

# CHESHIRE EAST COUNCIL

## REPORT TO: CABINET

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**Date of Meeting:** 10<sup>th</sup> December 2012  
**Report of:** Lisa Quinn, Director of Finance & Business Services  
**Subject/Title:** 3 Year Medium Term Financial Strategy 2013/2016  
**Portfolio Holder:** Cllr Peter Raynes – Finance Portfolio Holder

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### 1.0 Report Summary

- 1.1 This report provides an update on the Budget setting process for the Council for 2013/2014 and the progress made in the development of the Medium Term Financial Strategy for 2013/2016.
- 1.2 A number of strategic decisions are included in the report that will support the overall balancing of the Council's Budget for 2013/2014 and in the medium term.

### 2.0 Decision Requested

- 2.1 To note the updated medium term financial analysis, informed by the Mid Year Review of Performance reported to Cabinet on 12<sup>th</sup> November 2012, as part of the first phase of review.
- 2.2 To approve the following strategic financial decisions that contribute to the Budget Setting process for 2013/2014 and the Medium Term Financial Plan for 2013/2016, which will be subject to both internal and external consultation up to the final approved position at Council in February 2013 (detailed in Table 2):
- Increase estimated Grant Funding based on the return of national contingencies in 2013/2014 of £3.7m (related to New Homes Bonus).
  - Reduce the Capital Financing element of 'Central Adjustments' by £2.8m based on the review and reductions of the Capital Programme (subject to Council decision on 13<sup>th</sup> December 2012).
  - Apply Capital Reserves to reduce existing borrowing costs by £2.4m in 2013/2014 and enable further reductions in future years.
  - Freeze Council Tax Band D levels for a third consecutive year, making the Council eligible for additional Freeze Grant funding of c.£1.8m. Cheshire East Council Tax will again be £1,216.34 for a Band D property.
  - Increase Council Tax income by £3.3m based on the reduction in certain discounts and the revised taxbase for 2013/2014 (subject to Council decision on 13<sup>th</sup> December 2012).
  - Apply the current annual contribution to General Reserves of £1.6m, associated with the impact of Business Planning proposals in the 2012/2015 Business Plan, to the Council's base budget for 2013/2014 and future years.

- Increase the contribution to reserves by £1.3m from 2013/2014 to 2015/2016 based on the pay back of the strategic investment of reserves of £3.9m in 2012/2013.
- To commit to the investment of reserves, in excess of the risk assessed minimum level of reserves, in the Change Projects that will deliver the Council's 3 Year Plan, particularly with regard to its local economic growth ambitions.
- To approve the savings forecast from the first phase of the review of Change Projects (Appendix 7) as a contribution to balancing the 2013/2014 Budget and the 3 Year Medium Term Plan for 2013/2016, subject to appropriate consultation internally via Policy Development Groups and the Executive Monitoring Board governance arrangements and externally with the public, key stakeholders and via specific consultation mechanisms where required.

2.3 To consider the other relevant assumptions in the Council's Medium Term Financial Plan, such as Government funding estimates, that will be subject to further updating during the second phase of review in the period leading up to the setting of the Council's 2013/2014 Budget in February 2013 (Appendix 6).

2.4 To approve the initiation of the consultation / engagement arrangements on the Change Projects in the lead up to the setting of the Council's 2013/2014 Budget in February 2013, internally via Policy Development Groups and the Executive Monitoring Board governance and externally with the public and key stakeholders.

### **3.0 Reasons for Recommendations**

3.1 The Council is developing its Budget and Medium Term Financial Strategy (MTFS) for 2013/2016. The purpose of developing a clear Financial Strategy is to show how the allocation of Council resources can support delivery of the objectives and priorities set out in our 3 Year Plan for the Council.

3.2 As noted in the October report to Cabinet, there is no doubt that funding for local government will further reduce significantly over the next 5 years, and is likely to continue to reduce beyond this timeframe to 2020. This is placing strain on local service levels as proposals to deliver the Council's priorities must reflect reductions in funding.

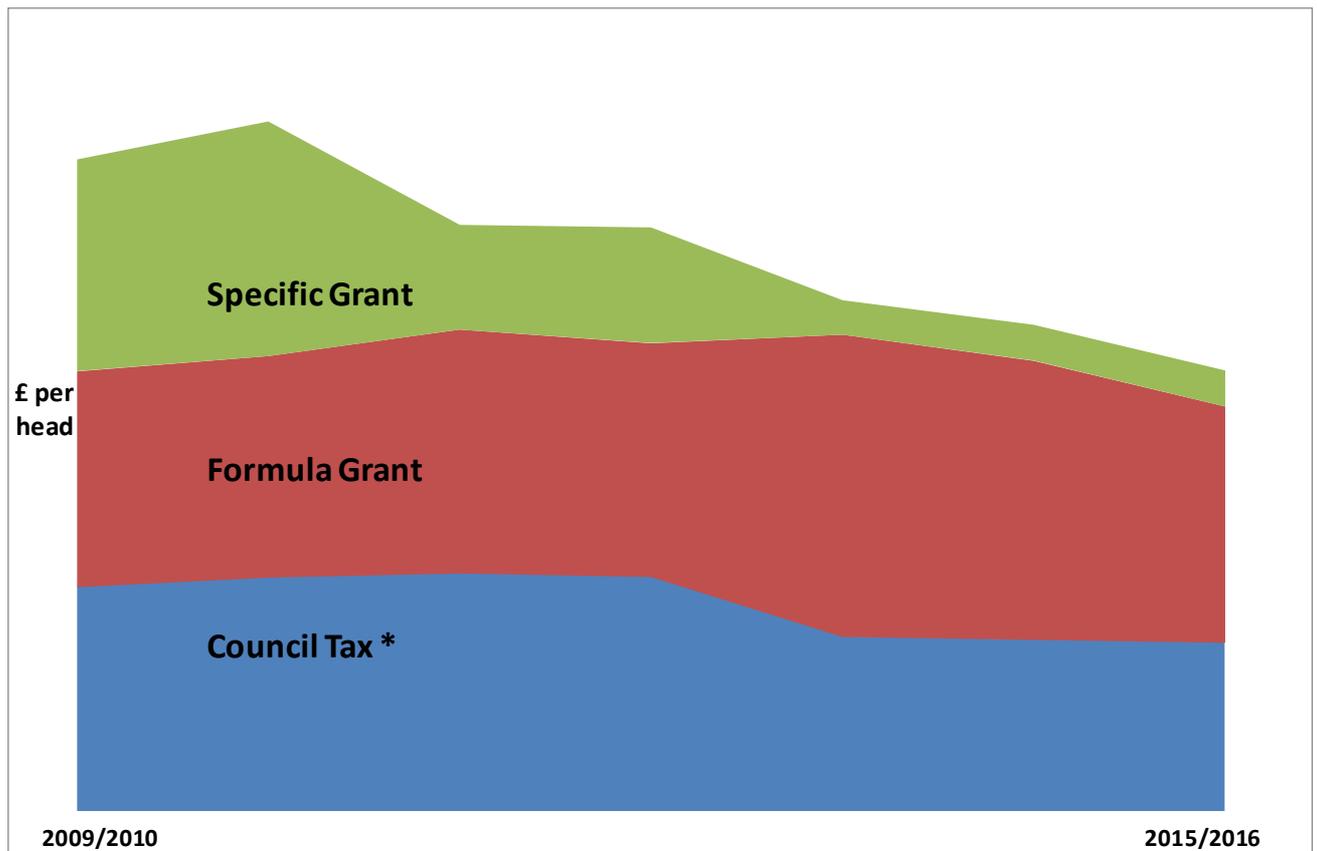
3.3 **Figure 1** illustrates the anticipated impact of reduced funding levels on the Council's spending power per head. This sustained reduction can only be managed through reviewing service levels and maximising income from existing sources.

3.4 In addition, the Council is experiencing considerable budgetary pressures as a result of increasing costs and demand for services. These were reported in the Mid Year Review of Performance to Cabinet on 12<sup>th</sup> November 2012.

3.5 The Council is doing everything it can to mitigate these pressures through:

- temporary and long term saving measures within services;
- the five measures approach (Section 10.7) to maximising the amount of funding available to the Council and ensuring any funding withheld for central costs such as capital financing is reduced to a minimum.

Figure 1) Spending power per head is reducing as funding levels are cut and population increases



\* Council Tax income reduces in 2013/2014 as a result of the introduction of the local Council Tax Support scheme.

- 3.6 Developing a clear, resourced, longer-term plan, where we agree our purpose, the sort of Council we want to be, the outcomes we want to achieve for local people in Cheshire East, and our priorities for action and investment, which will maximise our ability to remain financially resilient despite undergoing significant change.
- 3.7 Moving this forward by taking a number of strategic decisions during the process will enable these to be considered in more detail and formally included in the MTFs.
- 4.0 Wards Affected**
- 4.1 All wards.
- 5.0 Local Ward Members**
- 5.1 All ward Members.

## **6.0 Policy Implications including - Carbon reduction - Health**

6.1 The Council's MTFS has strong links with the resourcing of the Council's objectives associated with carbon reduction and health improvement. The development of the 3 Year Plan will ensure that these issues remain priorities and that there are clear plans in place to address them.

## **7.0 Financial Implications (Authorised by the Director of Finance and Business Services)**

7.1 These are set out within this report.

## **8.0 Legal Implications (Authorised by the Borough Solicitor)**

8.1 During the initiation of the budget setting process, it was identified within the corporate risk assessment that ensuring that due regard was given to equality issues was a potential risk. A full programme of equality training is taking place for all budget managers involved in either budget decisions or policy recommendations.

8.2 This training is mandatory and involves well over 100 employees. In addition, the Performance Development process requires every member of staff to complete a mandatory, electronic equality and diversity awareness training and this is monitored through the PDR process and the workforce development team. Cabinet Members have been made aware of the duties and issues in regard to equalities.

8.3 The development of the MTFS will respond to the content of the 3 Year Plan. The Plan requires Constitutional changes which are currently being progressed by the Council; in particular, development of Policy Development Groups, the establishment of an Executive Monitoring Board, and the development of the Health and Wellbeing Board. Other Constitutional changes may emerge as the detail of the 3 Year Plan and the related Medium Term Financial Strategy is finalised and agreed.

## **9.0 Risk Management**

9.1 It is important to note that the Council faces significant financial challenges in achieving its desired outcomes. Appetite for risk will need to be developed for different courses of action, particularly in relation to seizing opportunities for introducing new, innovative models of service delivery, and a more locally focussed funding regime, as well as a different range of service providers. A revised approach to risk appetite and management will be further considered by Cabinet and Council as the 3 Year Plan and budget are developed over the coming months.

9.2 The steps outlined in this report will significantly mitigate the four main legal and financial risks to the Council's financial management:

- The Council must set a balanced Budget.
- The Council must set a legal Council Tax for 2013/2014.
- The Council should provide high quality evidence to support submissions for external assessment.

- Council borrowing will comply with the Treasury Management Strategy, which is underpinned by the Prudential Code.

9.3 A risk and equality assessment will be carried out by the proposing Directorate or Group for all key proposals as part of the development of detailed action plans for their implementation. This will be in line with our agreed approach to Corporate Risk Management.

## 10.0 Background and Options

10.1 Local authority finances in England are undergoing significant changes as part of the Coalition Government's overall deficit reduction programme. National Government grant funding for local authorities is reducing rapidly, with more reliance being placed on locally funding local services.

10.2 The annual revenue budget for Cheshire East Council is funded by a combination of council tax, service user charges, and (relatively low) Government grants.

10.3 **Table 1** sets out the financial forecast for Cheshire East Council for the period 2013/2014 to 2015/2016. This was reported to Cabinet on 15<sup>th</sup> October 2012.

**Table 1: Funding available reduces by approximately £30m over the medium term**

	2012/13	2013/14	2014/15	2015/16
	£m	£m	£m	£m
<b>Funding</b>				
Grant Funding	101.2	99.0	93.1	80.8
Council Tax	178.6	163.4	163.4	163.4
Central Adjustments	-27.5	-32.6	-29.9	-20.6
<b>Funding Available to Services</b>	<b>252.3</b>	<b>229.8</b>	<b>226.6</b>	<b>223.6</b>
Directorate Spend	252.3	254.4	233.1	234.2
<b>Funding Gap / (Surplus)</b>	<b>0.0</b>	<b>24.6</b>	<b>6.5</b>	<b>10.6</b>
<i>Position as at February 2012</i>	<i>0.0</i>	<i>13.1</i>	<i>7.4</i>	<i>-</i>

Source: Cheshire East Cabinet Report 15th October 2012

10.4 At this stage the overall "Funding Available to Services" (see Table 1) will depend upon the Council's financial planning assumptions, such as the level of Government Grant and Council Tax, interest rates and the revenue impact of capital spending. This needs to be compared to the forecast Directorate spend including any proposals for later years set out in the business plan plus any permanent pressures services are experiencing.

10.5 Balancing the Council's budget requires the "Funding Available to Services" to match the "Directorate Spend". This can be achieved by looking at both sides as well as income available to services through fees and charges.

10.6 Over the last few months the Council has undertaken a series of actions in response to the funding shortfall. These are detailed below:

Capital Visioning	A programme of meetings to review the capital programme to release funding and capacity to deliver the Council's 3 Year Plan.
Revenue Visioning	A series of meetings with Portfolio Holders, Directors and Heads of Service to systematically review each area of the budget and the scope for savings.
Star Chambers	A series of officer meetings to challenge the medium terms plans for each service area.
Central Finance Group	This Group has now met on several occasions to review the financial planning assumptions and the processes to move these forward.
Development of Change Projects	The Council has identified lead officers for each of the projects / programmes and initial business cases are being developed for review. It is expected the Change Projects will collate all the budget changes the Council needs to make for the next three years.
Collated and reported its mid-year position to Cabinet / Identified base budget pressures with a permanent impact.	A key development is the consideration of the Council's Mid Year Review of Performance at Cabinet on 12 <sup>th</sup> November 2012 and the subsequent analysis of the long term pressures on the base budget. These are considered in more detail later.

10.7 Through these actions the Council has developed the approach to the key financial elements as part of the Budget Setting process, which are described in more detail in **Table 2**.

10.8 Updates to Table 1 are provided through a structured approach using 'Five Measures' that will support balancing the financial position over the medium term. They are:

<b>The Five Measures</b>	
Measure One	Challenge Financial Assumptions
Measure Two	Review Local Taxation
Measure Three	Manage Reserves
Measure Four	Manage Cost Drivers
Measure Five	Manage Income

10.9 It must be noted that the figures provided in relation to Council funding from Government grant remain estimates at this stage. The provisional local government finance settlement (expected mid December 2012) will provide a more accurate position.

**Table 2 – Update on Financial Planning Assumptions**

Measure	October Position	December Position	Impact on Gap £m
<p><b>Measure One</b>  <b>Challenge</b>  <b>Financial</b>  <b>Assumptions</b></p>	<p>Government Grants represent the funding available from the new Business Rates Retention Scheme plus the Council's allocation of Revenue Support Grant and un-ringfenced specific grants.</p> <p>The expectation is that grant funding will reduce by 20% over the next 3 years despite the inclusion of the new Council Tax Support Grant.</p>	<p>No change</p>	<p>-</p>
	<p>Ringfenced grants are included within Directorate Spend.</p>	<p>Separate assumptions will be developed and submitted in due course.</p>	<p>-</p>
	<p>No growth in business rates is included and no benefit is expected from any change in employment levels that could reduce expenditure on Council Tax Support.</p>	<p>The position is under review to forecast anticipated business growth / improved employment over the next three year period and assess if this is sufficiently robust to be factored into the Council's MTFS from 2014/2015.</p>	<p>-</p>
	<p>No return of any Government contingencies (ie funding held back by the Government in relation to the New Homes Bonus, Local Authority Central Spend Equivalent Grant (LACSEG) and the safety net, where an element could be returned to councils but amounts and timing are unclear).</p>	<p>A revised approach to the New Homes Bonus contingency has been confirmed by the CLG on 21<sup>st</sup> November 2012 where the Government will only withhold the funding required. This increases the Council's expected funding levels. Further details are provided at <b>Appendix 1</b>.</p>	<p><b>-£3.7m</b></p>

Measure	October Position	December Position	Impact on Gap £m
	<p>Newly available homes are expected to increase steadily from c.600 dwellings in 2013 to c.800 in 2015. This will impact on the New Homes Bonus available to the Council.</p>	<p>The number of new homes for the 2013/2014 calculation has been confirmed and factored into the financial scenario.</p> <p>This figure represents new band D equivalent completions. The local plan, which is being developed by the Council, reflects higher ambitions but these are still subject to examination and therefore it would not be appropriate to factor these into the Council's financial plans.</p>	-
	<p><b>Central Adjustments</b> These are mostly detailed in the February 2012 Business Plan and include increases in borrowing costs, maintaining the Reserves Strategy and reductions in the ex-employee pension costs. Key items are shown below.</p>		
	<p>Capital Financing Costs are included in Central Adjustments. The overall Capital Programme relates to projects that usually take more than one year to complete. At the end of each project, the Council will normally own a new asset, or have extended the life of an existing asset.</p>	<p>As reported in the mid year review of performance on 12<sup>th</sup> November 2012, the Capital Programme has been subject to review and, subject to approval at Council on 13<sup>th</sup> December 2012, reduced. As a result, it is appropriate to reduce the provision for capital financing to £14.8m. <b>Appendix 2</b> provides further details on the changes.</p> <p>Additional decisions will be made as part of phase two of the development of the Major Projects to firm up the Capital investment implications for 2013/2016 based on the Capital Visioning exercise.</p>	-£2.8m

Measure	October Position	December Position	Impact on Gap £m
	<p>The Capital programme is funded by a combination of borrowing, capital receipts, revenue and external contributions and Government Grants. To support further spending on capital projects will inevitably increase the demand for local borrowing, as each of the other funding sources is reducing. This increases the requirement for capital projects to generate revenue savings or be self-funding.</p>	<p>The Council currently holds a capital reserve of £16.3m as at the balance sheet date of 31<sup>st</sup> March 2012, which is planned to be used to finance capital expenditure over the next three years.</p> <p>As an alternative this may be applied to meet capital expenditure which has taken place in previous years and has been met from borrowing. The impact of this will reduce the level of revenue provision required to meet borrowing repayments in the short term. In 2013/2014 this will result in a reduction to the capital financing budget and reduce the overall revenue funding gap. <b>Appendix 2</b> provides further details on the changes.</p>	<p><b>-£2.4m</b></p>
	<p>Capital financing costs are also reduced by applying returns on Council investments. The Treasury Management Strategy provides information on the Council's approach to investment and is updated at each quarterly review of performance.</p>	<p>No change to approach.</p>	<p>-</p>
<p><b>Measure Two – Review Local Taxation</b></p>	<p>The assumptions were:</p> <ul style="list-style-type: none"> <li>- no increase in Band D Council Tax,</li> </ul>	<p>On 8<sup>th</sup> October 2012 central Government offered a Council Tax Freeze Grant, equivalent to a Council Tax rise of 1%.</p>	<p><b>-£1.8m (Unallocated)</b></p>

Measure	October Position	December Position	Impact on Gap £m
	<ul style="list-style-type: none"> <li>- a net nil position on the Council's collection fund,</li> <li>- no increase in the Council's taxbase,</li> <li>- no impact from changing discount levels as a result of Technical Reforms to Council Tax.</li> </ul>	<p>While the final level of Council Tax will <b>not</b> be decided until the Council meeting in February 2013, the current planning assumption of no increase means the Council would benefit from the freeze grant. Therefore, it would result in additional funding of £1.8m which could be factored into the financial planning assumptions.</p> <p>Due to the temporary nature of this funding (payable in 2013/2014 &amp; 2014/2015 only) no decision has been made on how this additional funding will be applied. This decision will be part of the second phase of review.</p> <p>No change.</p> <p>Work to calculate the taxbase for 2013/2014 has now been completed and a full report recommending the taxbase to Council is included elsewhere on the Cabinet agenda. The Council is proposing to reduce the Council Tax discounts available in a number of areas relating to second homes and empty properties. These changes have been factored in to the Council's taxbase calculations.</p> <p>Further details are provided at <b>Appendix 3</b> and the taxbase report (elsewhere on this agenda) provides full details. Subject to Council approval on 13<sup>th</sup> December, this will be factored into the MTFS assumptions.</p>	<p>-</p> <p><b>-£3.3m</b></p>

Measure	October Position	December Position	Impact on Gap £m
	<ul style="list-style-type: none"> <li>- no funding from supplementary business rates or Business Improvement Districts.</li> </ul>	No change.	-
	<p>Income from Council Tax is expected to reduce by £15.2m (8.5%) to reflect the new arrangements for awarding Council Tax Support (formerly Benefit) which will be treated as a discount on the bill. Council Tax Support is partially funded by Government Grant. The revised taxbase takes account of the new scheme.</p>	<p>The Consultation process has completed. The taxbase report (elsewhere on this agenda) provides full details and a summary is provided in <b>Appendix 3</b>.</p>	-
<b>Measure Three – Manage Reserves</b>	<p>The Council’s Reserves Strategy was published alongside the Business Plan in February 2012.</p>	<p>It is proposed that the £1.6m impact of Business Planning Proposals is not contributed to reserves, but instead applied to Service budgets.</p>	<p><b>-£1.6m</b></p>
		<p>It is proposed that an additional annual contribution of £1.3m is made to reserves from 2013/2014 to 2015/2016 to reflect the requirement to pay back the strategic investment of reserves of £3.9m in 2012/2013.</p>	<p><b>+£1.3m</b></p>
		<p><b>Appendix 4</b> shows an update of the Reserves Strategy following the publication of the Council Statement of Accounts for 2011/2012, the 2012/2013 Mid Year Review and the above proposed changes.</p>	

Measure	October Position	December Position	Impact on Gap £m
	<b>Total impact of Funding Changes</b>	<b>(excluding Council Tax Freeze Grant)</b>	<b>-£12.5m</b>
<b>Measures Four &amp; Five – Manage Cost Drivers and Income</b>	The Directorate Level Spend, shown in Table 1, reflects the position after existing spending plans have been implemented (as contained in the Business Plan agreed in February 2012).	<p>The Council has reported its Mid Year Review of Performance to Cabinet on 12<sup>th</sup> November 2012.</p> <p>The costs of providing care and delivering key services such as transport and waste collection are being driven up by demand and inflation, and income from Council charges are also lower than budgeted in most areas. At present the Council is therefore forecasting a budget overspend in 2012/2013.</p> <p>Further analysis has been completed to assess the long term impact of the 'Emerging Pressures' described in the report and any associated 'Remedial Actions'. The results of this work are set out in the Base Budget Review described at <b>Appendix 5</b>.</p>	<p><b>+£31.5m</b></p> <p><b>Less</b></p> <p><b>-£8.5m</b></p>
	Policy Proposals identified for later years and reflected in the February 2012 Business Plan would be delivered in full.	Roll Forward proposals have been reviewed and the impact is a reduction in the expected growth. Further details are provided at <b>Appendix 6</b> .	<b>-£4.9m</b>
	The assumption is also that spending will reduce sufficiently to cover the Funding Gap from previous years.	No change to assumptions.	-
	Change Projects	The Council is developing its response to the list of Change Projects agreed by Cabinet on 15 <sup>th</sup> October 2012 as part of the 3 Year Plan. Further details of the schemes and their	<b>-£5.2m</b>

Measure	October Position	December Position	Impact on Gap £m
		impact is shown at <b>Appendix 7</b> .	
	Cost of Investment	<p>In 2012/2013 the Council introduced a successful method for acknowledging the one off costs required to deliver major programmes and projects. The results were reflected in the business plan and temporarily funded from reserves.</p> <p>It is intended that this process is repeated for the 2013/2016 budget setting process. At this stage the Change Projects reflect Cost of Investment bids of £3.1m (Appendix 7) and other bids reflecting existing items in the business plan and new requirements of £1m as detailed in <b>table 3</b>.</p> <p>All these bids are subject to review and no decision has been made on how these items will be funded. However the strategic application of reserves will be considered.</p>	<p>+£3.1m</p> <p>+£1m</p> <p>(not included)</p>
	<b>Total Impact of Directorate Changes (excluding Cost of Investment)</b>		<b>+£12.9m</b>
	<b>TOTAL IMPACT OF CHANGES</b>		<b>+£0.4m</b>

**Table 3 – Other Cost of Investment Bids (as referred to in Table 2)**

Directorate	Proposals	2013/2014 £'000
Children and Families	Affordable models of care	100
Places and Organisational Capacity	Automatic toilets buy out - deferred from 2012/2013	446
	Highways: NRSWA Permit Scheme - Links to Additional Savings	100
	Salt Saturation Installation - Links to Additional Savings	100
	Spatial Planning: Local Development Framework Public Enquiry Examination	150
	Assets: 2013/2014 - Investment Portfolio, land holding costs prior to disposal - 1 year	100
	Strategic Planning: Local Plan Site Allocation additional resource	250
Corporate Services	ICT Strategy staffing structure changes	30
<b>One off COI</b>		<b>1,276</b>
<u>Offset by</u> Places and Organisational Capacity	A one-off reduction in the Waste Minimisation budget	-100
	A one-off removal of the recycling credits	-53
	A one off removal of a former post.	-105
	Transport: Local Sustainable Transport Fund - one off benefit re grant funding - reduction in Pay	-75
<b>One off Savings</b>		<b>-333</b>
<b>TOTAL Cost of Investment</b>		<b>943</b>

Source: Cheshire East Finance

## Summary Position

10.10 Table 4 below sets out the summary position after accounting for the changes detailed in table 2.

**Table 4 – Summary Position**

	2013/14
	£m
Funding Available to Services	229.8
Funding Issues:	
New Homes Bonus contingency	3.7
Reduced Capital Financing	2.8
Reduced costs of borrowing	2.4
Council Tax Freeze Grant	Not yet allocated
Final Taxbase	3.3
Use of Reserves - service pressures	1.6
Repayment to Reserves (cost of investment over 3 years)	-1.3
Total changes	<u>12.5</u>
<b>Sub total - available funding</b>	<b>242.3</b>
Directorate Spend	254.4
Permanent Pressures	31.5
Permanent Mitigations	-8.5
Roll Forward Review	-4.9
Change Projects	-5.2
Total changes	<u>12.9</u>
<b>Sub total - Directorate Spend</b>	<b>267.3</b>
Revised Gap	25.0

Source: Cheshire East Finance

### Developing the Council's Response to the Funding Shortfall

10.11 The Council is pursuing several key strands to close the funding shortfall for the next three years. These are detailed below.

#### *Challenge the Base Budget*

10.12 The pressures and mitigations identified through the review will be challenged in detail to ensure the impact on services is understood and agreed.

### *Review Funding Assumptions*

- 10.13 Review the changes to local government finance (such as grant funding, Council Tax and central adjustments) to maximise the income available to services. **Appendix 8** provides further details on this issue. This includes the Council's budget setting principles which steer decisions on the final set of proposals. These principles are in draft form and are being reviewed in light of feedback received.

### *Develop Change Projects*

- 10.14 On 15<sup>th</sup> October Cabinet received a report detailing the 3 year Council plan and the "Change Projects" it would be taking forward. A list of the Council's priorities and Change Projects is included at **Appendix 7**. These projects will continue to be developed in advance of Council in February. It is anticipated that additional proposals will come forward, including additional capital investment, as the 3 Year Plan and Medium Term Financial Strategy are considered further.

### **Equality Impact**

- 10.15 In line with the Equality Act 2010 which sets out the Public Sector Equality Duty, the Council will evaluate all options in terms of their impact.

### **Timetable and Consultation**

- 10.16 The timetable to deliver the 3 Year Council Plan and the supporting Financial Strategy will be the same for each of the two elements and result in two key reports to Council in February 2013. These will take the form of:
- A Leader's Report setting out how the Council's resources will be used to deliver its priorities.
  - A Budget Report setting out how these ambitions will be funded.
- 10.17 A timetable setting out the key Member meetings leading up to Council in February is attached at **Appendix 8**.
- 10.18 Over the next 2-3 months the Council will communicate and consult widely, both internally and externally, about our proposals for change and our medium term financial strategy.

### **Externally**

- Details of the Council's 3 Year Plan priorities and the Change Projects will be communicated widely to residents, businesses, and partner organisations. This will be focused on the Council's website and also using existing consultation networks and mechanisms such as business forums, voluntary sector networks, and feedback from the citizens panel.
- Consultation with town and parish councils will continue, building upon the feedback received from the town and parish conference held in November. This conference focused on the "new deal" between Cheshire East Council and local town and parish councils, and how this needs to influence joint working in the future.

## **Internally**

- Members – change proposals will be considered by Policy Development Groups and by the Corporate Scrutiny Committee. Individual Change Projects will be taken through the Council’s new project gateway process. This will involve challenge and quality assurance through the Technical Enabler Group (TEG) before consideration at the Executive Monitoring Board (EMB).
- Staff – we will build on the good progress made since the launch of the “new deal for staff” communication. This includes staff roadshows, discussion boards, and team discussions.

## **11.0 Access to Information**

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

Name: Lisa Quinn  
Designation: Director of Finance & Business Services  
Tel No: 01270 686 628  
Email: [lisa.quinn@cheshireeast.gov.uk](mailto:lisa.quinn@cheshireeast.gov.uk)

## **Appendix 1 – New Homes Bonus Contingency**

1. In October 2012 the Council assumed no return of any Government contingencies (ie funding held back by the Government in relation to the New Homes Bonus, Local Authority Central Spend Equivalent Grant (LACSEG) and the safety net, where an element could be returned to councils but amounts and timing are unclear). This was based on the CLG Business Rates Retention Consultation exercise conducted over the summer and modelling undertaken by the Society of County Treasurers.
2. This situation in relation to the amount held back for new homes bonus has now developed. The CLG have consulted on a revised scenario where only the amount of grant required to fund the scheme in 2013/2014 is withheld by the Government.
3. The balance is then allocated to councils as part of their baseline funding.
4. The CLG issued a Business Rates Retention Policy Statement on 21<sup>st</sup> November 2012 confirming that approach will be used.
5. This has resulted in confirmation of additional funding for the Council of £3.7m.
6. This does not impact on the Council's expected New Homes Bonus grant which is receivable based on the number of new homes or properties brought back into use.
7. This remains subject to confirmation through the provisional local government finance settlement expected in December 2012.

## Appendix 2 – The Capital Financing Budget

1. **Table 2.1** (below) shows the Capital Programme as reported in the Mid Year Review of Performance to Cabinet on 12<sup>th</sup> November 2012. Overall £42.4m of expenditure in the existing Capital Programme has been recommended for reduction or deferral.

**Table 2.1 – Summary Capital Programme**

	Original Forecast Budget @ FQR 2012/16 £m	Amendments to Original Forecast Budget 2012/16 £m	Amended Original Forecast Budget 2012/16 £m	Budget Reductions £m	Budget Deferrals £m	SCE's £m	Revised Total Forecast Budget 2012/16 £m
Children & Families	31.2	0.0	31.2	-4.3	-4.3	0.3	22.9
Adults	5.3	6.0	11.3	0.0	-9.8	0.1	1.6
Places & Organisational Capacity	92.0	27.1	119.1	-15.2	-2.2	3.3	105.0
Corporate Services	41.0	-6.6	34.4	-6.6	0	40.4	68.2
	<b>169.5</b>	<b>26.5</b>	<b>196.0</b>	<b>-26.1</b>	<b>-16.3</b>	<b>44.1</b>	<b>197.7</b>

Source: Cheshire East Finance

### Funding Sources

	Original Total Forecast Budget £m	Revised Total Forecast Budget £m	Variance £m
Grants	73.7	70.0	-3.7
External Contributions	2.1	43.3	41.2
Linked/Earmarked Capital Receipts	3.4	3.4	0.0
Supported Borrowing	3.3	1.7	-1.6
Non-Supported Borrowing	74.8	47.0	-27.8
Revenue Contributions	1.0	0.6	-0.4
Capital Reserve	37.7	31.7	-6.0
	<b>196.0</b>	<b>197.7</b>	<b>1.7</b>

Source: Cheshire East Finance

2. The revised programme will be recommended to Council for approval on 13<sup>th</sup> December 2012. As a result of this reduction in the programme, the borrowing requirement has reduced by £32m, this has the impact of reducing the provision for capital financing in 2013/2014 by **£2.8m** to £14.8m.
3. A key aim of the Capital Challenge process is to create capacity for new schemes to come forward and the new spending plans for the capital programme will be included in the Budget Report to Council in February 2013.
4. Further work has continued to focus on decisions around the most appropriate methods for funding capital expenditure. An exercise has recently been completed with the Council's treasury advisors, Arlingclose to establish the most cost effective

method of financing the capital programme and make adequate provision for the repayment of debt in future years.

5. The methodology for applying capital receipts to finance capital expenditure has been considered as part of this exercise. In accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 23(b) an option available to the Council is to use capital receipts it currently holds in reserve and apply them to finance capital expenditure which has taken place in previous years and has been met from borrowing.
6. This method is available to Council's wishing to use capital receipts to reduce debt repayment charges to revenue and will reduce the level of revenue provision required for the repayment of debt in 2013/2014 by a further **£2.4m**.
7. The programme of asset disposals will aim to maximise available capital receipts in 2013/2014 and future years for the ongoing financing of the capital programme. The balance of capital expenditure that is not funded by grant, external contributions or capital receipts will be met by Prudential Borrowing. The level of revenue provision required for debt repayment in 2014/2015 will therefore increase accordingly and will be reflected in the Medium Term Financial Strategy.
8. The Treasury Management Strategy will reflect the above changes and will be reported to Council in February 2013.
9. A key aim of the Capital Challenge process is to create capacity for new schemes to come forward and the new spending plans for the capital programme will be included in the Budget Report to Council in February 2013.
10. We are now working through a Capital Visioning approach, which takes a longer term view of Cheshire East's capital investment plans, based on the Local Plan, economic growth ambitions, internal and external infrastructure ambitions and development opportunities.
11. Additional decisions will be made as part of phase two of the development of the Major Projects to firm up the Capital investment implications for 2013/2016 based on the Capital Visioning exercise.

## Appendix 3 – The Council’s Taxbase

1. The October MTFs assumed no increase in the Council’s taxbase, ie the number of Band D equivalent properties used to set the Council Tax. This approach recognised that increases in the taxbase through new build for example may be countered by increases in the award of discounts and / or demolitions.
2. Work to calculate the taxbase for 2013/2014 has now been completed and a full report relating to the issues is included elsewhere on this agenda.
3. For 2013/2014 the taxbase has been affected by three main issues:
  - the normal growth in properties
  - the impact of the technical reforms to reduce certain discounts
  - the impact of the new Council Tax support scheme.
4. After incorporating those factors the taxbase position is

	<b>2013/2014 Estimated</b>	<b>2013/2014 Final</b>	<b>Change</b>
Tax base (Band D)	146,807.37	149,907.17	3,099.80 (+2.1%)
Impact of CTS (Band D)	-12,436.00	-12,784.98	
Total Tax base (Band D)	134,371.37	137,122.19	2,750.82 (+2.0%)
 Band D Council Tax (£)	 1,216.34	 1,216.34	
 <b>Council Tax Income (£m)</b>	 <b>163.4</b>	 <b>166.7</b>	 <b>3.3 (+2.0%)</b>

5. The October position included council tax income at £163.4m. This was derived by multiplying the 2012/2013 taxbase after the estimated impact of the Council Tax Support scheme by the average Cheshire East Council Tax for a Band D property as per the above table.
6. Using the same methodology applied to the calculated taxbase for 2013/2014 this results in an increase of £3.3m.

## Appendix 4 – Reserves Strategy Update

1. The Council manages financial reserves to protect against risk and support investment. The minimum level of reserves reflects emergency requirements, but also the fact that in-year spending may exceed in-year funding. If risk can be reduced then the minimum level will also reduce accordingly.
2. However, the reliance on local funding sources and the overall reducing levels of Government funding means that both risks and investment on innovation may increase in the short to medium term. This uncertainty means that a cautious approach needs to be adopted and reserves should provide a sufficient “cushion” against unforeseen changes which impact negatively on the Council’s finances.
3. **Table 4.1** shows an update of the Reserves Strategy following the publication of the Council Statement of Accounts for 2011/2012 and the 2012/2013 Mid Year Review.
4. The table includes a line in relation to “- Amounts held for Strategic Purposes”. This reflects the Council’s ambition to use reserves to assist with developing Change Projects to deliver a sustainable budget in future years.
5. Earmarked Reserves are set aside for specific, often statutory, purposes. They have been reviewed regularly in the last two years and there is no expectation that significant sums will be released back to General Reserves in the medium term.
6. School balances stand at c.£15m at March 2012 representing an increase of £5m on the position as at March 2011. The Council is not able to access these balances (unless there is a negotiated position with schools) and as such they are not reflected in table 4.1 or in the Council’s medium term financial planning.

**Table 4.1: Updated Reserves Strategy at Mid-Year**

Detail	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
<b>Estimated Balance @ 1<sup>st</sup> April</b>	<b>11.4</b>	<b>12.5</b>	<b>15.0</b>	<b>15.0</b>
<b>Projected Increases in Reserves</b>				
- Planned Contribution to Reserves	7.6	9.6	6.1	1.6
- Pay back of 2012/2013 Cost of Investment		1.3	1.3	1.3
<b>Projected Use of Reserves</b>				
- Funding Supplementary Revenue Estimates	-0.3			
- Estimated Impact of 2012/2013 Spending	-6.2			
- Funding contribution to Base Budget Pressures		-1.6	-1.6	-1.6
- Amounts held for Strategic Purposes / Growth Fund		-6.8	-5.8	-1.3
Sub total changes	1.1	2.5	0	0
<b>Forecast General Reserves @ 31<sup>st</sup> March</b>	<b>12.5</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>
Risk Assessed Minimum Level <b>**UNDER REVIEW**</b>	15.0	15.0	15.0	15.0
<b>(Under achievement of Risk assessed minimum) / Un-Allocated Balance</b>	<b>-2.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Earmarked Reserves at 31st March 2012</b>	<b>£m</b>			
- Insurance Reserve - Cheshire County Fund	1.7			
- Insurance Reserve - Cheshire East Fund	1.4			
- PFI Equalisation Reserve	0.9			
- Carry Forwards by Service Managers	0.8			
- Invest to Save Reserve	0.7			
- Other items	2.8			
<b>Total Earmarked Reserves (excl Schools)</b>	<b>8.3</b>			
<b>Reserves held by Schools at 31st March 2012</b>	<b>£m</b>			
Note: Schools reserves are not available except where there is a negotiated position with Schools.				
- Primary	9.6			
- Secondary	4.4			
- Special	1.0			
<b>Total Schools Reserves</b>	<b>15.0</b>			
Source: Cheshire East Finance				

## Appendix 5 – Base Budget Review

1. The Council reported its Mid Year Review of Performance to Cabinet on 12<sup>th</sup> November. This demonstrated that the Council was experiencing pressures in a number of areas and was actively mitigating these pressures in a number of ways to arrive at a net forecast overspend.
2. The Council has undertaken a piece of work to determine the permanent pressures and permanent mitigating actions going forward into 2013/2014.
3. The permanent pressures are set out in **table 5.1** below.

**Table 5.1 – The Council is experiencing £31.5m of permanent pressures for 2013/2014**

Directorate	2013/2014 Pressures £m	Comments re pressures
Children and Families	5.5	Children's placements £3.6m Children's staffing £0.8m Transport £1.1m
Adults	11.0	Individual Commissioning care costs £7.6m Strategic Commissioning Networks / Pool Contracts £2.1m / Unachieved Redesign Reductions £0.8m Care4CE earlier reductions £0.3m Business Management and Challenge earlier reductions £0.2m
Adults - Grant forecast adjustment	6.1	This includes a base correction in Adults for grant receivable.
Places and Organisational Capacity	8.0	Waste and Streetscape pressures re: frontline operational costs, contract pressures and income shortfalls. New growth relates to exceptional inflation in Assets relating to utility costs.
Corporate	0.7	Various pressures including additional training and restating lost posts.
Central Items	0.2	This represents funding for contractually required increments which are under review.
<b>Total</b>	<b>31.5</b>	

Source: Cheshire East Finance

4. This is offset by long term remedial actions which results in the net position detailed in **Table 5.2** below.

**Table 5.2 – After mitigating action the Council has reduced the pressure to £23m**

Directorate	2013/2014			Comments re Mitigation
	Net Position £m	Mitigation £m	Net Position £m	
Children and Families	5.5	(2.9)	2.6	Early Intervention £2.1m Transport £0.8m
Adults incl grant base correction	11.0	(4.3)	6.7	Care4CE efficiencies £0.3m Hold growth £3.0m Hold inflation £0.4m Reduce Third Sector Contracts £0.1m Reduce commissioned external provider contracts £0.4m Business Management and Challenge £0.1m
Places and Organisational Capacity	8.0	(1.3)	6.7	Waste - Landfill Contract - impact of reduced tonnage and savings in Libraries
Corporate	0.7	0.0	0.7	-
Central Items	6.3	0.0	6.3	-
<b>Total</b>	<b>31.5</b>	<b>(8.5)</b>	<b>23.0</b>	

Source: Cheshire East Finance

These will be factored into the funding shortfall.

## Appendix 6 – Roll Forward Proposals

Proposals	Original Roll Forward £000	Change £000	New Roll Forward £000	Reason for Change
<b>Children and Families</b>				
Review Disability / Short Breaks Placements	-200	200	0	Most of the original proposals have been incorporated into the Council's change projects
Rationalise Residential Provision	-780	580	-200	
Invest in Fostering & Support	100	-100	0	
Rationalisation of Home to School Transport	-619	-6	-625	
<b>Total Children and Families</b>	<b>-1,499</b>	<b>674</b>	<b>-825</b>	
<b>Adults</b>				
Care4CE - Hollins View	360	-360	0	This scheme has been deferred until 2016/2017.
Removing voids from Supported Living Tenancies	-300	300	0	No further void reductions are anticipated beyond 2012/2013, pending the activity within the Change Projects incorporated in the business planning process.
Invest in new Service Business Systems	125	-125	0	Overtaken by Change Projects
Impact of increasing demand / costs	5,900	-4,900	1,000	An assessment of the level of retained growth, both of care costs and inflation has been undertaken. The overall level of care cost growth is assessed at £4m per annum with a base inflationary requirement of £1.9m per annum, a total of £5.9m per annum. In 2013/2014, following the work with Red Quadrant and review activity with Skylakes the requirement has been reduced to £1m for care cost growth. In 2014/2015 the requirement increases to £3m and £5m in 2015/2016. These later years will be reviewed and updated taking account of progress with the reviews currently underway.
Transport reduction savings	-500	0	-500	This relates to the redundancy costs associated with the removal of Council Fleet Transport. The changes are anticipated to be completed during 2012/2013, allowing the budget to be removed from 2013/2014 onwards.
<b>Total Adults</b>	<b>5,585</b>	<b>-5,085</b>	<b>500</b>	
<b>Places and Organisational Capacity</b>				
Waste disposal - decreased / increased running costs	823	-161	662	Amended due to lower Growth in terms of Tonnage & Rate
Waste disposal - diversion from landfill	-475	362	-113	Reduced Saving: Only 10kt can be diverted in 2013/2014 through collaboration with another local authority.
Waste disposal - HWRC site review	1,500	-1,500	0	Deleted. Capital Scheme removed through capital review but may be deferred to 2014/2015
Waste Collection & Recycling - Route Optimisation	26	0	26	Retained
Local Service Delivery - Transfers	-39	39	0	Deleted - this related to Yr 2 assets transfers re Public Conveniences but some sites are remaining
Transport: Concessionary Fares + Local Bus exceptional inflation	293	43	336	Lower inflation forecast
Neighbourhood Policing transfer of Grant to P&CC	-150	0	-150	Retained
Car Parking developments	-36	36	0	Deleted pending further review of options and costs
Review Leisure Centre operations	-75	75	0	Deleted - a review of joint use leisure centres is not achievable due to legal constraints
Other Policy Proposals	-12	0	-12	Retained
Spatial Planning: Local Development Framework Public Enquiry Examination	150	-150	0	Deleted - to be treated as a one off item
Planned Programme of Inspections	400	0	400	Retained
Increase in Energy Consumption Budgets	510	-510	0	Deferred to later years
Energy Consumption Invest to Save project	-330	270	-60	Amended due to longer pay back period
Caretaking & Cleaning Review	-100	0	-100	Retained
Reductions in street lighting energy costs	-125	54	-71	Amended due to a delay in starting the scheme
Reduce Council's subsidy to Tatton Park	-341	211	-130	Amended due to a delay in starting elements of the programme
Other: Hsg review HIA service	-25	25	0	Deferred to later years
Other: Assets reduce illuminated signs/lighting	-10	0	-10	Retained but under review
Other: VE remove Nantwich food a7 drink festival subsidy	-5	0	-5	Retained
Other: VE NIC income generation	-30	30	0	Deferred to later years
Other: External funding team	0	-50	-50	Brought forward from 2014/2015
One off Grants to Town and Parish Councils	-209	0	-209	Retained but under review
<b>Total Places and Organisational Capacity</b>	<b>1,740</b>	<b>-1,226</b>	<b>514</b>	

Proposals	Original Roll Forward £000	Change £000	New Roll Forward £000	Reason for Change
<b>Corporate Services</b>				
Insurance re-tendering and efficiencies	-150	0	-150	Retained
Investment in a Training Facility	-50	50	0	Original ambitions to establish a trading company for the delivery of a training facility at Tatton Park have been scaled down to ensure that there is a model that is achievable and a stronger business case can be made. A pilot programme is being developed but we are applying caution at this stage by removing the income generation from the plan until delivery can be proved.
Optimisation of Revenues and Benefits Service Delivery	-100	0	-100	Retained
Investment in Core System Stability	650	0	650	Retained
ICT Harmonisation of Contracts / Sweating Assets	-50	0	-50	Retained
Develop Separate Legal Entity - Finance	-500	500	0	Original plans related to the implementation in 2012/2013 of a Separate Legal Entity for the major Shared Services are being re-examined through a new Business Case, which is included in Change Project 7.1. On this basis the original planned savings have been removed and the revised plans will be updated in Change Project 7.1 - subject to Member decision in January 2013.
Other Policy Proposals	-78	0	-78	Retained
Develop Separate Legal Entity - HR/OD	-175	175	0	As above
Other Policy Proposals	27	0	27	Retained
<b>Total Corporate Services</b>	<b>-426</b>	<b>725</b>	<b>299</b>	
<b>Total 2013/2014 Policy Options</b>	<b>5,400</b>	<b>-4,912</b>	<b>488</b>	

Source: Cheshire East Finance

## Appendix 7 – Council Priorities and Change Projects as at 10<sup>th</sup> December 2012

Ref	Change Project	Description of Projects(s)	Cost of Investment			Cost			Saving			Net		
			2013/14 £000s	2014/15 £000s	2015/16 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s
<b>1.</b>	<b>Local economic development</b>													
1.1	Investment in existing and new road infrastructure	Investment in improving road conditions. Also key new road infrastructure projects including Congleton Link Road; Poynton Relief Road, Crewe Green Link Road, and Crewe regeneration projects						200	(200)			(200)	0	200
1.2	Investment in high speed broadband network for Cheshire East	Connecting Cheshire - To provide a minimum of 90% superfast broadband coverage across the four Cheshire authorities, with the ambition to achieve 100% through European Grant Funding										0	0	0
1.3	Investment to support business growth and delivery of Macclesfield and Crewe regeneration, and the Sustainable Towns programme	To deliver jobs growth and regeneration for principle town centres and market towns across Cheshire East				500						500	0	0
<b>2.</b>	<b>Developing affordable, and sustainable local models of care for vulnerable children and adults</b>													
	All four 'Change Project' areas in this category are covered by this project	To design future care and support models across Children's and Adults' services in ways that will help achieve increased levels of independence and reduce the need for longer term support.	500						(870)	(1,420)	(200)	(870)	(1,420)	(200)
<b>3.</b>	<b>Focusing services on early intervention and prevention</b>													
	All four 'Change Project' areas in this category are covered by this project	Investment in early intervention activities which prevent individuals requiring support and services for the longer term.	400						(1,600)	(1,000)	(1,000)	(1,600)	(1,000)	(1,000)
<b>4.</b>	<b>Responding to the changing education and learning environment</b>													
	All four 'Change Project' areas in this category are covered by this project	Good education provision is vital, both for the success of individuals and to stimulate and drive a thriving local community and economy. Changing national priorities and local need mean that the authority needs to develop a number of initiatives to address these issues together with exploiting opportunities for improvement and driving efficiencies	400						(600)	(350)	(100)	(600)	(350)	(100)

Ref	Change Project	Description of Projects(s)	Cost of Investment			Cost			Saving			Net		
			2013/14 £000s	2014/15 £000s	2015/16 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s
<b>5.</b>	<b>Securing housing that is locally-led, community-based and that meets local needs</b>													
5.1	Develop a new delivery model for the housing service	Reshaping of existing housing service to maximise efficiencies										0	0	0
5.2	Better integrate housing across all Council services	Better integrate housing across all Council services, ensuring it supports independent living and health improvement							(300)			0	(300)	0
<b>6.</b>	<b>Redefining the Council's role in core place-based services</b>													
6.1	Develop new delivery models for frontline place-based services	(a) To identify future delivery options of 'in-house' leisure facilities which affords the Council maximum flexibility and reduces burden on the taxpayer	300				100					0	100	0
		(b) To extend the scope of the Highways Services Contract by inclusion of Streetscape & Parking Maintenance activities currently undertaken by the Council							(250)	(200)		(250)	(200)	0
6.2	Total Transport change project	Continued development of affordable transport options, including sustainable staff travel										0	0	0
6.3	Develop a new model for sustainable library services and community hubs	To implement a range of operating models for libraries, reflecting the scale of demand in different communities. Opportunity for further community involvement and shared assets.	50	150	100				(100)	(600)	(300)	(100)	(600)	(300)
6.4	Determine future delivery model for waste management services	Developing and implementing an alternative delivery models for the different Waste & Recycling service.	725								(2,000)	0	0	(2,000)

Ref	Change Project	Description of Projects(s)	Cost of Investment			Cost			Saving			Net		
			2013/14 £000s	2014/15 £000s	2015/16 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s
<b>7.</b>	<b>Service efficiency and redefining the corporate core</b>													
7.1	Develop a more affordable model of corporate services with key subject expertise, to enable better strategic commissioning and delivery of frontline services	To deliver a comprehensive review of the business model and structures for the corporate support functions Performance; Research & Consultation; Marketing & Publicity; Workforce Development and Procurement.							(450)			0	(450)	0
7.2	Implement a modern business architecture, including ICT systems, which supports innovative and affordable frontline delivery	The project will support the major schemes and programmes of work across the Council as well as the day to day operations, based on our service objectives to provide - "Fit for purpose" ICT services which enable and support effective and reliable service delivery. - A cost effective ICT infrastructure that reduces duplication, streamlines business processes, offers best value and delivers a return on investment. - Safe and secure technology that reduces risks, repels external threats and complies with relevant legislation. - A future-proof, proactive and innovative commissioning service for all ICT investment. (figures received from Children's, Families and Adult's)	200						(250)	(250)	(500)	(250)	(250)	(500)
7.3	Continue targeted business improvement reviews to find efficiency savings from all services	Business efficiency and effectiveness (figures received from Children's, Families and Adult's).	100						(450)	(100)		(450)	(100)	0
7.4	Maximise the benefits from the Corporate Landlord model to best utilise our asset base to support delivery of the Council's wider objectives	Rationalisation of current Council operational asset portfolio to consolidate delivery of services into fewer buildings, releasing efficiencies in overheads, reducing carbon emissions and generating capital receipts as sites are released.	50						(1,500)			(1,500)	0	0

Ref	Change Project	Description of Projects(s)	Cost of Investment			Cost			Saving			Net		
			2013/14 £000s	2014/15 £000s	2015/16 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s	2013/14 £000s	2014/15 £000s	2015/16 £000s
<b>8.</b>	<b>Workforce planning</b>													
8.1	Further develop employment and working practices to enable flexible and agile working	(a) To enable the design and implementation of a contribution based pay scheme to replace the current incremental progression scheme	230									0	0	0
		(b) To further develop employment and working practices to enable flexible and agile working.	50									0	0	0
		(c) To enable a fundamental review of evaluated jobs / roles with a view to reducing them and grouping them into families.										0	0	0
8.2	Identify changing skills requirements over medium term and equipping the organisation with these skills	To enable the design and implementation of a contribution based pay scheme to replace the current incremental progression scheme	70			100						100	0	0
8.3	Manage workforce turnover so that vacant posts, where appropriate, are used to provide efficiency savings, whilst retaining staff with essential skills	To design, agree and implement a process which will enable the Council to identify and delete appropriate posts that become vacant, thereby achieving reductions through natural wastage.										0	0	0
			3,075	150	100	600	100	200	(5,820)	(4,670)	(4,100)	(5,220)	(4,570)	(3,900)
														(13,690)

Note:

- The Cost of Investment is one off and not included within the totals.
- Cost and Savings represent permanent changes to Budgets.

## Appendix 8 – Meeting the Financial Challenges – December Update

Options related to each of the Five Measures are set out below.

Measure	December Position
<b>Measure One Challenge Financial Assumptions</b>	<p><i>Additional funding may be possible from the following:</i></p> <ul style="list-style-type: none"><li>- Business growth (1% business rates growth = £0.3m additional income).</li><li>- Return of Government contingency funding (up to 13% of current funding levels).</li><li>- Additional new homes (every additional band D property equates to £1,400 of bonus funding).</li><li>- Improved employment levels which will reduce the call on Council Tax Support.</li><li>- Baseline and Grant funding levels</li></ul> <p><i>Funding Available to Services can also change if the following areas are adjusted:</i></p> <ul style="list-style-type: none"><li>- Revenue costs of the Capital Programme.</li></ul> <p>This issue has already been subject to a Capital Visioning Review by the Leader of the Council and the Portfolio Holder for Finance. The results of this review were reported in the Mid-Year Review (November 2012) and approval for a revised programme will be sought at December Council.</p> <p>Further work is underway with the Council's treasury management advisers to consider altering the profile of debt repayment.</p> <ul style="list-style-type: none"><li>- Contributions to/from reserves.</li></ul>

Measure	December Position
<b>Measure Two Review Local Taxation</b>	<p><i>The Council can review current funding assumptions:</i></p> <ul style="list-style-type: none"> <li>- Acceptance of the Council Tax freeze grant results in additional income of £1.8m for 2013/2014 and 2014/2015.</li> <li>- Changes in the taxbase. Subject to approval by Council the growth in the taxbase resulting from new build and changes to Council Tax discounts equates to £3.3m of additional funding.</li> <li>- Impact on collection rates can generate a surplus or a deficit.</li> <li>- The consultation on Council Tax Support has closed and supported the Council's scheme to deliver the necessary level of saving. This has been factored into the updated taxbase which is subject to Council approval.</li> <li>- Introducing a business rate supplement for specific purposes (1p on the multiplier = £2.1m).</li> <li>- Introducing business improvement districts for specific purposes.</li> </ul>
<b>Measure Three Manage Reserves</b>	<p><i>The Reserves Strategy 2012/2015 can be reviewed to reconsider:</i></p> <ul style="list-style-type: none"> <li>- Risks associated with medium term spending plans.</li> <li>- Other emerging risks which may require funding from reserves.</li> <li>- The strategic use of reserves to support innovation.</li> </ul>
<b>Measures Four &amp; Five Manage Cost Drivers &amp; Income</b>	<p>The Council's 3 Year Plan 2013/2016 will almost certainly necessitate major changes to the way services are delivered and funded to achieve the required outcomes.</p> <p>In order to manage the difficult budget setting decisions necessary over the next few months, a set of principles have been developed which will be applied consistently to guide these during the budget process.</p>

## Measure

## December Position

These principles have been refined and are currently :

1. We will be policy-led and stick to our decisions.
2. We will make decisions based on evidence of need, with due regard to our equality duty and on what works.
3. We are planning for at least 3 years.
4. We must be a more productive and affordable organisation.
5. We will stop doing some things to focus on those that matter most to local people.
6. We will invest in innovative new ways of providing services.
7. We will ensure that those who provide services, whether in-house or externally, give real value-for-money.
8. We will promote self-reliance and capacity in local communities to reduce demand on public services.
9. We will focus our limited resources on prevention and early intervention.
10. We will invest in infrastructure to promote local economic growth and access to job opportunities.

**These are in draft form and may be updated during the Budget setting process in light of comments received.**

## Appendix 9 – Detailed Timetable

Month	Meeting	Action
<b>December</b>		
7	Corporate Scrutiny	To allow cross party input into Council tax base issues of Council tax support and technical reforms.
10	Cabinet	To make recommendations to Council on Council tax base (incl Council tax support and technical reforms) and consider MTFs Report
13	Council	To approve Council tax base (incl Council tax support and technical reforms) and approve recommendations regarding investments in roads
<b>January</b>		
7	Cabinet	
9	Member Briefing	To receive budget briefing
Mid	Finance Portfolio Holder	Formally approve NNDR1 Return
31	Audit and Governance Committee	Consider Treasury Management Strategy
<b>February</b>		
4	Cabinet	To recommend to Council approval of budget / 2013/2014 Capital Programme / Leader's Report / Treasury Management Strategy / indicative Council tax resolution
21 / 28	Council	To approve the budget / 2013/2014 Capital Programme / Leader's Report / Treasury Management Strategy / Council tax resolution