



Cheshire East Council

Consultation on the 2009-10 Budget

General Briefing for Stakeholders

January 2009

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1. Introducing Cheshire East Council

During 2008-09 a major restructuring of local government is taking place in Cheshire. This is one of the most challenging local authority restructuring projects being undertaken in England at present. Seven Councils i.e. Cheshire County Council and the six Cheshire District Councils will be replaced with two all purpose unitary authorities:

- **Cheshire East Council** (comprising part of Cheshire County Council and the District Councils of Congleton Borough Council, Crewe and Nantwich Borough Council and Macclesfield Borough Council); and
- **Cheshire West and Chester Council** (comprising part of Cheshire County Council and the District Councils of Chester City Council, Ellesmere Port and Neston Borough Council and Vale Royal Borough Council).

The reorganisation is the result of several years of debate over what form of local government will provide the best services to the people of Cheshire in the most efficient and effective way. It has not been approached lightly and a considerable amount of work is underway to ensure the new authorities are operational for 1st April 2009.

The work to date has included:

- The creation of two Shadow Authorities;
- The election of new Members and the formation of committee structures;
- The appointment of the new Chief Executives and good progress with the appointment of the new directors and third tier staff;
- The development of high level Financial Scenarios and ongoing work to set budgets and design new services.

During the initial months there was a certain amount of common ground for the new authorities and this was handled in the most effective way. However, as the development of the authorities has accelerated there has been a natural separation and at this point both authorities are ready to hold separate events to consider the services and budgets that will be effective from 1st April 2009.

This document has been produced by Cheshire East Council and focuses on the issues and budget proposals for the new Council.

2009-10 Budget Setting

There are several key steps in the process that remain to be completed to arrive at a balanced and sustainable budget, these include:

- Further refinement of new service structures and budgets
- Budget Consultation with stakeholders, staff and the public
- Taking account of Budget Consultation feedback

- Finalising the Budget and Council Tax at the Council Meeting in late February

Budget Consultation is a key part of this process. However, the challenges of producing a budget for a new authority have meant we have been unable to publish budget options in the level of detail and to the timescales that we would wish to in a normal year. While we acknowledge the limitations of the information we have been able to provide to stakeholders, all comments are welcome and we are determined to improve the arrangements in future years. We welcome comments on how that can be achieved and what level of consultation you would expect.

The following Budget Consultation meetings have been set up for Cheshire East Council:

- Parish Councils – 12th January – 7pm at Crewe Hall
- Trades Unions – 13th January – part of a formal meeting
- People and Places – 14th January – 10am at Wychwood Park (open to all stakeholders)
- Schools Forum – 19th January – part of a formal meeting
- Business Breakfast – 20th January – 7:30am at Mere Golf and Country Club

In addition, material will be made available on the website, in libraries and in public areas of Council buildings.

The remainder of this document is structured into the following key areas:

- Cheshire East Background / Profile information
- Cheshire East Financial Outlook
- Key Service delivery areas
- Key Budget Proposals – note that the key issues for each particular Stakeholder group will be included.

2. Cheshire East Profile

As Cheshire East Council is a new authority, covering a newly combined area, it is timely to remind ourselves of some of the demographic and other statistical issues which in turn affect the nature of services provided.

A detailed profile of the area is attached as an Appendix. Some key points from this include:

- Cheshire East has a population of 360,700 (2007 mid-year estimate). This is 5% of the North West's population and 0.7% of England & Wales' population.
- The age structure of Cheshire East is slightly older than that of England & Wales. The number of people aged 85+ will double between 2006 and 2026.
- Over 3% of Cheshire East residents are non white. There are also a significant number of economic migrants who have arrived from Eastern Europe, mainly Poland, although it is difficult to provide accurate detail on the numbers.
- Cheshire East is a relatively safe place to live although Cheshire's Quality of Life survey shows crime is still a top concern for residents. In 2007-08 there were 24,346 recorded crimes in Cheshire East, this is 67 per 1,000 population. This is well below the National Average of 92.
- Manufacturing remains a much more significant employer in Cheshire East than in other parts of the UK with 17% of employees working in manufacturing.
- 54% more people are claiming Jobseeker's Allowance in Cheshire East compared to 12 months ago.
- In Cheshire East the ratio of house prices to household incomes is higher than for the North West.
- The proportion of GCSE candidates achieving grades A*-C was 63% in 2006 compared to 59% for England.
- Within Cheshire East, domestic CO2 emissions per capita were higher in 2005 compared to the national average.
- There are pockets of significant deprivation, many of them in Crewe, East Congleton, South Macclesfield and North Wilmslow.

More detailed information is available from:

<http://www.cheshire.gov.uk/randi/lilac.htm>

Economic Downturn

As noted above there has been a sharp rise in the number of people claiming Jobseeker's Allowance (JSA) in Cheshire East. It is therefore worth also considering how the current economic downturn poses a much greater risk to some industries than others. In particular:

- The credit crunch will lead to significant job losses in the Financial Services sector (4.5% or 7,500 employees in Cheshire East in 2007 with a high proportion in Macclesfield).
- The weakness of the housing market, and the wider property market, will have a knock-on effect on the construction sector - and also on businesses which supply household appliances, furniture and other durable goods (5.0% or 8,300 employees in Cheshire East with a high proportion in Congleton).
- Job losses, increased job insecurity and decreasing profit margins will also reduce demand for cars and commercial vehicles (as well as other capital goods) (2.6% or 4,400 of the Cheshire East employees with a high proportion in Crewe and Nantwich).
- It is also anticipated that the Chemicals & Pharmaceuticals sector will continue to shed jobs (4.7% or 7,900 employees in Cheshire East with a high proportion in Macclesfield).
- The scarcity of non-renewable energy will place long-term pressure on energy prices, which again will affect transport-related industries.

The latest (2007) estimates of the numbers of employees working in these sectors is 17% of the overall employment in Cheshire East which is slightly higher than the proportion at national (Great Britain) level (12%) or across the North West region (13%).

3. Cheshire East Council: Financial Overview

Cheshire East Council has developed a base budget and Service budget levels from a proportion of Cheshire County Council (roughly 51%) and the three District Councils in Congleton, Crewe and Nantwich and Macclesfield.

After refinement, this has indicated a required service budget of some £234m (excluding schools). However, a key issue has been funding and negotiations with the Department for Communities and Local Government and Cheshire West and Chester Council have resulted in an agreed split of Government funding (i.e. Revenue Support Grant and Non-Domestic Rates) and the new Cabinet has proposed an approach to Council Tax.

These two sources of funding, Government Grant and Council Tax, have been set against the base budget levels and after allowing for certain central provisions such as inflation have resulted in a need to make savings.

The need for savings reflects the general Financial Scenario facing the Council i.e. the continuation of below inflation increases in Government funding and a Political will to keep Council Tax increases below inflation. At the same time cost pressures facing services continue to increase – some by more than inflation e.g. Adult Social Care Contracts and Bus Contracts.

Another key factor has been the split of Specific Grants. The authority receives a large amount of Specific Grants each year for services such as Social Care Reform, School Development and Youth Opportunities. It has been necessary to split all the Grants received East and West. The end result is that some £60m has been included in the budgets set out below. The use of these grants will be carefully reviewed in the coming year.

The state of the economy has had an impact with the Council having to reduce income targets in the areas of car parking, planning and business rates and allow for potentially higher levels of non collection. These issues will be kept under review in light of changing economic circumstances. Further work is underway to fully assess the impact of the credit crunch, further redundancies in the region and the weakness of the housing market on the Cheshire East area, and to determine what the Council can do to help individuals and businesses.

However, one of the key reasons for undertaking the reorganisation was to generate significant levels of efficiency savings, e.g. lower management and support costs, which can be used to keep Council Tax low and reinvest in front line service areas. These savings will take time to achieve but will give the Council greater flexibility to move away from budget reductions and give scope for investment in priority areas.

Key Budget Assumptions

The following key budget assumptions have been made:

- Pay inflation – after consideration of the current economic climate and the nationally negotiated pay award for 2008-09 an increase of 2.5% has been provided for.
- Non pay inflation – provision for non pay inflation has been set at 0.5%.
- Exceptional inflation – service budgets include certain contract costs relating to roads maintenance, household waste and social care. In some cases the costs of the contracts are increasing by more than the average rate of inflation. At this stage the anticipated cost increases are being kept under review and will not be finalised for a few more weeks.

Council Tax

Local Authorities in Cheshire have an enviable record in relation to low Council Tax increases and the new Cheshire East Council is conscious of the impact such increases have, particularly on those with fixed incomes, and are therefore determined to keep such increases under tight control.

Council Tax for Cheshire East will be harmonised from 1st April 2009, based upon the lowest Tax level of the predecessor authorities. In effect this means that the “starting point” - when considering Council Tax setting for 2009-10 - will be the combined County and Borough Council taxes in the Crewe & Nantwich area in 2008-09, as illustrated in the table on the following page.

As in previous years, for 2009-10 the Government again expects average Council Tax increases in England to be “substantially below 5%”. Cheshire East aims to meet that expectation.

Whilst levels of specific and general grants from Central Government are largely fixed, the Council faces a number of challenges (service / budget pressures) as well as opportunities (scope for rationalisation / efficiency savings).

With Council Tax income to Cheshire East estimated to exceed £170m in 2009-10 a 1% change equates to approximately £1.7m. Therefore, local taxation is an important part of balancing the Budget and financial planning for the future.

The proposal is to set the Cheshire East Band D Council Tax for 2009-10 at £1,196.01, being an increase of just 1.14% on the lowest (harmonised) 2008-09 Band D Council Tax. For residents of the existing Boroughs, this option would mean the following:

	Congleton £	Crewe & Nantwich £	Macclesfield £
County/ Borough Council Tax in 2008-09	1,208.09	1,182.56	1,196.01
Cheshire East Council Tax for 2009-10 - <i>Option under consideration</i>	1,196.01	1,196.01	1,196.01
£ change, increase / - decrease	-£12.08	£13.45	£0.00
% change, increase / - decrease	-1.00%	1.14%	0.00%

A 2009-10 Council Tax at, or close to, this level would more than meet Central Government's expectations and also help to achieve our objectives of reducing the burden on local tax payers.

However, in setting the Council Tax at its meeting on 24th February 2009, Cheshire East Shadow Council will consider a range of factors affecting its budget, including pay and price inflation and growth in demand for services.

In producing a balanced Budget and setting a Council Tax for 2009-10, the Council will look to provide stability and financial sustainability for the medium term.

Icelandic Banks

Like many other local authorities, we have been affected by the turmoil on the stock exchange in September / October and the collapse of the Icelandic Banking System. Some of the Council's money (circa £4m) was invested in Heritable Bank – a UK subsidiary of Landsbanki, which at the time the money was invested was given the highest possible credit rating. Currently, the position regarding the recovery of this money is still unclear, however, it will not impact on service delivery and the Government has enabled all affected local authorities to exclude the impact of the loss from their 2008-09 Accounts. Representatives from Cheshire East will maintain pressure on the Administrators to have this money returned.

Cheshire East Council – Key Areas

Cheshire East will be a large local authority and responsible for many key service areas including:

- Schools (Dedicated Schools Grant)
- Social care for children and adults
- Provision of the highways network, road maintenance and transport planning
- Provision of bus services and management of certain transport contracts
- Waste collection and disposal
- Cultural and Leisure Services
- Council Tax collection
- Environmental Health and Trading Standards

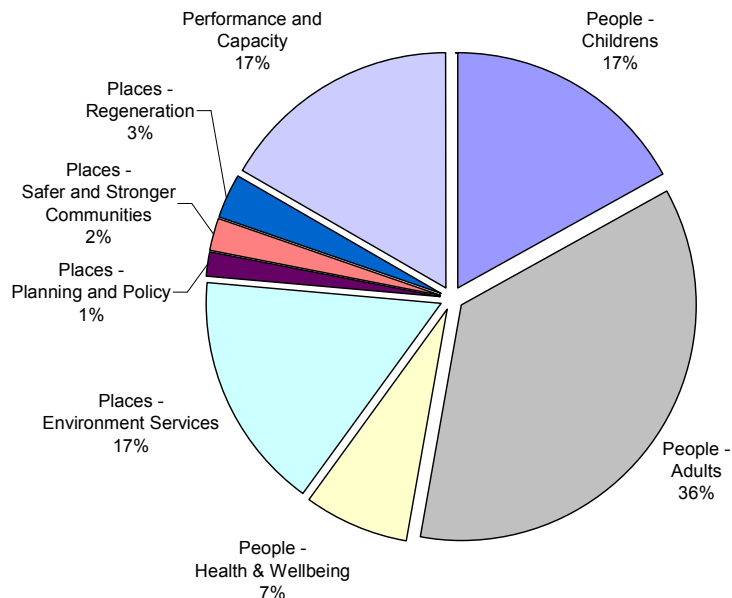
- Housing
- Community Safety

In addition the Authority will be actively seeking to develop partnerships and community engagement initiatives.

The Authority has decided to base its structure on the one set out in the original restructuring proposal of:

- People
- Places
- Performance and Capacity

While detailed structures within these broad headings are still being developed, the following pie chart sets out the approximate proportion of the total Budget represented by key service areas:



Capital Programme

As part of the budget setting process the Council also approves a three year Capital Programme. The capital planning process for Cheshire East has involved:

- a review of the schemes that the Council will inherit from existing authorities which it is committed to deliver;
- a review of the proposals that were in the Medium Term Financial Strategies of the existing authorities;
- identification of capital Transitional Costs;
- the inclusion of new priorities for Cheshire East Council.

At this stage the following key assumptions have been made; all of which will need to be adjusted at various points throughout the budget setting cycle:

- The 2008-09 Programme of each authority will be delivered as planned, and within the currently identified resource envelope (both absolute and mix).
- No account has yet been taken of the appropriate 'financial envelope' or relative political priorities of the new authorities.
- It has been assumed that all authorities have reviewed their 2008-09 programmes to ensure their expected contribution to Transitional Costs can be accommodated within existing resources (where appropriate).
- The detailed management of the Council's dis-aggregated schemes will be agreed ahead of 1st April 2009.

The outcome of this review has produced the following analysis:

- A. 2009-10 commitments arising out of 2008-09 programme total £53.9m. Included within this total is £19.9m relating to schemes which are not yet contractually committed but which have been identified as still required.
- B. Estimated block allocations are expected to total £35.3m.
- C. Additional new start bids, currently identified, total £5.5m.

The analysis shows that through the aggregation of the current Capital Strategies of Congleton, Crewe & Nantwich, Macclesfield and the County (part thereof) the proposed capital expenditure for the budget period is £94.7m in 2009-10, £59.8m in 2010-11, and £48.0m in 2011-12.

The financing of the Capital Programme is complex but based on the above analysis the proposed funding sources would be as follows:

	2009-10 £m	2010-11 £m	2011-12 £m
External			
Grants	44.1	37.9	31.5
Contribution	4.7	0.2	0.1
Internal			
Capital Receipts	18.3	7.2	3.1
Borrowing	26.9	14.0	12.8
Revenue Contribution	0.7	0.5	0.5
Total	94.7	59.8	48.0

Whilst a high proportion of the Capital Programme will be funded by external sources, as shown above, an element of the programme has a direct impact on Cheshire East Council's revenue budget.

4. Corporate Planning Process

The Cheshire East Council Corporate Plan is being developed as an Interim Plan to allow Cheshire East to develop its Medium Term Financial Strategy (MTFS) and to set its Budget for 2009-10. Cheshire East Cabinet will approve the Interim Plan on 17th February 2009 and it will be reported to Council on 24th February 2009. By setting out the Council's priorities and objectives individual services will be able to develop delivery plans which will enable staff to understand their key priorities and actions. This will ensure that the Council delivers on its stated objectives and key priorities.

The Corporate Plan is being developed using the community priorities, outlined in the Interim Cheshire East Sustainable Community Strategy, as the starting point, and also takes into account the priorities and objectives of the four local authorities that will come together to form Cheshire East. These priorities have been published by each authority and have been developed based on consultation with communities and partners.

The current draft version of the Corporate Plan sets out Cheshire East's proposed strategic direction for 2009-10 and also sets out the proposed priorities for its first year. It is proposed that the Council has a series of priorities that directly support the seven Community Strategy themes, and reflect our areas of responsibility.

Children and Young People

- Providing security, care and stability for vulnerable children
- Improving educational attainment

Adult Health and Well-being

- Maximising choice to support older people and disabled people who want to live in their own homes
- Providing leisure facilities to encourage healthier communities

Stronger Communities

- Devolving decision making and budgets to create greater local choice

Safer Communities

- Improving community safety to reduce crime and fear of crime by targeting anti-social behaviour and drug and alcohol abuse
- Improving road safety

Tackling Exclusion and Promoting Equality

- Improving service provision to rural areas
- Appropriate transport for the public and service users

Local Economy

- Supporting the local economy to increase prosperity

Environmental Sustainability

- Managing waste to create less and recycle more
- Tackling climate change
- Improving roads and highways

In addition a further four priorities have been proposed to **Build the New Council** into a flagship authority fit for the 21st century:

- Achieving seamless transition to new authority
- Providing excellent customer services
- Increasing value for money through transformational change and new ways of working
- Harmonising and stabilising Council Tax and maintaining a balanced budget

As the MTFs is developed, recognition must be given to the importance of the Comprehensive Area Assessment in terms of assessing the effectiveness of the Council's partnerships in service delivery. Funding is increasingly being directed towards regional and local partnerships and this requires a different approach to the application of available resources. Further work will be undertaken to ensure that there are effective links with the development of the Local Area Agreement.

5. Cheshire East Council: Budget and Policy Proposals

Introduction

To provide a framework for the Budget Consultation process a series of stakeholder specific briefings have been prepared. The relevant briefing will form part of this document (in hard copy) or can be downloaded as a separate attachment.

Please bring these documents to the meeting.

Feedback can also be sent to the email address:

budgetinfo@cheshireeast.gov.uk