

CHESHIRE EAST COUNCIL

Cabinet

Date of meeting: 16 June 2008
Report of: Interim Chief Finance Officer
Title: Financial Planning Process

1.0 Purpose of Report

- 1.1 To consider the financial planning process for 2009-10 and beyond.
- 1.2 In February 2009 the Council will need to set its budget for 2009-10. This report sets out a high level process for arriving at this Budget having regard to issues of affordability, prioritisation, sustainability and value for money. The reports primary focus is the next few months of this process.
- 1.3 The report provides an initial assessment of the scale of financial responsibilities the Council is likely to inherit from the four existing Councils by analysing current budgets to arrive at a notional, 2008-09 Budget. It also highlights some of the key dependencies between the financial planning process and other workstreams and the linkages with similar processes in Cheshire West & Chester.

2.0 Decision Required

- 2.1 To agree the high level financial planning process and the next steps as detailed in Appendix A.
- 2.2 To note the initial assessment of the notional 2008-09 budget as detailed in Appendix B.
- 2.3 To note the key dependencies with other workstreams and with similar work in Cheshire West & Chester.

3.0 Financial Implications for Transitional Costs

- 3.1 There are no implications for transitional costs in 2008-09 but as discussed in a separate report on this agenda the level of transitional costs will have an impact on the 2009-10 budget.

4.0 Financial Planning Process for 2009/10 and Beyond

- 4.1 In a normal year Members have to wrestle with the issues of balancing cost and demand pressures, spending priorities, shortfalls in funding, value for money and Council Tax. However, they do so against the background of an

established base budget which reflects the Council's current structures and policies and a Medium Term Financial Strategy. In the coming year the challenge is far greater because this baseline does not exist and there is greater uncertainty. It is important therefore to start the financial planning process early and to recognise that several iterations will be required before February.

- 4.2 It is suggested that the Council's Medium Term Financial Strategy should be developed alongside the 2009-10 budget and that initially that strategy should cover a period of three years (2009-12).
- 4.3 The high level financial planning process as set out in Appendix A sets out a number of stages or iterations as follows:

Stage One (April - June 2008) - 2008-09 Baseline

Work is already well advanced to disaggregate the County Council's 2008-09 Budget and to aggregate those of the District Councils. This provides a notional baseline 2008-09 Budget for the new Council and gives an indication of the scale of its financial responsibilities (see section 5 and Appendix B). Work is also underway to disaggregate/aggregate grants, capital programmes and balance sheets (ie assets and liabilities). The Government has set a deadline of the end of July for the new Councils to agree the disaggregation of the Dedicated Schools Grant (DSG) and other Children's Services grants, and of September for the Council to reach agreement with Cheshire West & Chester on the disaggregation of the County Council's budget and revenue support grant (RSG) and the transfer of assets and liabilities. If agreement cannot be reached then the Government will arbitrate. In practice though, information is needed in June/July in order to begin the planning process so some provisional assumptions will need to be made.

Stage Two (June-September) - High level Planning

This stage involves making some high level planning assumptions to establish the overall financial envelope, both revenue and capital, within which the Council will need to operate and then setting financial parameters for the design of individual services. The overall financial envelope will need to take into account factors such as inflation, government grant, Council Tax, transitional costs and any appropriation to/from reserves. The financial parameters for the design of individual services will need to take account of factors such as the Council's priorities, commitments and growth pressures, and the scope for efficiency savings (including those included in the People and Places Business Case). Establishing these parameters in July will allow work to be undertaken in August-September on high-level service design. It is suggested that the opportunity also be taken to incorporate best practice from elsewhere by, for example, the use of benchmarking to ensure value for money. The output from this stage would be high level service design and budget options by early October.

Stage Three (October - December) - Refinement and Adjustment of Options

This stage involves making any necessary adjustments to the high-level options and then undertaking detailed planning and budget modelling. This would include the outcome of the budget, grants and balance sheet disaggregation, discussions with Cheshire West & Chester and government grant announcements. The work would be aligned with consultation on the Interim Sustainable Community Strategy and Corporate Plan. The output from this stage would be detailed budget options for consultation in January 2009.

Stage Four (January-February) - Finalisation of 2009-10 Budget

This stage involves budget consultation, final adjustments and refinements and the setting of the Budget and Council Tax for 2009-10.

The above process is designed to be flexible so that Members can amend the details and the timescales as necessary.

5.0 Notional 2008-09 Budget

- 5.1 Appendix B provides an initial assessment of a notional Budget for 2008-09 based on disaggregation of the County Council's budget and aggregation of those of the three District Councils. The final disaggregation of the County Council's budget has not yet been agreed with Cheshire East so the figures should be regarded as provisional. The information has been analysed initially on a bottom line basis but is built up from a large number of separate cost centres so is capable of being analysed in a number of ways including staffing and non-staffing costs.
- 5.2 Members are asked to note that while this baseline budget information may be a useful guide to future spending, budgets will not transfer automatically from the old Councils to the new and they certainly will not automatically bring with them the necessary funding. The Council will need to determine new budgets having regard to its own priorities and funding levels. Indeed this is a unique opportunity to challenge existing patterns of spend.

6.0 Key Dependencies

- 6.1 Work on the budget needs to be aligned with all the various workstreams but the following dependencies are key:
 - The development of the Interim Sustainable Community Strategy and Corporate Plan and work with partners and stakeholders (eg Health).
 - The HR workstream (staff structures, aggregation and disaggregation of existing staff, appointments and severance).
 - Service design.

- Parallel work with Cheshire West & Chester including budget, grant, capital programme and balance sheet disaggregation and any joint arrangements.

7.0 Risk Assessment

- 7.1 An early assessment of the financial scenario is essential if service design and policy development for the new Council is to be informed by affordability considerations. However, there is still very significant uncertainty regarding future funding and costs, therefore the planning assumptions need to be monitored and the financial scenario is likely to change. The process therefore needs to be flexible and responsive. Early involvement of Members, giving a clear steer on priorities combined with robust challenge of existing spending patterns, information on best practice and benchmark costs from elsewhere, should address the risk of reproducing what we have already got.

8.0 Conclusion and Reasons for Recommendation

- 8.1 While many of the factors necessary to develop a robust budget are currently highly uncertain the Council faces a major challenge in developing an affordable budget, policies, procedures and services from almost first principles in the space of less than nine months. It is important therefore to start the process but to build in flexibility and several iterations to cope with the uncertainty. The proposed process aims to provide that flexibility while ensuring steady progress towards a soundly based budget in February 2009.

For further information:

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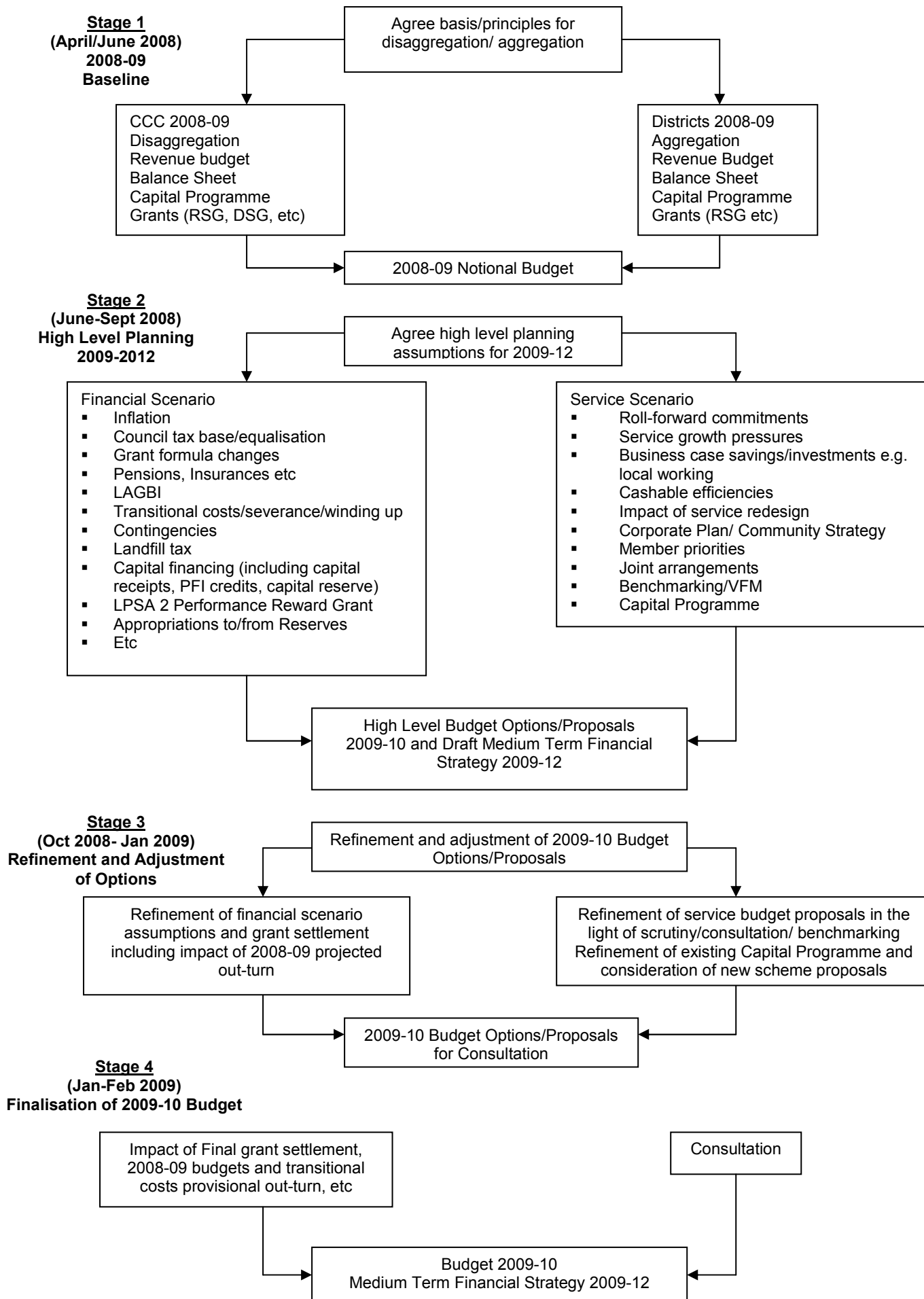
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Background Documents:

None:

2009-10 BUDGET SETTING – OUTLINE PROCESS/ TIMETABLE



NOTIONAL 2008-09 BUDGET

	Cheshire CC (1) £M	Congleton £M	Macclesfield £M	C&NBC £M	Total £M
Base Service Budgets	355.026	12.262	20.155	16.377	403.820
Other (3)	10.686	(0.847)	(1.623)	(0.848)	7.368
Total	365.712	11.415	18.532	15.529	411.188
Less DSG (2)	(176.794)				(176.794)
Budget Requirement	188.918	11.415	18.532	15.529	234.394

NOTES

- 1) Figures are provisional pending agreement with Cheshire West and Chester on budget disaggregation.
- 2) Dedicated Schools Grant expenditure is matched by government specific grant but the magnitude of this expenditure means net figures fail to convey the scale of resources the Council is now responsible for. All other figures are shown net of specific grants and other income.
- 3) 'Other' includes capital financing and certain one-off costs partly offset by interest on balances and use of reserves