

PEOPLE DIRECTORATE

Children and Families (£5.5m overspend)

Non Dedicated Schools Grant (£5.5m overspend)

The C&F service continues to experience increased demand for Children Social Care services. The projected overspend has now increased to £2.6m (this includes a target saving of £0.3m and remedial action of £0.67m). It is envisaged that this overspend will continue in future years due to the increase in the number of referrals being made to the department and an increase in the number of Looked after Children (LAC).

In association with the above there has been an increase in the demand for specialised placements for looked after children with disabilities with particular overspends related to out of County and residential placements. The projected overspend for this area is £1.1m (including remedial action of £0.2m). The cost of care in these cases is extremely high as specialised care is required.

Home to school transport contracts are anticipating an overspend of £1m, which is an increase from the previously predicted amount of £0.5m. Part of this overspend is due to inflationary price increases not budgeted for.

The School Catering Service reported a projected overspend of £0.1m at the first quarter review. A revised projected overspend of £1.2m is now being reported. Staffing costs, increases in the cost of food, and reduced income are leading to this reported overspend. Remedial action will include recharging as much of this to schools as possible.

Pressures are starting to emerge in relation to staffing budgets for Head of Service and business support. Indicative figures predict a £0.5m overspend if new structures are not implemented by January 2010.

A new service structure will be implemented in 2010/11 and whilst this will transform the way that the service is delivered this will not create savings in the short term that can fund the gap linked to demand driven services.

Dedicated Schools Grant (DSG) (balanced)

There is a projected underspend of £0.2m relating to Sure Start three year old funding and four year old funding.

An overspend of £0.1m is being projected for the Special Education Needs (SEN) area but this is mainly being offset by under spends elsewhere within the other school related budgets.

There is a high risk that the budget associated with inter authority placements for disability will be overspent but insufficient information from other local authorities is available at this time.

At mid year review the projected spend is balanced but with a caution that the budget related to inter authority may be overspent at three quarter year review.

Adults (£0.8m overspend)

The Adults service is undergoing major transformation as part of the first phase of its Social Care Redesign (SCR) which initiated from the Transforming Cheshire programme within the former Cheshire County Council. It was always recognised that a change of this magnitude would take both time to work through and one-off investment in order to deliver the permanent ongoing savings required. There are already positive examples of how the new ways of working will deliver financially in future, a good example being the experience in the first local patch team (created in Wilmslow) that fewer users coming through the system are now requiring care packages.

The Adults service are reporting a gross overspend of £7.3m at the mid year review which reduces to an overspend of £0.8m after the application of temporary funding and remedial measures. The gross overspend is reduced to £5.9m after taking remedial action of £1.4m and further reduced to £0.8m after utilising £5.1m temporary funding. The service is working towards recovering the residual £0.8m by year end so that the budget is either balanced or temporary funding continues to be available during 2010-11.

Care costs account for the majority of the overspend position before temporary money is applied and result from 3 main factors. Firstly, the challenge of managing the impacts of growth and complexity of demand for these placements means that the cost of long term residential places for Older People is increasing. The anticipated impact of this is a net £1.7m overspend.

Secondly, the Learning Disability Pooled Budget, a partnership with CWAC and Western and Eastern Cheshire PCT's, has a target of £4m savings to remain within existing resources. The future direction of this arrangement is further outlined below. The inherited budgetary position includes young people in transition, complex and out of county placements and connected transport costs. These are anticipated to generate an overspend of £1.7m in Individual Commissioning. From 1 April 2010 this partnership and pooled funding arrangement will be reframed to cover just the area of Cheshire East Council. This will enable the continuation of the positive joint commissioning of services to meet the local needs of people with a learning disability, whilst supporting a positive approach to cost management, independence, localism and high quality service provision within Cheshire East Council area.

The third component of this projected position relates to the budgeted pace of savings generated by reablement. Care costs are not likely to reduce by the anticipated £0.9m. The roll out of the current patch teams will minimise the financial impact of this beyond the current financial year.

Internal Provision was tasked with achieving £1.5m savings in 2009-10 through a restructure and the closure of Santune House. In addition, the impact of the reduction in the Pooled Budget allocation for LD created an additional pressure of £700k in the LD services. Careful management of staff vacancies and expenditure has resulted in some of this pressure already being absorbed. The financial impact

of the restructure is not likely to start being felt until January 2010, and will bring with it associated costs of redundancies and salary protections. Building work at Lincoln House has meant that the closure of Santune House will be delayed until 2010-11. The residual position for Provider services is anticipated to be £1.4m overspend.

Much smaller projected overspends within the rest of the Adults service account for the other £0.2m overspend projection. The residual action identified to date includes reducing care costs as the new Review and Reassessment team becomes fully operational and reductions in the Community Equipment Service to come back within the original budgeted affordability envelope. It should also be noted that the temporary money being applied was always envisaged given the timeframe for reducing care costs and the necessity to incur double running costs as part of the transformation of the service.

Health and Wellbeing (£1.3m overspend)

The projected overspends reported in the first quarter review report are still being predicted.

A harmonisation of pay review will need to take place in leisure services to ensure that staff are on the same terms and conditions and this will lead to an additional full year effect spending pressure of a projected £0.5m. The part year effect during the current year is estimated at £0.1m.

The difficulties in delivering the £0.1m budget reductions in supplies and services at the Lyceum continue and a shortfall is expected. Reducing these budgets will not deliver savings to the bottom line budget as a result of their direct correlation with the income generated by this particular operation.

Energy and other premises costs (including security and water charges) are still higher than budgeted levels and an overspend of £0.2m is being projected.

Culture and Leisure staff budgets are projected to overspend by £0.6m (£0.3m from each). Further work and analysis is underway. Income relating to Culture and Leisure services continues to be lower than budgeted targets with a project £0.3m under achieved income position being reported. This is due to the economic climate and ambitious income targets inherited from the successor authorities.

Following the MTFS challenge session on 5th October 2009, further detailed line by line scrutiny of all budget lines is being undertaken in order to identify remedial action to both reduce the in year overspend and to minimise the impact on future years. This will be accompanied by a wider review, requiring additional expenditure, which will need to be undertaken on an invest to save basis focussing on what budget savings can be practically accelerated from later years, to be delivered by the service during 2010/11.

Transitional Costs

It is anticipated that there will be redundancy costs within Children and Families which are not budgeted for of at least £1m relating to the service restructure. It is anticipated that such will be funded from reserves identified for voluntary severance and are not included within the above forecasts.

Efficiency Savings

Information is currently being compiled based on the savings built into this year's budget.

PLACES DIRECTORATE

Key issues

The overall forecast for Places Directorate shows a net variance of £3.337m, primarily due to an overspend on waste disposal of £1.7m and shortfalls in income from planning fees of £1.435m and car parking of £0.814m, offset by savings from pay underspends.

Table 1: Places directorate forecast outturn 2009-10

Service	Budget £000	Forecast outturn £000	Variance £000
Environmental Services	34,242	36,433	2,191
Safer & Stronger	421	842	421
Planning & Policy	3,216	4,424	1,208
Regeneration (excl. Tatton Park)	10,577	10,094	(483)
Total	48,456	51,793	3,337

Key variances are examined in more detail below.

Pay

Table 2: Places directorate pay forecast outturn 2009-10

Service	Budget £000	Forecast outturn £000	Variance £000
Environmental Services	16,086	16,312	226
Safer & Stronger	5,255	4,832	(423)
Planning & Policy	6,196	5,889	(307)
Regeneration (excl. Tatton Park)	3,687	3,021	(666)
Total	31,224	30,054	(1,170)

Whilst some Services are forecasting significant pay underspends, it should be noted however, that structures are not fully populated and the forecast for the remainder of the financial year is based on a number of variables including vacant posts, staff that will potentially be displaced, job evaluations and salary protections, all of which will have an impact on the final outturn position. Services will be able to quantify this once appointments have been finalised.

Waste Management

Overall the Waste Management Service is forecasting a £2.1m overspend: of this £1.7m is from the Landfill and Household Waste Recycling Centres contracts based on the tonnage figures to August (first quarter forecast £1.6m overspend).

Savings of £2.8m were incorporated into the base budget for 2009-10 based on residual waste tonnages in the East in 2008-09. The Service has been expected to absorb the impact of the increase in landfill tax of £8 per tonne and other contractual cost pressures through the reduction in the volume of tonnes processed. However, the reduction in tonnes may trigger a compensation payment to the contractor as the threshold for the guaranteed minimum tonnage figure may not be met: the latest estimate for this is £1.3m. Tonnage figures for August 2009 are analysed below.

Table 3: Places directorate waste tonnages as at August 2009

	A	B	C	C:B	C:A
Contract	2008-09 Actual Tonnes	2009-10 Budget Tonnes	2009-10 MYR Forecast Tonnes	Change % Forecast : Budget	Changes % Forecast : 08/09 Actuals
Landfill	87,656	79,649	76,525	-3.9%	-12.7%
HWRC- Residual	15,007	13,695	13,488	-1.5%	-10.1%
HWRC- Recyclate	25,396	26,197	25,995	-0.8%	2.4%
Composting	8,724	9,059	9,029	-0.3%	3.5%
Total	136,783	128,600	125,037	-2.8%	-8.6%

The Waste Collection and Recycling function is forecasting an overspend of £315k (FQR £296k overspend) against a £10.1m net budget. As reported at first quarter, savings from the optimisation of collection routes will not now be realised in 2009-10 leading to a gross overspend of £200k. The review will commence later in the financial year with savings being fully delivered in 2010-11. This overspend will be partially offset in 2009-10 by anticipated savings of £80k arising from the review of vehicles in the waste collection fleet.

Safer & Stronger Communities

Car parking income

The income budget for car parking is £6.5m for pay & display fees and penalty fines, and includes £375k for the introduction of parking charges in Congleton with effect from 1 July 2009. At mid-year the Service is forecasting an under-achievement of income of £814k (FQR £625k): of this, £534k is due to the downturn in income likely to relate to the economic recession and £271k from the delayed implementation of charging in the Congleton area.

Planning & Policy

Planning Fees & Land Charges

The Service is seeing a significant reduction in both planning fees and land charges income, which have been affected by the downturn in economic activity. The Service has undertaken a rigorous analysis of current planning applications and is now forecasting a variance from the £3.6m budget of £1.435m (FQR £1.088m). The position may improve if any major applications are received throughout the remainder of the year.

Regeneration

Integrated Transport Service shared service

The budget for Integrated Transport Service (ITS) for Cheshire East is £2.2m which includes MTFS savings of £150k from reductions in local bus services. Members have decided not to proceed with these reductions which will result in a net overspend in 2009-10 of £120k. The full savings will be realised in 2010-11 through efficiency gains.

Strategic Highways

Strategic Highways is forecasting an overall underspend of £242k arising principally from savings on pay. However, there is uncertainty regarding achievement of income via recharging of staff time to the capital programme and projects funded from developer contributions. A review of delivery of the capital programme is currently underway and the impact of any slippage will be closely monitored to assess the potential effect on the revenue outturn.

Economic Development

Economic Development are forecasting an underspend of £182k against a net budget of £1.9m. This too is principally against pay although there are a number of minor variances which the Service will review for three-quarter year review.

Performance & Service Improvement

The Performance & Service Improvement and Business Services budgets are currently being managed within the Regeneration Service. A comprehensive, detailed review of business support is being undertaken to clarify roles and responsibilities across the Council. The Service within Places is forecasting a pay underspend of £169k, but the budgetary position for non-pay requires clarification and until recharges are received from Cheshire West no assumptions are being made regarding variances from budget.

PERFORMANCE & CAPACITY

Borough Treasurer & Head of Assets

Service	Net Budget £000	Budgeted Savings £000	Underlying Budget Pressures £000	Remedial Actions £000	Net Budget Pressures £000
Head of Borough Treasurer & Assets	344	(212)	(121)	0	(121)
Building Maintenance	3,180	(225)	0	0	0
The Farms Estate	(75)	0	0	0	0
Property Services	4,706	(591)	360	(150)	210
Facilities Management	518	(233)	(150)	0	(150)
ICT	5,976	(3,670)	2,340	(2,340)	0
Revenue & Benefits	944	(616)	0	0	0
Finance	2,992	(1,975)	118	0	118
Insurance	1,430	0	(300)	0	(300)
Shared Services	604	158	500	(500)	0
Procurement – CBS supplies	(73)	0	0	0	0
Procurement – International unit	80	(38)	0	0	0
Procurement Other	(283)	(566)	350	(350)	0
Total	20,343	(7,968)	3,097	(3,340)	(243)

Head of Borough Treasurer & Assets - £121k underspend

The £250k telephony saving is currently allocated to the Head of Borough Treasurer & Assets and it is assumed that this target saving is vired to ICT. Governance costs relating to the set up of the Shared Services of £76k have been absorbed within this figure.

Building maintenance- £0 underspend

The process of centralising budgets will mean that this area receives a further £1.1m budget representing the full year budgets held in the services. However, it appears that there has already been expenditure above this level incurred by the front line services. The service will be producing an SLA shortly to ensure that all further expenditure is planned and agreed for the remainder of the financial year and it is on this basis that the service believes that the budget position will be balanced.

The Farms Estate (Shared Service) - £0k underspend

It is anticipated that this area will be on budget this financial year although projections on capital receipts may lead to the reassessment of investment levels across the farms estate.

Property Services - £360k overspend

There are a number of issues that are being investigated currently that may impact the outturn position. The West property recharge figures have just been received for the half year and were a lot higher than expected. Meetings will be held shortly with CWAC to agree the most appropriate and reasonable charges.

A £2.6m income target held in the service is being assessed in terms of its viability but it is expected that this will either be achieved or matched against expenditure budgets if the charges were relating to Cheshire East authorities.

Staffing levels are reduced currently pending the finalisation of the new structure so a small underspend is anticipated. However, the complications of staffing budgets still being agreed for printing, the Crewe administration unit, refreshment staff and the school planning team mean that it is difficult to assess the final position for staffing budgets.

The underlying budget pressure of £360k shown in the above table is due to two factors:-

The energy saving of £500k will shortly be allocated across the departments based on 2008/09 expenditure. Property services should only receive approximately £150k of this target and this will be supported by transitional funds.

Emperor Court costs of £210k relating to rates, rent and stamp duty are unexpected costs that were not anticipated at first quarter. It was assumed that savings from the West properties would be able to fund this. This is the reason for Property services overspending.

Facilities management - £150k underspend

Cleaning & Caretaking is expected to generate a £100k surplus due to the over recovery of labour costs. Whilst staffing levels were affected by the disaggregation process the ability to deliver the level of service at the agreed prices has still been achieved. A further £50k underspend will be generated through the recharges of postage costs to the services.

ICT - £2,340k overspend

Although some of the policy option savings will be achieved from the rationalisation of telephony systems, these will be significantly less than the £250k identified. It is also clear that the savings of £500k on user driven systems will not be achieved. Harmonisation savings of £1m are also not achievable this year and will depend critically on the ability of the ICT Shared Service to decommission all significant

legacy systems during the current year. Overall through the use of transitional funds a balanced budget should be achieved.

Revenues & Benefits - £0k overspend overall

Revenues - £0k underspend

Expected levels of subsidy and court costs income will lead to a balanced budget at year end.

Benefits - £0k overspend

Within Benefits, budgets pressures are being experienced due to the use of agency staff to help deal with the impact of additional workload flowing from the recession. In addition there are difficulties with the recovery of overpayments. Remedial measures include utilising additional grant from the Department for Work and Pensions, along with additional Council funding to help with benefit take up. A major project to implement a new Revenues and Benefits System before December 2010, will require input from within the service to provide staff to the project team & carry out a lot of data cleansing in advance, followed by mass staff training.

Finance - £118k overspend

The overspend is due to the External Audit fee not reducing to the extent anticipated in the LGR business case.

Insurances - £300k underspend

Work is still ongoing in terms of centralising the necessary budget to fund this area but it is expected that a favourable position will be achieved due to the successful tender exercise.

Finance - Shared Services - £500k overspend

The overspend has been caused by Finance Shared Services not being able to deliver the full extent of savings in the short term anticipated in the business case.

Procurement - £350k overspend

The procurement service has a savings target of £661k for the current financial year. This is held on behalf of the organisation and will be allocated across all services once savings have been identified and scoped. At the mid year stage it is assumed that £350k will not be delivered. In year as work is still ongoing to refine key procurement initiatives to deliver the savings. It is assumed that the remaining £311k will be delivered in 2009-10 though there is a risk with the deliverability of these savings due to the timing of the arrival of procurement staff and the complexities of analysing procurement spend for the new authority.

Both the International Unit and CBS supplies are expected to achieve a balanced budget.

Human Resources & Organisational Development

Service Performance & Capacity	Net Budget £000	Budgeted Savings £000	Underlying Budget Pressures £000	Remedial Actions £000	Net Budget Pressures £000
Head of HR & OD	99	(21)	34	(32)	2
HR Strategy & Policy – OHU Shared Service	96	(70)	30	(30)	0
HR Strategy & Policy - Other	667	(179)	94	(53)	41
HR Organisational Development	549	(194)	269	(225)	44
HR Delivery – Shared Services	703	(316)	170	(170)	0
HR Delivery – Other	690	(174)	344	(344)	0
Total	2,804	(954)	941	(854)	87

Head of HR & OD - £34k overspend

Long term service award payments and a non achievable income target will generate an overspend at outturn offset by transitional funding of £32k.

HR Strategy & Policy - £94k overspend

A Unison staff member is unbudgeted currently and investigations are taking place to agree potential funding source. £53k, funded from transitional funds, relates to the pay modeller software plus training and consultancy.

HR Organisational Development - £269k overspend

Employee development salary levels currently exceed the available budget. The final structure should improve this variance. £225k transformational costs relating to MORI employee survey and SUMO will be funded from transitional costs.

HR Delivery £344k overspend

Transitional funding expenditure will match the anticipated excess staff costs and job evaluation work.

Shared Services – OHU and Back Office - £200k overspend

£200k overspend is anticipated in these shared services due to delays in managing resource levels down to the level anticipated in the business case. Work is ongoing to ensure that the respective Shared Services managers prioritise the review of current workloads and required resource inputs.

Borough Solicitor

Service Performance & Capacity	Net Budget £000	Budgeted Savings £000	Underlying Budget Pressures £000	Remedial Actions £000	Net Budget Pressures £000
Head of Borough Solicitor	146	(6)	(31)	0	(31)
Democratic Services – Members allowances	1,336	(329)	227	0	227
Democratic Services – Elections	775	0	(269)	0	(269)
Democratic Services – Other	1,581	(468)	46	(54)	(8)
Legal Services	1,431	(280)	431	(200)	231
Total	5,269	(1,083)	404	(254)	150

Head of Borough Solicitor - £31k underspend

Underspend due to budget monitoring and curtailing non essential expenditure.

Democratic Services - £8k underspend overall

1. Members allowances is overspent by £227k due to travel expenditure and take up of pensions exceeding estimates by £120k and a budget virement to ICT of £70k. The remaining budget pressure of £37k was due to inherited budgets being less than expected.
2. Election budgets are underspent by approximately £269k. This underspend is as a result of a carry forward request of £250k not being deemed necessary to fund Cheshire East elections in 2010/11 as a request next financial year would generate the required budget to meet financial expectations.
3. The remaining parts of Democratic services are balanced after transitional funds are used for Tom Stephenson (Elections support) and Mike Flynn (Democratic Services support), and the Community Governance post.

Legal Services - £431k overspend

The service is overstretched at the moment due to heavy workloads and have had to employ locums to cope with the requirements from both corporate departments and front line services. It is expected that the growth bid that has been submitted for 2010/11, if approved, will be sufficient to employ the necessary staff to meet the demands on this service.

Policy & Performance

Service	Net Budget £000	Budgeted Savings £000	Underlying Budget Pressures £000	Remedial Actions £000	Net Budget Pressure £000
Head of P&P	49	(14)	61	(61)	0
Customer Services	3,575	124	174	(21)	153
Planning & Performance	952	(220)	0	0	0
Audit	997	(206)	0	0	0
CEO & Partnerships	2,286	(221)	219	(219)	0
Communications	1,448	(650)	486	(311)	175
Total P&P	9,308	(1,187)	940	(612)	328

Head of Policy & Performance - £61k overspend

There is an underlying budget pressure of £61k on the Head of Policy and Performance budget as budgets from the four legacy councils were not enough to cover the salary relating to this post. This has been resolved by agreed transition cost funding in 2009-10 of £61k and an agreed growth bid of £61k for 2010-11 onwards.

Customer Services - £174k overspend

Customer Services are forecasting underlying budget pressures of £174k by the end of the year.

£21k of these are due to one off transactions in the year and are funded by approved transition cost bids of £12k for Customer Services uniforms and £9.45k for the extension of the telephony self delivery pilot.

There is a further £153k pressure due to the costs of prudential borrowing on the CRM and Telephony capital programme. These prudential borrowing costs cannot be funded from within the Customer Services non staffing budgets and cannot be absorbed by the wider Policy and Performance budgets.

Many of the items within the capital programme are for the benefit of Cheshire East council as a whole e.g. Cheshire East website, refurbishment of Delamere House ground floor and CRM system. The related savings will not appear in the Customer Services and it is therefore difficult for Customer Services to fund the borrowing costs relating to this expenditure.

Chief Executive and Partnerships - £219k overspend

There is an underlying budget pressure forecast of £219k by the end of 2009-10.

Part of this is due to the Councils commitment to honour the previous years grant commitments to outside organisations. A £67k payment has been made to Cheshire Community Action to match the funding they received last year even though there is no budget to pay for this. It has been agreed to use £67k of the LPSA1 continuation funding ex Macclesfield BC to fund this grant payment.

The remaining shortfall is due to the creation of the Local Area Partnership (LAP) structure. Transition funding has been secured for 2009-10 of £375k and a growth bid of £375k has been approved for future years. It is likely that the full £375k of transition funding will not be needed this year as the LAP structure has not been in place for the full year. Early estimates are the transition funding needed will be between £150k and £200k.

Communications - £486k overspend

Communications are forecasting an underlying budget pressure of £486k in 2009-10.

The majority of this relates to one off transition spend for vehicles, external signage, bus shelters, uniforms etc. and is covered by an approved transition cost funding of £311k.

The remaining budget pressure is due to additional one off expenditure which is for the whole council and was not covered in the initial transition cost bid. This is for internal branding at Emperor Court and Delamere House, internal notice boards and the cost of celebration events to mark the end of the first year of Cheshire East Council. These additional one off costs cannot be met from within the existing Communications budgets or absorbed within the Policy and Performance budgets in total.