CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of meeting: 14 July 2009
Report of: Borough Treasurer and Head of Assets
Subject / Title: Business Planning 2010-13 incorporating Key Decision (CE09/10-04) – Capital Strategy 2009-2013

1.0 Report Summary

1.1 To consider the approach to corporate, business and financial, planning processes for 2010 and beyond. The report details the financial planning proposals to develop a council Medium Term Financial Strategy (MTFS) 2010-2013 and budget planning for 2010-2011 and introduces an approach to integrated financial and business planning on both a medium term and annual basis.

1.2 The financial planning process requires an understanding of the cost of delivering Council priorities each year, and a process for accessing the necessary income to fund this. This must lead to a balanced annual budget, set in February of each year. The process includes building in the impact of longer term revenue and capital projects that may require funding through borrowing or through spending of capital receipts or reserves.

1.3 Formal consideration and approval of a clear and robust MTFS process is a key step in enabling the Authority to set out how it will deliver a sustainable Budget for the following year. The MTFS also provides key evidence to external scrutiny that Cheshire East Council is meeting the requirements of the Comprehensive Area Assessment (CAA) – Use of Resources assessment examined by the Audit Commission.

1.4 Key frameworks and strategies are being developed to present a complete understanding of service and financial performance and dependency. This report presents the process to integrate wider corporate Business Planning which indicates how the Council will go about delivering against its priorities and meeting external assessment requirements. This new MTFS process and the integrated approach will be introduced for 2010-11 and will be continually improved following regular review.

2.0 Recommendations

2.1 To approve the MTFS for 2010-13 outlined in this report, specifically:

- note the issues raised in the review of last year (Appendix A);

- to operate the financial planning process for a three year period and review this annually (Appendix B).

- to operate a four stage process for Budget Setting for the revenue budget and Dedicated Schools Grant (DSG) (Appendix B).

- the Key Planning Assumptions set out in Appendix C as the basis for Scenario planning.

- the current Financial Scenario, treatment of the funding gap and allocation to Departments as set out in Appendix D.

- to approve the issues raised in Appendix E, i.e.:
    - the suggested approach to Budget Consultation and the implications of the earlier timetable.
    - the format, content and timing of the Budget Consultation material.
    - the approach to Scrutiny.
    - the scope for further savings.
    - the approach to Member input ie the formation of a dedicated Sub Cabinet Budget Group.
    - the approach to Value for Money and efficiency.
    - the links to the Corporate Plan.

- the Budget Setting timetable for 2010-13 (Appendix G).

2.2 To make Key Decision CE09/10-04 ~ Approval of Capital Strategy 2009-13 (Appendix F).

3.0 Reasons for Recommendations

3.1 To ensure Cheshire East Council has a robust process in place for delivering a Budget and Council Tax for 2010-11 and to address the wider performance and consultation demands.

4.0 Wards Affected

4.1 Not applicable.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications including - Climate change
- Health

6.1 Not applicable.

7.0 Financial Implications for Transition Costs (Authorised by the Borough Treasurer)

7.1 None.

8.0 Financial Implications 2009/10 and beyond (Authorised by the Borough Treasurer)

8.1 The report includes an overview of the Financial Scenario for the period 2010-11 to 2012-13, and sets out a process to deal with the issues arising.

9.0 Legal Implications (Authorised by the Borough Solicitor)

9.1 To ensure the MTFS is underpinned by robust estimates and adequate levels of reserves are maintained by the Authority.

9.2 It is important that the Council has robust processes for budget setting in order to fulfil its fiduciary duties.

10.0 Risk Management

10.1 The main risks are that the Authority is not in a position to set a Budget and provide evidence of high / excellent performance to the Audit Commission. The steps outlined in this report will significantly mitigate such risks.

10.2 The MTFS process will include a risk assessment of major policy options and it is proposed this is included in the consultation documents.

11.0 Background and Options

11.1 Council financial resources are limited and under constant pressure to meet new demands. The council must therefore ensure that its funds are used to deliver its priorities, targets for service delivery are met and resources used efficiently and effectively. Effective corporate and business planning support sound performance management of the council's business and ensure that decisions about use of finances are made on a rational, evidence-driven basis. KLOE 1.1 of the Use of Resources CAA assessment focuses on whether the council integrates financial planning with strategic and service planning processes on a medium to long term basis. The Improvement and Development Agency (IDeA) has produced a checklist of questions to support effective planning that supports this KLOE:

- *Does the community strategy act as an overarching framework for corporate, service or theme specific plans?*
- *Have the priority community issues been translated into corporate objectives?*
- *Is there a corporate plan in place that identifies the tasks and resources necessary to achieve the corporate objectives?*
- *Is resource allocation based on corporate objectives?*
- *Is service improvement and financial planning integrated?*
- *Are there up to date departmental service plans in place that translate corporate objectives into action plans?*

These questions provide a framework for strategic, business and financial planning in Cheshire East.

11.2 The corporate plan is the council's strategic planning document. The council adopted an interim corporate plan for 2009-2010. This identifies eight objectives and 22 priorities to guide service delivery and the use of financial resources. These reflect local challenges and needs as identified in an interim Cheshire East sustainable community strategy which has been based on community strategies and local needs identified by the prior authorities. The new Cheshire East local strategic partnership has started work on a new community strategy, to be finalised later this year.

11.3 Corporate plans are annually updated medium term documents, generally covering a three year period. A new medium term corporate plan (2010-13) was proposed to be developed in 2009. This is to be strongly based on detailed understanding of different areas and communities in the Borough and their different needs, reflecting the new sustainable community strategy, and support the council's response to the new comprehensive area assessment framework.

11.4 The financial planning process should be based on corporate objectives. The current timeframe for producing an MTFS, and taking forward the 2010 budget making process, indicates initial corporate plan/objectives and priorities input is needed throughout July and August, with financial impacts being feedback in September. This allows limited time for development of a new three year plan that has been consulted on with priorities agreed by Members. So the MTFS / budget may need to be based on the current interim corporate plan, which can be developed for one further year, to strengthen and build up the underlying evidence base, focus and refine objectives and outcome priorities and incorporate the new transformation programme priorities.

11.5 The 2009/2010 budget process was, to some extent, year one driven. The 2010/2011 process therefore needs to consider factors such as the scale of Members' ongoing service and Council Tax ambitions and the need to address promises made to improve Budget Consultation.

11.6 This report considers some of the lessons from last time and suggests a way forward in terms of a comprehensive MTFS process including the draft Capital Strategy.

11.7 It is proposed that the Authority operates a rolling three year MTFS process for the period 2010-13 and the following high level approach be adopted to Budget Setting. This is explained in more detail at Appendix B.

Note : a full MTFS timetable is included at Appendix G.

July	Agree key planning assumptions (Appendix C)
	↓
July – September	Portfolio Holders, Directors & Heads of Service agree financial impact of Business & Service Plans: 1. Service priorities 2. Performance targets 3. Emerging issues 4. Risks See (Appendix D)
	↓
September	Cabinet Members & Directors respond with budget proposals
	↓
	Member / Officer challenge
	↓
October	Publish high level options (Appendix E – Annex 3)
	↓
	Consultation
	↓
November	Challenge and refine options
	↓
December	Publish detailed options (Appendix E – Annexes 3 / 4)
	↓
January	Consultation
	↓
	Refine options
	↓
February	Budget Council

11.8 The starting point in terms of Departmental base line budgets will be confirmed in July.

11.9 Enhanced Budget Consultation arrangements have been incorporated into this process and some of the issues are considered in more detail in Appendices E and F.

11.10 Business and service planning translate the corporate plan into annual departmental commitments to deliver priorities and detailed service level action plans for delivery. Annual business planning is driven by:

- Corporate priorities and departments' development of policies to deliver them
- Service pressures including demand, policy and customer service issues
- Organisational development requirements (and related paybacks)
- The need to deliver value for money and meet annual efficiency targets
- The resources available to meet these demands (including bankable efficiency savings)
- Decision making between competing 'bids'.

This requires a budget setting process that intrinsically links decisions about finance to choices between service priorities. Consultation is therefore about what is to be delivered, the distribution of funding to support delivery as well as the level of finances (council tax) to be raised to meet the council's priorities.

In relation to business planning for 2010 it is suggested that:

- Once council priorities for 2010 (and beyond) have been focused in the corporate plan, departments be asked to identify policy and programme developments (growth) that will support the corporate priorities – including detailed evidence and business cases for the proposals
- Services also be asked to identify 'unavoidable growth' – the result of demographic, service demand, policy etc pressures
- Desirable growth linked to service improvements be identified
- Transformation and other programme costs be identified
- Services be asked to 'de-prioritise' services/ functions they no longer consider to be desirable in the context of council priorities – that will free up resources
- Services be asked to identify savings to deliver efficiency targets.

Ideally proposals should be costed over a three year period and other future service priorities with financial implications be flagged up as part of this first stage of business planning.

Member consultation, followed by wider consultation will support decision making between competing priorities and bids for resources, with a 'star chamber' to make final decisions.

Business planning will closely mirror the MTFS timetable above, but will be further developed to incorporate consideration of options as well as the further involvement of staff plans.

12.0 Overview of Year One and Term One Issues

12.1 The MTFS and the associated planning assumptions will impact on the first Term by setting a framework for the development of budgetary and policy options which will ultimately impact on service delivery and Council Tax levels.

13.0 *Access to Information*

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

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APPENDIX A

REVIEW OF 2009-10 BUDGET PROCESS

In order to improve the process, this section considers aspects of the 2009-10 Financial Planning process that worked well and those that did not work so well.

2009-10: What Worked Well

The key areas that worked well during the year included:

- **A managed approach** – i.e. ensuring any changes to the financial scenario were understood and accepted, via a Change Control process, before being actioned.

- **Member Input** – into the process was conducted both at regular meetings with the Cabinet Member for Finance and at Cabinet away days. All Cabinet Members were able to contribute to the debate.

- **Budget Consultation Meetings** – the meetings organised in January 2009 were well attended and well received by consultees. They created a very positive image of the new Authority and its plans for the first year.

- **Regular meetings** – between relevant finance staff to review progress, co-ordinate pieces of work and access additional resources as required to resolve issues.

2009-10: What Did Not Work So Well

- **Detailed debate with full Cabinet** – Cabinet away days may not be the most effective use of Member and officer time. Members may wish to create a sub group to work on Budget development.

- **Budget Consultation Arrangements** – Budget Consultation dates and venues were arranged much later than usual meaning consultees were given little notice of the meetings and insufficient preparation time. There is therefore a need to agree a Budget Consultation strategy at the outset.

- **Involvement of Opposition Members** – for a variety of reasons Opposition Members were not fully involved in the Budget Setting process. They need to be given the opportunity to comment on any Policy Options.

- **Capital Planning** – in future this needs to be considered to a similar timescale as the revenue budget and treated as a key issue for service transformation.

- **Links to Corporate Plan Priorities** – it was not possible to consider how the 2009-10 Budget and policy options related to the priority areas set out in the Corporate Plan. If policy options are available, the impact on priorities is clear and the base budget can be analysed by priority areas, it would be desirable to show how the priorities are affected.

- **Bench Marking / Value for Money (VFM) / Best Practice** – these were issues that, due to the challenging timetable, could not be fully considered. The approach needs to be reviewed for 2010-11.

- **Setting Efficiency Targets** – it is necessary for the Authority to consider its position in relation to the NI179 target and determine whether further specific action is required. The profile of this issue has been further raised by the additional requirements of the Chancellor's 2009 Budget statement.

- **Late Changes to the Financial Scenario** – towards the end of the 2009-10 Budget Setting process there were several late changes to the Financial Scenario which made it difficult for Service Managers and Finance staff to finalise the position. These related to the level of exceptional inflation and the allocation of additional growth which was partly funded by prudential borrowing. While these changes were necessary it is desirable to set firm proposals at an earlier stage.

Summary

The 2009-10 Budget setting process was exceptional in nature because of Local Government Reorganisation. In any normal year the Councils would have had an established template for the Budget Process. For 2009-10 the Shadow Council had no staff in post, there was no agreement on sharing of budgets between the two new Shadow Councils, and there was a mismatch between the location of the Shadow Council and the availability of most of the Finance staff.

The aim of the 2010-13 process is to retain the high level overview for the Consultation process, supported by the relevant detail, and to expand the involvement of all Members so that they have a clear understanding of the composition of the Budget proposals. There should be recognition that the 2010-11 detail will be better than the 2009-10 detail and that it will probably be 2011-12 before we achieve a level of detail which is the benchmark for future years.

APPENDIX B

SUGGESTED APPROACH FOR 2010-13

This section of the report builds on the issues raised in Appendix A and sets out a draft financial planning process for 2010-13.

Time Period

It is suggested that the MTFS is operated over a three year period. This has been selected given the need to:

- Consider the financial position beyond year 1.
- Produce robust estimates for costs and income over that period which becomes increasingly difficult in later years – especially for a new authority.
- Acknowledge the uncertain economic and Political situation – which could have a significant bearing on the Financial Scenario.
- Follow best practice guidance on Financial Planning.

Therefore, the Scenario will cover the years 2010-11, 2011-12 and 2012-13. It is suggested this basis is reviewed annually to ensure, amongst other things, close links with Government funding announcements.

However, the Authority needs to acknowledge the full impact of the decisions it makes and it is proposed that costs or income that fall outside the MTFS period are captured and used to assist informed decision making. This is particularly important for Capital Schemes where whole life costing needs to be considered to enable judgements to be made over the level of initial investment in consumable items.

Key Aims of the MTFS Process

A comprehensive MTFS process will enable the Authority to adopt a managed approach to:

- Aligning resources with objectives through considering the priorities in the Corporate Plan and demonstrating their links to the Budget setting process and resulting policy options;
- Council Tax levels;
- Ensure any changes to Formula or Specific Grant funding are anticipated and factored into the Financial Scenario;
- Smoothing out fluctuations in service delivery levels and any issues arising from LGR aggregation / dis-aggregation;
- Managing Reserves;
- Recognising service cost pressures;
- Understand the need for savings or scope for reinvestment (and communicating those to Directors);
- Ensure the authority is on track to deliver against its efficiency targets.

In addition, the process and outcomes will enable the Authority to demonstrate progress in addressing the Audit Commission's CAA Use of Resources Key Lines of Enquiry in relation to:

Managing Finance

- Planning its finances to deliver strategic priorities and secure sound financial health. i.e.
    - full integration of the Financial Planning process with the wider planning framework and clear links to strategic priorities;
    - the engagement of local communities and key stakeholders in the Financial Planning process;
    - recognising individual and collective responsibility for financial management through corporate activities such as Financial Scenario planning and responding to targets.

- A sound understanding of costs and performance and achieving efficiencies. i.e.
    - the analysis and challenge of service activities, costs and performance to generate efficiency savings and meet budgetary targets set by the organisation.

Governing the Business

- Commission and procure quality services and suppliers, tailored to local needs, to deliver sustainable outcomes and value for money. i.e.
    - a clear vision of intended outcomes which is reflected in the procurement strategy and resulting policy options.
    - involve local people, partners and stakeholders in commissioning via consultation;
    - introduce into the business the clear mantra "Would I pay this price in my personal life?"
    - seeks to improve quality and VFM through service redesign and making effective use of IT as part of responding to targets and linked to the recommendations within the Operational Efficiency Programme.
    - evaluates options;
    - reviews VFM.

- Manage its risks and understand their impact. i.e.
    - Effective risk management – applied to key policy proposals generated through the MTFS process.
    - Impact Assessment – consideration of political, environmental, social, economic and legal risk factors.

Managing Resources

- Managing its natural resources, physical assets and people to meet current and future needs and deliver VFM. i.e.
    - effective asset management;
    - effective planning and organisation to help generate appropriate policy options in line with strategic priorities;
    - can predict the impact policy options will have on the base level of staffing.

A Structured Approach

The 2009-10 Financial Planning Process was approved by Cabinet in June 2008. It used a diagram to set out the four distinct stages of the process. This was helpful in terms of clearly setting out the separate stages and the inputs required.

It is proposed that once again the financial planning process adopts a structured approach with several distinct stages.

The approach will aim to include the framework around delivery of the corporate priorities, although at this stage further development is needed. And this process will evolve as links to the wider Business Planning Framework are established.

The financial approach is set out in the Annex and described in more detail below.

- **Stage One – April to June 2009 – Establish Baseline**

While the work to dis-aggregate / aggregate the service budgets to create the new Council is complete there is still a need to establish the starting point for planning purposes in terms of:

- Detailed base budgets for 2009-10;
- Identifying permanent adjustments following revised structures;
- Identifying the final impact of dis-aggregation following closure of the 2008-09 accounts including recognition of all Transitional Costs and revised opening balances.
- Identify significant emerging issues and progress to date e.g. Local Authority Business Growth Incentives, etc to establish any potential impact.

- **Stage Two – June to September 2009 – High Level Planning**

Review Scenario Assumptions:

- Revisit each key assumption within the Scenario, for example key economic indicators, to ensure best estimate is used.
- Confirmation of the ongoing impact of 2009-10 policy options.
- Consider any additional items that may need to be brought into the Scenario.
- Consider Directorate cost pressures and investment opportunities.
- Agree the approach to Reserves and analysis of risk.
- To identify any affordability gap, how to deal with it, potentially set service saving targets and consider the level of acceptability.

- **Stage Three – October 2009 to January 2010 – Refinement**

This stage involves making any necessary adjustments to the high-level options and then undertaking detailed planning and budget modelling. It is proposed that a certain level of detail will be shared at an initial round of Budget Consultation. The output from this stage would be detailed budget options for consultation in January 2010.

- **Stage Four – January to February 2010 – Finalisation of the 2010-11 Budget**

This stage involves budget consultation, final adjustments and refinements and the setting of the Budget and Council Tax for 2010-11.

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

<u>Dedicated Schools Grant</u>

A substantial part of the total base budget (some £194m) relating to schools is funded by the DSG. This grant is determined by pupil numbers and the minimum funding guarantee set each year by the Government.

The level of DSG can be estimated in order to provide a framework for planning purposes using forecast levels of pupil numbers. As part of the MTFS process officers will calculate the amount of DSG receivable for 2010-13, consider any commitments such as teachers' pay awards, any outturn issues and set out any shortfall or flexibility.

This overall financial envelope will then be used as the basis for generating policy options for the MTFS period.

The initial work will be completed by 31 July and targets issued following consideration and approval of the underlying assumptions by the Cabinet Members for Resources and Children and Families. The People Service will then be asked to produce a set of policy options to meet the targets.

After 31 July the DSG Budget Setting process will follow the standard MTFS timescale.

Policy options would be included within the Consultation documents set out at Appendix E to ensure the Authority meets any requirements to publish and consult on options and, where necessary, seek agreement from the Schools Forum. Consultation meetings with the Schools Forum will be arranged accordingly.

<u>Standards Fund Grant etc</u>

In addition to DSG the Authority receives Standards Fund and many other grants to support its services. It is recommended that any changes to the use of these grants are set out in the consultation documents.

APPENDIX B – ANNEX

2010-13 BUDGET SETTING – OUTLINE PROCESS

Stage 1
(April/June 2009)
2009-10
Baseline

Establish Baseline
– Revenue and Capital

Revenue
- Confirm Departmental Base Budget levels
- Confirm permanent budget adjustments / change control

- Finalise dis-aggregation as 2008-09 accounts are closed
- Grant formula changes

2009-10 Baseline Budget

Stage 2
(June-Sept 2009)
High Level Planning
2010-2013

Agree high level planning assumptions for 2010-13

Financial Scenario Assumptions
- Inflation
- Council tax base
- Confirm ongoing impacts of 2009-10 policy options
- Pensions, Insurances etc
- Transitional costs/severance
- Contingencies
- Landfill tax
- Capital financing (including capital receipts, Private Finance Initiative credits, capital reserve)
- Local Authority Business Growth Incentives
- Local Public Service Agreement 2 Performance Reward Grant
- Appropriations to / from Reserves

Service Scenario
- Corporate Plan / Community Strategy
- Member priorities
- Roll-forward commitments
- Service cost pressures
- Business case savings / investments e.g. local working
- Cashable efficiencies
- Impact of service redesign
- Joint arrangements
- Benchmarking / Value for Money
- Capital Programme

High Level Budget Options/Proposals 2010-11 and Draft Medium Term Financial Strategy 2010-13

Stage 3
(Oct 2009- Jan 2010)
Refinement and Adjustment of Options

Consultation

Refinement and adjustment of 2010-11 Budget Options / Proposals

Refinement of financial scenario for updated assumptions, provisional grant settlement and impact of 2009-10 projected out-turn

Refinement of service budget proposals in the light of challenge x 2 / consultation / benchmarking

2009-10 Budget Options / Proposals

Stage 4
(Jan-Feb 2010)
Finalisation of 2010-11 Budget

Impact of Final grant settlement, provisional out-turn, etc

Consultation

Budget 2010-11
Medium Term Financial Strategy 2010-13

APPENDIX C

KEY PLANNING ASSUMPTIONS

The financial scenario model is based on a number of key planning assumptions. This Appendix sets out the current assumptions in each area, the order of magnitude, and the basis for the figure. It then illustrates the impact of the assumptions on the Scenario.

The assumptions are based on the best information available and will be continually challenged and refined throughout the process. They form a key part of the planning process and have a significant impact on the scenario. Members are asked to consider the assumptions and make any appropriate recommendations.

Income

Formula Grant: (i.e. Revenue Support Grant and Business Rates) 2010-11 will be the final year of the current Comprehensive Spending Review (CSR) 2007 period and the allocation of £63.5m has been confirmed by the Chancellor's Budget announcements in April 2009. This represents a 2.8% increase over 2009-10 due to an LGR adjustment.

Beyond 2010-11 there are no CLG figures available (pending the next CSR - potentially released during 2010). The Chancellor's Budget forecast that growth in public sector spending would reduce to 0.7% pa from 2011-12. However, briefing from the Minister of State for Health in May 2009 suggests no growth and potentially real term cuts. It is also unclear how the perceived scope for generating efficiency savings will factor into allocation of funding.

Given that Formula Grant was split using the CLG formula there should not be a "cliff edge" effect in 2011-12 and therefore Cheshire East Council should only be affected by formula or data changes that impact on all authorities.

With RPI expected to return to zero in 2010 the current assumption is a 0% increase in 2010-11 and 2011-12. Formula Grant received in 2010-11 will be £63.5m, therefore every 1% change = £0.6m.

Business Rates: It has been confirmed by the DCLG in their regular Business Rate Information letters that any measures introduced by Central Government to increase payment timescales for businesses will not impact on the amounts received by local authorities.

These form part of Formula Grant therefore a 0% increase has been applied.

Business Improvement Districts: The potential for businesses to pay for certain local improvements.

Assumed that no income is raised from this source.

Supplementary Business Rates: The scope to raise additional income through a locally agreed increase in Business Rates for a specific and additional purpose.

Assumed that no income is raised from this source.

Council Tax: The Authority is committed to low Council Tax increases matching RPI which is expected to return to 0% in 2010.

> **Following harmonisation in 2009-10 the scenario assumes no increases in Council Tax. For 2009-10 Council Tax income is £173m, therefore each 1% change would equate to £1.7m.**

Council taxbase: This represents estimated number of band D equivalent properties used for setting the Council Tax. The forecast annual change has been increased in recent years based on actual experience to ensure accurate forecasting. Given the current economic climate this increase needs to be reviewed.

> **The current assumption is to reduce the annual taxbase increase from 0.7% to 0.3% to match increases experienced in previous years. The 2009-10 taxbase is 144,761 with each 0.1% change equating to £0.180m.**

Council Tax collection fund surplus / deficit: Last year there was a deficit of £0.8m, which is expected to increase as the outturn positions are confirmed, and collection rates stayed high. Both these factors suggest a further deficit may be experienced for 2010-11.

> **The current assumption is to budget for a deficit of £0.5m.**

Council Tax on Second Homes / Long Term Empty Properties: It is assumed that this additional source of income will continue to be raised based on a lower discount of 25% being applied to Council Tax bills. Currently £130k is retained by Cheshire East, £16k is allocated to Local Area Agreements and £114k to Crime and Disorder Reduction Partnerships. It may be an appropriate time to review the use of this income.

> **No changes have been included in the scenario.**

Fees, Charges and Income Generation: The Authority is undertaking a major review of income with a view to establishing the current position and the scope for harmonisation of charges and generation of additional income. This will focus on three strands of income: Government Grants, External Funding and Income Generation. The current impact on Government Grant funding is detailed above.

The income generation review, and any resulting strategies, will focus on innovative ways to increase income through:

- Enhancing the process for cost recovery through charging;
- Considering the use of capacity to generate additional income rather than immediately converting to cash savings e.g. exploiting the broadband infrastructure;
- Exploring options to trade for profit acknowledging the legal difficulties experienced elsewhere.

The Financial Scenario assumes income related to charging will increase by 2.5%, which equates to approximately £1.38m of additional income in 2010-11. (Based on Information recently collated for the LGA which suggests an approximate fees and charges budgets of £55m for 2009-10).

Any additional income raised less any costs of generating it will be factored into the Scenario when a robust business case has been agreed.

The increase in income from fees exceeds the current predictions for CPI which could fall as low as 0.5% during 2009. The scenario therefore assumes an additional £1m will be required from new, or improved, income generation schemes in each of the next three years. The Authority has an objective of raising an extra £5m of income in 2010-11. This is not reflected in the financial scenario and proposals will be developed during 2009-10.

Expenditure

Pay Inflation: Pay inflation is applied to 53% of the budget and the 2009-10 assumption was 2.5%. Given the current pay offer of 0.5% the provision for 2010-11 onwards needs to be reviewed.

The recommendation is 1.5% per annum given that negotiations have some way to go. On a base of £114m each 1% equals £1.14m.

Non Pay Inflation: Non pay inflation is applied to 47% of the budget (including all fees and charges) and the 2009-10 assumption was 0.5% with exceptional items at 3.1%. While RPI is expected to remain low, inflationary pressures facing the Authority are not expected to diminish.

For 2010-13 the recommended assumption is 2.5% per annum plus an additional provision for exceptional items at 1.75% per annum. Based on a budget of £101m each 1% equals £1m.

Contingency: There was no provision for 2009-10.

For 2010-13 the recommendation is a provision of 1% per annum.

Funding Contingency: Given the level of uncertainty regarding grant funding, it is recommended the Authority makes a provision to offset the impact of any reduction in grant funding or any loss due to transfers from Specific Grant to Revenue Support Grant.

It is proposed to establish a £0.75m per annum contingency from 2011-12.

Capital Financing: These represent the financing costs of the Capital Programme less any interest received on balances. A Treasury Management Strategy will be reported to Members later in the year.

For 2010-12 this is based on figures from the 2009-12 Capital Planning Process. The 2012-13 estimate is based on 2011-12 forecast spend levels.

Repayment of Transitional Costs: At this stage the scenario continues to assume Transitional costs will be paid back to reserves over three years. This will be reviewed as the 2008-09 accounts are finalised and the final level of Transitional Costs is known.

The current assumption is payback at £2.8m per annum from 2009-10 to 2011-12.

Double Taxation: The Authority is committed to removing instances of Double Taxation, i.e. Council Taxpayers paying the Council and the Parish Council for a particular service, where it can be proven and managing any impacts within the Financial Scenario.

No assumptions have been included in the Scenario.

Transitional Costs

At this stage no provision has been made in 2010-13 for any further costs relating to:

- Redundancy
- Early retirement
- Relocation

These need to be reviewed given that the cost of moving staff to the East and the ongoing travel costs will be a major cost pressure for the Authority.

At this stage no provision has been built into the Scenario.

Reserves

The impact on reserves of issues such as transitional costs are being monitored. As the 2008-09 accounts are closed the starting position will be finalised. However, emerging issues in 2009-10 will also impact on the closing balance at 31st March 2010.

A minimum strategic level of reserves will be maintained in accordance with the Reserves Policy & Strategy approved as part of the MTFS process for 2009-10. Any indication that reserves will be above or below this position will be carefully considered by Members and the Chief Financial Officer. Actions may then be necessary to return the reserves to an appropriate level within the overall financial scenario.

The Reserves Policy & Strategy will be reviewed by September 2009.

Dedicated Schools Grant

The Government announced the indicative allocation of the DSG for 2010-11 as part of the multi-year settlement issued last year. The guaranteed unit of funding per pupil through DSG will increase on average, nationally, by 4.3% in 2010-11. Beyond 2010-11 the DSG formula is under review, however, at this stage there is no information available to assess the impact of the review.

> **It is therefore proposed to plan on the basis of the system used for up to 2010-11 and review this as more information becomes available. A DSG Strategy will be developed during 2009-10.**

Additional Funding Sources

During the Budget Setting process there will be a need to manage a number of additional funding sources. The Authority needs a clear strategy for the handling of these funds. The key issues include:

Area Based Grant: These grants are now un-ringfenced and can be allocated based on local agreements. To date the Authority has continued to assume they are all ringfenced. This major issue needs to be considered in further detail in terms of who should manage the grants and flexibility in their use. Allocations for 2010-11 have been announced as part of the 2009-10 Grant Settlement. It should be noted that certain services are heavily reliant on grant funding and changes to the level or nature of the grant could have a significant impact.

Local Authority Business Growth Incentives (LABGI): Circa £0.7m expected but currently awaiting further details on the new LABGI scheme from DCLG. This income is not ringfenced. Members will need to consider using this funding to pump prime investment in lean systems working so that future savings can provide permanent benefit.

Local Public Service Agreement (LPSA) 2 Reward Grant: Balance of circa £1m available in 2009-10. Members will need to consider the best use of these funds in terms of supporting the scenario or funding appropriate schemes.

> **At this stage no changes or assumptions regarding additional funding sources have been incorporated into the Scenario.**

It is recommended that all additional funding sources (revenue or capital) are managed on a corporate basis with the initial call being the financial scenario. Depending on the overall position it may be possible for Members to target unused funding to priority areas whilst continually recognising the future financial impact of such key decisions.

Impact of Assumptions set out in Appendix C on the Financial Scenario

Item	2010-11 £m	2011-12 £m	2012-13 £m
Current Surplus Position (see note 1)	**-2.2**	**-2.3**	**-4.3**
Changes to Assumptions:			
Income			
Formula Grant increase at 0%	-	1.3	1.2
Council Tax at increase 0%	5.2	5.2	5.3
Taxbase increase at 0.3%	0.7	0.7	0.7
Collection Fund deficit at £0.5m in Year 1	0.5	-0.5	-
Expenditure			
Pay Inflation at 1.5%	-1.1	-1.1	-1.1
Non Pay Inflation at 2.5%			
Contingencies : additional £0.75m pa from year 2 as grants assumed to reduce	-	0.7	0.3
Service Scenario			
To be Developed - for example: demographic changes and statutory requirements	-	-	-
Total Impact of Changes:			
Revenue Budget (Surplus) / Deficit	**5.3**	**6.3**	**6.4**

Note: 1. The Financial Scenario, based on last years assumptions and before any consideration of 2008-09 outturn or 2009-10 expenditure, reflected a surplus position.

SCENARIO ROLL FORWARD

Initial work has been completed to roll forward the Financial Scenario from 2009-12 to 2010-13 and update it for the latest Key Planning Assumptions. Subject to Member views on those Key Planning Assumptions, this Appendix sets out the potential implications in total and for each Department :

see note (i) below	**2010-11 £m**	**2011-12 £m**	**2012-13 £m**
Available funding	209.0	210.0	211.7
Roll Forward Base Budget	214.9	214.3	216.3
Gross Funding Gap	5.9	4.3	4.6
Policy Options / Exceptional Inflation	- 0.6	2.0	1.8
Revenue Budget (Surplus) / Deficit	**5.3**	**6.3**	**6.4**

Allocation of Funding Gap to Departments (see notes):			
People	3.1	3.7	3.7
Places	1.3	1.5	1.6
Performance & Capacity	0.9	1.1	1.1
Total	**5.3**	**6.3**	**6.4**

Note: **(i)** ***important: The figures contained within this table do not allow for 2009-2010 emerging issues, or any risks to in-year savings targets***

(ii) this allocation has been done on net Base Budgets.

(iii) these represent net savings targets, i.e. any cost pressures must be taken into account in delivering them.

Members are asked to agree these budgetary targets as a basis for planning.

APPENDIX E

SUGGESTED IMPROVEMENTS TO THE PROCESS

This section of the report considers some of the potential changes to the process and, where appropriate, recommends a way forward.

i) Budget Consultation

In line with the new Council's commitment to improving Budget Consultation arrangements there is a need to review the approach. The issues are considered in more detail in Annex 1.

The proposed way forward is to hold two rounds of Budget Consultation; one in late October and one in January.

Subject to Member views the appropriate arrangements will be put in place and further details reported in due course.

ii) Budget Consultation Material

A key part of the MTFS process is the publication of Policy and Budget options in a format that can be shared with consultees, form the basis of consultation, and allow for constructive feedback at a time when any comments can be properly considered.

In the legacy authorities these documents have taken various formats such as booklets raising high level issues through to detailed service policy option schedules and briefings.

In detailed form these provide a useful reference source of the latest position for Members and officers. They also allow the authority to recognise responsibility for the financial management of service areas by detailing the appropriate managers.

In line with the proposed Budget Consultation process set out above, some form of document would need to be produced for each set of events. Members will need to agree the level of detail they are prepared to release.

Sharing information earlier in the year will require a disciplined approach from officers and Members in terms of promptly agreeing the material they wish to share which may include some financially significant and sensitive options.

Members also need to consider their input to the events and how much notice they are able to take of the feedback in their budget setting deliberations. Inevitably this may lead to the need to initially identify more savings than are necessary to provide some flexibility.

The recommended approach to Budget Consultation material is :

Late July 2009

It would be desirable to meet with consultees at this early stage to outline the Financial context, Council priorities and seek input from a wider audience. However, it will not be realistic to undertake such an exercise this year given the timescale for establishing the key messages and issuing documents.

As an alternative, the work of developing a high level MTFS process and receiving comments from a range of officers and Members has formed an initial consultation on the process. This has lead to improvements and wider understanding of the Authority's intentions. The ambition to meet with consultees at this stage will be rolled forward to next year.

Late October / Early November 2009

A consultation document explaining the financial context, priorities, Member perspectives, high level policy options, draft Capital Programme and brief explanatory text. A draft outline of this document is shown at Annexes 2 and 3. Annex 3 would be the main document completed by Departments when responding to any savings targets. It is proposed that a statement outlining the strategy behind their responses and describing key proposals in more detail is also produced.

January 2010

A revised document explaining developments from last time, results of feedback, Member views, detailed policy options, draft Capital Programme and key issues briefing (see below). It is expected this document would take a similar format to Annex 3.

Key Issues Briefing

A further example of good practice has been to produce supplementary briefing concerning the key policy options being consulted on, in terms of what they will deliver and how, their impact and a risk assessment. It is proposed that such a document is produced to accompany the detailed policy options document used for consultation in January 2010. A draft outline of this document is shown at Annex 4.

Note: preparation and timely circulation of these documents will require considerable input from Members and officers, it is therefore essential that the organisation is committed to providing and releasing the relevant information on time.

iii) Scrutiny

Before policy options can be shared or accepted they need to be examined. One key method of ensuring any policy options are robust and suitable for consultation is to thoroughly challenge them at some form of scrutiny session. This would consider revenue and Capital options (focusing on their links with the revenue proposals and any other issues rather than duplicate the work of the Capital Appraisal Panels).

Such events are an opportunity to examine VFM, links to priorities in the Corporate Plan, the contribution to efficiency targets, and delivery of current savings targets.

It is proposed that an initial round of scrutiny is held in late September / early October following the receipt of draft policy options. This would be followed by a further opportunity in November to follow up on issues raised and any actions taken.

These sessions would involve a core group of Members and officers reviewing and questioning the responses from each Directorate.

iv) Further Savings / Super Efficiencies

The 2009-12 scenario included the objective of making considerably higher levels of savings, up to £35m over the three year period, to allow scope for reinvestment in the Council's priorities. Savings of £12m were delivered in 2009-10 leaving a balance of £23m to be identified.

Services would struggle to deliver that level of savings via conventional means and innovative options would have to be considered. Therefore, it is essential to establish what level of saving target needs to be considered to provide a clear steer for scenario planning. In addition, this may be a good opportunity to consider the scope for super efficiencies.

Members will need to provide a steer on whether they wish Departments to approach savings targets in isolation or if they wish to launch a co-ordinated transformation programme.

v) Member Input

As noted earlier Cabinet Members may need to review their input to the MTFS process to ensure their time is most effectively used and that they have the opportunity to feed their views in to the process at key stages.

One option would be the creation of a dedicated sub Cabinet Budget Group to meet with Directors and leading officers on a regular basis and take decisions on key budgetary issues. This group would report back to Cabinet.

It will also be ensured that the Member Scrutiny function is fully engaged.

vi) Capital Programme

Given competing priorities and limited resources the development of the Capital Programme for 2009-10 was undertaken separately, and at a late stage of the process. Now that the new Council has been established it is essential that Capital Planning is clearly linked to the developing Capital Strategy and integrated with the revenue planning process from the outset and forms part of Budget Consultation material.

This will provide the basis for service transformation and 'invest to save' initiatives, and make the most effective use of limited accounting resources. It is proposed that the appropriate Capital guidance would be issued at the same time as the revenue launch process.

A Draft Capital Strategy has been included at Appendix F to the MTFS Report.

vii) Council Tax Strategy

Members have expressed a clear wish to control Council Tax levels through strict management of budget levels via the MTFS process.

Current scenario assumptions reflect no change to Council Tax levels for the next three years. Income raised from Council Tax is a major factor in determining the funding available to the Council and any changes need to be carefully considered given their potential impact on service delivery and Political / public acceptability, especially under current economic conditions.

It is expected the Government capping regime will continue to expect Council Tax increases substantially less than 5% overall for the foreseeable future.

viii) Value for Money (VFM) Strategy

During the 2009-10 Budget Setting process it was not possible to consider measures to improve VFM. This was a reasonable position given that the Authority already needed to make substantial savings to remain within its agreed financial envelope and realise savings from LGR.

Moving forward into the new MTFS period it is important for the Authority to demonstrate that VFM is considered in terms of creating a system to analyse current performance and there is a strategy (linked to the MTFS) to improve where necessary. This is part of the Authority's Use of Resources assessment (part of CAA).

One way forward is to perform an analysis of the Audit Commission information and potentially use that to inform a comprehensive VFM Strategy.

The analysis could be used to challenge service responses in terms of whether the issue has been addressed and form the basis for further investigation. However, it will be vital to ensure such issues are clearly communicated to Departments at an early stage in the process to inform the development of policy options.

ix) Efficiency

The current Comprehensive Spending Review set cumulative targets of 3% per annum for the period 2008-09 to 2010-11. However, it is not necessary to set formal targets in each area. Specific targets were not set for 2009-10. Again this was justifiable on the grounds that a substantial level of savings were incorporated into the budget as part of the LGR process.

The 2009 Chancellor's Budget increased the target for the public sector from £30bn to £35bn with local government expected to contribute £5.5bn in total. Work is underway to establish what this means for local authorities.

Further analysis would be required to establish if additional savings are needed for the Authority to remain on target. However, this is clearly linked to the outcome of any additional savings targets set for 2010-11 and the considerable level of savings achieved in 2009-10. Members are asked to provide a steer on this issue.

x) Links to Corporate Plan Priorities

Part of the Use of Resources Assessment relates to clearly linking the Financial Planning process to strategic priorities as set out in the Interim Corporate Plan. This can be demonstrated through policy options via some form of key and / or analysis to demonstrate investment / dis-investment. It is proposed these links are included in the consultation documents.

xi) Dedicated Schools Grant (DSG)

It is necessary for the MTFS process to consider schools expenditure in terms of funding available through the DSG, any policy options or transfers and any changes to the use of Standards Fund Grant. These processes will be linked up for 2010-13.

APPENDIX E – ANNEX 1

BUDGET CONSULTATION

Throughout the Budget Consultation process for the 2009-10 Budget there was a clear commitment by the Council to improve arrangements in future years.

The question over consultation formed part of the exit questionnaire used in January 2009 where the majority of responses supported the following actions:

- Consulting earlier in the process
- More regular consultation
- Consultation based around policy options

To meet this commitment there is a need for Cheshire East Council to adopt a fundamentally different approach to Budget Consultation with interested parties and link in with a wider Council approach to consultation.

Given the availability and confidentiality of certain budgetary information / policy options changes will have to be managed to avoid unnecessary alarm. In addition, it will be necessary to approach venue hire and provision of refreshments with some caution given the relatively high costs such arrangements can incur. There is also a considerable call on limited staff resources to plan, prepare briefings, attend the meetings and produce minutes, reports, etc.

Expertise from Communications, Partnerships and Research and Intelligence is also be required.

There are several key decisions to be taken:

i) **Timing and frequency:** Members are asked to provide a steer on when they would like to hold Budget Consultation events and how often. Early Consultation events form an opportunity to share draft priorities in the Sustainable Community Strategy and Interim Corporate Plan. However, consultation will mean committing to earlier publication of policy options / issues.

ii) **Number of meetings, geographic location and time of day:** Members are asked to provide a steer on how many meetings they would like each time, whether any local area spread is desirable and what time of day they would prefer to hold the meetings. Members may consider using the structure of the Local Area Partnerships. The number of events will increase costs.

iii) **Venues:** Members are asked to provide a steer on the type of venue required. Clearly this has the greatest impact on costs. The low cost option would be to use Council buildings such as schools. However, the success and impact of the professional presentation arrangements in January 2009 cannot be ignored. It may be possible to negotiate with certain venues for a series of events.

A further factor is acoustics in terms of suitability of the main room / venue for breakout groups etc. This issue tends to lead to the most complaints from consultees.

iv) **Format:** while the detailed arrangements can be considered at a later date it is essential for Members to indicate whether they want separate events for each stakeholder group, e.g. Parish Councils, Social Care users, Businesses and the public, or a mixed approach. While the public were not invited to the January 2009 events they need to be considered and involved in any process if the Authority is to meet its public consultation aspirations. One further consideration is links with other consultation events being undertaken by the authority such as on the Sustainable Community Strategy.

v) **Invitations:** Ideally consultees need to be given a couple of months notice of the events. This is most easily achieved by targeted emails to each Stakeholder group and it is proposed that address lists are further refined and expanded. In terms of inviting the public it may be necessary to consider some form of campaign such as local press and radio articles.

vi) **Trades Unions:** it is assumed that meetings between the Staffing Committee and Trades Unions representatives will continue on a regular basis and include Budget Consultation when appropriate. Staff would be able to view and comment on the Consultation material via the intranet.

vii) **Schools Forum:** It is assumed that the Authority will meet the Schools Forum at appropriate times to consider budgetary options and the Dedicated Schools Grant.

Alternative Approaches to Budget Consultation

Initial research suggests a variety of approaches to Budget Consultation have been adopted elsewhere but are mainly variations on a theme. More innovative solutions include:

- Web based – options involving graphical web based tools have been used by other local authorities such as Redbridge, Northamptonshire and Surrey. However, these are limited in terms of reaching the majority of interested parties unless they are well publicised, can be accessed in libraries and are available for some time. Such options do require input from the Council to determine content.

- SIMALTO – a system that asks for detailed views on the issues set out by the authorities. This system is relatively expensive and involves a lot of work by the authority to agree priorities and questions but it does provide results which can be used for several years. It may be more appropriate to use such a system when the authority is established and more regular consultation approaches have been tried.

- Ring Back Services – it may be possible to use call centre staff to conduct a limited telephone survey of residents on priorities / budgets. This has been tried by other local authorities such as Gloucestershire and Suffolk.

- Kiosks – these have been trialled by the Cheshire legacy authorities and elsewhere and involve setting up some form of touch screen PC in places where they are likely to be used, e.g. libraries, Council Tax offices, etc. Users can then respond to a series of questions on priorities / budgets etc. The main issue with these systems is the limited amount of information they can gather in the time available before the user is distracted or loses interest.

-
- Participatory Budgeting – this system involves greater participation by the Community in determining the use of a relatively small local budget allocation. It has been used by several local authorities including three in the Northwest :

    - The distribution of £20k for cleaner and greener projects in Morecambe.
    - The distribution of £20k to support Community Networks in Wigan.
    - A second round in Salford to allocate £85k of highways Capital Funding to address local priorities.

  While these have been successful, it may be too early in the life of the new Authority to attempt something as ambitious and given that any allocation of such budgets has yet to be agreed.

Way Forward

Given some of the above issues the potential way forward is to hold three meetings each time for the autumn and January rounds but vary between general and themed meetings.

Therefore, a draft Budget Consultation programme be :

- Late October / Early November 2009 (three general meetings for stakeholders and the public)

    - LGR update
    - Introduction to a new approach to consultation and timetable
    - The financial context
    - Briefing regarding Interim Sustainable Community Strategy and Corporate Plan Priorities
    - Consideration of high level policy issues set out in briefing document
    - Feedback from consultees on strategy and policy issues
    - Questions
    - Where next

- January 2010 (three thematic meetings for stakeholders and the public)

    - Feedback from last time
    - Share revised proposals plus briefing with consultees and set out any changes from previous set
    - Brief on issues
    - Consultation feedback
    - Questions
    - Where next

APPENDIX E – ANNEX 2

OUTLINE OF LATE OCTOBER HIGH LEVEL CONSULTATION DOCUMENT

Consultation on Corporate Plan and Policy Issues for Cheshire East Council

Introduction

- Welcome to Cheshire East Council from Leader / Chief Executive.
- LGR process so far and key achievements / values.
- Consultation process and purpose of this booklet.

Section 1

- The Financial Context (Available funding):
    - Inherited budgets, LGR savings and policy commitments
    - 2010-11 Indicative Budgets
    - Available funding and Council Tax levels
    - Net position
    - Responding to the Chancellor's Budget, economic conditions, etc.

Section 2

- Outline of the Corporate Plan (What do we want to do):
    - Background
    - Priority areas and key messages
      (one-two sides per priority / theme)

Section 3

- Delivery (How we do it)
    - Service delivery issues / options and request for consultee feedback.

Section 4

- Have your say
- Where next

DRAFT

APPENDIX E – ANNEX 3

SUGGESTED PRESENTATION FOR POLICY / BUDGET OPTIONS FOR 2010-13 (SUBMISSION IN SEPTEMBER)

Department / Service Area			*2009-10 Base Budget of £xm* *2009-10 Staffing Levels of x FTE*							
Policy and Budget Options	**Analysis**	**Link to Corp. Plan**	**Financial Impact**				**Staffing Impact**			
			2010-11 £'000	2011-12 £'000	2012-13 £'000	TOTAL £'000	2010-11 FTE	2011-12 FTE	2012-13 FTE	TOTAL FTE
Investment / Cost Pressures										
- Line by line detail of key Policy Options	x	x	x	x	x	x	x	x	x	x
Efficiency Savings										
- Line by line detail of key Policy Options	x	x	x	x	x	x	x	x	x	x
Increase Income										
- Line by line detail of key Policy Options	x	x	x	x	x	x	x	x	x	x
Service Reductions										
- Line by line detail of key Policy Options	x	x	x	x	x	x	x	x	x	x
Sub Total of Policy and Budget Changes			x	x	x	x	x	x	x	x
Other Budget Changes (e.g. inflation)			x	x	x	x	x	x	x	x
TOTAL			x	x	x	x	x	x	x	x

APPENDIX E – ANNEX 4

POLICY AND BUDGET PROPOSALS 2010-13: DRAFT KEY ISSUES FORM (SUBMISSION IN DECEMBER)

Department:

Service:

Policy Option Narrative:

	2010-11 £000	2011-12 £000	2012-13 £000	Total £000
Financial Impact: (provide details)				
	FTE	FTE	FTE	FTE
Staffing Impact: (provide details)				

(These figures should reconcile to the latest Policy and Budget tables)

Proposed method of implementation and timescale:

Key Consequences / Risks / Impact on Service Users:

Other Financial Implications (e.g. redundancy costs, capital investment):

APPENDIX F

CAPITAL STRATEGY 2009-2013

CONTENTS

1. INTRODUCTION

1.1 The Capital Strategy sets out Cheshire East's approach to capital investment and disposals and how it makes decisions in respect of all types of capital assets. This document links closely with the Council's Corporate Asset Management Plan (AMP) and shows how the Council is prioritising, targeting and measuring the performance of its limited capital resources so that it maximises the value of that investment to support the achievement of its key cross-cutting activities, initiatives and local and national priorities.

The Council owns a substantial portfolio of over 600 major property assets, with a combined asset value of £440m, which will assist in the delivery of a wide range of services to the people of Cheshire East.

1.2 The Capital Strategy is intended to:

- Ensure that the investment of capital resources contributes to the achievement of the authority's key objectives and priorities that are detailed in their community plans and strategies
- Influence and encourage partnership working, both locally and nationally
- Reflect the visions and aspirations of local people for service delivery and recognise the potential for others to contribute ideas and resources
- Determine priorities between the various services and look for opportunities for cross-cutting and joined-up investment
- Encourage improvement and innovation in asset use, procurement and disposal
- Ensure revenue, capital and whole life costs are fully considered
- Describe how the deployment of capital resources contributes to the achievement of the described goals
- Encourage the consideration and use of a wide range of funding sources
- Promote, in conjunction with the AMP, corporate ownership and prudential consideration of property issues.

1.3 The Capital Strategy sets out:

- The link to key corporate documents, in particular the Corporate Plan, Sustainable Community Strategy and Asset Management Plan.
- How the authority's plans are influenced by partners, and details of key partners
- How capital schemes are identified to meet those priorities
- How the choice is made between schemes competing for limited resources
- The framework for managing and monitoring the capital programme
- The process for post implementation review
- A summary of the Council's approved Capital Programme
- Sources of external funding and the impact of the programme on the revenue budget

1.4 In 2009-10 the capital planning process was undertaken late and separately from the revenue process. Members were only involved in the final stages, along with Directors, and discussed a number of high level issues, including Council priorities and limited funding. In the future, the capital planning process will be considered to the same timescale as the revenue budget process and treated as a key issue for service transformation.

1.5 The 2008-09 capital outturn position has now been finalised, and on-going commitments have been reviewed, along with funding assumptions. A first quarter review will be undertaken in July reporting back to Members on an exception basis. Members will also be asked to approve a revised in-year budget.

2. PRIORITIES AND TARGETS

2.1 The effective management of capital is key to the delivery of the Council's priorities and the Capital Strategy outlines how limited capital resources are allocated to help achieve these priorities.

The Corporate Plan

The overarching criterion for assessing capital investment bids is the extent to which they will deliver on the Council's key objectives as outlined in the Corporate Plan and detailed below:

Corporate Plan Objectives

- enabling all children and young people to fulfil their potential.
- improving the wellbeing, health and care of people.
- ensuring that people in local communities have a greater say about how resources are targeted in their area
- working with others to make all of our communities safer places to live, work and play
- enabling people to have a good quality of life irrespective of where they live or the social or economic background
- shaping and maintaining strong and prosperous neighbourhoods in which our residents are skilled and economically active, where businesses want to invest and where people want to visit.
- providing an attractive and sustainable environment which communities can be proud.

2.2 The Corporate Plan has been developed to set service direction for 2009-10 and has used the wider community priorities outlined in the draft Cheshire East Sustainable Community Strategy. The priorities were developed in partnership and informed by the six borough Sustainable Community Strategies and various Cheshire wide partnerships. The current priorities and targets for Cheshire East are:

- Reducing inequalities / narrowing the gap between the most disadvantaged and successful areas of Cheshire East and sectors of the community
- Addressing the key issues surrounding our ageing population
- Addressing the priority services for children and young people
- Improving access to and availability of affordable and appropriate housing
- Reducing anti-social behaviour, arson and criminal damage
- Reducing re-offending
- Tackling the adverse impact of alcohol *(this is a key Health issue AND Safer issue)*
- Achieving sustainable management of waste resources
- Responding to the challenge of climate change
- Reducing worklessness and improving skills
- Improving road safety and maintenance
- Improving environmental cleanliness
- Maintaining an efficient transport network
- Reducing the risk of industrial and commercial emergencies

Medium Term Financial Strategy

2.3 The Capital Strategy forms an integral part of the Councils Medium Term Financial Strategy which provides the financial interpretation of the Councils Corporate Plan. Once a project has been approved and included in the Capital Programme the revenue implications of the capital expenditure need to be built into the revenue budgets included in the Medium Term Financial Strategy.

Service Business Plans

2.4 The strategic priorities feed into the establishment of service priorities for departments. These service priorities are set out in service business plans which are currently being developed and from these plans potential capital schemes are identified for inclusion in the capital programme.

3. CONSULTATION

3.1 The Council consults local residents and other stakeholders each year on a whole range of issues. The setting of the Council Tax at an affordable and sustainable level is important to our residents, but this has to be balanced with their demands for service improvement in certain areas. Our aim is to become more accountable to our customers and to make our decision-making processes more transparent.

3.2 During the year there will be a number of training sessions, which will assist Members when having to prioritise capital schemes. Advice will also be given on assessing affordability of schemes and the options available to them when there are no external funding sources.

4. ASSET MANAGEMENT

4.1 The Asset Management Plan (AMP) forms an important part of the Council's policy framework, identifying how the Council's property portfolio can best be used to deliver the outcomes referred to previously.

4.2 Effective asset management planning is a crucial corporate activity if a local authority is to achieve its corporate and service aims and objectives and deliver its services. Its importance is recognised by the Government, which has produced guidelines on asset management planning in local government. Furthermore, the Comprehensive Area Assessment (CAA) includes a formal assessment of how well the organisation manages its asset base and the Council is required to demonstrate that it treats its assets as an integrated corporate resource and to show the extent to which fixed assets are maintained in "fit for purpose" condition.

4.3 The Corporate Property Officer role is held by the Asset Manager, who has responsibility to report on all strategic property matters and is the designated Officer overseeing development of the comprehensive Asset Management Plan updated by annual review. All key decisions affecting the Council's property and asset management policies are made by the Portfolio holder for Procurement, Assets and Shared Services.

4.4 The Capital Strategy has close links with the AMP, particularly in terms of current and recently completed capital schemes and asset disposals.

4.5 The AMP will aim to achieve the best use of resources through:

- continuously assessing the condition of properties in order to quantify and prioritise maintenance spending to improve the condition of the portfolio.
- undertaking whole life costing on major building projects to obtain the best balance between capital and revenue expenditure.
- Continuously monitoring property performance, energy and running cost to optimise use and improve efficiency.
- Maximising receipts from redundant properties for reinvestment in service delivery and modernisation.

4.6 A separate budget will be allocated for building maintenance. This budget will be delegated to the Head of Asset Management and will fund the planned and reactive maintenance programme. Any bids for funding from services should be presented to the Head of Asset Management who will assess the level of priority and urgency, and if appropriate authorise expenditure. Finance staff will support the Asset Management service and present a financial update report to the Capital Appraisal and Monitoring Group on a regular basis.

5.0 ICT

5.1 Cheshire East, as a new local authority, has the opportunity to break new ground in using Information & Communications Technology to improve processes. Every service Cheshire East provides will benefit from the innovative approach to ICT to which Cheshire East is committed. This includes the development of partnerships with other organisations ranging from our immediate geographical neighbours such as Cheshire West and Chester, through partners in service delivery such as the NHS, Police and Fire, through to partnerships with the voluntary and private sectors.

5.2 The ICT service currently relies on revenue and capital from a number of different sources in order to run services and deliver its programme of work. Project work is financed by Capital funding and staffing costs are recharged to the capital programme.

5.3 Capital costs are funded by capital reserves, unsupported prudential borrowings and grants. The use of the capital reserve to fund significant new ICT investment is not sustainable over the medium term and as a result, the use of unsupported borrowings is likely to increase which will have a revenue impact.

5.4 Cheshire East inherits three data centres which are wholly owned and used exclusively by Cheshire East (Macclesfield Town hall, Sandbach Westfields and Crewe). It also shares the use of other data centres with Cheshire West and Chester (County Hall, Backford Hall, Minerva Avenue and Chester Town Hall). This mixed estate of data centres presents a clear opportunity to reduce ongoing costs and to improve resilience through rationalisation and harmonisation.

6. HIGHWAYS – LOCAL TRANSPORT PLAN

6.1 Cheshire East is allocated resources for capital expenditure in respect of Maintenance and Integrated Transport in support of the objectives set out in the Local Transport Plan. The Department for Transport guidelines indicate that the priorities are improving accessibility and public transport, tackling congestion and pollution, reducing the problems of road safety and effective asset management to improve road conditions. Although local discretion can be applied in the use of this funding, their use needs to reflect these national guidelines and priorities.

6.2 The Cabinet meeting of 19 May 2009 considered the detailed programmes of work for both revenue and capital expenditure for 2009-10 and delegated authority to the Portfolio Holder for Environment Services to review and make local changes to these programmes during the course of the year taking into account local views and priorities, and road condition data.

6.3 The following protocol has been designed to improve local consultation and decision making.

Highway Operations Improvement Schemes Consultation Protocol

This Protocol will be used as a basis to provide local members the opportunity to be involved in the decision making of local priorities for highway and traffic improvement schemes.

1. Officers will consult local Ward Members to discuss local issues relating to highway improvements.
2. Officers will provide information and options to the ward members who will then put forward a list of priorities for the Ward.
3. Officers will collate all the improvement schemes and where possible provide estimated budgets.
4. Consultation with Local Area Partnerships will also take place to ensure appropriate priorities are being developed for each area. Local Area Partnerships will also be encouraged to consider schemes which cross Ward boundaries within their area and comment on relative priorities.
5. The emerging prioritised lists will be considered by the Portfolio Holder within the limits of the overall Local Transport Plan capital budget and highway maintenance revenue budget.
6. A prioritised list of improvement schemes will then be maintained for use when developing future programmes of work.

7. THE CAPITAL PROGRAMME

7.1 A summary of Cheshire East's approved capital programme for 2009-10 (£97.2m) is shown in Annex 1, together with details of the funding sources. Over half of the programme (52%) is funded from external sources (grants, contributions), the remainder is funded from borrowing, linked capital receipts and revenue contributions.

Some of the major capital schemes for 2009-10 include:

- Amalgamation of Cledford Infant / Nursery and Junior schools on the Junior school site
- Alderley Edge By-Pass Scheme Implementation
- Libraries (radio frequency identification of books) – purchase of self service terminals in libraries
- Introduction of a single revenue and benefits system
- Essential replacement of core ICT infrastructure
- Flexible and mobile working programme

8. IDENTIFYING AND PRIORITISING CAPITAL SCHEMES

8.1 For each of our portfolios and service priorities, we have reviewed our main aims and outcomes through the AMP process and identified those that require the use of capital assets. Our primary concern is to ensure that capital investment matches the Councils overall priorities as set out in the Corporate Plan. From our AMP and the various service strategies developed with partners to achiever our aims, we identify annually the need for new capital schemes. Schemes go through a four-stage process:

- Scheme identification from service strategies / AMP
- Inclusions in the Capital Programme following scheme appraisal and prioritisation
- Scheme implementation through Capital Programme procedures, including regular monitoring
- Post-implementation review to ensure the scheme achieved its stated aims and was implemented to plan

8.2 Annex 2 shows the annual planning process for 2010-13, including key dates.

8.3 In the annual planning cycle, a formal project appraisal system is used, which comprises an appraisal form evaluated in conjunction with a weighted scoring system. This underpins the annual prioritisation process for new capital schemes. The appraisal form is completed by the relevant project manager for each prospective new capital scheme and submitted to the relevant departmental Management team for overall ranking in comparison to other schemes put forward by that department.

8.4 The main criteria on which schemes are evaluated include:

- Meeting the Corporate Objectives
- Headline Financial Implications
- Impact Assessment
- Risk Analysis

8.5 The appraisal form and criteria for prioritisation are attached as Annexes 3 and 4. These documents are currently being road-tested and will be adapted as required to make them effective working documents.

8.6 The schemes will receive an initial assessment by the Capital Appraisal and Monitoring Group (CAMG) who will assess the viability of the scheme and provide guidance on technical, legal and planning issues to Project Leads. The CAMG will consist of officers from Asset Management, Corporate Finance and the Strategy and External Funding Finance Lead. Professional expertise from Engineering, Planning, Legal and Procurement will be drawn on as required and external consultancy services will be procured for feasibility studies, option appraisals etc where internal resources and / or expertise are not available. The CAMG will carry out an initial prioritisation of schemes in consultation with Service Directors.

8.7 Capital bids from all departments will be considered by the Capital Asset Group (CAG) and placed into overall priority order having due consideration to Council priorities and the estimated resources available. The Capital Asset Group will consist of the Borough Treasurer and Head of Assets, Head of Finance, Head of Asset Management, representation from the CAMG and the relevant service capital leads.

8.8 The Capital Asset Group will provide an interface between Cabinet and Officers and their remit will be to:

- Oversee the preparation and review of the three year capital strategy.
- Oversee the management and monitoring of the capital programme through the Capital Appraisal and Monitoring Group.
- Review available resources and affordability.
- Update and review the Asset Disposal Plan

8.9 A list of capital projects will then be submitted to a Capital Scrutiny Panel for member scrutiny. The Capital Scrutiny Panel will consist of the Borough Treasurer, the Head of Asset Management, the Leader of the Council, the Portfolio Holder for Resources and the Portfolio Holder for Procurement, Assets and Shared Services. The Panel will meet with the relevant Directors and Portfolio Holders to challenge and review the prioritisation of capital schemes.

8.10 The initial list of projects usually exceeds the estimated funding available. Options for bridging the affordability gap include; exploring the possibility of external funding sources, prudential borrowing, downsizing the programme, deferring schemes until a later year, or deleting the scheme from the programme.

8.11 Finally, a list of schemes recommended by the Capital Scrutiny Panel will be submitted to members as part of the consultation process and then to the Cabinet in February for approval in the Capital Programme.

9. KEY PARTNERSHIPS AND PARTNERS

9.1 Cheshire East is looking to work actively in partnership with others to achieve our separate and collective aims. This can include contributing funds to the Capital Programme of others to deliver explicit outcomes for local people. It can include receiving contributions from others towards our own capital schemes, it can also include forming partnership structures with several bodies to fund a range of projects that deliver multiple outcomes.

9.2 The Cheshire East Local Strategic Partnership has been established to coordinate more effective partnership working at strategic and local levels. The Executive Board is made up of representatives from Cheshire East Council, Cheshire Constabulary, Cheshire Fire & Rescue, Central & Eastern Cheshire PCT, Cheshire East Third Sector Congress, Cheshire East Housing Delivery Partnership, South Cheshire Chamber of Commerce and Manchester Metropolitan University.

9.3 The Executive Board is supported by five thematic partnerships for Crime & Disorder Reduction, the Children's Trust, Health & Well-Being, Economic Development, Learning & Skills and Environmental Sustainability.

9.4 The Partnership is working to deliver the interim Sustainable Community Strategy for the borough, but will be developing a new Cheshire East vision and strategy by mid 2010. In turn, this will inform the Council's Corporate Plan and priorities.

10. MONITORING CAPITAL PROGRAMME PERFORMANCE

10.1 The Capital Programme will be monitored regularly throughout the year. Progress updates will be submitted to Cabinet on a quarterly basis as part of the financial reporting procedure. The monitoring process will focus on the main issues affecting each service, update progress on the Capital Programme, provide explanations of major variances between the in-year budget and latest forecasts and request Members to approve Supplementary Capital Estimates (SCE's) and Virements.

10.2 Progress on individual schemes within the Capital Programme will be monitored monthly by the project leads and service accountants who will provide regular reports to the Capital Appraisal and Monitoring Group (CAMG).

10.3 Major capital schemes will be subject to a post-implementation review within one year of completion. These reports will focus on financial performance and also evaluate the non-financial objectives. Post implementation reviews provide valuable benchmarking information and assist in ensuring that project outcomes are measured against initial project goals.

11. FUNDING, PROCUREMENT & REVENUE IMPLICATIONS

11.1 Cheshire East's Capital Programme is funded from a number of sources, including government grants, capital receipts, external contributions, revenue contributions, borrowing and the capital reserve. The timings and amounts of both capital expenditure and receipts are difficult to predict with any certainty and this is reflected in the fact that both the financial forecasts and Capital Programme are constantly changing.

11.2 The Council's Capital Receipts Policy will ensure that receipts are used in the most beneficial way to support corporate priorities and strategic objectives of the Council. The policy is intended to separate the use of resources from the means of acquiring resources therefore supporting the strategic approach to capital investment. This will mean that all non-linked receipts will be pooled centrally and allocation to capital projects will be via the Capital Asset Group.

11.3 In order to fund those services which are not in receipt of Single Capital Pot funding, a 5% top slice will be taken from departmental allocations and this, along with usable non linked receipts and a revenue contribution to capital will be used to fund the "Corporate and Cross Cutting Pot".

11.4 Where possible, external funding is sought for capital schemes. This is important because of service pressures on budgets, diminishing capital resources, and the contribution that income from interest on our capital balances makes to our revenue expenditure; external funding helps us achieve more. Often this includes bidding to government and its agencies for resources.

11.5 As part of the budget setting process for 2009-10 the Council agreed to undertake prudential borrowing. The Council is conscious of the impact of repayment costs on the revenue budget and will only consider a limited number of schemes where departments submit strong business cases and can demonstrate revenue savings to service the additional debt. As Prudential Borrowing which does not generate efficiency savings is funded wholly from Council Tax, it should only be used where it can be demonstrated that it is affordable and sustainable in the long term.

11.6 Some capital schemes generate a revenue cost, with a consequent wider impact on the Council's resources and ability to deliver services. Wherever possible, the lifecycle revenue costs of schemes will be kept to a minimum. If there are revenue costs, these need to be brought out in the Capital Business Case, and priority is likely to be given to those schemes where revenue savings will be generated over a period of time, i.e. invest to save schemes.

11.7 Local Public Service Agreements (LPSA's) form a government initiative whereby demanding performance targets are set to deliver real improvements for local people through partnership working with District Councils and other organisations. Success attracts performance reward grant and for 2009-10 Cheshire East Council was awarded £2.5m, which is split between capital and revenue (50% each).

11.8 The capital process will include strong links with the Procurement Section to ensure modern procurement practice is adopted that is innovative, targeted and efficient. Cheshire East has adopted a Sustainable Procurement policy which is about the optimum combination of environmental, social and economic considerations.

11.9 The procedures for the approval, control, monitoring and procurement of capital schemes are detailed within the Authority's Financial Regulations. The Council actively considers other forms of procurement including joint procurement with other local authorities and the Private Finance Initiative (PFI), and Public / Private Partnerships (PPP), which can also be used to lever in private sector capital.

12. CONCLUSION

12.1 The Capital Strategy will be a means of consulting and communicating with our partners, local people and businesses about capital priorities to deliver the vision in our Corporate Plan, and to assist in the continuous improvement of our services. It will be linked to all the Council's plans and strategies and by the Council's Service and Corporate AMP's. The Capital Strategy and the AMP will both take account of and join up the capital consequences of all the Council's other plans and together represent a realistic, costed three year programme linking capital assets to outputs. They will enable property to continue to provide best value in the future by continuing to review and establish performance indicators and setting performance targets and ensuring that these are monitored effectively.

13 ANNEXES

1 Capital Programme 2009-2012
2 Annual Planning Process
3 Appraisal Form
4 Capital Scheme Comparison Model

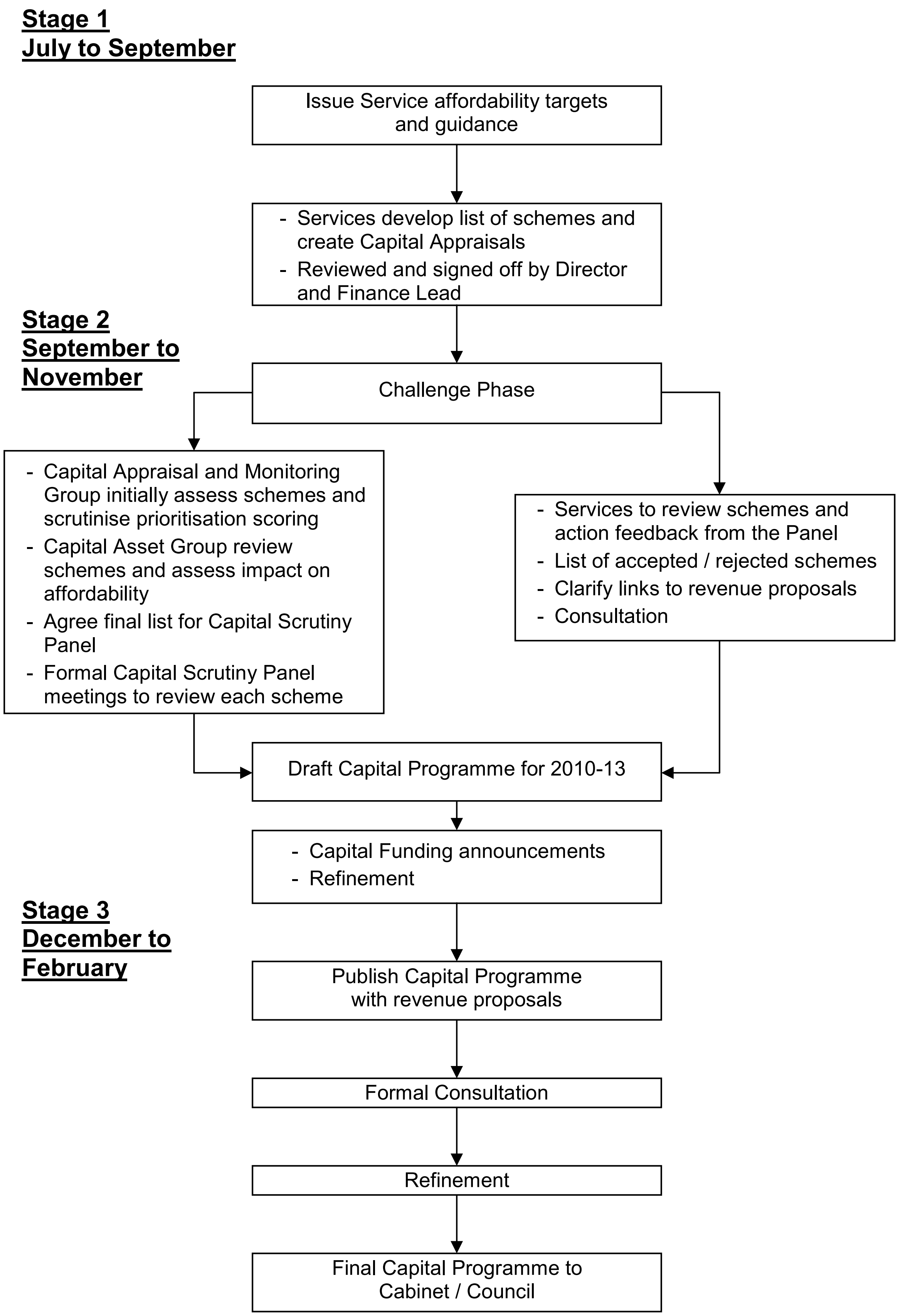
ANNEX 1

Capital Programme 2009-10 - 2011-12

	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**

ANNEX 2

2010-13 Capital Planning Process



CHESHIRE EAST COUNCIL

CAPITAL APPRAISAL FORM

PROJECT TITLE	
DEPARTMENT	
SERVICE	
CONTACT OFFICER/ PROJECT MANAGER	
START YEAR OF PROJECT	
DESCRIPTION OF PROJECT, INCLUDING OBJECTIVES	
TOTAL GROSS COSTS (£000's)	
APPROVAL REQUIRED	

SECTION A (To be completed for All Projects over £250,000)

CATEGORY OF PROJECT & JUSTIFICATION FOR INVESTMENT

- Statutory
- Invest to save
- Health & Safety
- Service enhancement
- Partnership Working
- Fully funded

SHOW LINKS TO:

- Corporate Plan
- Corporate & Departmental AMP
- Other Corporate Documents
  (e.g. Sustainable Community Strategy)

LIST ANY KEY PERFORMANCE INDICATORS ASSOCIATED WITH THE PROJECT

LIST EXPECTED OUTCOMES

IMPACT ON REVENUE BUDGET (INCLUDING STAFFING)

Details required of:

any increases to revenue budgets
savings, and when they are likely to be achieved

INTERNAL & EXTERNAL RESOURCES / IMPACT ON OTHER DEPARTMENTS
Please provide a detailed break-down of all resources required to deliver this project.
Please show the outcome of any consultation with internal service providers and provide evidence of their agreement to the project.
Finally please specifically outline any demand for ICT Resources, with written confirmation that these can be accommodated within ICT plans.

HAVE EXTERNAL STAKEHOLDERS / PARTNERS BEEN CONSULTED?
Please state which stakeholders / partners the proposal / project will effect and provide details of the consultation that has taken place with these groups.

If consultation has not already taken place, please provide details of when key groups will be consulted.

How will any opposition to the proposals be managed?

PRUDENTIAL BORROWING BIDS
If the project is to be financed from prudential borrowing, how are the financing costs to be met?

SECTION B - Additional questions to be completed for projects with a gross cost over £2.5m

WHAT OTHER OPTIONS HAVE BEEN CONSIDERED?
Please provide details of the other options that have been considered, including the costs and benefits associated with them and the reasons why they were rejected.

Costs should be on a Net Present Value basis to aid comparison and any weightings used in the quantitative / qualitative analysis should be explained.

RISK WORKSHOPS

A risk workshop should be arranged to include all interested parties i.e. project management team, colleagues in Finance, Legal, IT, Property and partner bodies if appropriate.

Make sure that for the highest scored net risks (usually still red after taking account of current controls) you can clearly demonstrate the actions being taken to mitigate.

If you wish to highlight or expend on any of the key risks contained in the option scoring sheet please include below.

Proposal for investment

Capital Expenditure & Income

PART A - EXPENDITURE	**Total £000'S**	**2009/10 £000'S**	**2010/11 £000'S**	**2011/12 £000'S**	**2012/13 £000'S**
Land/Building Purchase					
Land/Building Appropriation					
Fees					
Construction					
Furniture/Equipment					
Vehicles					
Other Expenditure					
Total Gross Expenditure					
PART B – INCOME					
Supported Borrowing					
Prudential Borrowing					
Grants					
Linked Capital Receipts					
Developer/Other Contributions					
Insurance Reimbursements					
Revenue Contribution					
Other Income					
Total Gross Income					

ANNEX 4

Cheshire East ~ Capital Scheme Comparison Model

This document requires completion for all new entries in the corporate capital programme. Where a score is required, 0 represents no positive impact from the project, 5 represents achievement of all desired outcomes. Scores will be weighted to reflect relevant importance of each category.				
Project Overview				**Action**
Financial Year				Info
Scheme Name				Info
Project Sponsors				
Member				Info
Senior Officer				Info
Progress to date				
Capital Appraisal and Monitoring Group				Info
Capital Asset Group				Info
Capital Scrutiny Panel				Info
				Info
Brief Description and purpose of proposal				Info
Project Timescales	from	to		
Feasibility/Draft Stage				Info
Planning				Info
Implementation				Info
Project Closure / Benefits Analysis				Info
Meeting the Corporate Objectives				
	Description	Intended Outcomes of Proposal		**Action**
Objective 1	We will allow all children and young people to fulfil their potential			Score 0-5
Objective 2	We will improve wellbeing, health and care of people			Score 0-5
Objective 3	We will ensure that people in local			Score 0-5

	communities have a greater say about how resources are targeted in the area		
Objective 4	We will work with others to make all of our communities safer places to live, work and play		Score 0-5
Objective 5	We will enable people to have a good healthy quality of life irrespective of where they live or their social or economic background		Score 0-5
Objective 6	We will shape and maintain strong and prosperous neighbourhoods in which our residents are skilled and economically active, where business want to invest and where people want to visit		Score 0-5
Objective 7	We will provide an attractive and sustainable environment which communities can be proud		Score 0-5
Objective 8	Building a new council		Score 0-5
Note: Score 1 for limited influence on achievement of objective, Score 5 if achieving objective will only be possible if this scheme progresses			

Headline Financial Implications							
	Year 1			Next 5 years			
	Expenditure	Income	Net	Expenditure	Income	Net	**Action**
Staffing	£	£	£	£	£	£	Info
Travel	£	£	£	£	£	£	Info
Premises	£	£	£	£	£	£	Info
3rd Party	£	£	£	£	£	£	Info
Goods & Services	£	£	£	£	£	£	Info
Overall Totals	£££	£££	£££	£££	£££	£££	Score 0-5

Net Present Value			
	5 years		Score 0-5
	10 years		Score 0-5
Payback Period			Score 0-5
Funding proposal for net cost			

		Currently Earmarked	New Funding requirement	Total funding requirement	
Funding sources					
	Capital receipts	£	£	£	Score 0-5
	Match funding	£	£	£	Score 0-5
	Partnership Contribution	£	£	£	Score 0-5
	External funding	£	£	£	Score 0-5
	Prudential borrowing	£	£	£	Score 0-5
	Reserves	£	£	£	Score 0-5
	Revenue	£	£	£	Score 0-5
	Totals	£££	£££	£££	

Options Appraisal			
Description	Pros	Cons	Conclusions
Do Nothing			
Recommended Project			
Alternative Projects			

Impact Assessment			
	Impact of proposal (+ / 0 / -)	Evidence / Details	**Action**
BME's			Score 0-5
Age Groups			Score 0-5
Working/non-working residents			Score 0-5
Legal Obligation			Score 0-5
Health & Safety			Score 0-5
Partnerships			Score 0-5
SME			Score 0-5
Environment			Score 0-5

Risk Analysis				
Description	Mitigating Action	Likelihood	Impact	**Action**
		H/M/L	H/M/L	
Overall Risk Score				Score 0-5

Summary

	Score	Comment
Meeting the Corporate Objectives		
Headline Financial Implications		
Impact Assessment		
Risk Analysis		
Overall Total		

APPENDIX G

OUTLINE BUDGET SETTING TIMETABLE 2010-13

A Budget Setting timetable is set out below.

The key aim is to design a process that is manageable in terms of the resources available and clearly sets out what work is required, by when and how it will be used.

The timetable builds on those used previously but brings certain elements forward to meet the needs of earlier Budget Consultation.

Following debate and approval, elements of this will be worked up on more detail.

16 June	MTFS Report considered by Management Team
13 July am	MTFS report to Scrutiny Committee
13 July pm	Member Finance Training – Launch MTFS process.
14 July	MTFS / Business Plan report to Cabinet incl Capital Strategy
Early September	Deadline for service responses to revenue and Capital targets
Late September / Early October	Officer and Member Challenge process
Mid October	Refine revenue and capital options
Late October / Early November	Consult on high level options
November	Further challenge and refinement of policy options
1 December	Cabinet – MTFS update and feedback on Budget Consultation – Key outcomes: - Members updated on Financial Scenario, scrutiny results and funding announcements. - Incorporate detailed Budget Consultation comments into Budget deliberations.
Early December	Finalise and circulate detailed options for Budget Consultation
January 2010	Budget Consultation events
Late January	Finalise and circulate final options for Council
25 February	Full Council – approve MTFS, Budget and Council Tax