

.CHESHIRE EAST COUNCIL

REPORT TO: CORPORATE SCRUTINY COMMITTEE

Date of Meeting: 6 March 2012
Report of: Borough Solicitor
Subject/Title: Budget Task Group –Business Planning

1.0 Report Summary

- 1.1 To review the budget task groups involvement in the business planning process 2011/2012

2.0 Recommendations

- 2.1 To note the report
- 2.2 To consider offering advice to Cabinet on the involvement of Overview and Scrutiny in future business planning consultation processes.
- 2.3 To determine whether the group should continue in the new civic year.

3.0 Reasons for Recommendations

- 3.1 Overview and Scrutiny is a formal part of the Business Planning consultation process.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications including - Carbon reduction - Health

- 6.1 Not known at this stage.

7.0 Financial Implications

- 7.1 Not known at this stage.

8.0 Legal Implications

8.1 None.

9.0 Risk Management

9.1 There are no identifiable risks.

10.0 Background and Options

10.1 In line with Corporate Scrutiny Committee's role to oversee the budgetary process, in June 2011, the Committee set up a Budget task group consisting of the following 6 Members:

Councillor P Findlow (Chairman), Councillors B Burkhill, D Newton, B Moran, F Keegan, and G Wait.

10.2 The Group initially met on 25 July and tasked itself with providing an 'effective and timely input into the budget setting (Business Planning) process to 'influence the budget setting process and to submit initial comments on the draft budget prior to approval'.

10.3 The group met on nine occasions throughout the business planning process for 2012/2015, the last meeting being held on 13 February 2012.

10.4 This report summarises the activity of the group throughout that 8 month period and recommends some improvements to the process for future years.

11.0 Meetings

11.1 25 July 2011

11.2 The meeting held on 25 July agreed the terms of reference for the group. The group identified 8 main issues:

1. What is the rationale behind major growth items/savings
2. Establish what has been discounted at this stage and why
3. What is the approach to efficiency in light of the projected savings expected from the government's comprehensive spending review
4. have the wishes of Portfolio Holders/departments and Members been taken into account (possibly achieved through 1:1s)
5. Are the levels of reserves appropriate?
6. Ensure the timetable allows O&S views to be taken into account
7. Identify any unexpected/unintended consequences.

11.3 The group considered a draft Cabinet report setting out the business planning process expected to be followed for the period 2012/15. The draft business plan had been set in the context of the Council's proposals to downsize services to address the funding gap brought about the Government's comprehensive spending review.

- 11.4 The group was informed that the aim of the business plan was to focus on major themes and transformation ideas and therefore set out the Council's policies, priorities and financial position and the process to be followed. Thus, the group was informed that the business planning process would create an integrated document incorporating the corporate plan and budget. This approach received broad support from the group.
- 11.5 On this occasion, as there was not a convenient scheduled meeting of the Corporate Scrutiny committee, the group reviewed the Budget outturn 2010/2011. This was acknowledged to be a unique circumstance, and that in future, this role would be fulfilled by the parent Committee alone.
- 12.0 **12 September 2011**
- 12.1 At the second meeting, the group received an update on the business planning process which included a number of key milestones that guided the process through the summer. Members were informed that the Business planning process had been approved by Cabinet on 1 August and launched through an all Member briefing on 2 August 2011. These events were followed by internal briefings for senior managers. In addition, proposals to post the business plan on CEntranet were published in order to provide Members with a single point to access the Business Planning Process.
- 12.2 The group raised with the Borough Treasurer the possibility of implementing tracking mechanisms to ensure that the savings target of £32 million in connection with the 2011/12 budget was being met. The group was advised that a system had been developed and details would be provided on an exception basis.
- 12.3 The group was informed that it was too early to report emerging themes in the Business Planning process but was reminded of the 7 priorities contained in the Sustainable Communities Strategy as follows:
1. Nurture strong communities;
 2. Create conditions for business growth;
 3. Unlock the potential of our towns;
 4. Support our children and young people;
 5. Ensure a sustainable future;
 6. Prepare for an increasingly older population;
 7. Drive out the causes of poor health
- 12.4 The group debated whether it would help to understand the budget challenge process better if information could be provided to distinguish between statutory and discretionary services. However, it was noted that provision of Council services had evolved to provide the current mix of statutory and discretionary provision in an effective way. This meant it was very difficult to simply stop a certain service without implications elsewhere.

The group also recognised that the devolution proposals and transfer of services would have a significant impact on the budget, and asked for additional updates on the plethora of legislation that was going through the parliamentary process at the time. It was agreed that a report would be submitted to the next meeting on 27 October 2011. Finally the group also requested to be involved in the setting of fees and charges.

13.0 27 October 2011

13.1 This meeting had been convened to consider the post challenge outcomes arising from the Cabinet/CMT away day held on 25 October. The meeting was attended by the Resources Portfolio Holder. The group sought assurances from the portfolio holder about how the group would be involved in the substantive formative budget issues.

13.2 The group was provided with an update on a number of key government funding issues including:

- the Council Tax freeze grant 2012/13; a one off 2 ½% grant which was being offered in addition to the 4 year grant already in place.
- The local government resource review consultation concerning a mechanism to enable Council's to retain a greater share of business rates collected in their area.
- Proposals regarding localising support for Council tax which proposed to transfer Council tax benefit to Councils or groups of councils to make savings on Council tax benefit through scheme design and promoting employment opportunities.

13.3 The group concluded by agreeing to hold an additional meeting on 1 November to consider emerging budgetary issues.

14.0 1 November 2011

14.1 The group considered the following 3 documents:

- An analysis of savings in policy options 2011/12 on an exception basis in respect of each service area with the level of risk indicated by a Red, Amber symbol (Green not provided)
- A summary of the projected position on the 2011/12 budget and projected 2012/13 position.
- A Business planning process timetable 2012/15

14.2 The group was informed that the worst case scenario for a planned budget position for 2012/13 indicated a funding gap of £17.9 million but that this should be read in the context of the original 3 year budget position which had projected a gap of £14.6 million in 2012/13.

14.3 The group was informed of unavoidable additional costs on the budget resulting from school pension contributions. It was also explained that if the Council intended to take up the offer of the one off Council tax grant, that it should be

used strategically only to avoid creating immediate pressures on the following years budget.

15.0 12 December 2011

15.1 At this meeting, the group was given the full list of proposals which had been considered by informal cabinet earlier in the day. The proposals indicated a potential budget gap of £3.3 million. The group questioned the Resources Portfolio Holder about the proposals.

15.2 The group was informed that the government had announced the provisional formula grant figure for 2012/13, which indicated that the Council's grant settlement was unchanged from that issued in January 2011 as part of a two year settlement.

16.0 10 January 2012

16.1 The group received the draft Business Planning Development Plan ahead of the all member briefing sessions held in January.

17.0 16 January 2012

17.1 The group took its first look at the draft business plan 2012/15. The group commented that the new presentation style, which in effect combined 2 documents, had made the document difficult to understand. Members were particularly mindful that the public and stakeholders would also have difficulty understanding the new format. The group asked the Director of Finance to produce a more explicit narrative within the document and also asked for impact assessments to be included in respect of each of the proposals.

17.2 The group raised specific queries regarding the capital programme, in particular, highlighted apparent large fluctuations in the projected total capital spend between 2012/13 to 2014/15. The group was informed that the figure for 2012/13 was considerably higher than the latter figures due to a large sum earmarked to rationalise the 600 ICT systems operating at the Council.

18.0 1 February 2012

18.1 A revised business plan 2012/2015 was considered by the group, which had been subject to substantial amendment since the previous meeting of the group. They spent some time discussing chapter 1 (supported by annex 3) which considered financial stability and the assumptions relating to inflation, pensions and reserves.

18.2 The group was informed that the formula grant position had remained at the original level reported to the group before Christmas, but that this still left the Council with a reduction in grant of £ 7.1 million.

18.3 The group also discussed arrangements to fund the Capital programme. To date the council had not borrowed externally, but the group was informed that

the situation was expected to change. The Council would also be making use of capital receipts.

18.4 The group sought assurances about the level of reserves which currently amounted to £14.7 million. The updated reserves strategy assessed the minimum level at £15 million.

18.5 Members noted the current list of fees and charges.

19.013 February 2012

19.1 The group restricted its deliberations to annex 7 (Financial Summary Tables) of the Draft Business plan.

19.2 The group questioned the portfolio holder and Director of Finance on a number of issues

19.3 The group also highlighted the uncertain position in respect of budgeting for health and the fact that it was impossible at this stage to budget for the impact the Health and Wellbeing Board would have on the Council's finances.

19.4 The Director of Finance was asked how the Council could influence the projected savings of £3.386 million in the Children's and Families budget which were to be determined by schools. The Director of Finance reported that this would be pursued through the schools forum, and it would be matter for the schools themselves to balance their own budgets which may involve using reserves.

19.5 Members expressed disappointment that the detailed figures which underpin the headline figures in the business plan were not made available to them at this stage and were informed that these would be included in the budget book, which was expected to be published at the end of March. The Director of Finance advised the group that this additional information would be provided to the Group in advance.

A number of questions were taken away on specific proposals in Children's and Families and answers subsequently provided to the Group.

20.0 General Comments on the process

20.1 The group made the following observations on the process throughout the period:

- Although it is important for Corporate Scrutiny Committee, through this group, to take a holistic view of the budget, the other 5 Scrutiny Committees should not be ignored and in future years, opportunities should be made for all Overview and Scrutiny committees to have an input into the business planning process on a committee by committee basis.

- It is imperative that Members have timely access to up to date information on the proposed budget. It has been noted that the new style of business plan went through several mutations during the current process and it was not always clear to Members whether they had in their possession the latest version of the plan. It had been suggested to the group that the best solution to this problem was to access the information electronically, and if that is to be the case in future, serious consideration should be given to making sure that members have appropriate hardware to access the information and, moreover, that the electronic financial information tracks changes as the plan progresses particularly to highlight any savings and growth items that have been added.
- Although the concept of linking the budget to corporate priorities is commended, in practice, Members have found the new style document difficult to follow and lacking in detail and have requested that consideration be given to improving the narrative in future years and to providing more detailed figures.
- The recent attempts by the Scrutiny Chairmen's group to formally recognise the involvement of the 6 Overview and Scrutiny committees in the Business Planning Process in future years is supported and as a first step in that direction, the group considers that Overview and Scrutiny Committees should be given an opportunity to comment on the emerging priorities influencing the business plan by September of each year.

The background papers relating to this report can be inspected by contacting the report writer:

Name: Mark Nedderman
 Designation: Senior Scrutiny Officer
 Tel No: 01270 686459
 Email: mark.nedderman@cheshireeast.gov.uk