

Advisory Panel Performance & Capacity – 11th December 2008

Budget Update Report

1 Financial Planning Process

- 1.1 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 was important therefore to start the financial planning process early and to recognise that several iterations are required before February 2009 when the Budget and the Council Tax must be set. The Council's Medium Term Financial Strategy is being developed alongside the 2009-10 Budget and the strategy will cover a period of three years (2009-12).
- 1.2 The high level financial planning process (as set out in Appendix A) was reported to Cheshire East Cabinet on 16th June 2008. It sets out a number of stages or iterations of the Budget setting process for 2009-10 as follows:

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

Work to disaggregate the County Council's 2008-09 Budget and to aggregate those of the District Councils has now been completed. This provides a notional baseline Budget for 2008-09 for the new Cheshire East Council and gives an indication of the scale of its financial responsibilities. Work commenced in this period, and is now substantially complete, to disaggregate/aggregate grants, capital programmes and balance sheets (i.e. assets and liabilities). The Government set a revised deadline of 24th October to agree the disaggregation of the County Council's Specific Grants and Formula Grant and this deadline has been met. DCLG have set a deadline for the end of December for the agreement of the transfer of assets and liabilities and this has been significantly progressed. If agreement cannot be reached then the Government will arbitrate.

Stage Two (June-September) - High level Planning

This stage is now complete and 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 takes 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 takes 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 allowed work to be undertaken in August-September on high-level service design. The opportunity is also being taken to incorporate best practice from elsewhere by, for example, the use of benchmarking to ensure value for money.

The current financial scenario identifies a possible funding gap of £12.3m, which relates to the 2009/10 budget (Appendix B). Cheshire East Cabinet has set a target of £35m savings, which will include income generation, for the three-year planning period. This will address the funding gap in year 1 and will enable re-investment in Cheshire East's priority service areas over the three year period. The output from this stage

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

This stage is well underway and involves making any necessary adjustments to the high-level options and then undertaking detailed planning and budget modelling. This includes the outcome of the grants and balance sheet disaggregation and discussions with Cheshire West & Chester. It also involves work on Fees & Charges, including harmonisation issues, and the development of the Capital Programme for 2009/10 to 2011/12. The work is being aligned with the Corporate Plan priorities. The output from this stage will be detailed budget options for consultation in January 2009.

The current financial scenario identifies a possible funding gap of £15.8m, which relates to the 2009/10 budget (Appendix B). Cheshire East Cabinet has set a target of £35m savings, which will include income generation, for the three-year planning period. This will address the funding gap in year 1 and will enable re-investment in Cheshire East's priority service areas over the three year period. Significant progress has been made in balancing the 2009-10 Budget.

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

This stage involves budget consultation, final adjustments and refinements and the setting of a balanced Budget and Council Tax for 2009-10. Budget consultation events will be held in mid January and targeted at Cheshire East Council's key stakeholders.

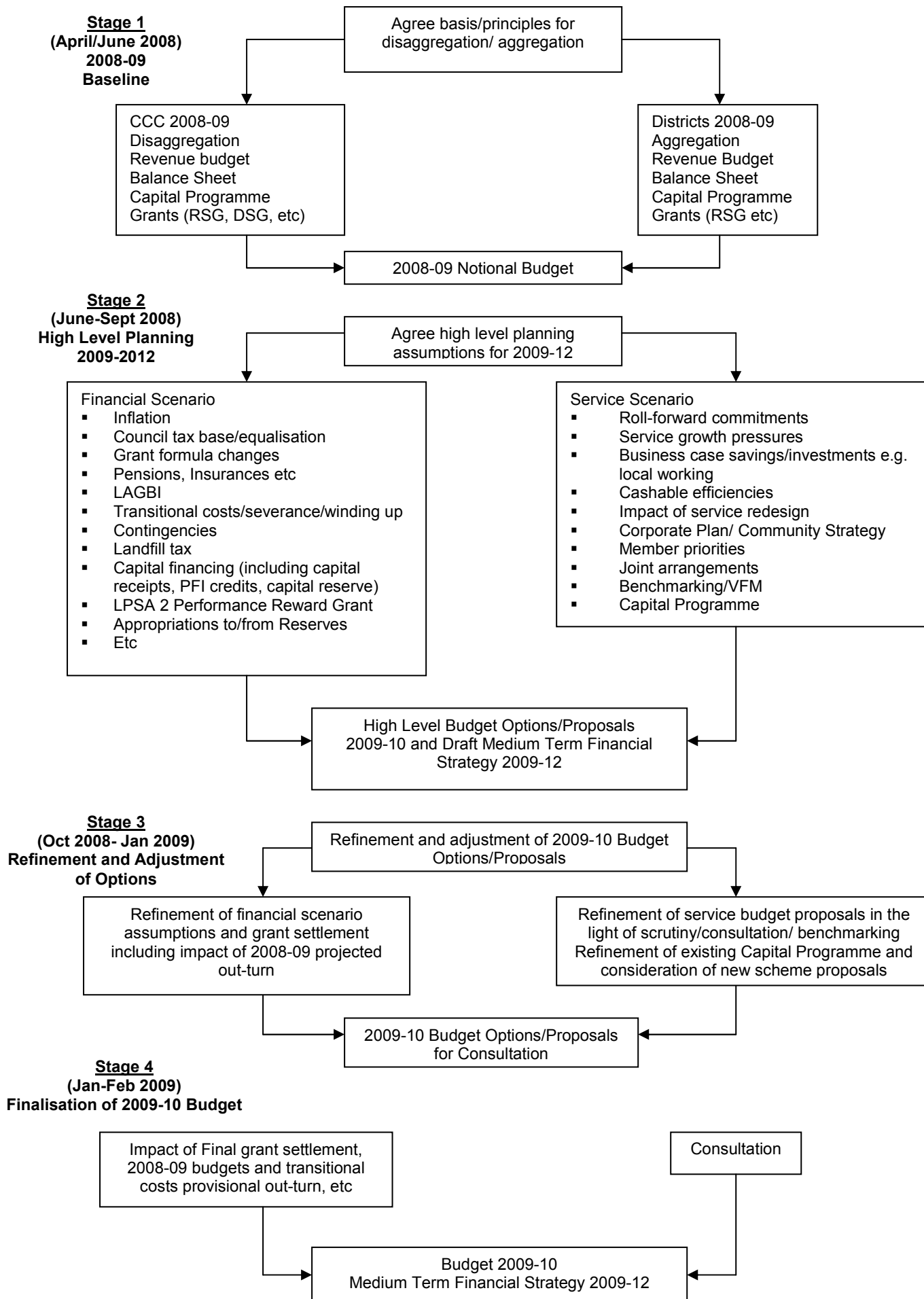
2 Key Dependencies

2.1 Work on the budget has been aligned with all the various workstreams but the following are key dependencies:

- The development of the Interim Sustainable Community Strategy and Corporate Plan and work with partners and stakeholders (e.g. Health).
- The HR Workstream (staff structures, aggregation and disaggregation of existing staff, appointments and severance).
- Organisation design principles and decisions.
- Service design principles and decisions.
- Decisions on shared services.

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

2009-10 BUDGET SETTING – OUTLINE PROCESS/ TIMETABLE



CURRENT FINANCIAL SCENARIO 2009-10 BUDGET

	£m
Financial Envelope (Council Tax/Formula Grant)	234.260
Less: Inflationary Impact/Capital Financing/Business Case Assumptions	31.689
Amount Available at Current Year Prices	202.571
Base Budget (Net of Specific Grants and Income)	232.450
Gross Funding Gap	29.879
Adjusted by: Growth Pressures/Savings/New Income/Exceptional Inflation	14.023
Net Funding Gap	15.856