14 £000
Original Net Budget (as submitted Feb 2010)	904,094	904,094	904,094
New Pressures	108,951	147,987	181,023
Savings and Efficiencies (Services)	(97,796)	(172,633)	(220,114)
Net Cost of Services before Reserve Movement / Financing	915,249	879,448	865,003
Reduced Contribution to Waste Reserve	(19,886)	(391)	28,598
Movement in Other Reserves	19,790	38,960	28,960
Net Cost of Services	915,153	918,017	922,562
Contribution to General Balance	8,612	-	-
General Government Grants (Including Council Tax Freeze Grant)	(59,333)	(59,714)	(59,714)
Forecast Budget Requirement	864,432	858,304	862,848
Met by:			
Council Tax	(580,459)	(597,898)	
Formula Grant (Adjusted to reflect transfers)	(283,973)	(260,406)	
Total Financing	864,432	858,304	

- 9.3. There are two notable features in regard of the figures above for 2013-14 in addition to the continuing pressures and transformation / efficiency programmes. Firstly 2013-14 sees a planned substantial payback of the Waste Reserve of the amounts 'borrowed' in 2011-12 and 2013-14. This is to restore the reserve to the level required to sustain waste expenditure in future years. The table in 6.6.1 provides more detail on the Waste Reserve movements over the 3-year period 2011-12 to 2013-14.
- 9.4. Secondly, as indicated above, the provisional settlement is only for two years, hence the funding for year 3, 2013-14, is far from certain. While we have an indication of the national funding figure, it is known that CLG is reviewing the funding formula. It is anticipated that further information on this review, and exemplifications arising from it, will emerge in 2011.
- 9.5. As a consequence of the pressures, efficiencies, capital programme adjustments and payback of reserves the projected budget 2013-14 is approximately £863 million.
- 9.6. During the budget process the authority has been careful to act in a measured way to predict funding shortfalls, ensuring that robust plans are in place. Consequently, the authority is taking the following mitigating measures to address the projected funding shortfall in 2013-14:
- 9.6.1. Continuing delivery of the transformation programme, especially the 'New Ways of Working' series of projects, which facilitate a more efficient way of delivering valued services

- 9.6.2. Reviewing planned commitments against the Waste Reserve to identify if replenishment can be delayed without jeopardising the ability of the reserve to support the long term waste project
 - 9.6.3. Continuing to make representations to CLG on the funding formula to ensure that it reflects Essex County Council's circumstances, that floor protection is properly funded and that area cost adjustment is protected
 - 9.6.4. Maximising income across all services
 - 9.6.5. Ensuring that appropriate operating models are deployed in both front line and back office services to reduce costs whilst protecting services to the public
 - 9.6.6. Reviewing the capital programme in terms of quantum and funding sources to seek to reduce the impact on the revenue budget
- 9.7. Whilst it is disappointing that the CLG has not been able to declare provisional funding settlements across all years of the CSR, from the point of view of financial planning, it is hoped that a fundamental review of the four block model will produce a more transparent, stable and equitable methodology for funding allocation. Meanwhile, Essex County Council will continue to push forward its Transformation Programme to ensure that it is best placed to effectively assess the impact of future settlements, and wherever possible does not have to react with short term savings measures.