Appendix 2

CHESHIRE EAST COUNCIL

Cabinet

Date of meeting:	17th February 2009
Report of:	Borough Treasurer & Head of Assets
Title:	Medium Term Financial Strategy – Budget Setting 2009/10

1.0 Purpose of Report

1.1 The purpose of the report is to demonstrate that Cheshire East Council has set a balanced budget for 2009/10 in line with its corporate priorities, to provide a summary view of the Medium Term Financial Strategy in light of the Budget Setting proposals and to inform Members of future financial pressures and risks.

1.2 The Financial Planning process was reported to Cheshire East Cabinet on 16th June 2008. It detailed the four stages of the process as follows:

Stage 1 – Apr to Jun 2008 – 2008-09 Baseline
Stage 2 – Jun to Sep 2008 – High Level Planning
Stage 3 – Oct to Dec 2008 – Refinement and Adjustment of Options
Stage 4 – Jan to Feb 2008 – Finalisation of 2009-10 Budget

Stages one to three are complete and this report is part of the finalisation of Stage 4. Stage four also includes the Budget consultation events that were held in January 2009, full details of which are provided in this report.

2.0 Decision Required

2.1 That the 2009/10 Budget as detailed in the report is recommended to Council for approval (Section 13).

2.2 That the draft three-year Capital Programme for 2009/10 to 2011/12 is recommended to Council for approval (Section 15 and Appendix J).

2.3 That a Band D Council Tax of £1,196.01 (1.14% increase, based on Crewe & Nantwich Band D for 2008/09 of £1,182.56) is recommended to Council for approval.

2.4 That the view of the Borough Treasurer and Head of Assets (Chief Finance Officer), regarding the level of reserves held by the Council based on this budget, is noted (Section 11).

2.5 That the Reserves Policy & Strategy as detailed in Section 11 and Appendix E is recommended to Council for approval.

2.6 That the fees and charges detailed in Section 9.2 and Appendix C are recommended to Council for approval with the exception of those prices for services and facilities where the setting of fees and charges is already delegated to other Committees, Panels or individuals, as indicated.

2.7 That the 2009/10 Specific Grants (excluding DSG) as detailed in Section 9.1 and specified in Appendix B are agreed.

2.8 That Portfolio Holders be authorised to agree any necessary amendment to particular grants within their area of responsibility in the light of further information received from Government Departments or other funding bodies.

2.9 That the 2009/10 Dedicated Schools Grant (DSG) of £194.101m (including central expenditure of £26.179m) and incorporating the policy proposals as specified in Appendix D and outlined Section 10 be agreed.

2.10 That the Children and Family Service Portfolio Holder be authorised to agree any necessary amendment to the DSG position in the light of further information received from DCSF and the actual balance brought forward from 2008/09.

2.11 That the results of the Budget Consultation exercises undertaken by the Council are noted (Section 12 and Appendix F).

2.12 That the Prudential Indicators for capital financing as detailed in Section 14 of the report are recommended to Council for approval.

2.13 That the risk assessment detailed in Section 17 of the report is noted.

3.0 Corporate Planning Process

3.1 The Cheshire East Council Corporate Plan is on the same agenda today and has been developed as an interim Plan to help the Council develop its Medium Term Financial Strategy (MTFS) and to set its Budget for 2009/10. It will be reported to Council on 24th February 2009.

3.2 A new Corporate Plan will be developed further during 2009/10 once the Sustainable Community Strategy and Local Area Agreement have been reviewed and agreed. The Corporate Plan will be developed into a three-year rolling plan, spanning the period 2010 – 2013. This will enable the Council to align the plan with the MTFS. The MTFS spans the same period of time as the Corporate Plan, and provides the funding for the Council to deliver its stated objectives. The objectives and priorities within the Corporate Plan will drive the MTFS and the two plans will then be developed in tandem.

3.3 The Corporate Plan sets out Cheshire East's strategic direction for 2009/10 and also sets out the priorities for its first year. The Council has 15 priorities that directly support the seven Community Strategy themes, and reflect our areas of responsibility:

We will enable all children and young people to fulfil their potential by:
- Promoting their safety, care and stability
- Improving their educational attainment

We will improve the wellbeing, health and care of people by:
- Encouraging healthier lifestyles
- Increasing for older and disabled people their choices and their control over the resources made available to them

We will ensure that people in local communities have a greater say about how resources are targeted in their area by:
- Devolving service provision, decision making and where appropriate budgets to create greater local choice

We will work with others to make all of our communities safer places to live, work and play by:
- Reducing crime and the fear of crime by targeting anti-social behaviour and drug and alcohol abuse
- Improving both traffic flow and road safety

We will enable people to have a good quality of life irrespective of where they live or the social or economic background by:
- Improving service provision to rural areas
- Facilitating appropriate transport for the public and service users

We will shape and maintain strong and prosperous neighbourhoods in which our residents are skilled and economically active, where businesses want to invest and where people want to visit by:
- Supporting the local economy and tourism to increase prosperity
- Improving roads and highways
- Where practical reducing the impact of the recession on both businesses and individuals

We will provide an attractive and sustainable environment which communities can be proud of by:
- Reinforcing the distinctive characteristics of our towns, villages and rural areas
- Managing waste
- Tackling climate change

Cheshire East is a brand new Council and it is essential that it ‘hits the ground running’ and provides high quality, cost effective services to residents and communities. In doing so it must be responsive to changing needs and increasing demands, with a view to improving value for money. This will be a priority for the Council.

3.4 As the MTFS is developed, recognition must be given to the importance of the Comprehensive Area Assessment (CAA) 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 (LAA).

4.0 Financial Planning Process

4.1 Cheshire East Cabinet approved the Financial Planning Process on 16th June 2008. The Financial Planning Process has been aligned with the Corporate Planning process to ensure that budget proposals are designed to deliver the Council's Corporate Priorities as described in Section 3. The Financial Planning Process includes four stages briefly described as follows:

Stage 1 – Apr to Jun 2008 – 2008/09 Baseline

Work to disaggregate the County Council's 2008/09 Budget and to aggregate those of the District Councils was completed during this stage. This provides a notional baseline Budget for 2008/09 for Cheshire East Council and gave an indication of the scale of its financial responsibilities.

Stage 2 – Jun to Sep 2008 – High Level Planning

This stage involved 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 took into account factors such as inflation, government grant, Council Tax, transitional costs and any appropriation to/from reserves.

Stage 3 – Oct to Dec 2008 – Refinement and Adjustment of Options

This stage involved making any necessary adjustments to the high-level options and then undertaking detailed planning and budget modelling. This included the outcome of the grants and balance sheet disaggregation and discussions with Cheshire West & Chester. It also involved work on Fees & Charges, including harmonisation issues, and the development of the Capital Programme for 2009/10 to 2011/12. This work has been aligned with the Corporate Plan priorities. The output from this stage was detailed budget proposals which the Council consulted on in January 2009.

Stage 4 – Jan to Feb 2009 – 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 were held in January and targeted at Cheshire East

Council's key stakeholders. The Financial Planning process is now in the final phase of Stage 4.

4.2 The initial financial position, identified at Stage 2, for the next three financial years i.e. the net position on the Council's General Fund if no targeted additions or reductions were made to any of the budgets was as follows:

2009/10 £15.342m deficit
2010/11 £ 5.487m surplus
2011/12 £ 3.262m surplus

4.3 The table below shows a summary of the initial view of the potential funding gap for 2009/10:

Financial Scenario 2009/10 Budget	**£m**
Financial Envelope (Council Tax/Formula Grant)	234.774
Less: Inflationary Impact, Capital Financing and Business Case Assumptions	31.689
Amount Available at Current Year Prices	**203.085**
Base Budget (Net of Specific Grants and Income)	232.450
Gross Funding Gap	**29.365**
Adjusted by: Growth Pressures, Savings, New Income and Exceptional Inflation	14.023
Net Funding Gap	**15.342**

4.4 Cheshire East Cabinet set an ambitious target of £35m savings for the three-year planning period. This has addressed the funding gap in year 1 and will enable re-investment in Cheshire East's priority service areas over the three-year period. The 'Lean Systems' concept will be pursued during the Council's first year of operation to spotlight potential savings areas. Service processes will be examined to identify unnecessary procedures and work practices that add little to the service to the customer and cause inefficiencies and higher costs.

4.5 In addition the Cabinet has set a new income generation target of £30m over the three-year period through working closely with our partners and the business community to develop innovative projects, in the main using existing and new technologies. Although this has not yet been factored into the three-year financial scenario, work has already commenced in earnest to achieve this target through initial meetings with our partners and the identification of technological innovations that can be pursued.

5.0 Update on Cheshire County Council Disaggregation

5.1 Disaggregation of County Budget

The disaggregation of the County budget was undertaken during Stage 1 of the Financial Planning Process and was finalised at the start of Stage 2. The exercise was undertaken on a formulaic basis to establish a 2008/09 budget that could be aggregated with the Cheshire East District budgets to provide a base position for 2009/10 and for the ongoing financial scenario as part of the MTFS.

This exercise did not, however, determine the budget for funding for Cheshire East. The financial envelope is determined by the disaggregation of Grant funding and the Council Tax Base for Cheshire East.

5.2 **Disaggregation of County Grant Funding**

The disaggregation of the County Formula Grant and Specific Grants was agreed locally, in accordance with the delegation approved at Cheshire East Cabinet on 17th July 2008, by the Department for Communities and Local Government (DCLG) deadline of 24th October 2008. This exercise is described in more detail in Section 6.2 and Section 9.1.

5.3 **Disaggregation of County Balance Sheet**

The County Council's assets and liabilities, as at 31st March 2009, need to be allocated to the two new Authorities on a fair, equitable and transparent basis. The balance sheet by its very nature will not be finalised until the County's accounts are closed for 2008/09 (September 2009). Hence the 2007/08 balance sheet position has been used as a basis for agreeing the principles by which the assets and liabilities will be distributed. The final balances will not be known until later, but this in itself does not affect the ability of both organisations to agree a basis of allocation.

The DCLG set out guidelines for the process, and a date for local agreement to be achieved by 31st December 2008, in the Local Government (Structural Changes) (Transfer of Functions, Property, Rights and Liabilities) Regulations 2008. This deadline was achieved and the County Finance Officer submitted a letter to DCLG on 19th December 2008 detailing the significant progress made and the work still to be completed ahead of 31st March 2009. The letter stated that both Councils are confident that a full Local Agreement will be in place prior to 31st March 2009 (or earlier) on the outstanding issues. It is anticipated that there will be little or no need for arbitration, however, if any matters were to require this facility the arrangements are in place as detailed in the report to Cheshire East Cabinet on 17th December 2008.

Local agreements have been reached on the principles to be applied to disaggregate the vast majority of the individual components of the balance sheet, including major categories such as Operational Properties (Schools, Libraries etc), Infrastructure (Roads, Bridges etc), Vehicles, Furniture & Equipment, Liabilities such as Long Term Borrowing through to Earmarked Reserves. Agreement has also been reached as to how the significant level of Debtors and Creditors associated with the County Council at 31st March 2009 will be dealt with. Cheshire West & Chester will be the nominated Council which takes responsibility for this activity.

The next meeting of the Balance Sheet Disaggregation Group will be held on 18th February 2009 to look at the finalisation of the agreement of the disaggregation of the County balance sheet in accordance with the delegation made by Cheshire East Cabinet on 6th January 2009. The meeting will be attended by the Performance & Capacity Portfolio Holders, the equivalent Members from

Cheshire West & Chester Council, the S151 Officers and the relevant finance, property and legal officers. This will enable an agreement to be made ahead of the 31st March 2009 deadline. The outcome will be reported to Cabinet once the agreement has been finalised.

6.0 Update on Council Tax and Formula Grant

6.1 Council Tax

Council Tax will be harmonised from day one to the lowest Band D level of the predecessor authorities, which is Crewe & Nantwich (£1,182.56). The Council Tax Base has increased by 1% and was approved at Council on 9th December 2008. The Council Tax Base increase has been assumed at 0.7% for 2010/11 and 2011/12.

A 1% change in Council Tax income equates to approximately £1.7m. Obviously the Council can choose to decrease or increase the Band D level, however, Members will be aware that the government has legal powers to 'cap' any Council's budget where it is considered that the level of increase is deemed to be unreasonable. In his statement on 26th November 2008 Local Government Minister John Healey stated that:

'Last year, I made clear that the Government expected the average council tax increase in 2008/09 to be substantially below 5%. The actual increase was 3.9 per cent – the lowest increase for 14 years and the second lowest ever.

We also kept our promise to deal with excessive increases by taking capping action against eight authorities.'

'For 2009/10 the Government again expects the average council tax in England to be substantially below 5 per cent.

And again, we will not hesitate to use our capping power as necessary to protect council tax payers from excessive increases.'

A recent LGA survey suggested that Council Tax is likely to rise by an average of more than 3.5%. Looking back to 2008/09 the average increase for England was 4.0%, English unitary authorities 4.0% and metropolitan districts 3.3%.

The recommended level for Council Tax for 2009/10 is well below any national average increase at a Band D level of £1,196.01. This results in an estimated Council Tax income of £172.363m for 2009/10 and the following percentage change in each area:

Congleton (08/09 £1,208.09)	1.00% decrease
Crewe & Nantwich (08/09 £1,182.56)	1.14% increase
Macclesfield (08/09 £1,196.01)	0.00% no change

The proposal also includes the removal of Green Waste charges at Crewe & Nantwich. The current annual income for Green Waste charges is approximately £0.4m. This will harmonise the Green Waste policy for Cheshire East.

6.2 **Council Tax Base**

The Council approved the Council Tax Base to be applied in the setting of the Council Tax for 2009/10 on 9th December 2008. The gross tax base (before making an allowance for non-collection) for 2009/10 is calculated as 146,223.69. After taking into account current collection rates, a non-collection rate was set at 1.0%. This results in a tax base after an allowance for bad debts of 144,761.46. The justification for setting the collection rate at 99.0% is that this represents the best harmonised position based on the non-collection assumptions currently made by the existing Cheshire East District authorities.

6.3 **Collection Fund**

On 15th January 2009 the estimated balance on the Collection Fund was calculated and is expected to be a deficit of £899,818 as at 31st March 2009. The deficit has been declared and the precepting authorities have been notified of the reduction in their 2009/10 precept. The Cheshire East share of this deficit is £773,175.

6.4 **Formula Grant**

In July 2007 DCLG stated that its intention was to constrain the amount of Formula Grant that goes to any restructured area to the sum of the proposed formula grant for its constituent authorities. In areas where the new unitary authorities are created along sub-county boundaries DCLG suggested that the best method of splitting the formula grant, that would have gone to the County Council, is through negotiation by the shadow authorities, with help from the existing County Council. DCLG indicated that the split would then be added to the sum of the formula grant intended to go to its constituent District Councils. DCLG required the data on the split of Formula Grant to be provided no later than 24th October 2008. This ensured that the split was included in the provisional settlement for 2009/10 that was published for consultation to the usual timetable.

Cheshire East Cabinet delegated the agreement of the split of the Formula Grant to the Portfolio Holder Resources in consultation with the Leader and the other Performance & Capacity Portfolio Holders on 17th July 2008. In discussions with Cheshire West & Chester it was agreed that, where possible, the local agreement would be based on the fall back figures provided by DCLG. The final agreement included a local calculation of the Capital Financing element of the formula, based on the current estimated property split identified as part of the disaggregation of the Cheshire County Council Balance Sheet. The locally agreed formula for Cheshire East and Cheshire West & Chester was submitted to DCLG on 23rd October 2008. This resulted in Formula Grant funding for Cheshire East of £61.75m for 2009/10 and £63.487m for 2010/11. A prudent 2% increase has been projected for 2011/12, as this settlement will be part of the next comprehensive spending review.

7.0 Update of Inflationary Projections

7.1 Pay Inflation

The initial financial scenario included pay inflation of 3%. This was a prudent initial estimate of the likely pay award for 2009/10. The pay award for 2008/09 has not been settled yet but a provisional pay award based on a main increase of 2.45% has been made. Given this position, and the current economic environment, the pay inflation projection for 2009/10 has been reduced to 2.5%. The projections for 2010/11 and 2011/12 have also been reduced to 2.5%.

7.2 Pension Increase

Based on a current view of the Cheshire Pension Fund, and the expected harmonised pension contribution for 2009/10, the projected increase is £0.91m. It is expected that there will be no increase for 2010/11 and a relatively modest increase in pension costs of £0.646m in 2011/12.

7.3 Non-Pay Inflation

The initial financial scenario included non-pay inflation of 2.5%. The scenario also included exceptional inflation for key pressure areas of expenditure related to various contractual agreements e.g. Residential/Domiciliary Care, Roads Maintenance, Landfill and Household Waste contracts. This projection was made before the current economic difficulties came to light. Based on current Government inflationary expectations the main non-pay inflation projection has been reduced to 0.5%. Exceptional inflation of £3.52m has been included in the financial scenario to mainly reflect the inflationary impact of contractual obligations. The inflation projections for 2010/11 and 2011/12 have been maintained at 2.5% with provision for exceptional inflation to cover the risk of future volatility.

8.0 Capital Financing Costs

8.1 The capital financing budget for 2009/10 is set out in the Table below. The capital financing budget includes the following; amounts charged in respect of the repayment of outstanding debt, contributions from the income and expenditure account towards the cost of capital expenditure and the amount of interest payable on the Council's portfolio of long term loans. These budgeted costs are partly offset by the interest the Council anticipates earning from the temporary investment of its cash balances during the year.

8.2 The Local Government and Public Involvement in Health Act 2007 places a requirement of all councils to approve a policy on how the amount provided in respect of the repayment of debt is calculated prior to the start of the financial year concerned. The Policy for the year 2009/10 is contained in Appendix A. The budgeted provision for the repayment of debt in the year 2009/10 has been broadly calculated as 4% of the estimated outstanding debt at the end of the year 2008/09 with a small number of exceptions. These exceptions comprise capital expenditure on capital projects that has been funded through unsupported borrowing by the Legacy Authorities.

8.3 The amount charged in respect of the repayment of debt is currently just above the generally accepted prudent minimum. The amount provided is also below the amount of capital expenditure being funded from borrowing in each of the next few years. As a consequence the amount of debt outstanding is increasing each year. As the level of outstanding debt increases the amount that needs to be provided for the repayment of debt in future years also increases. The aim from year two of the Medium Term Financial Strategy will be to reverse this trend.

8.4 **Capital Financing Budget 2009-10**

	£m
Provision for debt repayment	6.22
Direct revenue funding	3.05
Interest on long term loans	7.84
Other interest payable	0.21
Revenue contribution from Services	(4.10)
Total Debt Repayment	13.22
Less Interest receivable on cash balances	(0.90)
Net Capital Financing Budget	**12.32**

8.5 The amount of interest paid on the Council's portfolio of long term loans is mainly at fixed rates of interest (circa 4.9%). This provides a degree of certainty to the capital financing budget. The rate of interest payable on the £25 million of new long term loans that it is planned to raise during the year 2009-10 is budgeted to be 4.5%. Currently long term interest rates are around 4.65%. However, within the Treasury Management Strategy, the Council will use internal balances where possible to reduce the costs in the short term of external borrowing.

8.6 The rate of interest to be earned on the Council's cash balances that are temporarily invested pending their being used (estimated at £140 million) is budgeted to be 0.65%, depending on external cashflows and levels of inherited reserves. This compares with an original assumption in the Financial Scenario of £6.3m before interest rates started to plummet.

8.7 Currently the conditions in the world's money and capital markets are very uncertain. This uncertainty has prevailed for a number of months now and is likely to prevail for a long while yet. A high degree of caution therefore needs to be exercised in respect of the estimated rates of interest mentioned above. The Borough Treasurer and Head of Assets will be monitoring this position and its impact on the budget carefully throughout the year.

9.0 Update on Major Income Streams

9.1 Specific Grants

DCLG originally indicated that the disaggregation of the County Specific Grants for Cheshire East and Cheshire West & Chester would have to be agreed locally for each grant by 31st July 2008. In the event of no local agreement by this date DCLG indicated that they would implement fallback allocations. Following further discussions with DCLG recognition was given to the complexity of the exercise and the deadline was extended to 24th October 2008 in line with the deadline for Formula Grant agreement. This was agreed on the basis of the fallback position being made available by the various Government departments and local agreement in the main being based on the fallback position.

Accordingly the proposed County disaggregation of each specific grant was examined and compared with the Government department fallback calculation in order to take a view on the best way forward in each case. The proposed County disaggregations generally reflected current spending patterns and locally determined needs, whereas the Government fallback calculations were determined nationally by formulae based on the important factors for a particular grant. Specific Grants that were not from the main Government departments (e.g. Learning and Skills Council) were excluded from this exercise and are being considered separately, but the same approach is being followed.

In the majority of cases it was agreed that the Specific Grants would be split in accordance with the Government department fallback calculation. There were a small number of grants where Government departments did not provide a fallback position and therefore a local agreement was reached based on the suggested County split. For a small number of other grants it was decided that a local agreement would provide a fairer split of grant, would enable the authorities to meet their service commitments more effectively and would ensure that the value of the grant available to the two authorities collectively was maximised. Overall a roughly balanced position was reached between Cheshire East and Cheshire West & Chester, however, there are some cases where there is a disadvantage for Cheshire East. A key example of this is the grant for services for people with mental health problems.

There are a number of grants where the organisations that provide the service operate on a pan Cheshire basis. The organisations concerned are Connexions, Cheshire YOT (Youth Offending Team), Cheshire DAAT (Drug & Alcohol action Team). It was agreed that, although these Specific Grants will be disaggregated between the two authorities, they will be passported to the pan Cheshire organisations concerned.

Excluding Dedicated Schools Grant, which is dealt with in Section 10, the agreed disaggregation of specific grants to Cheshire East is as follows:

	2009/10	2010/11
	£m	**£m**
Area Based Revenue Grants	14.9	14.9
Specific Revenue Grants (excluding Dedicated Schools Grant)	68.7	48.6
Specific Capital Grants	19.3	22.9

9.2 **Service Income and Fees & Charges**

9.2.1 Income from customers is an important element of the Council's finances and contributes greatly to achieving a reasonable net Budget and Council Tax level. The sensitivity of income (e.g. to upturns or downturns in demand) is a significant factor in the risk assessment that supports our budgeting process and the determination of the appropriate level of General Fund balance.

The setting of prices for 2009/10 has been particularly challenging, in the light of current local, national and international economic circumstances. Nevertheless, the Council has been mindful of the need to harmonise pricing policies as soon as is practical and to maintain or increase income from services, to help improve budget sustainability.

9.2.2 **Harmonisation**

Each Borough Council has been responsible for setting its own fees and charges based on their own policies; this means that in a number of cases there were different prices for the same service provided in different areas of Cheshire East.

With regard to harmonisation, it is accepted that this is not achievable (or necessarily desirable) for Day 1, in respect of certain services. In those cases, plans are being made to achieve harmonisation over an appropriate timeframe. For example, charges for leisure activities have generally not been harmonised yet, as each Leisure Centre offers a different range of services, operates in a different geographical location and prices can be influenced by demand and local factors.

In contrast, some services, such as Licensing, are required to set prices based on the costs of providing the function, meaning that a standard scale of charges now needs to be applied across the Cheshire East area. In order to progress where necessary and/ or feasible, harmonisation has taken place in the following areas:

- Refuse Collection charges
- Pest Control fees
- Market rents
- Planning charges
- Land Charges search fees

- Bereavement Services fees and charges
- Environmental Health-related fees and charges
- Licence fees (NB. these are subject to the agreement of the Licensing Committee)

9.2.3 Price Setting

In determining fees and charges for 2009/10, the general approach has been that prices would be increased by 2.5%, unless there are other over-riding factors (e.g. effects of price harmonisation, actual or anticipated changes in market demand, changes in service design etc.). In the light of such considerations, a Scale of Fees and Charges has been prepared and is attached at Appendix C.

A number of service-specific matters are worthy of highlighting:

- ***Green Waste Collection*** – Congleton and Macclesfield Boroughs provided a free service, in respect of the first bin, whereas Crewe & Nantwich charged £23.00 per year – collection from the first bin will be provided free across Cheshire East, from 1 April 2009
- ***Car Parking*** - Crewe & Nantwich and Macclesfield Boroughs charged for car parking on most car parks whereas Congleton did not make any charges - charges will be introduced in the Congleton area during 2009/10
- ***Libraries*** - Fees and charges have remained the same for the last two years - for 2009/10 prices will be increased by 5% to cover the effects of inflation over that period
- ***Trading Standards*** – this service will operate in a joint arrangement with *Cheshire West & Chester Council* - the prices set are standard across both East and West Councils
- ***Tatton Park*** – The General Manager of the Park has delegated authority to set fees and charges, most of which are determined well in advance of the start of the financial year and are set within the policy framework approved by the Tatton Park Select Panel

All prices are shown at their normal rate, including VAT where applicable, unless otherwise indicated. Concessions are available in Leisure Centres to card holders and although each concessionary amount has not been shown separately, all activities to which concessions apply have been indicated.

It is recommended that the Scale of Fees and Charges as shown in Appendix C is approved, with the exception of those prices for services and facilities where the setting of fees and charges is already delegated to other Committees, Panels or individuals, as indicated.

10.0 Dedicated Schools Grant and Schools Budgets

10.1 The Government has announced the revised indicative allocations of the DSG for 2009-10 and 2010-11. These revised allocations update the indicative allocations for 2009-10 and 2010-11 announced in the School Funding Settlement 2008-2011 in November 2007. They are based on the Guaranteed Units of Funding for

2009-10 and 2010-11 for each local authority announced in November 2007 as adjusted for disaggregation, but using the Department's revised projections of pupil numbers for January 2009 and January 2010 which make use of the January 2008 numbers. The guaranteed unit of funding per pupil through DSG will increase on average, nationally, by 3.7% in 2009-10 and 4.3% in 2010-11.

10.2 Allocations of DSG for the two year period continue to be based on the "spend plus" method, which uses authorities' historical levels of expenditure as the basis for distribution. Members may be aware that this has helped to protect Cheshire County Council's historic top-up to school funding over and above the former Formula Spending Share, the benefit of which will pass on to the new authority. However, Ministers are considering reviewing the basis for 2011-12 onwards.

10.3 As with previous years, final allocations for the 2009-10 DSG will depend on actual pupil numbers using the January 2009 Pupil Level Annual School Census (PLASC) and the March Early Years Census (EYC) dates. Hence, final allocations will not be known until May/June 2009. Schools must be issued with their budgets by the end of March 2009, so for planning purposes, at this stage, actual January 2009 pupil census numbers and projected early years numbers are being used. This is in preference to the numbers behind the indicative DSG allocation provided by the DCSF as historically they have been found to be over-inflated. Schools' individual budgets will be calculated using January 2009 pupil numbers.

10.4 It is currently estimated that there will be an under spend of £2.321m on Cheshire County Council's DSG for 2008-09. Regulations permit the carry-forward of DSG underspends and overspends to the following year, so the baseline funding needs to be adjusted to reflect the share due to Cheshire East of £1.170m.

10.5 The table below shows the total DSG funding available for Cheshire East for 2009-10 and 2010-11:

	2009-10 **£m**	**2010-11** **£m**
Baseline DSG	192.931	198.441
Add estimate share of underspend from 2008-09	1.170	0
TOTAL DSG	**194.101**	**198.441**

10.6 Consequently, the Authority is assuming DSG funding of £194.101m in 2009-10 and £198.441m in 2010-11.

10.7 The Minimum Funding Guarantee (MFG) increase for primary, secondary and special schools will be set at 2.1% per pupil for 2009-10, the same as for 2008-09. The MFG, whilst offering protection to schools, can sometimes restrict local authorities' ability to direct funding to schools in the way they feel best meets local needs and priorities. MFG protection for schools which should be strictly time-limited becomes locked into formula budgets “in perpetuity”, and effectively acts as a top-slice upon all other schools. The cost of the MFG in Cheshire has increased significantly since the concept was introduced and this will need to be reviewed in the light of the new authority’s experiences. The School’s Forum has the power to make decisions over the local operation of MFG which may help to manage this situation.

10.8 The Authority will also have to agree the amount of central expenditure within total Schools Budgets for each financial year, which is also funded by DSG. Central expenditure covers those items which are not delegated to schools’ budgets through the funding formula, and include early years (SureStart), costs of Special Educational Needs such as Out of County placements, and education other than at school.

10.9 Central expenditure is cash-limited in accordance with a DCSF formula, and can normally only be exceeded with the approval of the School’s Forum. For the first financial year of Cheshire East and all new authorities, this requirement has been removed and School’s Forum approval is not necessary.

Indicative DSG Allocations for 2009-10

		£m
1	Final DSG allocation 2008-09 (Outturn Prices)	188.609
2	Pay & Price Changes	4.930
3	Policy & Expenditure Proposals	(0.608)
4	Projected under spend from 2008-09	1.170
	Estimated available DSGI	194.101
	Including : Central expenditure	£26.179

Note: For 2009-10 the indicative allocations of DSG above are based on a more accurate Cheshire East estimate as outlined above. Local data from the January 2009 Pupil Level Annual School Census (PLASC) should be available during February/March to further refine the estimate. However, the final DSG allocation to local authorities will not be confirmed until May/June 2009.

10.10 Several transfers have been made in and out of the DSG, in line with regulations from the DCSF for 2009-10. These, together with the other components of the DSG budget, have been summarised in the table above and are detailed in Appendix D and include:

- Inflation from Outturn 2008-09 to Outturn 2009-10 of £4.930m. This has been calculated on the basis of 3% for non teaching staff pay, 2.36% for teaching staff pay (actual), additional Employer’s Superannuation contributions (0.5%) and 2.5% for non-staffing costs with the exception of certain items that have been increased at specific rates as follows:

- Rates - 5% - increased statutorily in line with September 2008 RPI
- Water – 106.4% - phased migration by United Utilities for surface water charges being based on school footprint (sq metres) rather than rateable value
- Exam fees – 10.3%

- Policy & Expenditure Proposals of - £608,000 for 2009-10. This includes:

  - Contingency of £1.424m for pupil number fluctuations. The provisional grant is based upon an estimate of pupil numbers which will not be finalised until May/June. If actual numbers are less than those used in the estimate the Council will need to fund the difference between the Unit of Funding and the Age Weighted Pupil Unit (AWPU). This can either be done by the creation of a contingency or carry forward to be funded from the 2010-11 DSG.
  - Savings arising from school amalgamations and closures to support prudential borrowing to fund an element of the Transforming Leaning Community capital schemes. This is subject to the agreement of the School's Forum which is due to meet on 23rd February 2009. The position will be confirmed to Members in advance of the Council meeting.

11.0 Reserves Policy & Strategy

11.1 Sections 32 and 43 of the Local Government Finance Act 1992 require billing authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of the estimates included in the budget and the adequacy of the reserves.

11.2 The Cheshire East Council Reserves Policy and Strategy is contained at Appendix E. When reviewing their Medium Term Financial Strategies, and preparing their annual budgets, local authorities have to consider the establishment and maintenance of reserves. These can be held for three main purposes:

- A **working balance** to help manage the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves
- A **contingency** to cushion the impact of unexpected events or emergencies – this also forms part of general reserves
- A means of building up funds, often referred to as **earmarked** reserves, to meet known or predicted liabilities

11.3 To assess the adequacy of unallocated general reserves when setting the budget, the Chief Finance Officer takes account of the strategic, operational and financial risks facing the authority. Setting the level of general reserves is just one of several related decisions in the formulation of the MTFS and the budget for a particular year. Account has to be taken of the key financial assumptions underpinning the budget alongside a consideration of the authority's financial management arrangements.

11.4 At 1st April 2009 Cheshire East Council is initially forecast to hold general reserves, after funding transitional costs, totaling £15.882m. The table below shows the anticipated position for each local authority contributing to the reserves for Cheshire East Council. County's Reserves have been split to reflect the position for Cheshire East only based on an estimated proportion pending the agreement of the Balance Sheet disaggregation position.

	General Reserves
Contributing Authority	**£000**
Cheshire CC	15,142
Macclesfield BC	2,444
Congleton BC	2,446
Crewe & Nantwich BC	1,755
Less Voluntary Redundancy Severance Costs (Forecast)	(5,905)
Total at 1/4/09	**15,882**

11.5 The Transitional Costs incurred in 2008/09 have been taken account of in the above forecast inherited position and it is also intended that Transitional Costs for 2009/10 will be met from the Cheshire East general reserves. However, contributions will be made each year to replace those reserves if required. The following table provides a forecast of the closing General Reserves balance as at 31st March 2009:

Detail of Movements	**£000**	**£000**
Opening General Reserves at 1/4/09		**15,882**
2009/10		
Projected Use of Reserves		
- Transition Costs - Staff Relocation (Budget)	-1,400	
- - Voluntary Redundancy - Actuarial Costs (Forecast)	-1.079	
Projected Addition to Reserves		
- Repayment of Transition Costs (Budget 2009/10)	2,750	
- Business Finance Loan Repayments	392	
- Repayment to Reserves (Forecast)	2,827	1,742
Closing Balance 31/3/10		**19,372**

11.6 The reserves position for 2009/10, as detailed in the Table above, demonstrates the aim of Cheshire East Council to repay Transitional Costs and Voluntary Redundancy costs over the three-year planning period.

11.7 Following the first round of Voluntary Redundancies, which has been conducted by the existing Cheshire authorities, a further round of voluntary redundancies is now being considered for the Cheshire East Council. The requirement for the use of reserves, in the first instance, to fund the associated costs will be carefully analysed. The pay back period will be assessed for any additional cases to ensure that, overall, the Council can replenish reserves to the required level over a three year period.

11.8 Local Authorities have previously adopted a broad principle that General Fund Reserves would be prudent if equivalent to 5% of the net revenue budget requirement. Based on current budget estimates for 2009/2010 this would equate to £11.7m rising to £12.5m for 2011/2012. However, as part of the Reserves Policy & Strategy a more detailed risk assessment has been undertaken to establish the adequate level of reserves for Cheshire East Council. Risks taken into account include the financial impacts of incidents including:

- Health and safety violations
- Other breaches of legislation
- Disruption to services as a result of fire, flood or other incidents
- Impacts of industrial action within the Council or its suppliers
- Interest rate falls or adverse changes in the general economy that are greater than as assumed when preparing the budget
- Failure of market investments
- Unforeseen service pressures
- Non-achievement of expected income levels
- Loss of external funding
- Late delivery of savings/efficiency/income generation projects

11.9 From this detailed risk assessment, a copy of which is included at Appendix E, a current minimum reserves level of £17.6m has been calculated. The risk analysis in Table 5 of Appendix E demonstrates that, because the forecast level of reserves is higher than required, the repayment to reserves of £2.827m could be reduced by £1.768m and the sum could be reinvested in line with the Council's priorities.

11.10 Earmarked reserves have also been reviewed to establish the likely opening balance for Cheshire East. For each reserve held by a local authority there should be a clear protocol setting out:

- the reason for/purpose of the reserve
- how and when the reserve can be used
- procedures for the reserve's management and control
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy

11.11 The Council's earmarked reserves will be reviewed annually as part of the budgets setting process. At 1st April 2009 Cheshire East Council is anticipated to hold earmarked reserves to the value of £5.4m. It is proposed that £1.096m of earmarked reserves, no longer required for their original purpose, will be applied to investment in service areas where there may be a time lag in the delivery of efficiencies or the obtaining of funding. A key example of this is the investment of £0.65m in the establishment of a fit for purpose Economic Development Unit that will have a big say in the economic development initiatives for the region. External funding and joint funding from partners will be sought in this area to reduce costs in the future.

11.12 From the evidence supporting this report and with regard to the current economic climate the Borough Treasurer & Head of Asset's (Chief Finance Officer's) assessment is that reserves levels at 1st April 2009 are within tolerance levels and can be considered adequate. I also consider them to be adequate in terms of working balances.

11.13 The estimates contained within the Medium Term Financial Strategy are sufficiency robust to achieve the required repayment of reserves in the medium term following transition. The Borough Treasurer & Head of Assets (Chief Finance Officer) takes this view based on the assessment of risk particularly in regard to efficiency saving assumptions within the draft 2009/2010 Budget.

12.0 Budget Consultation

12.1 Background

Cheshire East Council has recently completed its first round of Budget Consultation for the 2009-10 Budget. This followed on from the processes operated by the County and District Councils to share their budget options with stakeholder groups and meet the relevant statutory and best practice requirements.

Local authorities have a statutory duty to consult on their budget with certain stakeholder groups such as the Schools Forum. In addition other groups have also been consulted by the existing Councils including social care users/carers, Connexions, Primary Care Trusts, Local Strategic Partnerships, Police and Fire. In the case of Cheshire County Council this has taken the style of formal meetings and has been based around a document setting out draft budget and policy options.

Given the scale of the task of local government re-organisation a detailed set of Budget options has not been produced. However, the budget and service redesign process has resulted in a number of headline budget issues set in the context of the new Corporate Plan priorities and the overall ambitions of the new Authority which could be shared with stakeholders for their views.

12.2 Agreed Approach

The Cheshire East Cabinet agreed that a practical level of Budget Consultation should be adopted for 2009-10 with a series of events taking place in January. They also made a clear commitment to improve the process and involve stakeholders at an early stage in the future as an integral part of the Financial Planning Process.

All current Stakeholders were invited and advised of the approach for 2009-10. This required existing address lists to be updated and disaggregated in the case of the County.

The following Budget Consultation meetings took place in 2009:

12 January Town and Parish Councils
13 January Trade Unions as part of the Staffing Committee
14 January People and Places, i.e. User / Carers, LSP members etc
19 January Schools' Forum
20 January Business Breakfast

12.3 **Consultation Material**

To provide a framework for the meetings a series of documents was produced, circulated in advance of the meetings and available to delegates on the day. These took the form of:

- a general background briefing and Cheshire East profile common to all consultee groups
- a specific briefing tailored to the consultee group

A briefing document was also produced for members of the public and made available in libraries and public areas of the existing Councils' buildings. All these documents were placed on the Cheshire East Council website. The documents and website included details of how to comment on the issues.

12.4 **Outcomes & Feedback**

The meetings were well attended, attracting some 400 people to them. The Cheshire East Council Cabinet and Management Team were also well represented with the Leader and Chief Executive attending nearly all of the events.

The key consultation outcomes are as follows:

- Participatory budget pilot being undertaken
- 3rd Sector funding confirmed for 2009/10
- Shared Services being discussed with key partners
- Business Portal will be developed working with the Chamber of Commerce
- Initiatives to improve engagement with the local economy
- Cheshire East Council team being established to engage with the community to address the impact of the economic downturn

A summary of all the feedback is provided in Appendix F in the form of minutes of the relevant meetings / discussion groups and feedback received via the website. All delegates were asked to complete a questionnaire at the end of the meetings. The feedback from these forms has been analysed and the results are also included in Appendix F. These will be used to inform future events.

12.5 **Conclusions**

Cabinet Members have given a clear undertaking to improve consultation arrangements for the 2010/11 Financial Planning process and this will start early in the new Financial year.

Cabinet Members reviewed all the feedback from the events and, where possible, have factored these into their detailed budget deliberations. However, given the time and resource constraints it has not been possible to address all the issues and the debate over service levels, in light of the feedback received, will continue into 2009/10.

13.0 Financial Scenario and Budget Requirement

13.1 As part of the main three-year financial scenario a budget scenario has been built for People, Places and Performance & Capacity. Each budget scenario has been developed from the estimated 2008/09 Base Budget, the financial impact of existing authority MTFS assumptions, Business Case assumptions and exceptional inflation expectations. The scenarios also included target savings to meet the funding deficit and the longer-term reprioritisation of resources. A significant amount of work was done through the project workstreams and then the new management teams to establish a deliverable budget for each service taking account of the following 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

13.2 In order to prepare the Budget for 2009/10, and develop projections for the MTFS, a number of budget proposals were considered. A range of service re-design, improvement and efficiency options have been identified reflecting Community and Corporate objectives and particularly realising the aspirations of the *People & Places* Business Case. The main budget proposals for the two main Directorates and the Performance & Capacity services are detailed in the following sections.

13.3 **People Directorate**

13.3.1 The purpose of the People Directorate is to work, together with partners, to improve the wellbeing and health of all Cheshire East's residents particularly those who are most disadvantaged. To deliver this purpose the Directorate aims to ensure that people:

- Live healthy lives
- Be helped to stay safe
- Learn, develop and achieve
- Maintain personal dignity and respect
- Have increased choice and control
- Make a positive contribution
- Achieve economic wellbeing
- Experience freedom from discrimination

13.3.2 The People Directorate brings together a number of Council responsibilities to deliver these outcomes. These are structured into three Services:

- **Children & Family**
  Support for schools and provision of a range of services to schools, children's social care, family support and children's safeguarding
- **Adults Services**
  Commissioning and provision of Social care services for adults of all ages including adults safeguarding
- **Health & Wellbeing**
  Cultural services, including libraries & arts alongside leisure strategy and provision and the Council's green spaces.

13.3.3 The Directorate will work very closely with Central and Eastern Cheshire Primary Care Trust (PCT).One of the key products of that joint work will be a common strategy between the PCT and the Council for improving health and reducing health inequalities. In developing the 2009/10 budget the Directorate has begun to consider budgetary priorities to support delivery of the targeted outcomes although there is still a great deal to do to enhance cohesion between needs, commissioning and delivery.

The People Directorate budget for 2009/10 is as follows:

	£000
Base Budget (**)	128,138
Net Guideline Reduction:	-5,374
Target Budget 2009/10	**122,764**

** The budget is net of £194m for schools, which is funded by ring fenced Dedicated Schools Grant (DSG) – see Section 10 of this report.

13.3.4 Full details of the proposals to deliver the net guideline reduction are shown in Appendix G. The key issues within the budget are assessed as follows:

Children & Family

- A need to review children's social care services in the light of inspection feedback, partner engagement and to address the inherited cost base
- Children's Safeguarding will be at the heart of this review and the Council has increased safeguarding resources

- Changes will require a managed transformation programme and the Council has provided additional funding in 2009/10 to enable time for this to happen

Adults Services

- The service is implementing major transformation in the management and delivery of adults' social care to achieve the Government's personalisation agenda which gives individuals greater control for over their own care
- The budget includes investment in re-ablement and prevention services to improve earlier intervention and better outcomes for service users
- Safeguarding resources will be increased to reflect local and national imperatives for investment in these critical services
- Managing demographic growth pressures on the budget will be an issue, particularly in learning disability services

Health & Wellbeing

- During 2009/10 the Council will review leisure services provision
- There will be a review of libraries including working with local communities to explore the potential for a wider network of local libraries
- The budget requires reductions in spending on supplies. The impact this has on service standards and income levels will need to be closely monitored
- The Service has been tasked with finding additional savings opportunities to reflect the impact of aggregating services from the outgoing councils

13.4 **Places Directorate**

13.4.1 The Places Directorate brings together a number of Council responsibilities. These are structured into four Services:

- **Environmental Services**
  Waste, Refuse & Recycling; Highways Operations, Parking and Markets; Grounds and Cleansing services
- **Safer & Stronger Communities Service**
  Community Safety; Regulatory Services (Trading Standards, Environmental Health & Licensing); Community Development
- **Planning & Policy Service**
  Spatial Planning; Building Control; Development Management; Heritage and Design and Housing Strategy
- **Regeneration Service**
  Strategic Highways and Transportation; Visitor Economy and Economic Development

The Places Directorate budget for 2009/10 is as follows:

	£000
Base Budget	57,517
Net Guideline Reduction:	-8,363
Target Budget 2009/10	**49,154**

Full details of the proposals to deliver the net guideline reduction are shown in Appendix H.

13.4.1 **Environmental Services**

The 2009/10 Environmental Services net budget is £31.8m. The key areas of expenditure for 2009/10 for each service include the following:

- Waste, Refuse and Recycling will deliver the Landfill Disposal Contract, Household Waste Recycling Centre Contract, Refuse Collection service, Green Waste Collection service and Recycling Service contracts (Including green waste composting).

- Highways Operations will deliver; the Highways Term Maintenance Contract; Provision of a safe and accessible highway network; Improvement of road safety by delivering of our statutory obligations and in partnership with others; Development of a highway network management regime that is effective in scheduling essential works, planned events and traffic movements in order to promote better community connectivity and support economic activity.

- Parking and Markets will deliver the following services throughout Cheshire East; Provision, management and maintenance of cars; Provision of indoor and outdoor market facilities; Promotion of town centres by improving and maintaining the physical environment.

- Grounds & Cleansing will deliver the following services throughout Cheshire east; Provision of street sweeping; Provision and maintenance of public conveniences; Provision of both cemeteries and crematorium services; Delivery of grounds maintenance work for both internal and external customers.

  The emerging budget pressures in 2009/10 for the Service, as a result of the economic downturn, will be the reduction in both car park and market income, anticipated to be in the region of £400k. In addition there are further budget pressures arising from:

  - exceptional inflation on both Waste contracts (£791k), Highway road maintenance contracts (£616k)
  - delivery of further savings targets against Waste Contract costs (£806k)
  - Potential additional costs associated with the roll out of free of charge green waste collection service in the former Crewe and Nantwich Borough Council area (£130k)

  The budget pressures will form part of a Departmental Risk Assessment and will be monitored in year and reported to members as appropriate.

13.4.2 **Safer & Stronger Communities Service**

The 2009/10 Safer & Stronger Communities Service net budget is £5.4m. The key areas of expenditure for 2009/10 for each service include the following:

- Ensuring that Cheshire East's statutory duty to enable successful delivery of a Crime and Disorder Partnership is met, supported through provision of both a community warden and CCTV service to prevent and reduce crime and anti-social behaviour.

- Ensuring that Cheshire East is prepared for, and resilient to emergencies and major incidents.

- Promoting safer and stronger communities by providing high quality/high value services which help to protect and safeguard people who live and work in Cheshire, by preventing and resolving consumer problems, improving levels of business compliance and identifying and reducing consumer fraud and unfair and unsafe trading practices

- Delivering a Community Development service that works closely with communities to enhance residents' knowledge, skills and confidence to address issues that impact on them and improve their quality of life.

Emerging budget pressures in 2009/10 for the Service will be delivering within the net budget of £5.4m, which is supplemented by £169k of one off funding in 2009/10 for Regulatory Services, whilst pursuing further saving options to meet the funding reduction in 2010/11 and the associated risk of reduced service delivery in meeting those savings. The budget pressures will form part of a Departmental Risk Assessment and will be monitored in year and reported to Members as appropriate.

13.4.3 **Planning & Policy Service**

The 2009/10 Planning and Policy Service net budget is £3.7m. The key areas of expenditure for 2009/10 for each service include the following:

- Creating the evidence base for the statutory core of the Local Development Framework;

- Delivering the statutory Building Control and Local Planning Authority functions with the management of both Building Control and planning applications, related appeals and enforcement;

- Promoting the conservation and protection of the natural and built environment, including CE's response to the climate change and sustainability agenda; and

- Increase affordable and supported housing, the provision of homelessness services, improving private sector housing and linking these to the priorities within the Sustainable Communities Strategy.

The emerging budget pressures in 2009/10 for the Service, as a result of the economic downturn, will be the reduction in planning application and land charges income, anticipated to be in the region of £1.2m. In addition there are likely to be budget pressures arising within Private Sector Housing and the delivery of the Choice Based Lettings scheme, approximated at £98k. The budget pressures will form part of a Departmental Risk Assessment and will be monitored in year and reported to members as appropriate.

13.4.4 **Regeneration Service**

The 2009/10 Regeneration Service net budget is £9m. The key areas of expenditure for 2009/10 for each service include the following:

- Develop and implement the authorities policies and investment programmes relating to highways and transportation, ensuring the safe condition of the highway asset and supporting the local bus network;

- Economic Development will work to address the current recessionary economic climate and prepare the ground for future growth through promoting inward investment, providing business support and the developing programmes to deliver area-wide regeneration schemes; and

- Support the Cheshire East visitor economy through the management of Tatton Park and partnership working to support the local economy, increase prosperity and reduce the impact of the recession.

The emerging budget pressures for 2009/10 are likely to arise from a risk of a reduction in Service delivery within the Strategic Highways and Transportation function, in the region of £430k. In addition there are likely to be budget pressures arising in the developing and promoting of high value business sectors of finance, pharmaceutical and Bio-tech, and for the delivery of the area based regeneration programmes. The budget pressures will form part of a Departmental Risk Assessment and will be monitored in year and reported to members as appropriate.

13.5 **Performance and Capacity**

13.5.1 The Performance and Capacity functions will provide a range of services to both internal and external customers. Revenue and Benefits and Customer Access are important outward facing services linking directly to the public; support to the rest of the Council and Members will be provided by services such as Property, ICT, Human Resources, Finance and Legal and Democratic services.

The Performance & Capacity budget for 2009/10 is as follows:

	£000
Base Budget	47,224
Net Guideline Reduction:	-11,387
Target Budget 2009/10	**35.837**

Full details of the proposals to deliver the net guideline reduction are shown in Appendix I.

13.5.2 The People and Places business case projected over £10m of efficiency savings from stripping out duplication amongst support service areas, adoption of best practice and improved economies of scale. The budget proposals for the Performance and Capacity Directorate will deliver over £9.6m of these projected savings, primarily from a reduction of over 200 existing posts to release major efficiencies in the following areas:

- ICT – Over £3m of savings from streamlining existing IT systems and fully utilising technology across all services to improve processes and reduce costs.
- Finance and Revenue and Benefits – savings of over £2.3m from amalgamating and streamlining existing services and systems in the 4 existing councils.
- Human Resources – Savings of £0.9m from removal of roles duplicated in the current councils.
- Legal and Democratic Services – Savings of £1.2m reflecting the reduction in the number of elected Members and more efficient working.
- Policy and Performance – Savings of £1m on staff costs and £0.4m on supplies and services through rationalisation of existing corporate teams.

13.5.3 In addition to the savings included in the LGR Business Case, the P&C Directorate will deliver further savings of £2.6m from:

- Use of modern procurement methods including e-procurement and Framework Agreements to drive down unit costs.
- A major initiative to improve energy efficiency by eliminating waste across all sites.
- Further improvements in the use of technology including the telephone system to realise efficiency savings.
- A saving of 0.5m on existing Property Maintenance budgets.

These last three budget proposals have been identified as high risk areas to deliver in 2009/10 and have therefore been considered and factored into the Treasurer's assessment of the adequacy of the level of general reserves.

13.5.4 It is anticipated that the majority of growth pressures impacting on the Performance & Capacity functions in 2009/10 will be absorbed within existing budgets. However, an allowance for growth pressures and exceptional inflation of £1m is included in the proposals; the majority of this will be used to finance the prudential borrowing costs of new capital investment (£522,000) and growth within the Legal and Democratic services to safeguard current service levels and improve support to the Scrutiny function. In addition temporary funding of £177,000 has been provided to ensure service levels in the Customer Access service are protected during the period of transition.

13.6 The detailed budget setting exercise is now complete and the proposed 2009/10 Budget for Cheshire East Council is summarised in the table below:

2009/10 Net Budget Requirement	£m	£m
People	122.764	
Places	49.154	
Performance & Capacity	35.837	
Corporate	31.504	
Net Expenditure		**239.259**
Severance Costs Funding {Forecast to reduce in light of up front funding by existing Councils*}	(5.400)	
Relocation Costs Funding {Currently being reviewed*}	(1.400)	
Repayment to Reserves {3-year pay back*}	2.750	
Earmarked Reserves {Pump priming*}	(1.096)	
Add/(Deduct) Balances/Reserves		**(5.146)**
Net Budget Requirement		**234.113**
Financed by:		
Council Tax	172.363	
NNDR	50.170	
Revenue Support Grant	11.580	
		234.113
Deficit/(Surplus)		**0.000**

* The Reserves Policy & Strategy reviews the position with regard to the use of reserves for Transitional Cost purposes. The Budget retains the Business Case assumptions pending finalisation of the cost and savings budgets associated with the actual Voluntary Redundancy exercise. The Reserves Policy & Strategy recognises that the up front severance costs will be funded initially from the existing Council reserves. The increased cost of redundancy related to higher staff numbers has been reflected in the Strategy but also the increased savings expectation in the form of pay back to reserves.

The three-year Financial Scenario has been updated to project the likely financial position in each year based on current budget assumptions and prudent inflationary projections. The scenario reflects a modest projected surplus in 2010/11 and 2011/12. The surpluses do not include future year savings and income generation targets, which will be reinvested in the Council's Corporate Priorities. It is therefore assumed that the current projected surpluses will be used to replenish reserves if required. The three-year projection for the three-year financial planning period is:

2009/10 £0.000m balanced position
2010/11 £2.170m surplus
2011/12 £3.049m surplus

14.0 Prudential Indicators for Capital Financing

14.1 Background

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. It should be noted that CIPFA undertook a review of the Code in early 2008. The outcome from that review has yet to be published.

14.2 Estimates of Capital Expenditure

14.2.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax levels.

No. 1	Capital Expenditure	2008-09 Approved £m	2008-09 Revised £m	2009-10 Estimate £m	2010-11 Estimate £m	2011-12 Estimate £m
	Total	**90**	**87**	**97**	**67**	**53**

14.2.2 Capital expenditure will be financed as follows:

Capital Financing	2008-09 Approved £m	2008-09 Revised £m	2009-10 Estimate £m	2010-11 Estimate £m	2011-12 Estimate £m
Capital receipts	19	18	13	5	4
Capital Reserve	5	4	2	3	3
Government Grants	30	29	44	42	31
External Contributions	5	4	6	0	0
Revenue contributions	3	3	3	1	1
Supported borrowing	19	17	13	13	13
Unsupported borrowing	9	12	16	3	1
Total	**90**	**87**	**97**	**67**	**53**

14.3 Ratio of Financing Costs to Net Revenue Stream

14.3.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The definition of financing costs is set out at paragraph 87 of the Prudential Code.

14.3.2 The ratio is based on costs net of investment income.

No. 2	Ratio of Financing Costs to Net Revenue Stream	2009-10	2010-11	2011-12
		Estimate	Estimate	Estimate
		%	%	%
	Total	**5.26**	**6.28**	**5.95**

14.4 Capital Financing Requirement

14.4.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and it's financing. It is an aggregation of the amounts shown for Fixed and Intangible assets, the Revaluation Reserve, the Capital Adjustment Account, Government Grants Deferred and any other balances treated as capital expenditure.

No. 3	Capital Financing Requirement	31/3/09	31/3/09	31/3/10	31/3/11	31/3/12
		Approved	Revised	Estimate	Estimate	Estimate
		£m	£m	£m	£m	£m
	Total CFR	**153**	**153**	**175**	**181**	**186**

14.4.2 In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council should make sure that net external borrowing does not, except in the short term, exceed the Capital Financing Requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

14.4.3 The Borough Treasurer reports that this Council does not envisage difficulties in meeting this requirement if future financial years.

14.5 Actual External Debt

14.5.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

No. 4	Actual External Debt as at 31/3/2008	£m
	Borrowing	136
	Other Long-term Liabilities	0
	Total	**136**

14.6 Incremental Impact of Capital Investment Decisions

14.6.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

No. 5	Incremental Impact of Capital Investment Decisions	2009-10	2010-11	2011-12

		Estimate £	Estimate £	Estimate £
	Increase in Band D Council Tax	3.10	9.76	8.39

The increase in Band D council tax in 2009/10 reflects the increases in the provision for Capital Financing Charges of £0.45m to undertake borrowing of £31m arising from the proposed capital programme.

14.7 **Authorised Limit and Operational Boundary for External Debt**

14.7.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

14.7.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

14.7.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

14.7.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

No. 6	**Authorised Limit for External Debt**	2008-09	2008-09	2009-10	2010-11	2011-12
		Approved £m	Revised £m	Estimate £m	Estimate £m	Estimate £m
	Borrowing	149	149	218	222	226
	Other Long-term Liabilities	0	0	0	0	0
	Total	**149**	**149**	**218**	**222**	**226**

14.7.5 The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

14.7.6 The Borough Treasurer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the future meetings of the Cabinet.

No. 7	**Operational Boundary for External Debt**	2008-09	2008-09	2009-10	2010-11	2011-12
		Approved £m	Revised £m	Estimate £m	Estimate £m	Estimate £m
	Borrowing	**149**	**149**	**210**	**216**	**220**
	Other Long-term Liabilities	0	0	**0**	0	0
	Total	**149**	**149**	**210**	**216**	**220**

14.8 **Adoption of the CIPFA Treasury Management Code**

14.8.1 This indicator demonstrates that the Council has adopted the principles of best practice.

No. 8	**Adoption of the CIPFA Code of Practice in Treasury Management**
	The Council will consider the adoption of the CIPFA Treasury Management Code at its Shadow Council meeting on 26 February 2009

14.9 **Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

14.9.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments).

14.9.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

		2008-09	2008-09	2009-10	2010-11	2011-12
		Approved	Revised	Revised	Revised	Revised
		%	%	%	%	%
No. 9	**Upper Limit for Fixed Interest Rate Exposure**	100	100	100	100	100
No. 10	**Upper Limit for Variable Rate**	100	100	100	100	100

	Exposure					

14.9.3 The limits above are set at 100% for fixed and 100% for variable to allow the Council the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

14.10 Maturity Structure of Fixed Rate Borrowing

14.10.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

14.10.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

No. 11	**Maturity structure of fixed rate borrowing**	**Lower Limit %**	**Upper Limit %**
	under 12 months	Nil	25%
	12 months and within 24 months	Nil	25%
	24 months and within 5 years	Nil	35%
	5 years and within 10 years	Nil	35%
	10 years and above	Nil	100%

14.11 Upper Limit for total principal sums invested over 364 days

14.11.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

No. 12	**Upper Limit for total principal sums invested over 364 days shown as a % of the portfolio**	Maturing beyond 1 year	Maturing beyond 2 years	Maturing beyond 3 years
		40%	40%	40%

15.0 Capital Programme

15.1 As part of the budget setting process the Council also approves a 3-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.

15.2 The programme has been developed using existing Capital Programmes for the District councils of Congleton, Crewe & Nantwich and Macclesfield and disaggregation of the County's Capital Programme. The review has also taken account of the agreed distribution of capital Specific Grants and any agreements arising out of the County's Balance Sheet disaggregation.

15.3 The Capital Programme for 2009/10 amounts to £97.2m. This includes commitments arising out of the 2008/09 programme of £53.3m and additional new starts totalling £43.9m.

15.4 The discretionary element of the programme largely covers essential replacement and maintenance of the existing assets base and is funded from government borrowing allocations (supported borrowing), grants, contributions, capital receipts, revenue contributions and reserves.

15.5 In order to supplement the funding available for capital investment the Council can undertake Prudential Borrowing (unsupported borrowing). This is borrowing which an authority can take out, in excess of government allocations, so long as it can be shown to be both prudent and affordable. The Council will undertake Prudential Borrowing to support the Transforming Learning Communities initiative, Extra Care Housing, Building and Highways Maintenance and various ICT initiatives, subject to the availability of revenue funding for the revenue consequences of borrowing.

15.6 A full review of the capital investment for 2009-10 has been completed to ensure that ongoing schemes and proposed new starts are in accordance with the aims and priorities of the new Council. The new starts have been supported by business cases, which have been scrutinised by officers and Portfolio Holders. This process has ensured that schemes have been considered against the following criteria:

- Corporate priorities
- Available capital resources, pump priming and external funding
- Benefit to all or part of the community
- Links to value for money principles
- Revenue consequences including staffing/repairs and maintenance costs/savings
- Risk associated with the scheme

The Capital Programme is summarised in the table below and the detailed analysis of Capital schemes is provided in Appendix J,

<u>Capital Programme 2009/10 - 2011/12</u>

	2009-10 £000	2010-11 £000	2011-12 £000
People			
New Starts			
Children & Families	9,789	16,111	12,606
Adult Services	1,456	376	4,402
Health & Well-being	45	110	165
Committed Schemes from earlier year starts	25,972	14,442	3,826
Total Capital Programme - People	**37,262**	**31,039**	**20,999**
Places			
New Starts			
Environmental Services	8,627	8,522	7,349
Safer & Stronger Communities	130	155	105
Regeneration	4,913	5,191	5,167
Planning & Policy	2,840	1,884	1,884
Committed Schemes from earlier year starts	24,235	14,501	9,440
Total Capital Programme - Places	**40,745**	**30,253**	**23,945**
Performance & Capacity			
New Starts			
Borough Solicitor	60	0	0
Borough Treasurer & Assets	14,294	1,791	2,633
Policy & Performance	1,705	0	0
Committed Schemes from earlier year starts	3,178	3,580	5,372
Total Capital Programme - P&C	**19,237**	**5,371**	**8,005**
Total Capital Expenditure	**97,244**	**66,663**	**52,949**
FINANCING:			
Sources of funding			
Non Specific Supported Borrowing (Single Capital Pot)	10,412	12,900	12,188
Ringfenced Supported Borrowing	3,545	334	334
Unsupported (Prudential Borrowing)	14,230	2,586	1,294
Government Grant	44,208	42,209	31,297
Capital Reserve	2,101	3,005	2,692
Linked/Earmarked Capital Receipts	13,102	4,929	4,544
External Contributions	6,388	200	100
Other Revenue Contributions	3,258	500	500
Total Sources of Funding	**97,244**	**66,663**	**52,949**

15.7 **Capital Strategy**

The Capital Strategy for Cheshire East will be reported to Cabinet on 24th March 2009 and to Council on 2nd April 2009 and will set out the process for developing the Capital Programme in future years. It will ensure that the prioritisation of investment is clearly aligned to the Corporate Plan priorities, which allows for a three year Capital Programme to be developed through Service Delivery Plans.

The Capital Strategy will be drawn from the best practice of the four existing Cheshire East authorities and the latest national and regional direction in this important area of strategy. Links will also be made with the Council's other key strategies to ensure that there is a coordinated Business Planning approach to the three-year planning cycle. The Asset Management Plan will be reported alongside the Capital Strategy as this plan demonstrates the intention to deliver the Strategy through the effective management of the Council's assets. The Capital Strategy will broadly cover the following areas:

- The Policy Framework and the Corporate Priorities
- Key Partnerships
- Links to the Council's Key Strategies
- Links to Corporate Improvement Initiatives
- Approach to Prioritisation & Programme Management
- Resourcing the Capital Programme

Further prioritisation also takes place to reflect statutory requirements, health and safety issues, community consultation outcomes, invest to save or income generation possibilities. Major items of repair, maintenance and renewal are identified by the asset management process, and fed into the three-year Capital Programme. The Capital Programme is developed by this process and matched to available finance identified from the Disposal Programme and other capital resources. The process for monitoring the capital programme with officer and Member involvement will also be identified in the Capital Strategy.

16.0 Legal Implications

16.1 None.

17.0 Risk Assessment

17.1 A detailed risk assessment, including mitigation measures, has been undertaken as part of the budget setting process. The risk assessment broadly follows the risks associated with setting the levels of general reserves. The following are key areas of potential risk which have been built in to the budget assumptions:

17.2 **Inflation Risk**

Although the inflation forecasts are on the downside for 2009/10 the current volatility in the economy makes this a higher risk than in recent years.

Mitigating Action: Inflation forecasts will be reviewed and contract renewals will be monitored. Care has been taken with inflation projections in years two and three, the general inflation provision remains at 2.5% until a further review can be undertaken as part of the 2010/11 planning process.

17.3 **Investment Risk**

The failure of the Icelandic Banks, and the subsequent freezing of their assets in the UK, has demonstrated the current risk to investments. In his statement on 26th November 2008 John Healey said the following:

'Mr Speaker, turning to Icelandic Banks. Authorities are very uncertain about how much they will recover as they prepare their budgets so soon after the failure of these banks.

I therefore propose – exceptionally – to make a regulation which will mean they need not make provision in their 2009/10 budgets for any possible loss on these investments. This will give them time to adjust their medium term financial plans and be clearer about recovering their money before making decisions which affect their budgets or council tax.'

However, the possible future impact, based on the recovery of the Cheshire East share of the affected County investments, still needs to be included as a risk against the Cheshire East reserves. There is also a risk to the Council's projected investment income given the current low interest rates and the continuing downward forecast.

Mitigating Action: The Council's Treasury Management Strategy will treat exposure to risk as high priority, and estimates of investment income will remain prudent

17.4 **Collection Rate Risk**

The Council's collection rates for local taxation and fees & charges could suffer in 2009/10 for a number of reasons:

- Impact on individuals and businesses due to the current recession
- Revenues Service delivering transformational change to move from three Revenues systems to one system within the first financial year

Mitigating Action: Income estimates remain prudent and service transformation will be project managed to reduce impact on current high performance

17.5 **Transitional Cost Risk**

The risks associated with Transitional Costs have been managed closely throughout the current financial year. A management framework is in place and Cabinet has been given regular updates on the Transitional Cost position. An initial share agreement has been made with regard to the contribution from each existing Council. This is also being closely monitored to assess the affordability position in each Council.

Mitigating Action: Continue using a viable business case approach to expenditure

17.6 **Grant Funding Risk**

Cheshire East Council has relatively good certainty around its Specific Grant position for 2009/10 and 2010/11. However, care must be taken in placing too much reliance on Specific Grant funding for the support of core services. The risk to the availability of funding from 2011/12 needs to be considered.

Mitigating Action: Officers will be tasked with maximising the Council's options for grant funding. The Council's External Funding unit will play a key role in obtaining new and improved funding packages to contribute to the delivery of service priorities and to keep the burden on local tax payers low.

17.7 **Risk to Reserves**

The Reserves Policy & Strategy includes a detailed risk assessment as part of the identification of the Council's adequate level of reserves. Each of the broad risks included in this section will be translated into a financial impact to ensure that the 2009/10 Budget and the MTFS is based on a robust financial position.

17.7.1 **Base Budget Risk**

The establishment of a base budget for Cheshire East has been a complex and detailed exercise. There is still further work to be done as part of the refinement of the budget to ensure that each service budget has been properly identified and mapped to the Council's new structure.

Mitigating Action: Close monitoring of relevant control totals and maintaining close links between finance staff and budget managers

17.7.2 **Budget Proposal Risk**

Many of the budget proposals that have been identified through the budget setting process are ambitious and transformational. There are a number of risks associated with the major projects that will be required to deliver these proposals including:

- Late delivery of projects
- Non-achievement of expected cost reductions/income generation
- Availability of resources to deliver
- Impact on existing service delivery

Mitigating Action: Delivery of Oracle Financials project to deliver one Financial Management System fro the Council from day one and early introduction of accurate budget monitoring processes. Strong programme management for the delivery of major budget proposal schemes.

17.7.3 **Capital Programme Risk**

Cheshire East Council will need to reconsider the risks associated with the existing Council capital commitments from 2008/09 and also the impact of new proposed schemes on the revenue budget. New schemes will have to be based on a business case that fully assesses the revenue impact as well as the availability of capital resources. Consideration will also have to be given to the availability of staffing resources to deliver the Capital Programme.

Mitigating Action: To embed a structured approach to awarding and monitoring funding for capital projects driven by the Capital Strategy.

18.0 Improvement, Efficiency and Value for Money

18.1 The Government has set a challenge for the public sector: to build on the progress already made in enhancing value for money and further embed a culture of innovation.

All public services have been set a target of achieving at least 3% net cash-releasing value for money gains per annum over 2008/09 to 2010/11.

2007 Comprehensive Spending Review

Councils will no longer have an individual efficiency target, unless agreed as one of the Local Area Agreement (LAA) targets.

18.2 Achievement will be monitored by a single national indicator for Value for Money, NI179. In addition to other reporting and scrutiny arrangements, Councils are now required to show the achievements in the NI179 measure on the face of Council Tax bills, to further increase public awareness and accountability; the performance of the predecessor authorities in this regard will be presented on the first Council Tax bills for Cheshire East.

18.3 The Government's Value for Money (VFM) Plan is developed from its National Improvement and Efficiency Strategy. The focal points of support for Councils are Regional Improvement and Efficiency Partnerships (RIEPs); these are developing and leading the implementation of Regional Strategies for achieving the national VFM efficiency targets for public services.

18.4 **Value for Money in *Cheshire East***

The Government has stated that there is considerable potential from effective harnessing of efficiency and innovation techniques, such as smart procurement and service redesign. The reorganisation of local government in Cheshire creates a fantastic opportunity for change and the realisation of improvements and Cheshire East has the scale, capacity and commitment to deliver on this agenda.

The *People and Places* Business Case identified the scope of organisational and financial savings achievable from the creation of two new Unitary Authorities for Cheshire. In the early design of its operating structures and services, Cheshire East is realising those ideas.

As reflected in these Budget proposals, significant savings have been achieved in Corporate Management costs (from the natural process of recruitment and appointment to senior posts), in corporate support services - e.g. ICT staffing and systems costs (£3m); Finance, Revenues and Benefits staffing (£2.2m); Legal and Democratic Services staffing (£800k) - and in supplies and services (e.g. audit fees, banking charges, consultancy/advisory services, printing, publications, etc.).

Again as reflected in the Budget and our medium/long-term planning, the Council has further proposals for major service re-design (e.g. in Social Care) and in Invest to Save projects (e.g. the pan-Cheshire Waste Management Private Finance Initiative project).

Looking forward, the development of Cheshire East's Business Transformation Strategy will further inform the Council's awareness and approach to new opportunities for achieving improvement and efficiencies, through innovation.

The Council is committed to providing strong leadership and making a full contribution to the Value for Money agenda, working with colleagues and partners from all services and sectors in the local area, sub-regionally and in the Region to achieve – and where possible exceed – the efficiency targets as set, for the benefit of its taxpayers, customers and stakeholders.

19.0 Conclusion and Reasons for Recommendation

19.1 The report sets out a balanced budget for 2009/10 in line with the local priorities of the Council and having considered the national priorities that are required. Careful consideration has also been taken of the current economic situation and the known and possible impact on the Council's financial position.

19.2 The report provides an update of the Medium Term Financial Strategy (MTFS) and informs Members of future financial pressures. The MTFS ensures that the revenue budget fully supports the delivery of the Council's Corporate Priorities for 2009/10.

19.3 The report provides the latest update on the Dedicated Schools Grant and the budget implications for 2009/10.

19.4 The report presents the 3-year Capital Programme and recommends the 2009/10 capital commitments that can be delivered within the Council's available capital resources. The work that has been undertaken also ensures that the revenue budget fully reflects the revenue consequences of the approved capital schemes.

19.5 The report sets out the proposed level of Council Tax for 2009/10, the background to the proposal and the national context.

19.6 The report presents the Council's Reserves Policy and Strategy in line with the requirements of Local Authority Accounting Panel (LAAP) Bulletin 55 – Guidance Note on Local Authority Reserves and Balances.

19.7 The report sets out the proposed Fees & Charges for the Council. The setting of prices for 2009/10 has been particularly challenging, in the light of current local, national and international economic circumstances. Harmonisation of fees has been undertaken where practically possible.

19.8 The report recommends the appropriate Prudential Indicators for the Council for 2009/10.

Appendices:

Appendix A – Annual MRP Policy Statement 2009/10
Appendix B – Specific Grants 2009/10
Appendix C – Fees & Charges Schedule 2009/10
Appendix D – Schools Block through DSG (ISB) – Policy Proposals for 2009/10
Appendix E – Reserves Policy & Strategy 2009/10
Appendix F – Budget Consultation 2009/10
Appendix G – People Directorate Budget Proposals
Appendix H – Places Directorate Budget Proposals
Appendix I – Performance & Capacity Budget Proposals
Appendix J – Capital Programme

For further information:

Portfolio Holder: Councillor Frank Keegan
Officer: Lisa Quinn, Borough Treasurer & Head of Assets
Tel No: 01270 529628
Email: lisa.quinn@cheshireeast.gov.uk

Background Documents:

Cabinet Report – Financial Planning Process – 16th June 2008
Cabinet Report – The Management and Funding of Transitional Costs – 16th June 2008
Cabinet Report – Disaggregation of Specific Grants and Formula Grant – 17th July 2008
Cabinet Report – Disaggregation of Cheshire County Council Balance Sheet – 4th November 2008
Cabinet Report – Review of Transitional Costs Mid-Year – 4th November 2008
Cabinet Report – Council Tax Base 2009/10 – 2nd December 2008
Cabinet Report – Medium Term Financial Strategy – 17th December 2008
Cabinet Report – Disaggregation of Cheshire County Council Balance Sheet – 6th January 2009
Cabinet Report – Transitional Costs Three Quarter Review – 17th February 2009
Cabinet Report – Treasury Management Strategy 2009/10 – 17th February 2009
Local Government (Structural Changes) (Transfer of Functions, Property, Rights and Liabilities) Regulations 2008

Documents are available for inspection at:

Cheshire East Democratic Services
Westfields
Middlewich Road
Sandbach
CW11 1HZ