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DATE: 24 January 2011

OUR REF:

YOUR REF:

Dear Councillor

CORPORATE SCRUTINY COMMITTEE - TUESDAY, 1ST FEBRUARY, 2011

I am now able to enclose, for consideration at next Tuesday, 1st February, 2011 meeting of the Corporate Scrutiny Committee, the following report which has already been forwarded to Members under separate cover.

Agenda No Item

Budget 2011/2012 (Pages 1 - 86)

To consider the pre-budget report. (please bring the copy given to you for the Members briefing held on 18 January 2011)

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Pre Budget Report

2011 / 2012

Our People, Our Place

January 2011

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Foreword by Cllr Wesley Fitzgerald



Setting a budget always needs balance, the Council must raise the necessary funds to meet the demands from service users.

In 2010/2011 the Council has faced high demand for services. The population is generally ageing, requiring more care, but the demand for the protection of our young people has also increased and the weather is seriously affecting the condition of our road network. This is set against a backdrop of change in central government and a national tightening in the public sector purse strings to manage the national deficit reduction programme.

In 2011/2012 the Cheshire East funding position will worsen following overall reductions in government grants. Although some new grants have been made available, the overall picture is a reduction. As a Council we have been preparing, we have restructured and used a transformational approach to create real efficiencies over the last two years. This work has continued over the autumn as the Cabinet and Management Team have worked at reducing the impact on services, but inevitably some things may have to stop.

In contrast, and of particular interest to residents, is the Council's decision to accept a proposal from government to freeze the Cheshire East Council Tax. The Council will receive a grant this year, allowing us to keep council tax at the 2010/2011 rates.

But in response to the low supply of property in the area there is going to be a reduction in discounts on second homes and homes that are left empty for long periods. And in some service areas charges may rise.

The real work starts now. The Council recently published its Community Strategy "Ambition for All" setting out how Cheshire East could look over the next 15 years. This

will be achieved through co-ordinating effort in the local area.

Our seven priorities as an area are to:

- Nurture strong communities
- Create conditions for business growth
- Unlock the potential of our towns
- Support our children and young people
- Ensure a sustainable future
- Prepare for an increasingly older population
- Drive out the causes of poor health

The Council is engaging with government to ensure they recognise the potential in Cheshire East. We are responding positively to proposals for changes in the structure of local government funding, but we recognise that delivering high value, low cost council services is essential to local accountability. Using government comparisons the spending power for Cheshire East Council is only £753.31 per head, this compares to an England average of £1,007.21. Value in Cheshire East is therefore already high, but we will continue to do more.

This budget recognises the significant pressure in Adult Services and continues the theme of reducing costs in support services to free up resources for the front line.

In January we will be engaging with key partners on the contents of the Pre Budget Report to understand the impact of the proposals and what can be done to mitigate this impact.

The spending of local funding is still based on the needs of local residents. I look forward to continuing our work with local partners and businesses to maintain Cheshire East's position as a prosperous place with great potential.

Cllr Wesley Fitzgerald

Leader of the Council
& Portfolio Holder - Resources

Comment from the Borough Treasurer



The Cheshire East Council Budget for 2011/2012 includes significant savings proposals. This always presents a risk in how completely such savings can be realised.

My role involves supporting services to maximise value to customers whilst working hard to control spending within agreed limits.

Estimates within this budget have been scrutinised by senior officers and Members. The estimates are ambitious, but they are robust.

The key pressures in setting the 2011/2012 budget were:

- Actual spending in 2010/2011
- Maintaining Reserve levels
- Paying for up front investment
- Significant changes in grants

Quarterly monitoring reports to Cabinet on the 2010/2011 financial position have included mitigating actions to reduce the impact of increasing demands for services.

The Reserves Strategy, established in 2009/2010, remains effective, and has supported payments in advance for invest to save projects such as the energy reduction programme.

The Government's target is a reduction of over 25% in grants to Local Authorities within 4 years. Cheshire East Council is not as dependant on government grants as many local authorities, but any reduction still has an impact, especially when such cuts are imposed within a tight timeframe.

The Provisional Local Government finance settlement set out the detailed funding announcements for each Council. These are complex and after detailed analysis the current understanding is included in this report.

The Council launched a Business Planning Process in July to assess the likely reduction in available funding levels and set a framework for generating policy changes in response to priorities and desired performance.

More details on the process to date are set out in **Annex 3**.

After reviewing all of the supporting material I am satisfied that the estimated level of expenditure matches the level of income.

The Pre Budget Report marks a key milestone in setting the final budget. Going forward the document will be used for a series of engagement meetings in January 2011. The Final Budget position will then be reported to Cabinet and Council in February.

Lisa Quinn

Borough Treasurer & Head of Assets

Overview

This Pre Budget Report outlines proposals to support the Council's vision whilst acknowledging continuing financial pressures and a reduction in funding from Government. Local demographic pressures, in particular the increasing numbers of older people, must be recognised as the Council strives to

Work together to improve community life

Key Proposals within the Pre-Budget Report 2011/2012 try to respond to the current challenges whilst minimising the impact on citizens. Proposals include:

- **No Council Tax Increase** ~ the Coalition Government offered funding in return for a freeze in Council Tax in 2011/2012. Therefore Council Tax will remain the same and the Authority will benefit from this time limited 'freeze' funding of £4.4m.
- **The Council Tax Base has been revised** due to the impact of: the review of single person discount and the decisions to reduce the discount on second homes to 10% and remove the discount on long term empty properties. **This will raise an anticipated £1m in 2011/2012. Support will continue to help bring empty homes back in to use to meet housing demand.**
- **Adults ~ Overall Budget increasing to recognise £9.8m of growth pressures**
 - Acknowledging the rising population of adults needing support by increasing the budget for Adult Services
 - Increasing Spending in Adults, Community & Health & Wellbeing following funding transfers from the NHS
 - Continuing re-ablement activity, reducing subsidy and continuing transformation to realise savings
 - Lifestyle Centres – Rethinking the relationship between services to Adults who receive care and the Council's recreation service to tackle two key budget issues of reducing care costs by keeping people healthy and generating income for discretionary but valued services.
- **Children and Families ~ Overall Budget increasing to recognise £0.1m of growth pressures**
 - Increasing budgets to continue to provide care for looked after children
 - Reducing activity levels where acceptable and improving commissioning to reduce costs.
- **Places ~ Overall Budget Decreasing by £3.7m**
 - Supporting rising costs in roads maintenance of £300,000
 - Enhancing, and optimising refuse collection activity, whilst realising savings of £700,000
 - Total Transport - transforming the way in which transportation is delivered across Cheshire East to meet the future needs of customers, our commitment to climate change and more effective and efficient public services. The three major projects behind this programme are:
 - Integrated Transport Unit project – To implement a re-designed passenger transport function into the Places Directorate to ensure the needs of residents are more readily met.

- Highways Re-procurement – ensuring efficiency in delivery of Highway services.
 - Fleet Review consolidating the fleet operation across Cheshire East, delivering major savings, improving efficiency of service delivery and providing a more locally responsive service.
- **Supporting Service Delivery & Cross Directorate Savings ~ Decreasing Budget by £11.1m**
 - Targeting procurement savings and efficiency in business management processes.
 - Freezing pay, proposals to harmonise pay, reducing staff on-costs through salary sacrifice schemes and reducing costs of agency staff.
 - Improving use of the Council's property portfolio and energy efficiency.
 - Restructuring Democratic services to achieve optimum use of resources.
 - Rationalising Internal Audit, Partnerships, Planning & Performance and Communications teams.
 - Rationalising back office processes and changing demand in Customer Services by reducing contact and the need for face to face contact.
 - Continuing last year's commitment to support a campaign to ensure citizens receive all benefit entitlements.
- **No Proposed Supplementary Business Rates** are being levied in 2011/2012.
- **Income from charges** for Council services is estimated to **increase in line with inflation** unless stated otherwise within this document. Changes to Adults Services charging are being consulted on.
- General **reserves** will increase at an **appropriate level** according to assessed risks.
- **Council borrowing is estimated at £23m** of which £16m relates to new capital schemes and £7m for ongoing capital schemes.
- The net **capital financing costs** have increased to £13.9m, **5.6% of the net revenue budget**.

Introduction – Getting the most from this report

This section helps you to make most effective use of the Pre-Budget Report by outlining the information contained within each chapter.

Main Report

Chapter	What's in this Chapter
1. Financial Stability	This section establishes how the Amount Available to Spend on Council Services is determined. It also sets out the detailed funding arrangements and economic factors that impact on the revenue and capital budgets.
2. Our People	This section highlights how the Amount Available to Spend on Council Services is allocated and spent on Our People. It also provides the overall vision and approach taken in the Adults and Children and Families Directorates to deliver services in the medium term. This is followed by details of the issues and proposals for the service areas of Children and Families, and Adults, Community, Health and Wellbeing Services.
3. Our Place	This section highlights how the Amount Available to Spend on Council Services is allocated and spent on Our Place. It also provides the overall vision and approach taken in the Places Directorate to deliver services in the medium term. This is followed by details of the issues and proposals for the service areas of Environmental Services, Safer & Stronger Communities, Planning & Housing and Regeneration.
4. Supporting Service Delivery	This section highlights how the Amount Available to Spend on Council Services is allocated and spent on Support Services. It also provides information on key services such as Legal and Finance that assist the front line directorates. The chapter sets out the purpose, issues and proposals for each area.
5. Budget Impact	This chapter provides a flavour as to the impact of the budget proposals on the Cheshire East area. (Full Budget Report Only).
6. Summary of Business Planning Process	Details of the Business Planning Process including the engagement methods.

Annexes

Annex	What's in this Annex
1. A Profile of the Authority	A detailed statistical profile of the Council's administrative area.
2. Grant Funding Position 2011/2012	An analysis of the funding announcements for 2011/2012 and the equivalent position for 2010/2011.
3. Balancing the Three Year Budget Position	Supporting financial data to Chapter 1.
4. Service Budget & Capital Details	Detailed pages setting out the policy proposals and Capital Programme for 2011/2012 divided up into service areas.
5. Risk Analysis	Consideration of the risk factors surrounding the setting of the Budget.

1. Financial Stability

Background

1. This section of the Pre-Budget Report focuses on the local and national influences that impact on how the Council intends to fund local services in 2011/2012 and the future.
2. Cheshire East Council is a large unitary authority in the North West of England. The Council is the third largest in the region, behind Liverpool & Manchester City Councils. However, the rural nature of the area means the challenges are different. A detailed analysis of the local area, including population statistics, is provided at **Annex 1**.
3. The Council acts responsibly to balance the needs of local people against the finances available to pay for the service levels demanded. Revenue is received or generated from a number of sources, which are set out below:

Source	Paragraphs
Government Grant Funding of Local Expenditure	4 to 31
Collecting Local Taxes for Local Expenditure	32 to 42
Charges to Local Service Users	43 to 45
Investment, Borrowing and the Capital Programme	46 to 56

Income and expenditure is also influenced by decisions and estimates of the Council in relation to:

Managing the Reserves Position	57 to 62
Other Economic Factors such as inflation & pensions	63 to 69

Each source is dealt with in turn below, with an overall summary provided on Page 23.

Government Grant Funding of Local Expenditure

4. The nature of council funding changed in 2010. On 20th October the Chancellor of the Exchequer, the Rt Hon George Osborne MP, made the following statement in delivering the Comprehensive Spending Review to Parliament:

“There will be overall savings in funding to councils of 7.1% a year for four years. But to help councils, we propose a massive devolution of financial control. Today I can confirm that ring-fencing of all local government revenue grants will end from April next year.

The only exception will be simplified schools grants and a public health grant. Outside of schools, police and the fire service, the number of separate core grants that go to local authorities will be reduced from over 90 to fewer than 10.”

5. Cheshire East receives two main types of Government grants, **Formula Grant** and **Specific Grants**. The overall total of Government Grant estimated for 2011/2012 is **£434.8m**. This represents **a reduction of £8.2m** (1.9%) in comparison to grant received by Cheshire East Council in 2010/2011.
6. On the same day as this announcement, the Secretary of State for Communities, Rt Hon Eric Pickles MP, wrote to all local authorities to confirm that 24 specific grants would be rolled into Formula Grant. If this exercise had happened in 2010/2011 it would have affected £18.6m of Cheshire East grants. The beneficial impact of rolling these grants up is to provide greater flexibility to the Council in determining the local allocation of funding.
7. This increased flexibility allows the Council to allocate funding based on local needs rather than top down targets. However, the Council still currently relies on significant government grants and the overall savings requirement will therefore impact on the Council's financial stability. This is particularly challenging given the short timescales in which these changes take place.
8. The method of calculating central Government support to the Council provides relatively low financial assistance to Cheshire East, as the calculations take account of the relative affluence of local people. The Council therefore relies on the payment of Council Tax to support service delivery, which helps to make the Council highly accountable to local service users. This is positive in many ways, as it helps to engage local residents in establishing how local services should be delivered.

Formula Grant (includes National Non-Domestic Rates - NNDR)

9. On 13th December 2010 the Department for Communities and Local Government (DCLG) announced the Finance Settlement which set out how much Formula Grant each local authority will receive from April 2011. In 2011/2012 Cheshire East Formula Grant will be **£70.3m**. This is a reduction in cash terms of £11.8m (14%) when compared to the equivalent 2010/2011 position.
10. Formula grant is a central Government allocation of Revenue Support Grant (RSG) plus income from redistributed business rates – National Non-

Domestic Rates (NNDR). Formula Grant is not ringfenced, meaning the Council is solely responsible for the allocation and spending of this income.

RSG is divided into four blocks:

- i. A needs assessment – relative needs formulae – is intended to reflect the relative cost of providing comparable services between different local authorities. It takes into account characteristics such as population and social structure.
- ii. A resources element – relative resources amount – takes into account the different capacity of different areas to raise income from Council Tax due to the differing mix of properties. It is a negative amount as it represents assumed income for local authorities.
- iii. A central allocation which is the same for all local authorities delivering the same services.
- iv. A floor 'damping block' in order to give every local authority a minimum grant increase. Grant increases to other Councils in the same class are scaled back in order to bring all local authorities up to the appropriate floor increase. The damping process has been further complicated by the inclusion of banding to protect authorities who are heavily reliant on Government support.

11. **Table 1** (below) shows the split between Revenue Support Grant and National Non-Domestic Rates which is included within the Formula Grant. The table also shows the impact of government cuts in this grant.

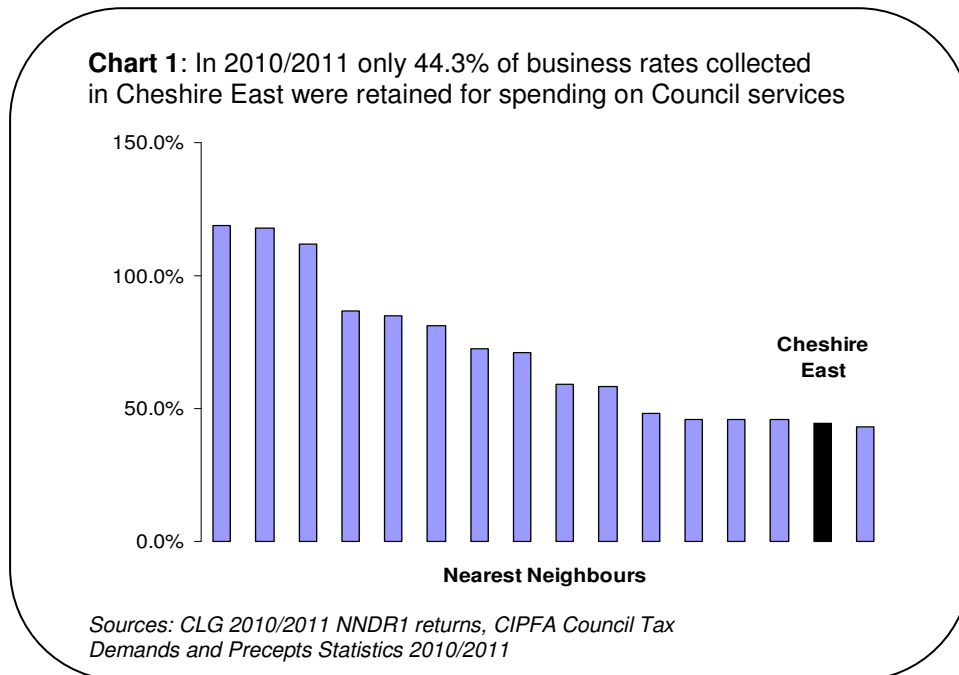
Table 1: Overall Formula Grant has reduced considerably for 2011/2012

	2010/2011 £m	2011/2012 £m	Change £m	%
Revenue Support Grant	8.1	16.6	8.5	
National Non Domestic Rates	55.4	53.7	(1.7)	
Total Formula Grant	63.5	70.3	6.8	
2010 Value of Grants Rolled in to Formula Grant from April	18.6			
Overall Impact on Cheshire East Formula Grant	82.1	70.3	(11.8)	-14.4%

Source: CLG and Cheshire East Finance

12. Cheshire East's Formula Grant per head, of £191.50, for 2011/2012 is the lowest within its group of comparable local authorities (Nearest Neighbour group). Bedford had the highest Formula Grant per head within this group at £342.94 per head.
13. National Non-Domestic Rates (NNDR) is collected from businesses in Cheshire East based on commercial rateable property values and the NNDR multiplier. The Multiplier has been provisionally set by the DCLG in line with inflation and to take account of the cost of small business rate relief. The inflation factor used is 4.6% which reflects RPI as at September 2010.

14. The small business multiplier that is applied to businesses who qualify for and apply for the small business relief has been provisionally set at 42.6p in 2011/2012. The non-domestic multiplier has been provisionally set at 43.3p in the pound for 2011/2012. Bills will be issued to businesses in February 2011 after the provisional multiplier has been confirmed.
15. The amount collected is paid into a national pool and reallocated back to local authorities based on need. The element of NNDR funding retained by Cheshire East Council is low compared to the amount of NNDR collected. **Chart 1** compares the amount of rates retained against the nearest statistical neighbours.



16. Figures are not currently available for the estimated 2011/2012 NNDR yield for other authorities, however due to the centralised nature of setting Business Rates, there are no significant changes expected.
17. In a recent Government White Paper '*Local Growth: realising every place's potential*' the government sought opinion on retention of Business Rates by Local Authorities. Cheshire East Council is supportive of these proposals on the basis that further growth can be stimulated and local business can become better engaged with the Council and the local strategies.

Specific Grants

18. This relates to targeted areas of Government financial support. In 2011/2012 Cheshire East Specific Grants will be **£364.5m**. This is an increase in cash terms of £3.6m (1%) when compared to the equivalent 2010/2011 position.
19. The Council receives a number of grants or subsidies from different Government departments. Not all of these have been announced and information is still being received. The Council maintains a Grants Register which details this complex picture. Grants not included in the Settlement include items such as Housing & Council Tax benefit & Sixth Form funding.

20. Specific grants are split between non - ringfenced (£134.9m) and ringfenced (£229.6m). Spending in relation to ringfenced grants must be in line with the purpose for which it is provided.

Non- Ringfenced Grants

21. Following the October 2010 Spending Review and the letter from Rt Hon Eric Pickles MP it was confirmed very few grants were remaining as Specific Grants. Of these, only school grants and the new public health grant will be ringfenced. Other specific grants are not ringfenced, so although provided for a specific reason, the Council is able to determine the actual allocation and spending of such income. **Annex 2** provides further information on each remaining Specific Grant.
22. **Table 2** sets out the forecast income from non - ringfenced specific grants to Cheshire East Council using estimates where further information is still pending.

Table 2: Specific Grants in 2011/2012 have not changed significantly

	2010/2011 Adjusted £m	2011/2012 £m	Change £m	%
Specific Grants	129.6	130.5		
Council Tax Freeze Grant	—	4.4		
Total	129.6	134.9	5.3	4.1%

Source: CLG

Ringfenced Grants

Dedicated Schools Grant (DSG)

23. The Government has announced the indicative allocations of DSG for 2011/2012 which is ringfenced. They are based on Guaranteed Units of Funding (GUF) per pupil. The Pupil numbers used in the calculation to date are based on the October 2010 Pupil Level Schools Census information. Final allocations of the 2011/2012 DSG will be based on actual pupil numbers in early 2011 and will not be known until May / June 2011.
24. **Table 3** shows the actual DSG received for 2010/2011, the estimated DSG for 2011/2012, the actual GUF (Amount per Pupil) received for 2010/2011 and the estimated GUF to be received for 2011/2012.

Table 3: Dedicated Schools Grant has increased to reflect mainstreamed grants

	Actual 2010/2011	Estimated 2011/2012
Dedicated Schools Grant	£200.6m	£229.6m
Amount Per Pupil	£4,110	£4,695

Source : CLG

25. The Department for Education (DfE) have mainstreamed £28.6m of grants in to the DSG (announced on 13th December 2010). The GUF and DSG therefore appear to have increased significantly between 2010/2011 and 2011/2012. Every local authority's GUF has increased from the 2010/2011 amount by the per pupil grant allocation received, which in effect has maintained funding levels for schools at the same level as for 2010/2011.
26. **Annex 2** provides a summary of the overall impact on DSG and details of those grants which have been mainstreamed.

Dedicated Schools Grant (DSG) ~ Pupil Premium

27. The Government has also announced that a Pupil Premium will be introduced from April 2011, paid to local authorities by means of a specific grant based on January 2011 census figures for deprived pupils in years from Reception to Year 11.
28. The indicator for eligibility will be Free Schools Meals, and £430 for every deprived child in maintained schools and academies will be made available in the first year. Children who have been looked after for more than six months will also attract the £430 pupil premium from 2011/2012, and children whose parents are in the armed forces will attract £200 per annum. It is estimated that Cheshire East Council will receive £2m in relation to the Pupil Premium for 2011/2012.

Dedicated Schools Grant (DSG) ~ Academy Funding

29. The DfE have announced that its methodology for calculating Academy budgets will be retained for a further year. The DfE continue to be clear that becoming an Academy should not bring about a financial advantage or disadvantage to a school but rather, enable Academies to have greater freedom over how they use their budgets.
30. The local authority budget element of the Local Authority Central Spend Equivalent Grant for the number of new academies and free schools expected to convert or be established in 2011/2012 and 2012/2013 has been top sliced from formula grant in those years. The top slice is based on estimates of the number of new academies and free schools expected over the next two years.

31. Cheshire East Council's formula grant is being reduced by £0.9m. This money has not previously been recouped from local authorities and there will be no further adjustments to local authority funding in 2011/2012 and 2012/2013 as academy conversions take place in this time period.

Collecting Local Taxes for Local Expenditure

32. The amount of Council Tax charged to occupied properties in 2011/2012 will be frozen at the 2010/2011 amounts. For 2011/2012 the Band D Council Tax for Cheshire East Council will therefore remain at £1,216.34. This also reflects the acceptance of the Council Tax freeze grant. The level of Council Tax for each band is shown in the **table** below:

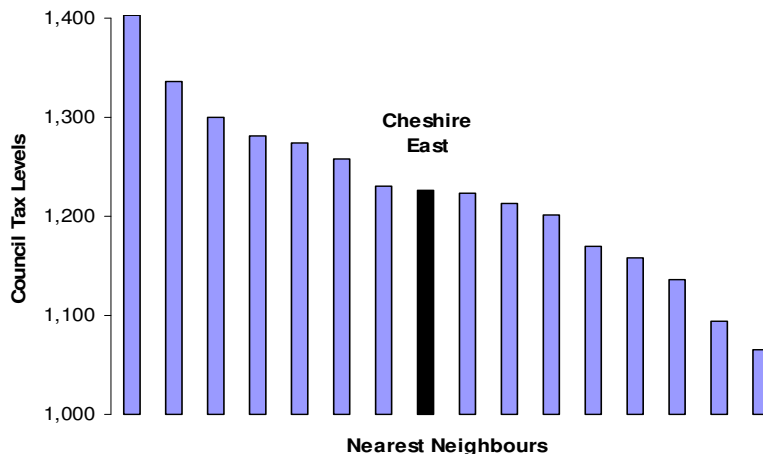
Table 4: Impact of Cheshire East Council Tax on each Band.

Band	A	B	C	D	E	F	G	H
Council Tax £	810.89	946.04	1,081.19	1,216.34	1,486.64	1,756.94	2,027.23	2,434.68
No of Dwellings	29,069	34,197	32,711	24,216	18,679	12,832	11,838	1,696

Source: Cheshire East Finance

33. However, overall Council Tax income is estimated to increase to **£178.7m** in 2011/2012 which is a rise of £2.1m compared to 2010/2011. This reflects increases in the tax base and increases the amount available for services.
34. The decision to set the level of Council Tax is normally reserved for the Members of the Local Authority, however, the Government have set up a new grant for authorities willing to freeze council tax levels. In a letter from the Rt Hon Eric Pickles MP dated 20th October 2010, the following proposal was made:
- “...if you choose to freeze council tax in 2011/2012, we [the government] will fund the equivalent of a 2.5% increase in council tax that year for the Spending Review period”*
35. In considering this proposal comparisons were made with nearest neighbours on Council Tax levels. **Chart 2** shows that the level of Cheshire East Council Tax is in the middle of the pack.
36. The government expect most local authorities to accept the proposal and the Cheshire East Council Tax level would remain in the middle of the pack, which is satisfactory. The Pre-Budget Report therefore includes acceptance of the government proposal. Funding from this grant has been calculated at £4.4m for 2011/2012 and is included in the Specific Grants Section above.

Chart 2: Government forecasts show 2011/2012 Band D Council Tax for Cheshire East Council will be in the middle when Compared with Nearest Neighbours



Source: DCLG Provisional Settlement Reports 2011/2012

Council Tax Base

37. The Council Tax Base quantifies the equivalent number of properties from which the Council is able to collect Council Tax. The Tax Base is presented as an equivalent number of domestic properties in Council Tax Band D after adjusting for relevant discounts and exemptions. The level of Council Tax multiplied by the tax base equals the expected income from local taxation.
38. The Authority formally approved the Council Tax Base on 16th December 2010. The gross tax base for 2011/2012 (before making an allowance for non-collection) is calculated as 148,383.04. After taking into account current collection rates, a non-collection rate was set at 1%. This results in a final tax base of 146,899.21 Band D equivalent domestic properties.
39. The tax base for 2011/2012 reflects an increase of 1.19% from 2010/2011. This increase comes from 4 key areas:
 - i. New development in the area
 - ii. Fluctuations in the number of discounts awarded
 - iii. A campaign to eliminate incorrectly claimed discounts
 - iv. The reduction in discount for second and long term empty properties from 25% to 10% and nil respectively.
40. In terms of comparisons, Cheshire East has a relatively high Council Tax Base amongst its nearest neighbours. This is partly due to the much higher proportion of properties in Bands E to H in the Cheshire East area (27.3% in Cheshire East compared to the England average of 18.5%). Revenue Support Grant (see Formula Grant above) is comparatively low for Cheshire East based on the perceived high resources available from Council Tax payments.

Collection Fund

41. Receipts from Council Tax payers are paid into the Collection Fund which is then distributed to all precepting organisations (Cheshire East Council, Fire & Police Authorities and Local Town & Parish Councils). A predicted deficit in the Collection Fund reduces revenue funding for the following annual budget (and vice versa in the case of a surplus). This can happen if predicted changes in the tax base do not occur or if payments are delayed.
42. The estimated balance on the Collection Fund has been forecast as a net nil position for 31st March 2011. This represents no change from the position forecast at 31st March 2010.

Charges to Local Service Users

43. In some key service areas the Council makes a charge directly to the service user. The prices charged will sometimes be set nationally, but should always be related to recovering some or all of the Council's costs in delivering discretionary services.
44. Approximately 10.5% of the Council's gross income is received through Fees & Charges and the prices are reviewed at least annually. Overall, income from charges is expected to increase in line with inflation. Charging for Adults Services is undergoing consultation.
45. The Cheshire East Council pricing structure has over 1,500 different charges. With the overall objective to reduce subsidy in charged for services some prices may rise considerably more than inflation. In such cases users are being consulted and alternative service options are being discussed.

Investment, Borrowing & the Capital Programme

46. The Capital Programme, managed by the Council, is funded through receipts, grants and borrowing. Costs are also partly mitigated through secure investment of cash balances, but there is a net cost to the revenue budget. The overall impact of the proposed 2011/2012 programme is **£13.9m**. This proposal has the effect of reducing the total funding available to services in the year.

Capital Programme Funding

47. During 2010/2011 a fundamental review of the capital programme has been undertaken to ensure that it only includes schemes that fulfil the Council's priorities for service delivery. As a result of this review, reductions in the capital programme totalling £5.7m have been made and where possible a number of schemes have been deferred until future years. Significant reductions in specific capital grants to support improvements in the infrastructure of the school property portfolio will mean a significant reduction in capital improvement schemes affecting schools in 2011/2012.

48. The proposed new capital schemes for the 2011/2012 programme take into account the following factors:
- Available external funding
 - Essential maintenance and replacement
 - Invest to save – capital investment required to deliver revenue saving proposals
 - Available capital receipts
 - Affordable levels of Prudential Borrowing
49. The new capital schemes have been supported by business cases and work is ongoing to prioritise schemes in order to finalise the Capital Programme and agree funding proposals.
50. The draft programme is set out in **Table 5** below and further details are provided in **Annex 4**

Table 5 Capital Expenditure and Funding 2011/2012

	£M
Total Capital Expenditure	75.4
FINANCING	
Supported Borrowing	3.6
Unsupported Borrowing - Prudential	19.7
Government Grants	34.2
Capital Reserve	12.8
Linked/earmarked Capital Receipts	2.5
External Contributions	1.5
Other Revenue Contributions	1.1
	75.4

Capital Financing Costs

51. The capital financing budget includes the amounts charged in respect of the repayment of outstanding debt and the amount of interest payable on the Council's portfolio of long term loans. These budgeted costs are partly offset by the interest the Council anticipates earning from temporary investment of its cash balances during the year.
52. No additional loans have been taken out during 2010/2011 as the Council is currently able to borrow from internal cash balances to fund the capital programme.
53. The Council currently has debt outstanding of £135.5m. In 2010/2011 the opportunity was taken to restructure £50m of debt by replacing a number of loans with an average interest rate of 4.22% with a new loan at a rate of 2.35%. This will generate savings over the next ten years of £4.47m of which £0.6m will be achieved in 2010/2011 and £0.8m in 2011/2012. The savings have been reflected in the budget for 2011/2012 as set out in **Table 6**.
54. The budget is based on current commitments within the Capital Programme and therefore additional borrowing in future years to fund new schemes will put significant pressure on the financing budget.
55. Following the Comprehensive Spending Review, the Government has increased the cost of new borrowing from the Public Works Loan Board (PWLB). The current PWLB rate (as at 7 January 2011) for a new maturity loan for 30 years is 5.36%.

Table 6: Capital Financing costs can be partially offset by Interest on balances

	£m
Repayment of outstanding debt	9.4
Interest on long term loans	6.1
Contribution from services towards the cost of borrowing	-0.8
Total Debt Repayment	14.7
Less Interest receivable on cash balances	-0.8
Net Capital Financing Budget	13.9

Source: Cheshire East Finance

Interest Rates

56. The latest national economic forecast indicates that the recovery in growth is likely to be slow and uneven. The Interest Rate forecast reflects the fragility of the recovery and the impact of the emergency budget. With growth and underlying inflation likely to remain subdued the Bank of England is forecast to stick to its lower for longer stance on rates.

Table 7: Interest Rates are expected to rise steadily.

	Dec 2010	Mar 2011	June 2011	Sep 2011	Dec 2011	Mar 2012	June 2012
Bank Rate	0.50	0.50	0.50	0.75	1.00	1.25	1.50

Source: Bank of England

Prudential Indicators

Detail to follow in the full Budget Report.

Management of Council Reserves

57. The Council Reserves Strategy 2010/2013 states that the Council will maintain reserves to protect against risk and support investment. In line with the Strategy, the Council intends to increase the level of reserves by **£5.2m** in 2011/2012. This proposal has the effect of reducing funding available to services in the year.
58. The Strategy identifies two types of reserves:
- *General Reserves*
 - Balances in this category are not identified for specific purposes, but will be used to cushion against the impact of emerging events or genuine emergencies.
 - *Earmarked Reserves*
 - Balances in this category are set aside for specific projects where spending will occur outside of the usual annual spending pattern of the budget.
59. Cheshire East Council produces a Reserves Strategy which sets out planned use, repayment and management of risk. The Reserves Strategy was included as Appendix C to the Budget Report (February 2010). For the 2011/2012 Pre-Budget report the Chief Finance Officer is satisfied that the strategy remains unchanged except that actuarial costs will be settled over five years and not three. The figures in the report have also been updated to reflect actual events. Up to date information will be provided in the Reserves Strategy, which will be included with the full Budget Report in February 2011.
60. The need to make contributions to general reserves is mainly associated with the repayment of costs associated with staff reduction proposals.

Higher reserves will provide the Council with greater strategic flexibility in the future.

61. At 1st April 2010 Cheshire East Council held general reserves of £10.2m. This is less than estimates within the Strategy, most notably for three reasons:

- A lower opening balance following settlement of the County Council disaggregation exercise*
- Impact of the 2009/2010 final level of expenditure*
- Delays in receipt of an outstanding VAT refund.

*Note: These items were reflected in the Risk Analysis which supports the Chief Finance Officer in determining an adequate level of reserves.

62. For 2011/2012 the level of risk has been reduced based on more historic data now being available and the embedding of key items within the Revenue Budget. **Table 8** provides a forecast of the closing General Reserves balance as at 31st March 2012. This represents the balance after adjusting for the estimated three quarter year review position. Further work is progressing to mitigate in year impacts where possible. The position will also be reviewed in the light of ongoing consultation exercises over changes to Services to Adults.

Table 8: General Reserves are expected to increase in 2011/2012

Detail of Movements	2010/2011		2011/2012	
	£m	£m	£m	£m
Opening Balance at 1st April		10.2		6.7
Planned Contribution to reserves	4.3		5.2	
Fleming VAT claims	1.6	5.9	1.0	6.2
Transfer to Voluntary Redundancy Reserve	-1.5		0.0	
Potential Outturn Impacts	-7.7		0.0	
SRE Requests	-0.2	-9.4	0.0	0.0
Forecast Closing Balance at 31 March		6.7		12.9

Sources: Cheshire East Council Reserves Strategy 2010/2011 to 2012/2013
& Quarter 3 Budget Monitoring Report 2010/2011

Other Economic Factors

63. The Council makes an assessment of its financial position over the next three years by using a model known as the financial scenario. It is based on a series of planning assumptions (for example: estimated inflation rates). The planning assumptions were last published in July 2010. The funding directly available to services will be reduced by **£6.7m** to reflect other economic factors, which are Inflation and Employee Pensions.

Inflation

64. The Pre-Budget Report for 2011/2012 includes a provision of **£1.9m** in respect of potential pressure from inflation and changes to National Insurance Contributions. Inflationary pressure is generally being mitigated by service efficiency proposals.
65. Recent trends in the Consumer Price Index (CPI) are shown in **Chart 3** (overleaf). CPI rose from 3.2% in October 2010 to 3.3% in November 2010. The Governments' Comprehensive Spending Review estimates inflation at 2.1% and has allowed for this in government settlements. When combined with the Council Tax Freeze Grant this allowance is considered as sufficient to mitigate inflationary pressure on spending.
66. Inflation for Cheshire East Council is split between two elements, the potential impact in each element is described below:

Pay expenditure

To date no pay award has been agreed for 2011/2012. The employers are seeking a pay freeze but the employees' representatives have requested an increase of £250 per person. Should this be agreed it would cost £1.5m.

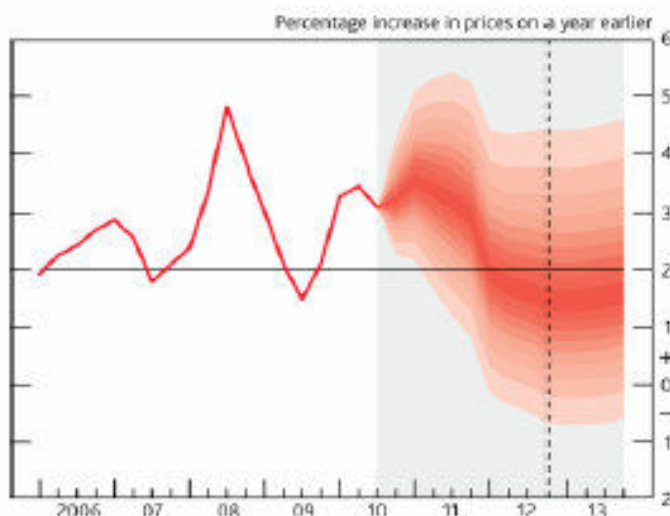
In addition the pay award for 2010/2011 has not been settled. The employees have requested an increase of £250 for each of those paid less than £21,000 per annum. If agreed this would cost £1m.

Another cost pressure includes changes to National Insurance – employer contributions. It is expected this will cost £0.2m from 1st April 2011.

Non pay expenditure

As an indication, if an allowance for non pay inflation, at the CPI rate of 3.3%, was provided it could cost the Council an additional £4.4m. These pressures are being mitigated through improvements in procurement and efficiency.

Chart 3: CPI is projected to rise in the short term before reducing to targets levels of around 2%.



Source: Arlingclose Economic and Interest Rate Forecast Report November 2010

Reading this Chart:
Fan charts are a way of graphically illustrating probability. Each band represents a 10% probability, so if a band is wide then each point within that band carries a lower probability than points contained within a narrow band. The line shown at the left hand side represents historical data.

67. The fan chart at **chart 3** shows the probability of various outcomes for CPI growth. The right hand side of the chart shows possible CPI future growth with past movements shown on the left. There is a 10% probability that CPI will be around 1.5% in 2013. There is a 10% probability that the growth will fall outside of the shaded areas of the fan. The most likely growth pattern is shown by the darker shading in the centre of the fan.

Employee Pensions

68. Based on a current view of the Cheshire Pension Fund it is expected that there will be a relatively modest increase in pension costs of **£0.6m** in 2011/2012 as a result of the actuarial review.
69. The reorganisation and transformation process the Council has been through has led to greater efficiency and a reduction in staff numbers. Some of this has been through early retirement. The cost of these ongoing actuarial costs initiatives is budgeted for at **£4.2m** in 2011/2012.

Summary of Financial Stability

70. Funding for Council services is affected by a large number of income sources and corporate costs. The overall picture changes in response to both national and local decisions. The Funding Available to Services in 2011/2012 is estimated at **£587.7m** which is a reduction of £4.8m (0.8%) compared to 2010/2011.
71. **Table 9** (overleaf) summarises the changes from the 2010/2011 Budget to the 2011/2012 Budget.

Table 9: Funding in 2011/2012 will reduce by £4.8m

Income Source	2010/2011 £m	2011/2012 £m	Variance £m
Formula Grant	(82.1)	(70.3)	
Specific Grants	(360.9)	(364.5)	
Government Grant Funding	(443.0)	(434.8)	8.2
Local Taxation	(176.6)	(178.7)	(2.1)
Investment & Borrowing	13.6	13.9	0.3
Management of Reserves	4.2	5.2	1.0
Other Economic Factors	9.3	6.7	(2.6)
Funding Available to Services	(592.5)	(587.7)	4.8

Note: Changes to 'Charges to Local Service Users' are included within policy proposals shown in **Annex 4**.

2012/2013 Financial Position and Beyond

72. Key elements of the Council's financial stability are already known for the 2012/2013 financial year. For example, the Government's financial settlement related to Formula Grant and a number of specific grants included funding details for two years:
- **Formula Grant** will reduce by a further £7.1m to £63.2m.
 - **£364.5m of Specific Grants** will reduce by £1.25m to £363.3m.
 - **Adjustments** for Inflation, Investment & Borrowing, Management of Reserves and Other Economic Factors are expected to increase by £5m.
73. The overall funding available to services is estimated to **reduce by £13.3m** in 2012/2013. Further details and analysis will be provided in the February 2011 Budget Report.
74. The government settlement only confirms the funding position up to 31st March 2013. After this date the financial strategy must be based on less informed estimates. The assumptions, which will be expanded in the Budget Report in February, are that:
- Government Funding is expected to continue reducing.
 - Council Tax will be set locally.
 - Charges to service users will reflect the need to recover actual costs.

Corporate Risks

75. Given the context of developments in the public sector, the current economic climate and the Council's need to deliver local priorities within the limits of available funding, risk management has an increased profile. It is important that the Council is able to demonstrate that it has effective risk management processes in place.
76. Based on the current Corporate Plan 2010/2013, a risk workshop was undertaken by the Corporate Risk Management Group to identify the key corporate risks that may adversely or beneficially affect the Council's ability

to achieve its corporate objectives. The Corporate Risk Management Group, comprising members from Corporate Management Team and other senior managers, and chaired by the Portfolio Holder for Performance and Capacity, ensures the accuracy and completeness of the risks and monitors the implementation of actions to reduce the risks to acceptable levels.

77. A key corporate risk relates to Financial Control and the impact this may have on the Council's financial stability. **Annex 5** provides an extract from the Cheshire East Corporate Risk Register to highlight the existing controls and planned improvement actions.

2. Our People

Vision and Transformation

78. The Council's vision is to **work together to improve community life**. People based services are committed to making their distinctive contribution, collectively and individually, to fulfilling that Vision.

79. The services are varied, but they have coherence in a shared purpose, which is to:

Improve the wellbeing, health and care of all Cheshire East's people.

80. The Council has five Corporate Objectives and the "People Services" contributes to them all, in particular:

- To give the people of Cheshire East more choice and control about services and resources;
- To grow and develop a sustainable Cheshire East;
- To improve the life opportunities and health for everybody in Cheshire East.

81. The staff and managers of the Adults, Community, Health and Wellbeing Directorate and the Children and Families Directorate are working hard to transform that set of services. Many services are already good, but if they are to be relevant to changing circumstances and expectations, they need to be transformed.

82. High quality services and information is the aim with the following key features:

- **Accessible** Available as close as possible, recognising that an increase in specialisation may require less local availability. Information to be accessible on-line wherever possible
- **Relevant** Services must make sense to, and meet the needs of, those accessing them in terms of achieving their required outcomes.
- **Equitable** Services must meet the needs of individuals and families from the full range of backgrounds and circumstances in Cheshire East
- **Effective** Services must be able to demonstrate that they deliver the results that are required
- **Value for Money** Budgets are tight and demand is high. The way services are delivered and to whom must be cost effective.

Current Issues

83. Increasing numbers of people needing help, rising public expectations and reducing resources all mean that “more of the same” will not be sustainable. For that reason there are programmes of transformational work across the Directorates – work on the redesign of services to children and families, on redesigning adult social care and on reviewing leisure, culture and library services.
84. Personalisation and prevention are key themes running through that transformational work. Personalisation is all about giving people more choices and more control over the resources available to them in line with objective 1 of the Corporate Plan for the Council. The prevention agenda becomes crucial, for it will become increasingly important to keep down care costs and to enable our citizens to manage their health and wellbeing. This is at the heart of Corporate objective 2 to grow and develop a sustainable Cheshire East.
85. That analysis is shared by our partners within the NHS locally including the emerging consortia led by General Practitioners. We realise that only by reducing demand for high cost interventions in health and social care can we manage the spiralling costs of our ageing population and the impact of alcohol on our communities’ health and wellbeing. This approach underpins Corporate objective 5 to work with others to deliver for Cheshire East.
86. The challenging context is likely to require a shift in the balance between universal services and targeted services, towards the latter. That will be particularly evident within Health and Wellbeing Services where the emerging ‘Lifestyle Concept’ will be tested for its contribution to the financial and outcome challenges faced by the Council. This supports objective 3 of the Corporate Plan – to improve life opportunities and health for all in Cheshire East.
87. Services are becoming more local – for example the Local Independent Living Teams (LILTs) that started as Adults teams now encompass staff from health and other agencies. Case committees are being piloted, bringing a wide range of professionals together to focus concerted attention upon individuals and families causing particular concern. Where possible, services, responsibilities and resources will be shared with Parish and Town Councils and this has the potential to provide a very local preventative response, particularly with vulnerable older people. The development of the Joint Strategic Needs Assessment has assumed greater significance in the whole process as services must deliver better outcomes for all using the positive assets within our communities to model and improve the health and wellbeing of our population.
88. Local delivery is a concept that will cover all services inside and beyond the Council. Putting the citizen at the centre of delivery means all services working together to deliver outcomes and to avoid duplication of provision to individuals and families.

89. The scale of the financial challenge requires that the Council must move beyond a transformational approach alone and must consider options that reduce or remove some services that are not core to meeting its overall aim. It may also have to charge more for services that are retained and to apply charges to activity that has previously been free at the point of use. We must also work collaboratively with partners to consider local approaches to meeting the health and wellbeing of individuals, families and communities.
90. Safeguarding vulnerable children, adults, older people and families from risk of abuse is a key responsibility of the Council and its partners. Empowering our citizens to protect themselves and to report concerns about others at risk or experiencing abuse is a priority. Where abuse occurs, intervening to protect individuals within the appropriate legal framework is followed. Given the scale of the changes required to deliver our services within the given budget, the Council will continually review the possible impact of changes upon the safety and wellbeing of people most at risk in our communities.

Services for Children and Families

Improving outcomes for children through effective service delivery.

91. Increasing demand for statutory children's social care services is a continuing feature of the Directorate's work with a significant increase in referrals being made for services in 2010/2011. To stem this demand a significant work programme commenced to strengthen the ability of partner agencies to work together to support families sooner to prevent issues of concern escalating to the point that children need to come into the care of the Council. As a consequence the rapid increase in the numbers of children in the care of the Council witnessed in the preceding 12 months, resulting in growth of £4m has begun to abate with numbers now steadily reducing, and an anticipated reduction in funding of £1.3m.
92. The work programme focussing upon earlier intervention and targeted prevention has included a major review of services inherited from the predecessor authority, some of which have not demonstrated value for money. A major review of family support services, due to be implemented over the period of the next 12 months, while resulting in some identified savings of £0.43m will also produce a much more targeted focus upon service delivery, some of which will be commissioned from the voluntary, community and faith sector.
93. Connecting services at the frontline with greater integrated working across the health, education, social care, police and youth support services is mobilising with a drive to reduce duplication of work with vulnerable children and families, the prevention of problems escalating and improved targeting of ever reducing resources. This work is beginning to frame around the concept of 'locality working' and over the next 12 months will embed on this basis.

94. Changes in national policy regarding schools is seeing a push for greater autonomy of them from Local Authorities. Some schools have chosen to opt for Academy Status which makes them independent of the Local Authority while other schools are choosing to remain as part of the Local Authority network of schools. Whichever route schools choose to follow Cheshire East Council is working with Headteachers and Governors to examine the benefits of the maximum delegation of education resources to school level and exploring what services schools may or may not choose to purchase from the Council in the future. Additionally, the mainstreaming of grants to schools to become part of the Dedicated Schools Grant has required a full review of support services provided to them by the Local Authority. In dialogue with schools fewer services will be retained at the centre with schools choosing to purchase services back from the Local Authority or from other providers. That part of the service which provides services to schools will therefore reduce significantly and will only be sustained if they are purchased back on a full cost recovery basis.
95. Increasingly the Local Authority's role with schools will reduce but a key role will retain focus on identifying and supporting schools which are struggling to make the progress that is required of them and are producing poor outcomes for the children attending. As a consequence of this change the workforce of the Directorate is both reducing in size and being reframed.
96. Further policy changes impacting upon the Directorate include changes in the youth support arena with proposals from the Coalition Government to an All Age Careers Guidance company and the future delivery of information, advice and guidance to young people. Historically the Local Authority along with Cheshire West and Chester and Warrington Borough Councils commissioned services for youth support from the Cheshire and Warrington Connexions Company Ltd with the contract due to expire at March 2011. The Local Authority will be reducing the scale of youth support services previously commissioned and will be pursuing commissioning of future delivery to ensure young people continue to receive information, advice and guidance services with other services being targeted to those young people at risk of poor outcomes.
97. Support to vulnerable children continues to be a strong focus of the work of the Directorate with a key emphasis being upon the modernising of services to children and families. Over the preceding 12 months, 2 large children's homes have closed at Redsands and Prior's Hill, with 2 smaller houses opening and further investment of £1.15m in Capital and £0.78m in revenue is planned to provide residential care more akin to a family setting than an institution. A strong campaign is being driven to recruit more foster and adoptive carers to increase the availability of care provision for children requiring it within the Borough. Additionally services to children and young people with disabilities and their families have been reviewed with a wider menu of short break opportunities now being developed. Further work is underway to examine the future need for overnight short break provision for children and young people with complex disabilities. Clearly the Directorate is intending to build upon and

strengthen this offer and awaits the Coalition Government's Green Paper on SEN and Disabilities.

98. Further investment priorities over the forthcoming period are in the areas of special school provision and education provision for pupils permanently excluded from schools. A major review of special education needs is nearing completion. It is evident that there is insufficient special school provision within the Borough and that further provision is required. Proposals will shortly be forthcoming regarding the expansion of provision which will require capital investment. Such provision is required to reduce the need for children and young people with complex disabilities to have to travel significant distances outside of Cheshire East to attend a special school, or indeed to have to reside away from their home and families during school terms. Significant costs are incurred in transporting pupils to such settings and will be reduced when more provision is made available locally.
99. Formalising and improving educational arrangements for young people permanently excluded from school is a priority with proposals due to be submitted to Cabinet in February 2011. Current arrangements are unsatisfactory and the Local Authority is required to provide full time educational provision within a registered setting. It is proposed that a Pupil Referral Unit is opened to provide the necessary educational provision and support to those pupils who are permanently excluded from schools and for the period before another mainstream or special school is identified for them.
100. A review of the Council's Home to school Transport Policy has identified increased expenditure pressures generally and key areas of discretionary activity and support provided by the Council which is no longer sustainable within the current financial climate. These areas include denominational transport and post 16 provision where it is intended to remove subsidies and / or increase charges, which results in an overall requirement to increase the budget by £0.989m.
101. Extensive work has been taken to remodel the workforce within the Service. This has in part been led by budget reductions and reductions in grant funding, by changes in national and local policy and also by efforts to improve effectiveness of service delivery. A significant number of posts have therefore been removed from the structure.
102. Efficiencies will be secured through improved commissioning arrangements (for example by the combining of arrangements for the commissioning of some care placements). Finally, while some areas of service delivery may cease to be commissioned due to reductions in funding, it is expected that other elements of service delivery historically provided by the Council will be commissioned externally.

Services for Adults

Continuing Transformation and Growth

103. The growth in demand for Adult Social Services has become a major national issue. The understanding of the extent of the impact of the ageing population is growing and a major national enquiry has been established to work out how this impact may be managed effectively.
104. We know that the population of Cheshire East is older than the average population of England. Last year an allowance of £0.4m was made for this impact and this has proved inadequate to meet the challenge especially for the 85 years and older age category on whom over £20m has been spent in care in the past year. The recessionary impact is also clearer, with falling house values and diminished personal savings causing greater costs to fall upon the Council. There is more reflection of this within the budget with an overall annual £4m of year on year growth provided (£11.8m covering the 3 years from 2009/2010 to 2011/2012).
105. The strategy for tackling dementia services has continued with one purpose built centre being opened and more places planned to provide cover across the area. However, the impact of people using their own personal budgets to buy care has meant that directly provided services have shrunk dramatically and the future of our own services are bound to be considered more fully during 2011/2012.
106. The pattern of separate services for older people and adults with a learning or physical disability or sensory impairment has shifted to generic local service that addresses the needs of individuals as individuals rather than as part of a 'client group'. Key to this is the operation of the four Local Independent Living Teams (LILTs) which provide a vehicle for wider integration across the public sector in line with emerging concepts such as 'community budgets'. The Adults Service is therefore ready for the major policy shifts brought about by the Coalition Government.
107. The Pooled Budget for Services for Adults with Learning Disabilities that is operated jointly with the Primary Care Trust (PCT) has continued to be challenging in terms of the need to manage spending and to organise the transfer of money from the PCT under the Valuing People Now (VPN) initiative. The final VPN transfer requires specialist CHC assessment to determine eligibility for fully funded health care to conclude VPN transfer figures to the Department of Health. There is additional pressure on the partners to this arrangement caused by the requirement to bring budgets into balance before transfer to the emerging GP Consortia.
108. Mental Health Services are being reviewed by the commissioners and providers of services with a view to examining whether they could be more closely aligned with the LILT delivery model. This should be resolved during 2011/2012 and a budget saving is expected from this exercise.

109. The large-scale transformational programme to redesign Adult Social Care is on target to exceed the requirement on it to deliver £2.995m of savings in 2010/2011. In response to budget pressures proposals have been brought forward and extended in scope. However, it has become apparent that transformation alone will not deliver a balance between the demand and the money available to pay for it. This 2011/2012 budget is therefore characterised by proposals that are raising revenue by the removal of subsidy rather than securing savings via a remodelling of services.

110. Key elements of the programme include :

- Reducing care costs by a radical review of existing care packages supported by an increasing focus on using technology to monitor and manage spend at an individual worker level as well as at team and whole service levels. (£0.8m)
- Reduction in the costs of the procurement of care resulting from a comprehensive review of expenditure that is due to identify the most promising avenues to explore. The end of the block contract for home care and further rationalisation of 'hot meals' will add to this process. (£1.541m)
- The impact of 'reablement' is beginning to emerge and learning from this now to ensure maximum impact and savings is required. The additional independence that this provides to customers is reflected in a saving of £0.4m within the Care4ce efficiencies.
- Reviewing the overall staffing requirement will continue. Adult Services granted voluntary redundancy to over 400 staff in the first eight months of 2010/2011 and the process is set to continue beyond local teams and the in house care provider (Care4CE) to other areas of the service. It will be combined with a hard look at staffing costs generally. All these staff related changes will deliver a further significant saving. (£1m)
- Building based services have proved to be a source of savings in the first two years of the Council and again there is a large target. (£1m). This process is essential to fund the shift from direct provision to direct payments. If buildings and services that are no longer required by customers are not closed then direct payments become a net cost to the service instead of a net saving. In the case of the housing networks run by Care4CE, rationalisation rather than closure is the immediate objective, adding £150,000 to the above target for building based services.
- The elements that are not transformational are the increases in charges to remove existing subsidy from the provision of social care services (including some administrative aspects) and a similar process related to transport where a combination of increased charges and reduced offer will make savings of £0.8m. The general increase in charges is set to raise £0.65m of the £0.99m shown. Both these elements of the budget are subject to formal consultation at present.

- The Lifestyle concept within the Big Idea is intended to deliver £0.796m in Adults through a mixture of reducing cost and increasing income.

The extent of the challenge in Adults is shown by the fact that, even after granting £11.8m of growth to the service in respect of care costs, these changes only add a net £3.213m to the budget before new grants are accounted for, meaning almost three quarters of the growth is covered by efficiencies elsewhere within Adults. This includes £1.5m worth of further efficiencies to be delivered through a second phase of Social Care Redesign that will focus on areas such as the personalisation agenda, delivering social care through using direct payments to individuals paid net of client contribution direct onto an Empower card. The trend of growth in demand will continue and the service remains committed to the creation of a new round of transformation to deliver further streamlining of service, reduction in costs and demand. However, the scale of the challenge suggests that a radical programme of integration within and beyond the Council will be needed by 2014 to deliver an affordable health and social care system across children's, adults and older people's services.

111. The radical approach to tackling the challenge of delivering social care within a limited and reducing budget requires effective use of capital to deliver efficiencies in processes and reduction in care costs. It is for this reason that improvements in information technology form an important part of the programme - aimed at reducing staff time servicing systems. Investment is also needed in identifying the business case for further development of the dementia strategy and the case for a comprehensive 'Lifestyle' approach to provision in the directorate. Once established these approaches will themselves require significant capital investment to deliver the identified benefits.

Health and Wellbeing

Growth in costs and opportunities

112. Health and Wellbeing (H&W) services are in transition. There is a mix of services that have potential (some more than others) to contribute to the emerging priority of tackling the new public health agenda as those services move to the Local Authority from the Primary Care Trust (PCT). 2011/2012 will be a year in which this realignment takes place, assisted by the greater integration of H&W into the work of the Adults, Community, Health and Wellbeing Directorate. In this context the 'Big Idea' of using H&W services to meet more mainstream social care is highly relevant.
113. Such a change requires a different approach within the H&W service so during 2011/2012 the commissioning elements of the service will be moved to a strategic commissioning function across Adults, H&W and the Children and Families Directorate. The remaining provider services will be subject to an options appraisal to seek the best way to structure and deliver these services in future.

114. During the year the Lifestyle concept – which is at the centre of the Big Idea – will be tested at a number of leisure centres across the Council area to see if additional investment in these centres will enable them to meet social care needs and build confidence and independence among older and disabled people. The focus on their use of the facilities will be when the general public use is not high – thus making the facilities more economically viable for universal use. This with other efficiencies from directorate integration and increased income should deliver a net £754,000 (contributing to the £1.023m).
115. Progress has been made to bring the Council's Customer Contact Strategy and the Council's Library Services Strategy together, so that libraries offer an effective customer contact service. However, to free up human resources in support of that transformation it will be necessary to continue to invest in the technology which enables self issue and self return of books. A review of library provision will articulate the Council's ambitions for its library services and the infrastructure required to deliver that ambition. This is a key part of the Building Based Review of all parts of Health & Wellbeing and will save £268,000. (contributing to the £774,000 saving)
116. The role of Green Spaces will also be considered and the extent of the Council's presence reviewed. While the spaces themselves are freely available the cost of access to them for particular groups may be considered within the 'Lifestyle Concept' with the potential to derive income from delivering access. (£450,000).
117. The process of devolution to Town and Parish Councils continues and the Civic and Community Halls may be a key part of that process. Pending this change these facilities plus others being reviewed will continue to be funded by the H&W service.
118. As with Adults Service, H&W must also look to increased and new charges to raise income in order to meet the challenge of increased costs (£210,000). The overall net reduction of £1.5m for H&W represents a further reduction of 12% over and above savings of £1.8m already delivered since 1st April 2009.
119. Capital investment will be focussed upon moving towards the aspiration to develop lifestyle centres. Funding permitting, an options appraisal will be undertaken to determine the best way forward, preferred site and functions to accommodate. Other capital work will only be undertaken to ensure compliance with health and safety legislation, or to avoid loss of income through unplanned facility closure.

Summary of the Revenue and Capital Position

120. The tables below summarise the Revenue Budget and Capital Programme for the People related Directorates.

Table 10: People Related Services Budget Summary 2011/2012 ~ see **Annex 4**

	2011/12	Policy	
Services	Budget	Proposals	Total
	£m	£m	£m
Children and Families	306.8	0.1	306.9
Adults, Community, Health and Wellbeing	99.5	9.8	109.3
Total	406.3	10.0	416.3

Source: Cheshire East Finance

Table 11: People Related Capital Programme Summary 2011/2012
– see **Annex 4**

	2011/2012
	£m
People	
Committed schemes	
Children and Families	12.8
Adult Services	1.9
Health and Wellbeing	2.5
	17.2
New Starts	
Children and Families	11.2
Adult Services	0.2
Health and Wellbeing	0.7
	12.1
Total Capital Programme - People	29.3

FINANCING

Supported Borrowing	2.1
Unsupported Borrowing - Prudential	5.6
Government Grants	19.4
Capital Reserve	0.0
Linked/earmarked Capital Receipts	1.1
External Contributions	1.1
Other Revenue Contributions	0.0
Total Sources of Funding	29.3

Source: Cheshire East Finance

3. Our Place

Vision and Transformation

121. The Council's vision is to **work together to improve community life**. The Places Directorate is a set of services committed to making their distinctive contribution, collectively and individually, to fulfilling that vision.
122. The Places Directorate is responsible for the delivery of a wide range of varied services including Environmental Services, Safer and Stronger Communities, Regeneration and Planning and Housing, which have coherence in a shared purpose, which is to:

Create and maintain a quality environment to promote prosperity and wellbeing.

123. The Council has five Corporate Objectives and the Places Directorate contributes to them all, in particular:
- To grow and develop a sustainable Cheshire East;
 - To enhance the Cheshire East environment
124. The Places Directorate faces many opportunities and challenges and is working hard to transform services to ensure they are more:
- **Customer focused** Committed to designing and delivering high quality services that meet the changing needs of customers whilst delivering high levels of customer satisfaction.
 - **Sustainable** A range of services, delivering the Council's responsibilities and ambitions in an affordable and efficient manner, that meet customers varied and changing needs.
 - **High Quality** Services committed to enhancing quality, both in their own delivery, and in that of partners and suppliers.
 - **Forward Looking** Identifying and addressing the major strategic challenges which will face Cheshire East in future years including demographic changes, climate change and economic conditions.
 - **Locally Focussed** Services which are focussed upon meeting the needs of local communities by being more easily accessible and more readily responsive to residents and customers.

Current Issues

125. Ensuring future services are flexible to meet the changing needs of customers. Increasingly providing greater levels of choice whilst maintaining a core level of service to all.
126. Developing local solutions and devolving service provision whilst both maintaining and improving quality and realising resource efficiencies.
127. Ensuring that Cheshire East benefits from any upturn in the economy and that the Council can facilitate investment and encourage growth and prosperity.
128. Planning effectively for the future through the development of major strategic plans such as the Local Development Framework, and the Local Transport Plan (LTP).
129. Working with our Sub-Regional Partners to support the Local Economic Partnership and other collaborative working whilst continually developing strong links with the Association of Greater Manchester Authorities.

Environmental Services

130. The highway network is the Council's largest asset, it is valued at more than £2 billion and is fundamental to achieving all of our key objectives, particularly in creating and maintaining the quality environment necessary to promote prosperity and wellbeing of our businesses and communities. Deterioration of the highway network is continuing due to the effects of falling investment and severe winter damage over recent years. This challenge will be faced with a new contractor appointed to manage and maintain the highway network on behalf of the Council and achieve revenue efficiency savings of £0.5m in 2011/2012.
131. Cheshire East residents recycle about 50% of their waste; the highest level in the North West of England. However, we still send approximately 90,000 tonnes of residual municipal solid waste per year to landfill, which is damaging to the environment and wastes many valuable materials. Because of significant increases in landfill tax applied by central government each year (currently £8 per tonne), the cost of the waste service continues to escalate (£214,000 in 2011/2012). The Council has been working with Cheshire West and Chester Council to develop a long-term solution to treat residual household waste rather than continuing with the practice of waste disposal by landfilling. Recently, central government has announced that their financial support for Cheshire's Private Finance Initiative (PFI) residual waste treatment project has been withdrawn and consequently the future of the project is now at significant risk. A revised strategy for the treatment of the Council's residual waste will need to be devised over the next year.
132. In order to provide householders with a much improved waste and recycling collection service, the Council will introduce a new system in 2011/2012 based in large measure on three wheeled bins rather than the

current mix of bins, boxes and bags. This will increase the number of materials that can be recycled by all householders and reduce the costs of waste and recycling collections by £0.7m in 2011/2012, increasing to over £1m per annum from 2012/2013.

133. Our work on Local Service Delivery is continuing and practical means of achieving greater local ownership of key frontline services such as public toilets, street cleansing and grounds maintenance remains a key objective. Town and Parish Councils are engaged in agreeing the levels of transfer and devolution and it is expected that during 2011/2012 agreement to progress this transformation of service delivery will be agreed.

Safer and Stronger Communities

134. The Council is facing a significant threat to its Community Safety Partnership work as a result of the uncertainty over Area-Based Grant. The grant is used to fund a range of interventions to tackle our priority areas of ASB, Domestic Abuse and Prolific & Priority Offenders. Reduction in the Council's Warden Services will further impact on the visibility of uniformed presence in local neighbourhoods.
135. Regulatory Services continue to work towards a more integrated approach to service delivery and they will undergo a 'Peer Review' in February 2011. This assessment will drive the continued improvement in our approach to achieving the right balance between prosperity and protection. This is particularly important during the economic downturn but will also need to take full account of the legislative changes and new responsibilities flowing from closing down of agencies such as the Office of Fair Trading and Health Protection Agency.
136. The Car Parking Strategy has recently been updated and set in the context of the broader LTP work. Recent trends show an increase in usage in many of our car parks, as the impact of the recession recedes. Our investment in new Residents' Parking Schemes has also resulted in additional permit sales. This is reflected in an increased income projection for 2011/2012.
137. The Emergency Planning Shared Service is currently investigating the opportunities to extend its remit to cover the Warrington Borough Council area. This will result in both financial savings and greater capacity within the extended team to deal with major emergencies and serious incidents. Further work on exploring a multi-agency collaborative model is underway too and it is hoped this will improve all agencies' collective response to emergencies.

Planning and Housing

138. Recent Government reforms of social housing pose uncertainties for the future and the economic down turn has slowed the delivery of affordable housing. Resources from the Homes and Communities Agency are also severely curtailed. The Council will need to find new ways of providing affordable homes, including partnership arrangements and the use of its own assets. The economic downturn is increasing the risk of homelessness – this may be compounded by changes in Housing Benefit in 2013.

139. The Building Control service has been affected by the implementation of new Charge Regulations which came into force 1 October 2010. These new Regulations restrict the ability to recover costs from statutory functions. This creates a harder financial climate for the team, removing any ability to generate surplus income. However there is potential for small growth in market activity for the coming year.
140. The Spatial Planning team has a programme for the preparation of the Local Development Framework (LDF) to secure the adoption of the Core Strategy by 2013 and the Site Allocations Plan by 2014. This process is likely to give rise to significant community interest. Once the LDF is adopted the Council will be able to introduce Community Infrastructure Levy which has the potential of raising over £330 million for investment in new infrastructure. The LDF will also allocate sites for new housing development, which has the potential to attract significant receipts from government proposals to introduce a New Homes Bonus, details of this new scheme are currently in consultation.
141. Cheshire East is amongst the top ten busiest planning authorities in England, determining nearly 5,000 planning and related applications each year. The recession has stripped out much of the more 'profitable' commercial development from the process, leaving the Council with proportionately more low value but high input applications. Development Management is currently undergoing a transformation process, which will introduce new and improved ICT systems and accompanying ways of working, delivering savings of £0.3m.
142. The Government has recently announced a reform in the planning fees from April 2011, with Councils able to set their own fees and potentially offset the full cost of the service. This should have a positive impact on overall income (£0.2m), but full details are still to emerge.

Regeneration

143. Supporting the local economy and ensuring Cheshire East is at the forefront of the upturn will remain a major priority for the coming year. The Council will continue to engage strongly with local businesses to support job growth and provide a constant link in a rapidly changing business support environment.
144. Work will continue to develop and support our new Local Enterprise Partnership for Cheshire and Warrington which will be a strong business-led partnership responsible for driving forward economic growth (£260k in 2011/2012). There will be a strong focus on marketing and promoting the area to new investors and visitors through a new 'Marketing Cheshire' organisation that brings together visitor economy support and place marketing.
145. Leading major regeneration of Macclesfield and Crewe will remain a major priority for the Council. Redevelopment of the town centres in a difficult economic climate is a challenge, however progress is expected following the recent work led by the Council to create a strong vision for the future in both Macclesfield and Crewe, and emerging work in Congleton and Wilmslow. We will continue to deliver our Sustainable Towns Framework with local partners to support all town centres and economic areas across Cheshire East.

146. The Total Transport Transformation project remains a major corporate priority for the Council. The next twelve months will see major change in the way in which the Council delivers our highway and transport priorities. A new Cheshire East Transport Unit will be established which will continue to deliver a strong operational service to all our clients (delivering efficiencies of £0.2m in 2011/2012), whilst building our strategic response to the transport pressures facing the area including the provision of a strong rural transport network; supporting sustainable travel; new investment to support economic growth and ensuring strong links with our neighbours, particularly with greater Manchester.
147. The Council currently provides support towards the maintenance and management of Tatton Park, a major visitor attraction which has over 800,000 visitors a year. Over the last twelve months the Council has developed ambitious plans for future investment and development in Tatton to increase the visitors to over 1,000,000 per year by 2016. Through this investment and development it is anticipated that the level of financial support required from the Council can be eliminated while retaining Tatton's positive impact on the local economy, sustaining its conservation and delivering of the Council's lease-hold obligations.
148. In order to demonstrate leadership on climate change, the Council has developed a **Carbon Management Plan** as part of a comprehensive strategy. The strategy is to reduce our carbon emissions by 25 per cent by 2015/2016, from its current baseline of 50,000 tonnes per year. Over the last year the Council has cut its emissions by over 1,000 tonnes, mainly through small technical solutions in its buildings.

Summary of the Revenue and Capital Position

149. The tables below summarise the Revenue Budget and Capital Programme for the Places Directorate.

Table 12: Places Budget Summary 2011/2012 ~ see **Annex 4**

Services	2011/12 Budget £m	Policy Proposals £m	Total £m
Environmental Services	35.2	(0.5)	34.7
Safer & Stronger Communities	1.1	(0.9)	0.2
Planning & Housing	4.0	(1.0)	3.0
Regeneration	12.7	(1.2)	11.5
Total	53.0	(3.6)	49.4

Source: Cheshire East Finance

Table 13: Places Capital Programme Summary
2011/2012 – see **Annex 4**

	2011/2012 £m
Places	
Committed schemes	
Environmental Services	3.2
Planning & Policy	1.3
Regeneration	3.5
Safer & Stronger Communities	0.6
	8.6
New Starts	
Environmental Services	2.0
Planning & Policy	1.8
Regeneration	17.4
Safer & Stronger Communities	0.0
	21.2
Total Capital Programme - Places	29.8

FINANCING

Supported Borrowing	1.3
Unsupported Borrowing - Prudential	10.0
Government Grants	14.3
Capital Reserve	2.9
Linked/earmarked Capital Receipts	0.0
External Contributions	0.4
Other Revenue Contributions	0.9
Total Sources of Funding	29.8

Source: Cheshire East Finance

4. Supporting Service Delivery

Vision and Transformation

150. The Council's Corporate Plan incorporates five key objectives. This section of the Council supports the achievement of all objectives and, in particular
- “Being an excellent Council and working with others to deliver for Cheshire East”
151. The Council groups services that support all service delivery under the heading of Performance & Capacity. The overriding aim of these services is to provide necessary support to achieve the Council's aims at the best value, to the right standards and with a focus on what matters to the public of Cheshire East.
152. The major services within Performance & Capacity perform a number of roles:
- **Focused on Outcomes** Providing strategic review, analysis and intelligence to develop the Council's Plans, provide focus on what really matters, link performance outcomes to resources and influence, respond and implement local and national public policy.
 - **Focused on Customers** Improving the customer experience and making customer contact simple, relevant and fit for purpose while learning and improving based on feedback.
 - **Joined Up** Maximising the benefits of working in partnership including shared service opportunities to assist the successful delivery of front line services, minimise duplication, maximise cost efficiencies and enable truly joined up services appropriate for our differing localities.
 - **Sustainable** Supporting the development of the Council's processes, governance arrangements and accountability structure including developing the Council's workforce and protecting the Council against risks both legal and financial.
 - **High Quality** Supporting front line services as they strive to deliver transformational projects (for example Finance, Human Resources, ICT, Legal, Procurement and Property support are required for most projects).
 - **Forward Looking** Leading projects on behalf of the Council to further improve the Council's asset base, infrastructure, community liaison, policy co-ordination.

153. Massive savings have already been made as a result of the local government review process, the targeted activity on support services efficiencies and a focused approach to spending money on what really matters in Cheshire East. Savings planned for 2011/2012 are ambitious and appropriate. It is anticipated that reductions in the inspection regime, central reporting and a focus on Cheshire East local performance will facilitate the savings plans.
154. Performance and Capacity is split into the following five areas:
- Treasury and Assets
 - Human Resources and Organisational Development
 - Legal and Democratic Services
 - Policy and Performance
 - Corporate Improvement

Treasury and Assets

Assets

155. The Council understands its asset base and has developed a strategic approach to asset management which is integrated with corporate and service planning.
156. The office accommodation strategy, which is already well underway, is providing **modern open-plan offices** that support and enhance flexible styles of working. It is providing staff with a range of working environments that suit the changing requirements of customers. The majority of the Council's office based staff have already been successfully moved to facilities that are fit for the purpose of delivering modern services.
157. A major element of the Council's Transformation Programme is the Asset Challenge. This was launched in January 2010 and involves a comprehensive review of the Council's existing property assets and their usage and an analysis of the Council's future property needs. This work will underpin the transformation of front line services and will ensure that Cheshire East will have an asset base in the medium term that will deliver services where and how they are needed by the Cheshire East communities.
158. A key aspect of the asset challenge is the links with our partners and the delivery of services from joint facilities where appropriate. The Capital Programme reflects an investment of over £5m in 2011/2012 for building maintenance including satisfactory compliance with its legislative and regulatory responsibilities. There is an expectation that the Asset Challenge process will achieve significant efficiencies and savings over the next three years.

Information & Communications Technology

159. The ICT service will continue to exploit new developments to deliver savings in the operational running cost of major systems such as Oracle, Microsoft

and PARIS. This will include reviewing new models of product licensing, rationalisation of products and the delivery of support to these systems.

160. Appropriate technology will be put in place so that the Council's policy on flexible and mobile working can be delivered. Improved capacity for flexible and mobile working is a key pre-requisite for the delivery of the accommodation strategy and delivery of efficiency improvements in services.
161. Significant service improvements and greater efficiency will be delivered through centralised management and greater standardisation of PCs, laptops, mobile devices and telephones. This project is already underway within the service, and therefore tangible benefits should start being delivered in early 2011/2012. The Capital Programme includes a further £0.981m investment in the essential replacement of core technical infrastructure, demonstrating the Council's commitment to the maintenance and improvement of its ICT capability.
162. In November 2009, the Council launched a major initiative with a range of public, private and third sector partners to reduce operating costs of ICT through greater sharing of facilities, such as data centres, and the elimination of duplication and excess capacity. Some small projects have already been delivered and major proposals are now being developed for 2011/2012.

Finance

163. The core financial system optimisation project will change business processes and service levels within Finance and Shared Service teams to deliver cashable savings. The project will see a capital investment of up to £825,000 and will deliver revenue savings of £141,000 in 2011/2012 in Finance and the HR & Finance Shared Service. Further savings will be delivered across the organisation as lean systems and processes are embedded as part of a Business Management Review, a cross directorate savings target of £750,000 reflects this opportunity.
164. The first priority will be to streamline transaction processing through improved compliance and optimisation of upgraded technology. The second tranche of work will be to deliver a standard suite of financial reports to be delivered direct to managers' desktops through a much clearer 'dashboard' that includes key facts 'at-a-glance'. In addition, improvements will be made to automate income reconciliation allowing more efficient processing of revenues.
165. Further rationalisation of staffing levels in the Revenues and Benefits Teams will be taken forward during 2011/2012, following the implementation of a single system to replace the three inherited, legacy platforms, and in line with reduced government funding for benefits administration costs.
166. Continued rationalisation of the Council's insurance arrangements will deliver modest savings in 2011/2012 ahead of a full re-tender exercise in 2012/2013, which will target more substantial savings, in the region of £300,000. This may require some changes to self-insurance levels and a more rigorous approach to risk management.

Procurement

167. The Procurement Unit will support the Council in the delivery of procurement savings of £1.65m during the next year. This will be achieved through the continued embedding of the Corporate Procurement Strategy that will provide a greater control and visibility of spend within the organisation to drive down unit costs.
168. Savings will be achieved through the acceleration of the category management approach to procurement, increased economies of scale and capacity through expanded use of the Association of Greater Manchester Authorities sub regional procurement hub and collaboration with other partners and the increased use of the regional E-portal (The Chest).
169. The Procurement Unit will embark upon a cost reduction programme that will urge suppliers to consider the positive benefits to their competitive position from price reductions to the organisation that will result in an efficient and balanced supply base.

Human Resources & Organisational Development

170. In order for Cheshire East to consistently deliver high levels of service to our customers and communities in these unprecedented times, we require a highly engaged and appropriately skilled workforce. The graduate development programme successfully launched in 2010 actively demonstrates the Authorities commitment to supporting and helping young people to gain meaningful employment in this difficult economic climate. To fund the additional Graduate placement agreed by Members, funding of £41,000 is required in 2011/2012.
171. The Council committed additional funding of £35,000 in 2010/2011 to enable the employment of 1 temporary member of HR staff to deal with the increase in essential work following LGR, specifically Job Evaluation. This work is due to reduce in 2011 and this additional funding is no longer required.
172. Cross directorate savings of £83,000 will be achieved through the launch of three new salary sacrifice schemes in 2011; Cycle to Work, Computer Purchase and the Green Car Scheme. These savings are predominantly savings in tax and National Insurance contributions.
173. Additional cross directorate savings of £407,000 will be achieved as a result of the recent renegotiation of margins, management fees and pay rates associated with the Reed temporary recruitment service, which has recently been extended for a further 12 months.
174. In order to maximise the cross directorate Salary Sacrifice Savings that HR has put forward, an additional administrator post is required to ensure that the new salary sacrifice schemes are run efficiently with maximum take up and subsequently maximum savings. Additional funding of £13,000 is required for this post.
175. Work has been ongoing to review Cheshire East's terms and conditions of employment with a view to resolving harmonisation, equal pay and historical

Single Status issues. It is anticipated that the review will be completed in 2011, with a single set of terms and conditions in place by late summer. Whilst powerful software has been procured specifically for the purposes of pay modelling, some assumptions have been made in order for us to proceed with the modelling which will allow for a small margin of error in reporting. Additionally, it is not possible at this stage to identify accurate savings as we are still part way through consultation with the Trade Unions and a package has yet to be agreed. However, due to the budgetary pressures facing the Authority as a result of significant grant reductions, a savings target of £2.4 m has provisionally been set aside in the draft budget in order to assist the Council in its planning. Finance colleagues are closely involved in the project and will be formally auditing the methodology used to arrive at savings

Legal and Democratic Services

Legal Services

176. The Council must protect itself against risk (such as legal action being taken against the Council) and ensure services are delivered to proper frameworks. The legal services team must therefore be properly resourced to support services in their work. Detailed consideration is being given to the ways in which the Service can be properly resourced in order to ensure service delivery, and in order to minimise risk. An Interim Borough Solicitor has recently been appointed to do this and will report upon her findings in due course.
177. The service has historically carried out a substantial amount of work throughout the year on schools appeals. The budget proposes that the cost of this work should be recovered, which will be reliant upon agreeing buy back proposals with the schools.

Democratic Services

178. The proposals for the service comprise a package which relies upon making use of buoyant Registration Service income, together with restructuring and rationalisation proposals.

Policy and Performance

179. The Directorate provides wide ranging services that help shape Cheshire East, identify priorities, support strategic management, promote good governance and enhance and protect the reputation, integrity and effectiveness of the Council. It is split into five service areas each of which are part of the Corporate support functions within the Council. These are:
- Customer Services
 - Partnerships (including grants to outside bodies)
 - Performance and Planning (including research)
 - Communications
 - Internal Audit and Compliance

180. The service plays a central role in helping the Council achieve its corporate objective to be “an excellent Council and work with others for Cheshire East.” Each of the services have quite different individual objectives contributing to this aim and are influenced by:
- The need to maintain a robust corporate core to manage the Council’s business
 - Provide a high quality corporate planning framework and performance management framework
 - Provide an information analysis, evidence-base and external consultation service including continuous support for the Joint Strategic Needs Assessment
 - The statutory responsibility to have an internal audit function and to have a Head of Audit giving an annual assurance on internal controls
 - Provide Corporate Policy advice and co-ordination
 - The need to protect, enhance and develop the Council’s reputation
 - The co-ordination of internal and external communication to ensure targeted messages to the people of Cheshire East
 - Provide co-ordination of, and engagement with, strategic and local partnership activity through existing formal and informal mechanisms
 - Provide high quality customer access through face to face, telephone and the web, driving improvements in customer service standards across the Council
 - The need to maintain standards in relation to Freedom of Information, Data Protection, Business continuity and other statutory requirements
 - Oversee the Corporate approach to the single equality and inclusion scheme
181. The Direction of Travel of the service going forward remains that of playing a central role in helping the Council achieve its corporate objectives. The inspection requirements on the Council have significantly diminished with the abolition of CAA. There remains a need, however, to reshape the priorities of Cheshire East in a time of austerity and to ensure that the priorities, outcomes and performance are developed to be about what Cheshire East really wants to achieve.
182. We have an opportunity moving forward to use our sustainable community strategy to properly focus our time and resources on those areas that matter most to the people of Cheshire East. We want to improve performance outcomes (not count inputs), and do everything we do in the most cost effective way and we want to satisfy our customers. Empowering citizens and a sense of civic pride is fundamental to moving forward in the difficult months and years ahead. Neighbourhood action, a community spirit and a combined effort is the way forward and this will require co-ordination, drive and input from the partnership and performance team.
183. We have agreed seven priorities for action within our strategy which are about nurturing strong communities, creating the conditions for business growth, unlocking the potential of our towns, supporting young people, ensuring a sustainable future, preparing for an increasingly older population and driving out the cause of poor health.
184. The reality is that we will be making difficult choices about how we use the financial resources available – by being clear about what we want to achieve through our community strategy and corporate and service plans we can make sure that things that really matter have scope for development and our finances, resources, focus and time is spent on making those things happen.

185. Given all of the above the main changes proposed for the service relate to rationalisation and a focus on partnership working, efficient customer services and an emphasis on communication and reputational management. Savings plans include:

- Rationalise the internal audit function by reducing staffing and realigning specialist work (£200,000 saving taking total to £550,000)
- Rationalise customer access and back office processes (£225,000 in 2011/2012)
- Transfer of six customer outlets to libraries (already achieved) and potentially extend the transfer of customer access points and / or use different technologies to drive savings (£240,000 - £390,000).
- Transfer Tourist Information Centres to visitor economy team and reduce the net expenditure on this area (£45,000)
- Combine and rationalise Partnerships and Performance & planning team functions (£420,000) to reflect changed approach to inspection and policy shifts
- Reduce the level of community and cohesion grants (£150,000 (16%) in 2011/2012)
- Consolidate costs in Communications by reducing publications, circulation, media analysis and staffing (£150,000)

Summary of the Revenue and Capital Position

186. These tables summarise the Revenue Budget and Capital Programme for Performance and Capacity.

Table 14: Performance & Capacity Budget Summary 2011/2012 ~ see **Annex 4**

Services	2011/12 Budget £m	Policy Proposals £m	Total £m
Borough Treasurer & Head of Assets	114.7	-3.0	111.7
HR & Organisational Development	3.1	0.1	3.2
Borough Solicitor	6.3	-0.5	5.8
Policy & Performance	8.4	-1.2	7.2
Corporate Improvement	0.5	0.0	0.5
Total	133.0	-4.6	128.4

Source: Cheshire East Finance

Table 15: Performance & Capacity Capital Programme Summary
2011/2012 ~ see **Annex 4**

	2011/12 £m
Performance & Capacity	
Committed schemes	
Borough Solicitor	0.0
Borough Treasurer & Head of Assets	7.2
HR & Organisational Development	0.0
Policy & Performance	1.0
	8.2
New Starts	
Borough Solicitor	0.0
Borough Treasurer & Head of Assets	8.0
HR & Organisational Development	0.0
Policy & Performance	0.1
	8.1
Total Capital Programme - Perf & Capacity	16.3
 FINANCING	
Supported Borrowing	0.2
Unsupported Borrowing - Prudential	4.1
Government Grants	0.6
Capital Reserve	9.9
Linked/earmarked Capital Receipts	1.3
External Contributions	0.0
Other Revenue Contributions	0.2
Total Sources of Funding	16.3

Source: Cheshire East Finance

5. Budget Impact

187. The 2011/2012 Pre Budget Report is the result of a major process to set a balanced budget that can meet the needs of local people in the local environment. The details of the Budget have been set out in previous chapters in terms of financial stability and service proposals. This section considers the impact of the Budget on typical groups of service users in terms of any changes they may see as a result of proposals in this report.
188. At this stage decisions relating to charging for Council Services have not been confirmed and as such a full impact assessment cannot be provided.
189. The final report, to be issued in February 2011, will set out the results of engagement and further refinement. It will also enable the impacts to be better assessed in relation to typical households, as well as businesses and other stakeholders.

6. Summary of Business Planning Process 2011/2012

190. Cheshire East Council launched the Business Planning Process at Cabinet in July. The process provides a framework for setting the Budget and Corporate Plan with the aim of linking resource allocation with priorities and desired performance.

191. The key stages of this process are:

Date	Meeting	Briefing Provided
July	Launch Process	
August	Set targets Quarter 1 report to Cabinet	
September / October	Refinement of service responses	
October / November	Comprehensive Spending Review and autumn engagement process on the key messages as per the following events:	
	Autumn Engagement Process	
October: 13th 22nd 28th	Manager Conferences	Leading Improvement – ‘Customer Service Excellence in Challenging Times’ Briefing on Business Planning Process and Comprehensive Spending Review (CSR).
21st	Policy Briefing Paper via e-mail to all Members	CSR Headlines
21st	Opposition Leaders	CSR Impact and Implications
22nd	Staff Newsletter	Briefing on Business Planning Process and CSR.
27th	Overview and Scrutiny Budget Consultation Group	Update on Business Planning Process and CSR.
29th	All Member Business Planning Briefing	Update on: - Business Planning Process - CSR - Potential areas of savings.

November 2 nd	Letter to all staff from the Chief Executive.	Information on the impact of the CSR and information regarding change of hours / contract / Voluntary Reduction Programme.
3 rd	Senior Managers Meeting	Business Planning and CSR Impact and Implications
4 th	PACE Executive	CSR Impact and Implications
15 th	Quarter 2 report to Cabinet	
December 1 st	HR Newsletter 'Fit for the Future'	Launch of Newsletter detailing review to be undertaken to move all employees to one new standard set of terms and conditions within 12 months.
7 th	Liberal Democrat Group	Comprehensive Spending Review Impact and Implications
8 th	Senior Managers Meeting	Corporate Plan and Service Planning
13 th	Provisional Financial Settlement	
January 13 th	Briefing for Directors and Scrutiny Budget Consultation Group	
18 th	Briefing for all Members	Pre Budget Report
19 th	Issue Pre Budget Report	
20 th 21 st 25 th 26 th 27 th	Engagement Process: Partners / Third Sector Staffing Committee / Trade Unions Schools' Forum Business Town and Parish Councils	Pre Budget Report
February 14 th	Cabinet agree Budget and Corporate Plan	
24 th	Council agree Budget and Corporate Plan	

The Pre Budget Report will also be available on the Cheshire East website, in libraries and public areas of Council buildings.



Annexes to Pre Budget Report 2011 / 2012

Our People, Our Place

Annex 1 - A Profile of the Authority

1. The Unitary Council of Cheshire East serves the area previously served by the councils of Congleton, Crewe and Nantwich and Macclesfield. In addition to 'Cheshire West and Chester' on the west, Cheshire East is bounded by the Manchester conurbation to the north and east, and Newcastle-under-Lyme to the south and High Peak and Staffordshire Moorlands to the east.

Geography of the Area

2. The mix of topography, soils and land use in Cheshire East presents an area of contrasting character, ranging from the highland and lowland rural areas to the more densely-populated areas in the north east of the authority. The boundary is part of the Peak District National Park which rises significantly higher than the rest of the council area.
3. Cheshire East is characterised by wonderful countryside facilities such as Tegg's Nose Country Park, The Cloud and the Gritstone Trail as well as splendid historic towns and major national visitor attractions such as Tatton Park, castles built of the distinctive local sandstone, the Lyceum Theatre and the Heritage Trail.
4. The main rivers of Cheshire East are the Bollin and the Dane which flow into the Mersey. The River Weaver flows from its source in Peckforton to the union with Manchester Ship Canal. A number of canal systems (The Trent and Mersey, Shropshire Union and Macclesfield canals) form significant features of Cheshire East.
5. The Weaver Valley Regional Park builds on these assets, particularly the market towns, rivers, canals and the salt industry heritage of mid-Cheshire. It runs through central Cheshire, from Runcorn (the mouth of the River Weaver) in the north to Audlem in the south. The Sandstone Trail runs from Frodsham to Whitchurch.
6. There are excellent rail links both with Manchester and other parts of the country through the main West Coast routes from London through Crewe and Macclesfield to the north. The M6 is the main north-south road route, but important east-west links are established by the M56. Other main trunk roads running through Cheshire East are the A556 from Knutsford to Bowden which connects people to Manchester and the A500 linking Nantwich and Crewe to Derby.

Cheshire East and its Citizens

7. Cheshire East has an area of 116,638 hectares. The population is 362,700 (2009), making it the 3rd largest in the North West and 12th largest Authority in England. Principal concentrations of population are in the towns of Macclesfield (50,040), Crewe (50,320), Wilmslow (30,870) and Congleton (26,520). Other main towns within Cheshire East are Sandbach (17,820), Poynton (14,200), Nantwich (14,440), Middlewich (13,800), Knutsford (12,580) and Alsager (12,230).
8. Cheshire East has a diverse rural / urban profile. The area is classed as significantly rural, with more than half the population living in rural or rural market town areas. The other eight towns, although urban, have outskirts which contain areas classified as more rural than urban.

9. The population in Cheshire East has steadily increased over the past seventeen years, from 340,500 in 1991 to 362,700 in 2009. This increase in the total population is mainly due to migration into the area. The age structure of Cheshire East is slightly older than that of England & Wales. In 2008, 6% of Cheshire East's residents were aged under 5, 12% were aged 5 to 14 and 18% were aged 65 or more. The age structure of the population in Cheshire East has changed since 1991. The number of older people (aged 65+) has increased by 20% from around 54,200 in 1991 to 66,500 in 2008. The increase is greater in Congleton (34%) than Crewe & Nantwich (22%) or Macclesfield (17%).
10. The number of children (aged 0-15) in 2008 has fallen slightly (900) compared to 1991 to 61,900 in Cheshire East; however, whilst numbers have increased by 7% in Crewe & Nantwich they have decreased by 4% in Congleton and 6% in Macclesfield. It is forecast that by 2027 there will be around 5% fewer children living in Cheshire East than there were in 2007 whilst the number of people aged 85 or above will have doubled within the same period.
11. Cheshire East has a strong local economy which contributes 5% of the North West region's total population and 7% to regional output. Average household income is above the national average. However it is not immune from the national economic recession and unemployment has been rising rapidly. The population aged 16-64 is expected to fall by 4% between 2007 and 2027, so limiting the capacity to expand the labour supply.
12. Residents also enjoy better health than elsewhere in the region and nationally. For example, life expectancy is above the national average and incidence of smoking cigarettes is lower.
13. Educational attainment among school pupils in terms of achieving 5 or more GCSE grades at A*-C grade is above the national average. Cheshire East schools generally perform well; children get off to a good start with a large percentage of childcare establishments, nursery education and primary schools judged to be better than similar areas and better than standards found nationally. There is very little inadequate provision, but the proportion of secondary schools and school sixth forms that are judged to be good or better is below that found in similar areas and the national figure. Attainment levels at Key Stage 2 in primary schools places the Borough in the top 5 Local Authorities in the country for educational performance at this level. Children's Services in Cheshire East continue to 'perform well' as rated by OFSTED in its annual performance rating.
14. The crime rate in Cheshire East is one of the lowest in the country and residents are less concerned about anti-social behaviour than elsewhere. However, there is significant anxiety about victimisation.
15. The South Cheshire housing market contains the two towns of Crewe and Nantwich and a number of rural villages. Crewe is identified as being a key regional town and a gateway to the North West. It has both housing and employment ties crossing regional boundaries into the North Staffordshire and Potteries areas, and it is to this area more than Manchester that this housing area looks.

16. In the Communities of Cheshire survey 2008, the majority (93%) were satisfied with their home as a place to live and 85% were satisfied with their local area. But while the residents of Cheshire East generally enjoy good quality of life there are significant inequalities, with some areas experiencing poorer health, educational attainment and economic well-being than elsewhere. There are 14 Lower Super Output Areas among the 20% most deprived in England, according to the national measure 'Index of Multiple Deprivation'. These contain 6% of the population of the borough.

Annex 2 – Grant Funding Position 2011/2012

1. The structure of grant funding to local authorities is changing and is still under review. This annex provides information on the Specific Grants highlighted by the Secretary of State for Communities, the Rt Hon Eric Pickles MP, as well as a comprehensive list of grants for Cheshire East Council extracted from the Grants Register.
2. The table below provides further information on Specific Grants contained within a letter to all councils, in October 2010, from the Secretary of State for Communities.

Grant	Information
Dedicated Schools Grant	<i>Existing grant.</i> Ringfenced grant to support expenditure on education. Grant is received by the Council who allocate funding to schools in accordance with local agreements. For 2011/2012 several grants are being transferred into DSG.
Early Intervention Grant	<i>Pooling of existing money.</i> For early intervention and preventative services. This is a new streamlined grant to provide greater flexibility to target grants on local needs; to take a whole-family approach; and to use the money to encourage diversity of provision and establish payment by results.
Learning Disabilities and Health Reform	<i>Pooling of existing money and new grant.</i> The Learning Disabilities and Health Reform grant reflects the transfer of responsibility for funding and commissioning of services for adults with learning disabilities from the NHS to local authorities. The grant includes social care revenue, reported and agreed between PCTs and councils, which supported adults with learning disabilities, who previously lived in the long stay hospitals. It also includes former campus residents who have moved to community accommodation.
New Homes Bonus	<i>New Grant for 2011/2012.</i> To reward council's for increasing supply in domestic properties. Consultation is in progress for this grant so no estimate is included in this Pre-Budget Report.
Council Tax Freeze Grant	<i>New Grant for 2011/2012.</i> Payable to Councils that agree to freeze Council Tax at 2010/2011 levels (see section below for Cheshire East proposals in this area).
Housing & Council Tax Benefit Administration Grant	<i>Existing Grant.</i> Provided to Council's that administer local Housing & Council Tax benefits on behalf of the Department for Work & Pensions. Cheshire East, as a Unitary Authority deliver this function and grant payment is based on caseload.
Private Finance Initiative Grant	Annual grant to be received on an annuity basis from the Homes and Communities Agency for a period of 25 years from 2009, towards the cost of our Round 3 Extra Care Housing scheme. This is a joint scheme with Cheshire West and Chester, with 3 sites in Cheshire East being part of the scheme, namely, Crewe, Handforth and Middlewich.

Preventing
Homelessness
Grant

Existing Grant: used to prevent homelessness.

Public Health Grant

New Grant: To start in 2013. Will be ringfenced for health spending only.

3. The table below is extracted from the Cheshire East Council Grants Register, confirming the latest estimates on Government Grant Funding.

Table 16: This information is extracted from the Council Grants Register

	See Note	Adjusted 2010/2011 £m	2011/2012 £m	Actual Change £m
Formula				
Revenue Support Grant		8.1	16.6	8.5
National Non Domestic Rates		55.4	53.7	-1.7
Total Formula Grant		63.5	70.3	6.8
Value of Specific Grants Rolled in to Formula Grant from April 2011	1	18.6	0.0	-18.6
Gross Impact of Restructuring Local Authority Formula Grant		82.1	70.3	-11.8
Specific				
Ringfenced				
Dedicated Schools Grant	1	231.3	229.6	-1.7
Non Ringfenced				
Area Based Grant	1+3	0.0	0.0	0.0
Early Intervention Grant	1	13.3	11.8	-1.5
Learning Disabilities & Health Reform	2	1.6	4.0	2.4
New Homes Bonus				0.0
Council Tax Freeze Grant			4.4	4.4
Housing & Council Tax Benefit		2.5	2.2	-0.3
Administration Grant				
Council Tax Benefit		19.6	19.6	0.0
Housing Benefit		66.3	66.3	0.0
NNDR Admin Grant		0.6	0.6	0.0
Private Finance Initiative Grant		0.0	0.0	0.0
Preventing Homelessness Grant		0.1	0.3	0.2
NHS Funding	2	0	3.9	3.9
Sixth Form funding not yet announced		18.4	18.4	0.0
Other Funding not yet announced	1	2.4	2.2	-0.2
Awaiting further information	1	0.7	0.6	-0.1
Grants claimed retrospectively	1	0.4	0.4	0.0
Lead Local Flood Authorities		0.0	0.1	0.1
Cheshire & Warrington Improvement and Efficiency Commission	4	0.2	0.0	-0.2
Grants ending in 2010-11	1	3.5	0.0	-3.5
Total Non Ringfenced		129.6	134.9	5.3
Total Specific Grants		360.9	364.5	3.6
Total Government Grant Funding		443.0	434.8	-8.2

Notes

- 1 These represent the total of a number of previously separate grants.
- 2 Spending against these grants is to be negotiated with NHS.
- 3 Grants forming part of Area Based Grant in 2010/2011 have been rolled into Formula Grant, Early Intervention Grant, Learning Disability and Health Reform Grant or have been abolished.
- 4 Grant in 2011/12 of £30,000.

Source: CLG

4. The following grants have been mainstreamed, so that they are now payable as part of the Dedicated Schools Grant:

- School Standards Grant
- Schools Standards Grant (Personalisation)
- School Development Grant (includes SDG Main, Post-LIG Deprivation and Transition, City Learning Centers, Specialist Schools and High Performing Specialist Schools). It does not include the amount previously paid through Area Based Grant (ABG)
- School Lunch Grant
- Ethnic Minority Achievement (EMAG)
- 1-2-1 Tuition
- Extended Schools – Sustainability
- Extended Schools - Subsidy
- Targeted Support for the Primary National Strategy allocated to schools (consisting of Universal and Targeted elements, Leading Teachers, Every Child elements, Early Years Foundation Stage, and Modern Foreign Languages)
- Targeted Support for the Secondary National Strategy allocated to schools (consisting of Universal and Targeted elements and Leading Teachers)
- Diploma Formula Grant
- London Pay Addition Grant

Annex 3 - Balancing the 2011/2012 Budget Position

Introduction

1. A comprehensive Business Planning Process was followed for the 2010/2013 Budget Setting process which resulted in a balanced position for all three years. The 2011/2012 position was balanced after savings of £9.6m were programmed to be included in the budget.

Development of the 2011/2012 Revenue Budget

2. During the early part of 2010/2011 work began to assess the revised financial scenario facing Cheshire East Council following a change in Government and the launch of the programme to reduce national debt levels through reducing public sector expenditure in areas such as local government.
3. The high level steer at that time was to anticipate reductions of 25% over a four year period resulting in broad targets of 6% per annum. Applying this reduction to the Council's income sources received from Central Government of Formula Grant and Specific and Area Based Grants resulted in the need to make additional savings of £11.4m in 2011/2012.
4. This target level was included in the Business Planning Report taken to Cabinet in July 2010. This report marked the start of the Business Planning Process with allocation of the target to Directorates still to be debated and agreed following due consideration of organisational priorities and desired performance levels.
5. Following further debate, and given the scale of the savings, Corporate Management Team agreed to ask all Directorates to deliver as high a level of savings as possible to contribute to closing the funding gap.
6. In August an 'Efficiency Group' comprising members of the Corporate Management Team and Cabinet was formed to manage the process. Their initial task was to review and comment on the emerging options within each Directorate and cross directorate initiatives.
7. Initial responses were produced in early September and challenged by the Efficiency Group. The result of this process was a total pre Comprehensive Spending Review savings package of **£8m** against the £11.4m target. A key reason for this variance was the inclusion of growth pressures emerging from Children and Families (£6.6m) and Adults (£3.4m).

The Comprehensive Spending Review

8. The Comprehensive Spending Review (CSR) was announced on 20th October 2010. This set out more details of the savings the public sector needed to make. The announcements were interpreted and the following changes were made to the planning assumptions for 2011/2012:
 - Formula Grant: 11.6% reduction.
 - Specific and Area Based Grants: 7.25% reduction.
9. These changes increased the funding gap by £5.8m from £11.4m to £17.2m in 2011/2012.

10. Given the significant level of uncertainty over the level of funding available to the Council and concerns about the impact of underlying growth pressures being experienced in the current year that were not reflected in service budgets, Cabinet decided to adopt a target of **£30m** in 2011/2012.

11. Therefore the total additional saving level for 2011/2012 was made up of:

Table 17: Expected Saving Levels

	£m
Original Target	11.4
CSR Impact	5.8
Risk Factor	12.8
	<u>30.0</u>

Source Cheshire East Finance

Post CSR Position

12. The service responses of **£8m** (para 7) produced by Directors and Portfolio Holders were the subject of several stages of review and challenge between October and December with the following key outcomes:

- Permanent growth pressures coming to light as part of the quarterly review processes were reflected in the responses.
- The Corporate Management Team and Cabinet reviewed the package of proposals and analysis on a regular basis.
- A Challenge Group was created to find additional savings from services. This took the form of meetings with individual Directors and Portfolio Holders.
- A review of grants was undertaken to understand the scope for reducing grant funded services in line with reductions to the respective grants.
- A decision to remove any inflationary provision given the severe reductions facing the Authority, and the general move to cash based budgeting.
- Council Tax discounts were reduced for second homes (to 10%) and removed completely for long term empty properties.
- The Council Tax freeze grant was included.

13. The result was that in early December the Authority had a savings package of £20.6m in 2011/2012.

Provisional Finance Settlement

14. The provisional local government finance settlement was released on 13th December 2010. The announcements, including the removal of the majority of ringfencing in terms of use of grants, prompted the Council to treat all un-ringfenced grant income corporately. This corporate income was then compared to budgets after any other income sources, such as income from charges, were applied.

15. The settlement was not quite as bad as expected in 2011/2012 in that it was not as heavily front loaded and specific grants had been transferred into new grants at broadly the same level. This provided some temporary relief in terms of having to generate further savings for next year.

16. However, the impact of the settlement and current year pressures demonstrated the Council's planning assumptions and process to generate saving options were fully justified to arrive at a balanced position.
17. The total savings level of £20.6m had proved necessary and left a funding gap of £0.6m after allowing for additional growth to meet demand levels in Adults.

The Pre Budget Report

18. Further work was undertaken to finalise the proposals for the Pre Budget Report position as the £0.6m gap needed to be closed in addition to managing the ongoing refinement of the existing proposals. This recognised £10.8m of current year pressure that had been determined as part of the three quarter year review.
19. These steps have been set out under the five measures adopted by the Council when reviewing its financial position:
- Measure 1 – Challenge Funding Assumptions,
 - Measure 2 – Increase Council Tax,
 - Measure 3 – Use General Reserves,
 - Measure 4 – Reduce Expenditure and
 - Measure 5 – Increase Income

More details on the actions taken are set out below.

Measure 1 – Challenge Funding Assumptions

20. The July Cabinet report set out a number of key planning assumptions including: the repayment of reserves, inflation levels, and Capital Financing estimates. These assumptions were challenged with adjustments as follows:
- **Inflation** ~ all provision had been removed prior to the settlement.
 - **Grants** ~ the impact of the settlement announcements is being continually refined as more information is released. At this stage the amount of expected grant funding has reduced due to the allocation for Early Years Grant being **£1.3m** lower than expected.
 - **Dedicated Schools Grant** ~ the allocation was restated as £229.6m - this was **£1.5m** below the original expectations.
 - **Health Funding** ~ the settlement provided clarity that funding for Learning Disabilities and Health Reform Grant and NHS reablement funding of **£7.9m** was receivable. This was incorporated into the corporate funding list with offsetting spend included in the People Directorate within Adults.
 - **Capital Financing** ~ this provides for the necessary payment of Capital and interest. It was agreed to set a target to reduce the provision by £2m. After two rounds of Capital Programme Challenge this did not prove possible due to the additional pressure on borrowing as other income sources are reducing. A reduction of £0.3m is achievable resulting in growth of **£1.7m** from the original assumption.

The overall impact of these changes is a £3.4m reduction in the funding gap.

Measure 2 – Increase Council Tax

21. **Council Tax** – several amendments were already made as per para 12.

- **Council Tax Increase** ~ The Coalition Government offered funding over four years in return for a freeze in Council Tax in 2011/2012. Therefore Council Tax will remain the same and the Authority will benefit from this time limited ‘freeze’ funding of £4.4m.
- **Council Tax Base** ~ the original assumption was an increase of 0.3% (£0.5m). This has been revised due to the impact of:
 - the review of single person discount,
 - the decision to reduce the discount on second homes to 10%
 - the decision to completely remove the discount on long term empty properties

The result of these was to increase the tax base by 1.19% equating to a further £1.6m.

Both these changes were already factored into the pre settlement position.

Measure 3 – Use General Reserves

22. The Council’s Reserves Strategy uses risk assessment to inform the prudent level of reserves. This complies with the requirement to maintain adequate reserves (see the Borough Treasurer’s comments on page 3).

23. The current financial position includes a commitment to repay in to reserves to ensure the Authority maintains a risk assessed minimum level following re-payment of transitional costs from the re-organisation process. The Reserves Strategy including a revised Risk Assessment will be included in the full Budget Report.

24. At this stage there is no change to the planned contribution to reserves.

Measure 4 – Reduce Expenditure & Measure 5 – Increase Income

25. Several changes were made to each Directorate :

- **People - Children and Families Services:**
 - o **Grants** ~ the savings resulting from the fall out of grant were increased from £1.3m to £2.5m, a difference of **£1.2m**.
 - o **Residential Provision** ~ after a review of the proposal and the implementation timescale the figure was reduced by **£0.8m**.
 - o **Base Budget** ~ as further information was released fewer grants needed to be excluded from the restated base budget. This resulted in a **£1.8m** contribution to the funding gap.
 - o **The overall impact of these changes was a decrease in the funding gap of £3.8m.**

- **People - Adults, Community, Health and Wellbeing:**
 - **Budgetary pressures** ~ the service has faced pressures from increasing numbers of adults needing care. An additional **£8m** was included to help resolve this issue.
 - **Health Related Expenditure** ~ as noted under “Challenge Funding Assumptions” **£7.9m** has been included both on the Corporate Funding register and within the People Directorate. The responsibilities attached to the funding are being reviewed.
 - **Redesign** ~ additional savings of **£1.7m** were put forward as a result of the impact of a further round of transformation and redesign activity.
 - **The overall impact of these changes was growth of £14.2m.**
- **Places:**
 - **Budgetary pressures** ~ the service has faced pressures from the pay budget and external income. Therefore, an additional **£1.1m** was included in the proposals.
 - **Grants** ~ a review of grants meant that **£1m** of reductions to services where grant has ended was put forward.
 - **Other growth of £0.8m** was included in the proposals relating to sub regional working and fall out of grant budgets.
 - **The overall impact of these changes was growth of £0.9m.**
- **Performance and Capacity:**
 - **Budgetary pressures** ~ growth of £0.7m has been included in relation to the fall out of income from premises leased by a third party, deferring reductions in Legal pending a review of the service and interim support for the NHS reforms work.
 - **The overall impact of these changes was growth of £0.7m.**
- **Cross Directorate Issues**
 - **Budgetary pressures** ~ the allocation within the original funding gap of **£10.8m** was removed and replaced with proposals in individual Directorates.
 - **Council wide voluntary redundancy (VR) offer** ~ while significant staff reductions are being made the original assumption of a £3m saving from an Authority wide VR offer did not prove achievable due to the staff applying already being accounted for within other saving options or it not being a suitable time for them to be released in terms of continuity of service. After further analysis a saving of £0.6m was included in the proposals resulting in growth of **£2.4m.**
 - **Business Management Review** ~ a review of the scheme has identified that part of the savings could be delivered in 2011/2012 and therefore the original total savings of £1m were reduced to £0.75m - growth of **£0.25m.**
 - **Actuarial costs** ~ the budgeted costs for 2011/2012 are expected to be over the required provision and as such **£1m** was removed from the budget.
 - **The overall impact of these changes was savings of £9.2m.**
- **Total Changes ~ the total of the above changes is -£0.6m against the funding gap of £0.6m.**

26. These changes resulted in a balanced Pre Budget Report position. The changes are summarised in **Table 18.**

Table 18: Impact of Measures to Balance the Budget

**Summary of Changes from Provisional Settlement
to Pre Budget Report**

	Increase / Decrease in Gap £m	£m
Post Settlement Funding Gap		0.60
Measure 1 ~ Challenge Funding Assumptions		
Changes in funding		
Removal of Inflationary provision - actioned		
Early years funding has stopped	1.30	
DSG Discrepancy	1.50	
Learning Disabilities & Health Reform	-4.00	
NHS Funding	-3.90	
Capital Financing - £0.3m achievable against £2m target	1.70	
Sub total - Measure 1	<hr/>	-3.40
Measure 2 ~ Increase Council Tax		
Council Tax Freeze Grant - actioned		
Taxbase increase - actioned	<hr/>	
Sub total - Measure 2		0.00
Measure 3 ~ Use General Reserves		
No Change		
Measure 4 and Measure 5 ~ Reduce Expenditure and Increase Income		
People		
Children and Families		
Grants	-1.20	
Residential Provision	-0.80	
Base Budget	-1.80	
Adults, Community, Health and Wellbeing		
Budgetary pressures	8.00	
Learning Disabilities & Health Reform expenditure	4.00	
NHS Funding expenditure	3.90	
Redesign	-1.70	
Places		
Budgetary pressures	1.10	
Grants	-1.00	
Other	0.80	
Performance and Capacity		
Budgetary pressures	0.70	
Cross Directorate		
Budgetary pressures	-10.80	
All Council Voluntary Redundancy offer	2.40	
Business Management Review	0.20	
Actuarial costs	-1.00	
Sub total - Measures 4 and 5	<hr/>	2.80
Total - All measures	<hr/>	-0.60
Revised Funding Shortfall	<hr/>	0.00

Source Cheshire East Finance

Annex 4 - Service Budget and Capital Details

Cheshire East Council							
Objective Analysis of Services provided in 2010/2011							
	Employees	Other	Gross	Income	Income	Gross	Net
	£000	Expenditure	Budget	Fees&Chgs	Rchgs	Income	Budget
Services Provided :	£000	£000	£000	£000	£000	£000	£000
Our People	239,374	252,865	492,239	(39,876)	(45,978)	(85,854)	406,385
Our Place	36,178	65,055	101,233	(20,958)	(27,210)	(48,167)	53,066
Supporting Service Delivery	34,712	121,549	156,260	(18,212)	(5,052)	(23,264)	132,997
Total Budget	310,264	439,469	749,733	(79,045)	(78,240)	(157,285)	592,448
Key Policy Proposals for 2011/2012 Budget							
						£000	£000
Our People						9,955	
Our Place						(3,677)	
Supporting Service Delivery						(4,644)	
Cross Directorate Proposals							
Borough Treasurer & Head of Assets						(2,880)	
Human Resources & Organisational Development						(3,540)	
Provisional Financial Impact of 2011/2012 Policy Proposals							(4,786)
Total Proposed Budget 2011/2012							587,662
Funded by :							
Formula Grant						-70,300	
Specific Grants						-364,505	
Sub total Government Grant Funding							-434,805
Local Taxation							-178,679
Less							
Investment & Borrowing						13,916	
Management of Reserves						5,192	
Other Economic Factors						6,714	
							25,822
Funding Available							(587,662)

Capital Programme 2011/12 - 2013/14

	2011-12 £000	2012-13 £000	2013-14 £000	Total £000
Adults, Health & Wellbeing				
Committed schemes				
Adult Services	1,910	0	0	1,910
Health and Wellbeing	2,490	750	0	3,240
	4,400	750	0	5,150
New Starts				
Adult Services	200	0	0	200
Health and Wellbeing	735	0	0	735
	935	0	0	935
Total Capital Programme - Adults, Health & Wellbeing	5,335	750	0	6,085
Children & Families				
Committed schemes	12,764	2,415	0	15,179
New Starts	11,159	950	950	13,059
Total Capital Programme - Children & Families	23,923	3,365	950	28,238
Places				
Committed schemes				
Environmental Services	3,162	2,336	4,201	9,699
Safer & Stronger Communities	645	160	0	805
Planning & Policy	1,340	0	0	1,340
Regeneration	3,510	2,717	295	6,522
	8,657	5,213	4,496	18,366
New Starts				
Environmental Services	1,950	0	0	1,950
Safer & Stronger Communities	0	150	150	300
Planning & Policy	1,840	600	600	3,040
Regeneration	17,360	11,520	10,728	39,608
	21,150	12,270	11,478	44,898
Total Capital Programme - Places	29,807	17,483	15,974	63,264
Performance & Capacity				
Committed schemes				
Borough Treasurer & Head of Assets	7,240	1,095	1,094	9,429
Policy & Performance	1,005	0	0	1,005
	8,245	1,095	1,094	10,434
New Starts				
Borough Treasurer & Head of Assets	8,029	4,693	4,100	16,822
Policy & Performance	35	0	0	35
	8,064	4,693	4,100	16,857
Total Capital Programme - P & C	16,309	5,788	5,194	27,291
Total Committed schemes	34,066	9,473	5,590	49,129
Total New Starts	41,308	17,913	16,528	75,749
Total Capital Expenditure	75,374	27,386	22,118	124,878

Our People							
Objective Analysis of Services provided in 2010/2011							
Services	Employees £000	Other Expenditure £000	Gross Budget £000	Income Fees&Chgs £000	Income Rechgs £000	Gross Income £000	Net Budget £000
Children and Families	184,876	133,422	318,298	(11,462)	0	(11,462)	306,836
Adults, Community, Health and Wellbeing	54,498	119,443	173,941	(28,414)	(45,978)	(74,392)	99,549
Total Budget	239,374	252,865	492,239	(39,876)	(45,978)	(85,854)	406,385
Key Policy Proposals for 2011/2012 Budget							
							£000
Children and Families							123
Adults, Community, Health and Wellbeing							9,832
Provisional Financial Impact of 2011/2012 Policy Proposals							9,955
Total Proposed Budget 2011/2012							416,340

Children and Families
Director of Service - Lorraine Butcher

Objective Analysis of Services provided in 2010/2011

	Employees	Other	Gross	Income	Net
	£000	Expenditure	Budget	£000	Budget
Services Provided :	£000	£000	£000		£000
Schools (ISB)	150,908	31,760	182,668		182,668
Schools Central Spend		20,716	20,716		20,716
Integrated Delivery	18,992	29,265	48,257	(1,779)	46,478
Improvement and Achievement	10,763	48,248	59,011	(2,205)	56,806
School Catering	4,213	3,433	7,646	(7,478)	168
	184,876	133,422	318,298	(11,462)	306,836

Key Policy Proposals for 2011/2012 Budget
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	£000	£000
Increases in Net Budget		
Increased numbers of looked after children	4,000	
Investment in residential provision	780	
Realignment of transport budgets	989	
Sub total		5,769

Decreases in Net Budget		
Reductions to services in line with changes to grant funding levels	(2,500)	
Further efficiencies from commissioned services	(1,235)	
Reduce Children in Care Placements	(1,325)	
Review of Family Centres / Family Support	(430)	
Review Short Break Provision	(156)	
Sub total		(5,646)

Provisional Financial Impact of 2011/2012 Policy Proposals	123
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Total Proposed Budget 2011/2012	306,959
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Children and Families - Dedicated Schools Grant (DSG)
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Net Budget 2011/2012

(Note: this is an element of the Children and Families Service, showing the DSG part of the budget)

**Net
Budget**

£000 £000

Total DSG award	229,619
Adjusted for grants being mainstreamed in 2011/2012	(28,628) *
Total DSG for 2011/2012 (excluding mainstreamed grants)	200,991

**- Note: this is an element of the Children and Families Service (previous page) showing the DSG part of the budget.*

Key Policy Proposals for 2011/2012 Budget

£000 £000

Increases in Net Budget

Increased costs associated with Pupil Premium	2,003	
Inflation Requirements	2,309	
Additional Special Educational Needs Requirements	1,500	
Withdrawal of Financial Management Standards in Schools	(99)	
Special Schools - phasing out of protection	72	
Special Schools - Shortfall in 2010/11 Funding	17	
Special Schools - Increase in Complex Needs Places	100	
Funding sensitivity to fluctuations in pupil numbers	<u>2,010</u>	
		7,912

Increase in DSG funding from prior year		<u>(349)</u>
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Total increase in net DSG budget required		7,563
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New Pupil Premium Funding		(2,003)
Proposals to be determined by schools		(5,559)

Total increase in Schools Funding (including Pupil Premium and excluding		<u><u>0</u></u>
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Note : the above figures are subject to review in the light of the latest pupil number figures which will impact on the anticipated DSG receivable.

CHESHIRE EAST - CAPITAL PROGRAMME 2011-12

Department/Scheme	Total Approved Budget	Prior Year Spend	Forecast Expenditure	Forecast Expenditure	Forecast Expenditure
	£000's	£000's	2011-12 £000's	2012-13 £000's	2013-14 £000's
Children & Families					
Ongoing Schemes					
Devolved Formula Capital 07-08	5,169	5,103	66	0	0
Devolved Formula Cap 08-09	5,131	4,404	727	0	0
Devolved Formula Capital 09-10	5,693	3,658	1,220	815	0
Devolved Formula Capital - In Advance	2,277	1,363	914	0	0
14-19 diploma	1,000	450	550	0	0
Contact Point / Further Dev of Children's Hub/ e-CAF	382	102	280	0	0
Offley Primary School	888	878	10	0	0
Electronic Social Care Records	350	250	100	0	0
Schools - Access Initiative	1,251	150	1,101	0	0
Targetted Capital Funding (TCF) 14 - 19 Diploma	2,671	0	2,671	0	0
Devolved Formula Capital 10-11	3,493	674	1,220	1,599	0
Harnessing Technology	244	143	101	0	0
Schools Modernisation Programme	3,546	912	2,634	0	0
Schools - Basic Need	1,202	408	794	0	0
Land Block 10-11	67	3	64	0	0
Land Drainage 10-11	63	28	35	0	0
Feasibility 10-11	82	20	62	0	0
VA Contributions 10-11	13	0	13	0	0
Specialist Schools	300	198	102	0	0
Alsager H S Perf Arts Cent	1,134	1,034	100	0	0
Total Ongoing Schemes	34,956	19,778	12,764	2,415	0
Proposed New Starts 2011-12					
Basic Need	1,300		1,300		
Capital Maintenance Allocation	5,700		5,700		
Devolved Formula Capital 2011-12	1,009		1,009		
Residential Development Programme	1,150		1,150		
Short Break Re Provision	700		700		
Short Stay School	1,200		1,200		0
Specialist Special Needs Provision	2,000		100	950	950
Total New Starts 2011-12	13,059	0	11,159	950	950
Total Children & Families Programme	48,015	19,778	23,923	3,365	950

Adults, Community, Health and Wellbeing Director of Service - Phil Lloyd

Objective Analysis of Services provided in 2010/2011

	Employees	Other	Gross	Income	Income	Gross	Net
		Expenditure	Expenditure	Fees&Chgs	Rechgs	Income	Budget
Services Provided :	£000	£000	£000	£000	£000	£000	£000
Adults	41,607	107,362	148,970	(18,643)	(45,534)	(64,177)	84,793
Health and Wellbeing	12,890	12,081	24,972	(9,771)	(444)	(10,215)	14,757
Total Budget	54,498	119,443	173,941	(28,414)	(45,978)	(74,392)	99,549

Key Policy Proposals for 2011/2012 Budget
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	£000	£000
<u>Increases in Net Budget:</u>		
Impact of Increasing population and complex packages of care	11,800	
Health and Wellbeing Building Based Review	849	
Care4CE Trading Company Options Appraisal (temporary)	200	
Valuing People Now - Interim Transfer into Learning Disabilities Pool	4,021	
NHS Reablement Monies - Section 256 Agreement	3,906	
		20,776
<u>Decreases in Net Budget</u>		
Maximise Income (increased / new charges) - subject to consultation in Adults	(990)	
Further Ongoing Care4CE Efficiencies	(1,080)	
Procurement and Expenditure Savings - Adults Services	(1,352)	
Staffing Reductions across the Directorate	(1,025)	
Review of Green Spaces	(450)	
Review Building Based Services / Provider Services	(1,150)	
Transport Reductions - subject to consultation in Adults	(800)	
Health and Wellbeing Building Based Review	(774)	
Lifestyle Concept - Reductions in Expenditure / New Income	(1,023)	
External Care Cost Reductions through Individual Social Worker Budgets	(800)	
Further Departmental Savings / Social Care Redesign Phase 2 (to be allocated)	(1,500)	
		(10,944)
Provisional Financial Impact of 2011/2012 Policy Proposals		9,832
Total Proposed Budget 2011/2012		109,381

CHESHIRE EAST - CAPITAL PROGRAMME 2011-12

Department/Scheme	Total Approved Budget	Prior Year Spend	Forecast Expenditure 2011-12	Forecast Expenditure 2012-13	Forecast Expenditure 2013-14
	£000's	£000's	£000's	£000's	£000's
Adults, Community and Health & Wellbeing					
Adults					
Ongoing Schemes					
CAF Phs 2 Demonstrator	2,235	1,235	1,000	0	0
Social Care IT Infrastructure	95	20	75	0	0
Modernising ICT Delivery	638	563	75	0	0
Enabling Model of Social Care	58	10	48	0	0
Extra Care Housing	2,907	2,358	549	0	0
Community Services Flexible and Mobile working	650	537	113	0	0
Adults Protect into Paris	50	0	50	0	0
Total Ongoing Schemes	6,633	4,722	1,910	0	0
Proposed New Starts 2011-12					
Business Systems for Transformation	200	0	200		
Total New Starts 2011/12	200	0	200	0	0
Total Adults	6,833	4,722	2,110	0	0
Health & Wellbeing					
Ongoing Schemes					
Sandbach United Football complex	2,232	1,224	1,008	0	0
Badger Relocation	115	68	47	0	0
Nantwich Pool Enhancements (part-funding)	1,385	0	1,035	350	0
Radio Frequency ID (RFID)	1,200	400	400	400	0
Total Ongoing Schemes	4,932	1,692	2,490	750	0
Proposed New Starts 2011-12					
Re-location of Library Services	285	0	285		
Refurbishment of Oakley Centre	250	0	250		
Leisure Centre ICT Membership System	200	0	200		
Total New Starts 2011/12	735	0	735	0	0
Total Health & Well-being	5,667	1,692	3,225	750	0
Total Adults, Community and H&W Programme	12,500	6,414	5,335	750	0

Places
Strategic Director - John Nicholson

Objective Analysis of Services provided in 2010/2011

	Employees	Other Expenditure	Gross Expenditure	Income Fees&Chgs	Income Rechgs	Gross Income	Net Budget
Services Provided :	£000	£000	£000	£000	£000	£000	£000
Environmental Services	16,199	36,612	52,811	(4,605)	(13,023)	(17,627)	35,184
Safer & Stronger Communities	5,005	3,393	8,399	(7,159)	(76)	(7,235)	1,164
Planning & Housing	6,532	1,655	8,187	(4,097)	(68)	(4,165)	4,021
Regeneration	8,442	23,395	31,837	(5,096)	(14,043)	(19,140)	12,697
Total Budget	36,178	65,055	101,233	(20,958)	(27,210)	(48,167)	53,066

Key Policy Proposals for 2011/2012 Budget

	£000	£000
Environmental Services	(508)	
Safer & Stronger Communities	(922)	
Planning & Housing	(1,022)	
Regeneration	(1,225)	
Financial Impact of 2011/2012 Policy Proposals		(3,677)
Total Proposed Budget 2011/2012		49,389

Environmental Services
Head of Service - Phil Sherratt

Objective Analysis of Services provided in 2010/2011

	Employees	Other Expenditure	Gross Expenditure	Income Fees&Chgs	Income Rechgs	Gross Income	Net Budget
	£000	£000	£000	£000	£000	£000	£000
Services Provided :							
Waste & Recycling	7,118	22,756	29,873	(983)	(5,610)	(6,593)	23,280
Highways Operations	3,527	8,776	12,303	(230)	(2,606)	(2,836)	9,467
Streetscape & Bereavement	5,555	5,081	10,635	(3,391)	(4,807)	(8,198)	2,437
	16,199	36,612	52,811	(4,605)	(13,023)	(17,627)	35,184

Key Policy Proposals for 2011/2012 Budget

	£'000	£'000
Increases in Net Budget:		
Waste & Recycling:		
Waste disposal - increased running costs	214	
Transport - Total Transport Project - fleet review	55	
Underlying running cost pressures - pay budget & external income	206	
Highways Operations:		
Structure review	80	
Highways Maintenance - exceptional inflation	302	
Underlying running cost pressures - pay budget & recharge to capital	300	
Streetscape & Bereavement:		
Review/impact of former highways works team	135	
Underlying running cost pressures - pay budget & external income	220	
Sub-total		1,512
Decreases in Net Budget:		
Waste & Recycling:		
Waste Collection & Recycling - Route Optimisation project	(726)	
Waste Collection & Recycling - Review of charges	(59)	
Highways Operations:		
Street Lighting former districts - reduction of 2010/2011 one off growth	(100)	
Highways Re-procurement - review of term contract arrangements	(500)	
Streetscape & Bereavement:		
Bereavement services - review of charges	(390)	
Markets - review of charges	(200)	
Structure savings - grounds maintenance	(35)	
Review of Britain in Bloom grants	(10)	
Sub-total		(2,020)
Financial Impact of 2011/2012 Policy Proposals		(508)
Total Proposed Budget 2011/2012		34,676

Safer & Stronger Communities
Head of Service - Peter Hartwell

Objective Analysis of Services provided in 2010/2011

	Employees	Other Expenditure	Gross Expenditure	Income Fees&Chgs	Income Rechgs	Gross Income	Net Budget
	£000	£000	£000	£000	£000	£000	£000
Services Provided :							
Community Safety	1,160	1,032	2,192	(124)	(76)	(200)	1,991
Regulatory Services	2,903	605	3,509	(1,134)	-	(1,134)	2,375
Parking	942	1,756	2,698	(5,901)	-	(5,901)	(3,202)
Total Budget	5,005	3,393	8,399	(7,159)	(76)	(7,235)	1,164

Key Policy Proposals for 2011/2012 Budget

	£'000	£'000
Increases in Net Budget:		
Regulatory Services:		
Reduction in pest control & CCTV income	55	
Sub-total		55
Decreases in Net Budget:		
Service:		
Community Safety:		
Review of structure	(150)	
Emergency Planning - extend joint working	(25)	
Review Community Safety Development (thematic work)	(62)	
Regulatory Services:		
Review of structures	(300)	
Review of charges	(34)	
Review Animal Health	(20)	
Car Parking:		
Revisions to Car Parking Income estimates	(289)	
Additional car park income - enforcement teams	(52)	
Residents car parking schemes	(35)	
Retender of cash collection contract	(10)	
Sub-total		(977)
Financial Impact of 2011/2012 Policy Proposals		(922)
Total Proposed Budget 2011/2012		242

Planning & Housing Head of Service - Adrian Fisher

Objective Analysis of Services provided in 2010/2011

	Employees	Other	Gross	Income	Income	Gross	Net
		Expenditure	Budget	Fees&Chgs	Rechgs	Income	Budget
Services Provided :	£000	£000	£000	£000	£000	£000	£000
Spatial Planning	786	202	988	-	-	-	988
Building Control	996	138	1,134	(1,413)	-	(1,413)	(280)
Development Management	3,246	813	4,059	(2,432)	(42)	(2,474)	1,585
Housing Strategy	1,504	502	2,006	(252)	(26)	(278)	1,728
Total Budget	6,532	1,655	8,187	(4,097)	(68)	(4,165)	4,021

Key Policy Proposals for 2011/2012 Budget
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	£'000	£'000
Increases in Net Budget:		
Building Control:		
Impact of new Government regulations	75	
Sub-total		75
Decreases in Net Budget:		
Spatial Planning:		
Review of structure and reduction in running costs	(215)	
Development Management:		
Planning & Land Charges increased income	(225)	
Transformation project	(335)	
Review of contribution to Regional Flood Committee	(102)	
Housing Strategy:		
Reduction in running costs & additional income	(220)	
Sub-total		(1,097)
Financial Impact of 2011/2012 Policy Proposals		(1,022)
Total Proposed Budget 2011/2012		2,999

Regeneration Head of Service - Caroline Simpson
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Objective Analysis of Services provided in 2010/2011

Services Provided :	Employees £000	Other Expenditure £000	Gross Budget £000	Income Fees&Chgs £000	Income Rechgs £000	Gross Income £000	Net Budget £000
Strategic Highways & Transportation	4,640	19,389	24,029	(1,607)	(13,860)	(15,467)	8,562
Visitor Economy	2,309	1,835	4,144	(2,974)	-	(2,974)	1,170
Economic Development	1,233	1,471	2,704	(515)	-	(515)	2,189
Performance Improvement Unit	259	700	960	(0)	(184)	(184)	776
Total Budget	8,442	23,395	31,837	(5,096)	(14,043)	(19,140)	12,697

Key Policy Proposals for 2011/2012 Budget
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	£'000	£'000
Increases in Net Budget:		
Strategic Highways & Transportation:		
Local Bus contracts - increased running costs	71	
Visitor Economy:		
Nantwich Food Festival pump priming	10	
Economic Development:		
Sub Regional Economic Development Partnership Working	260	
Sub-total		341
Decreases in Net Budget:		
Strategic Highways & Transportation:		
Transport Transformation project	(225)	
New Road Safety partnership working arrangements	(543)	
Visitor Economy:		
Tatton Park - Invest to Save Project (Subsidy reduction)	(99)	
Reduction in running costs (marketing & promotion)	(40)	
Economic Development:		
Review of 3rd party contributions	(37)	
Carbon Reduction - reduction in running costs	(72)	
Reduction in former grant funded activities	(500)	
Business Support:		
Reduction in running costs	(50)	
		(1,566)
Financial Impact of 2011/2012 Policy Proposals		(1,225)
Total Proposed Budget 2011/2012		11,472

CHESHIRE EAST - CAPITAL PROGRAMME 2011-12

Capital Programme - Places	Department	Total Approved Budget	Prior Year Spend	Forecast Expenditure	Forecast Expenditure	Forecast Expenditure
		£000's	£000's	2011-12 £000's	2012-13 £000's	2013-14 £000's
Places						
Ongoing Schemes						
Development of land at Alderley Edge Cemetery	Environmental Services	100	20	0	80	0
Queens Park Restoration	Environmental Services	6,605	6,105	500	0	0
Crewe and Macc HWRCs	Environmental Services	150	120	30	0	0
Alderley Edge By-Pass Scheme Implementation	Environmental Services	51,600	43,315	1,828	2,256	4,201
Gurnett Bridge, Hall Lane, Sutton	Environmental Services	813	713	100	0	0
De-Trunked Rds - A51 Landslip, Wardle	Environmental Services	200	60	140	0	0
Crematoria - Replacement cremators	Environmental Services	450	0	450	0	0
Replacement Bin Stock	Environmental Services	36	0	36	0	0
Cemetery road and path improvements	Environmental Services	100	22	78	0	0
		60,054	50,355	3,162	2,336	4,201
Private Sector Assistance Initiative	Planning & Policy	1,495	995	500	0	0
Choice Based Lettings	Planning & Policy	232	192	40	0	0
Private Sector Housing Assistance Initiative	Planning & Policy	800	300	500	0	0
Affordable Housing - Assisted Purchase Scheme	Planning & Policy	300	0	300	0	0
		2,827	1,487	1,340	0	0
Parkgate	Regeneration	1,381	281	200	900	0
LTP - Crewe Infrastructure Project	Regeneration	962	362	300	300	0
Crewe Town Squares/ Shopping Facilities & Toilets	Regeneration	3,012	1,874	100	1,038	0
Section 278 Agreements - (2008-09)	Regeneration	141	139	2	0	0
Section 278's - 09-10 New Starts	Regeneration	68	64	4	0	0
LTP - Road Safety Schemes - Minor works	Regeneration	888	430	229	229	0
Non LTP s278s	Regeneration	56	16	40	0	0
Town Centres Spatial Regeneration	Regeneration	845	50	250	250	295
Tatton - Development	Regeneration	240	55	185	0	0
Poynton Revitalisation Scheme	Regeneration	3,500	1,300	2,200	0	0
		11,093	4,570	3,510	2,717	295
CDRP - Building Safer Communities Fund	Safer & Stronger Communities	94	80	14	0	0
Residents Parking Schemes	Safer & Stronger Communities	480	160	160	160	0
Car Park Improvements	Safer & Stronger Communities	156	81	75	0	0
CCTV /UTC Rationalisation	Safer & Stronger Communities	899	503	396	0	0
		1,629	824	645	160	0
Total Ongoing Schemes		75,603	57,236	8,657	5,213	4,496
Proposed New Starts 2011-12						
Materials Waste Transfer Facility	Environmental Services	650		650		
Wheeled Bins for Comingled Waste	Environmental Services	1,300		1,300		
		1,950	0	1,950	0	0
Disabled Facilities for Cheshire East Residents	Planning & Policy	1,240		1,240		
Private Sector Assistance	Planning & Policy	900		300	300	300
Assisted Purchase Scheme	Planning & Policy	900		300	300	300
		3,040	0	1,840	600	600
Regeneration Business Support	Regeneration	700		300	200	200
Integrated Transport Block Funding	Regeneration	6,700		2,138	2,281	2,281
Highways Maintenance Block Funding	Regeneration	25,439		8,743	8,469	8,227
Tatton Park Investment	Regeneration	6,039		6,039		
Bridges Maintenance Programme	Regeneration	130		90	20	20
Vaudrey's Wharf Canal	Regeneration	600		50	550	
		39,608	0	17,360	11,520	10,728
Car Park Improvements	Safer & Stronger Communities	300		0	150	150
Total New Starts 2011-12		44,898	0	21,150	12,270	11,478
Total Places Schemes		120,501	57,236	29,807	17,483	15,974

PERFORMANCE AND CAPACITY

Objective Analysis of Services provided in 2010/2011

Services :	Employees £000	Other Expenditure £000	Gross Budget £000	Income Fees&Chgs £000	Income Rechgs £000	Income £000	Net Budget £000
Borough Treasurer & Head of Assets	19,640	115,692	135,332	(16,141)	(4,530)	(20,671)	114,661
HR & Organisational Development	4,009	477	4,486	(864)	(490)	(1,354)	3,132
Borough Solicitor	3,944	3,308	7,252	(894)	(25)	(919)	6,333
Policy & Performance	6,673	2,045	8,717	(313)	(7)	(320)	8,397
Corporate Improvement	446	27	473	0	0	0	473
Total Directorate Budget	34,712	121,549	156,260	(18,212)	(5,052)	(23,264)	132,996

Key Policy Proposals for 2011/2012 Budget
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	£000
Borough Treasurer & Head of Assets	(2,983)
HR & Organisational Development	69
Borough Solicitor	(495)
Policy & Performance	(1,235)
Provisional Financial Impact of 2011/2012 Policy Proposals	(4,644)
Total Proposed Budget 2011/2012	128,352

Cross Directorate Proposals managed by Performance & Capacity
Decreases in Net Budget

Business Management Review	(750)
Shared Services – Improvement in Performance	(300)
Incremental Savings on energy	(80)
Flexible Mobile working / Information Management	(100)
Introduction of a programme of targeted procurement activity that will produce savings in a number of spend categories	(1,400)
Additional procurement savings to fund improvements in procurement practices	(250)
HR Salary Sacrifice Scheme / Reed contract review	(490)
Pay Harmonisation - subject to consultation	(2,400)
Savings from offer of Voluntary Redundancies	(600)
Unison budget transfer from services	(50)
	(6,420)

Borough Treasurer & Head of Assets Head of Service - Lisa Quinn
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Objective Analysis of Services provided in 2010/2011

	Employees	Other	Gross	Income	Income	Income	Net
		Expenditure	Budget	Fees&Chgs	Rechgs		Budget
Services Provided :	£000	£000	£000	£000	£000	£000	£000
Building Maintenance	0	3,410	3,410	0	0	0	3,410
Farms Estate	98	382	480	(553)	0	(553)	(73)
Property Services	3,651	6,009	9,660	(2,221)	(17)	(2,238)	7,422
Facilities Management	2,233	1,063	3,296	(21)	(2,890)	(2,911)	385
ICT	4,717	2,928	7,645	(1,354)	0	(1,354)	6,291
Revenue & Benefits	3,592	95,606	99,198	(9,285)	0	(9,285)	89,913
Finance	4,431	4,492	8,923	(362)	(1,623)	(1,985)	6,938
Procurement	918	1,802	2,720	(2,345)	0	(2,345)	375
Total Budget	19,640	115,692	135,332	(16,141)	(4,530)	(20,671)	114,661

Key Policy Proposals for 2011/2012 Budget
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	£000	£000
Increases in Net Budget		
Street Lighting - Exceptional inflation	453	
3C Waste royalties	119	
CLS Rental income	87	
Finance admin re HR Salary Sacrifice Scheme	14	
Improving Procurement practices - Growth, recovered from savings generated	250	
Sub total		923
Decreases in Net Budget		
Asset Management Staff Reductions / Facilities Management Efficiencies	(258)	
Asset Management - Provision for Risk Assessment & Essential Improvement (provision in 2010/2011 only)	(500)	
Asset Challenge	(2,000)	
Assets - Structure Reductions	(100)	
Street Lighting - Energy saving	(10)	
ICT Strategy savings / capitalisation	(615)	
ICT Efficiency Savings	(183)	
Finance Business Changes and Oracle Optimisation	(141)	
Finance - Optimisation of Revenue and Benefits and Insurance Saving	(99)	
Sub total		(3,906)
Provisional Financial Impact of 2011/2012 Policy Proposals		(2,983)
Total Proposed Budget 2011/2012		111,678

Cross Directorate Proposals managed by Borough Treasurer & Head of Assets

Decreases in Net Budget	
Shared Services – Improvement in Performance	(300)
Business Management Review	(750)
Incremental Savings on energy	(80)
Flexible Mobile working / Information Management	(100)
Introduction of a programme of targeted procurement activity that	(1,400)
Additional procurement savings to fund improvements in procurement practices	(250)
	(2,880)

Human Resources and Organisational Development Head of Service - Paul Bradshaw

Objective Analysis of Services provided in 2010/2011

Services Provided :	Employees £000	Other Expenditure £000	Gross Budget £000	Income Fees&Chgs £000	Income Rechgs £000	Income £000	Net Budget £000
HR Strategy and Policy	1,230	142	1,372	(235)	(145)	(380)	992
Organisation & Workforce Development	529	187	716	0	0	0	716
			2,398	(629)	(345)		1,424
HR Delivery	2,250	148				(974)	
Total Budget	4,009	477	4,486	(864)	(490)	(1,354)	3,132

Key Policy Proposals for 2011/2012 Budget

	£000	£000
Increases in Net Budget		
Build Organisational Capacity - Develop Workforce	41	
HR Salary Sacrifice Scheme administrator	13	
Unison posts funded from budget transfer	50	
Sub total		104

Decreases in Net Budget		
Employee Assistance Programme	(35)	
Sub total		(35)

Provisional Financial Impact of 2011/2012 Policy Proposals	69
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Total Proposed Budget 2011/2012	3,201
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Cross Directorate Proposals managed by HR & Organisational Development

Decreases in Net Budget	
Employers' National Insurance savings from uptake of salary sacrifice schemes for bikes, computers and lease cars / Reduced agency costs under the Reed contract	(490)
Pay Harmonisation - subject to consultation	(2,400)
Savings from offer of Voluntary Redundancies	(600)
Unison budget transfer from services	(50)
	(3,540)

**Borough Solicitor
Head of Service - Caroline Elwood**

Objective Analysis of Services provided in 2010/2011

Services Provided :	Employees £000	Other Expenditure £000	Gross Budget £000	Income Fees&Chgs £000	Income Rechgs £000	Income £000	Net Budget £000
Legal Services	1,650	265	1,915	(77)	(25)	(102)	1,813
Democratic & Registration Services	2,294	3,043	5,337	(817)		(817)	4,520
Total Budget	3,944	3,308	7,252	(894)	(25)	(919)	6,333

Key Policy Proposals for 2011/2012 Budget

	£000	£000
Decreases in Net Budget		
Increase Schools Income & Recoverable Costs on Property Transactions etc	(20)	
Rationalisation in Democratic Services area	(80)	
Registration Service Income Generation / Civic Expenditure	(265)	
Remove Trainee Post and Further Reduction in Scrutiny Function	(30)	
Restructure Registration Services	(50)	
Schools Income from Admission Appeals	(50)	
Sub total		(495)

Provisional Financial Impact of 2011/2012 Policy Proposals (495)

Total Proposed Budget 2011/2012 5,838

Policy & Performance Head of Service - Vivienne Quayle

Objective Analysis of Services provided in 2010/2011

Services Provided :	Employees £000	Other Expenditure £000	Gross Budget £000	Income Fees&Chgs £000	Income Rechgs £000	Income £000	Net Budget £000
Customer Services	2,822	441	3,263	(184)	(7)	(191)	3,072
Planning & Performance	1,023	135	1,158	(62)	0	(62)	1,096
Audit & Compliance	935	68	1,003	0	0	0	1,003
Partnerships	943	1,140	2,083	0	0	0	2,083
Communications	950	261	1,211	(67)	0	(67)	1,144
Total Budget	6,673	2,045	8,717	(312)	(7)	(320)	8,397

Key Policy Proposals for 2011/2012 Budget

	£000	£000
Increases in Net Budget		
Prudential Borrowing Charge	120	
Public Health Interim Role	150	
Sub total		270
Decreases in Net Budget		
Tourist Information Centres to become self funding	(45)	
Reducing Demand for Customer Services	(100)	
Review face to face access in Sandbach	(75)	
Targeted Efficiencies	(125)	
Transfer 6 Customer Service Outlets to Libraries	(240)	
Reduce Audit Resource	(200)	
Reduce Community Grants	(100)	
Reduce ABG Cohesion Grant	(50)	
Reduce Communications Spend	(150)	
Review Management Structure	(420)	
Sub total		(1,505)
Provisional Financial Impact of 2011/2012 Policy Proposals		(1,235)
Total Proposed Budget 2011/2012		7,162

Capital Programme - Performance & Capacity	Total Approved Budget	Prior Year Spend	Forecast Expenditure	Forecast Expenditure	Forecast Expenditure
	£000's	£000's	2011-12 £000's	2012-13 £000's	2013-14 £000's
Borough Treasurer & Assets					
ASSETS					
Ongoing Schemes					
Church Walls	60	20	40	0	0
County Farms 2008-09	238	125	113	0	0
Farms Estates Reorganisation & Reinvestment	1,410	77	1,333	0	0
Municipal buildings - Registration accommodation	200	0	200	0	0
Office Accommodation Strategy	9,700	7,700	2,000	0	0
Building Maintenance 2010-11	5,075	4,500	575		
Total Ongoing Schemes	16,683	12,422	4,261	0	0
Proposed New Starts 2011-12					
Corporate Landlord - Building Maintenance	15,345		6,845	4,500	4,000
Feasibility Studies (Various)	400		200	100	100
Total New Starts 2011-12	15,745		7,045	4,600	4,100
TOTAL ASSETS	32,428	12,422	11,306	4,600	4,100
ICT					
Ongoing schemes					
Government Connect	290	275	15	0	0
ICT Security & Research	209	205	4	0	0
Flexible & Mobile Working	1,175	365	270	270	270
Data Centre Macclesfield	495	488	7	0	0
ICT Small Projects Block New scheme	153	148	5	0	0
Information Management	1,409	706	703	0	0
Essential Replacement 10-11	2,384	1,403	981		
IPT Harmonisation	725	556	169		
Oracle Optimisation	3,960	1,486	825	825	824
Total Ongoing Schemes	10,800	5,632	2,979	1,095	1,094
Proposed New Starts 2011-12					
Purchase and implementation/rollout of new WAN hardware	275		182	93	
ICT Rural Broadband Project - Phase 1	530		530		
ICT Security & Replacement Programme	272		272		
Total New Starts 2011-12	1,077		984	93	0
TOTAL ICT	11,877	5,632	3,963	1,188	1,094
Total Borough Treasurer & Assets Programme	44,305	18,054	15,269	5,788	5,194
Policy & Performance					
Ongoing Schemes					
Customer Relationship Management & Telephone System	1,455	635	820	0	0
Customer Access	419	234	185	0	0
Total On-going schemes	1,874	869	1,005	0	0
Proposed New Starts 2011-12					
Performance Management Extension System	35		35		
Total New Starts 2011-12	35	0	35	0	0
Total Policy & Performance	1,909	869	1,040	0	0
Total Capital Programme - Performance & Capacity	46,214	18,923	16,309	5,788	5,194

Annex 5 – Risk Analysis

The following information is extracted from the Cheshire East Corporate Risk Register:

Risk Description	Existing Controls & Evidence	Further Planned Actions
<p>Financial Control :</p> <p>Risk that the Council fails to manage expenditure within budget and maintain an adequate level of reserves, thereby threatening financial stability and service continuity and preventing the achievement of corporate objectives.</p>	<ul style="list-style-type: none"> • The Chief Financial Officer (CFO) is professionally qualified and reports directly to the Chief Executive. • The CFO is a member of the Corporate Management Team. • There is an experienced, dedicated Finance Team with a significant complement of professionally qualified and part qualified staff. • There are clearly defined financial roles, responsibilities and decision making processes, set out in the Council's Constitution, Finance & Contract Procedure Rules and local Schemes of Delegation. • Standard templates for Member level decisions require financial implications and risks to be clearly set out. • Fully integrated financial management system (Oracle), with comprehensive system access and security controls. • Well developed suite of financial reporting tools providing scheduled and ad-hoc reports for management and monitoring purposes. • Robust medium term financial planning linked to service performance and corporate objectives, as part of the corporate Business Planning Process. • Reserves Strategy incorporating specific analysis of financial risks, forward forecasting and assessment of the adequacy of general balances. • Quarterly financial updates, incorporating variance analysis and spending projections at service level and overall assessment of impact on balances. • On-going review by Internal and External Audit teams, of the adequacy and effectiveness of financial and management controls. 	<ul style="list-style-type: none"> • Review on-going impact of current spending projections as part of budget setting and forward financial planning. • Develop financial training programme to ensure clear understanding of roles and responsibilities and promote financial literacy at officer and Member level. • Identify key cost drivers for significant service activities and develop appropriate monitoring arrangements to allow for early identification of cost pressures. • Contribute to the development of the Business Management model and supporting back-office processes, with a view to improving transactional compliance and the accuracy, timeliness and completeness of financial information. • Implement Oracle Release 12 upgrade, including financial reporting enhancements. Support managers to make best use of on-line and self-serve reporting tools, including financial 'dashboards'. • Develop budget risk assessments to ensure resources are focussed on high risk budgets and issues. • Provide financial support to a range of transformation and improvement projects and initiatives with a view to securing long term financial sustainability. • Review service fees & charges and identify new income generation opportunities.