

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting: 3 November 2009
Report of: Borough Treasurer and Head of Assets
Subject/Title: Business Planning Process 2010-13
(Key Decision – Forward Plan Ref CE09/10-32)
Portfolio Holder: Councillor Frank Keegan

1 Report Summary

1.1 The purpose of the cabinet report is to provide an update on the Business Planning Process in terms of :

- Impact of policy proposals / capital schemes
- Outcome of challenge sessions
- Updates to the financial scenario

and to ask Members to consider the approach to closing the current funding gap and to approve the material for sharing with Cheshire East Members and stakeholders as part of the November budget consultation.

2 Decision Requested

2.1 To note the update on the Business Planning Process.

2.2 To agree the Budget Consultation approach.

3 Reasons for Recommendations

3.1 The Business Planning Process must develop robust revenue and capital proposals taking account of stakeholder feedback.

4 Wards Affected

4.1 Not applicable

5 Local Ward Members

5.1 Not applicable

6 Policy Implications – Climate Change – Health

6.1 The report contains policy proposals which will impact on service delivery.

7 Financial Implications for Transitional Costs (Authorised by the Borough Treasurer)

7.1 None

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

8.1 The report includes details of policy proposals which will affect service budgets from 2010-11 onwards.

9 Legal Implications (Authorised by the Borough Solicitor)

9.1 The Medium Term Financial Strategy must be underpinned by robust estimates and the level of reserves maintained by the Authority must be adequate.

9.2 The Council must have a robust process for budget setting in order to fulfil its fiduciary duties.

10 Risk Management

10.1 The steps outlined in this report will significantly mitigate the three main legal and financial risks to the council's financial management:

- The council must set a balanced Budget
- The council must set a legal Council Tax for 2010-11
- The council should provide high quality evidence to support submissions for external assessment. This can have the affect of reducing scrutiny, and audit charges, that can be related to risk.
- That council borrowing will comply with the Treasury Management Strategy

A more detailed risk analysis is set out at **Appendix A**.

10.2 In most cases a risk assessment of the individual proposals being put forward was carried out by each directorate.

11 Background and Options

BACKGROUND

The Process

11.1 The Business Planning Process was approved at Cabinet on 14th July 2009 and set out the need to ensure limited resources are used in the most effective way to meet priorities and service delivery targets.

11.2 The process included the ideas that:

- Strategic & Service planning would be integrated with Financial Planning
- A link would exist from overarching objectives through to service plans and development of the Corporate Plan

- Services, in consultation with cabinet members, should take the lead in generating proposals in line with such aims.

- 11.3 The report acknowledged that it will take time to fully align and evolve all these strands into a single Business Planning Process and to then further develop elements such as enhanced Budget Consultation.
- 11.4 The Capital Planning Process was also approved by Cabinet on 14 July 2009 as part of the Capital Strategy (incorporated in the Medium Term Financial Strategy 2010-2013). The strategy sets out the process for the development of the Capital Programme and the main criteria on which new schemes will be evaluated.
- 11.5 In the annual planning cycle a project appraisal system is used where services submit business cases for each prospective new capital scheme. The schemes are submitted to the relevant departmental management team for overall ranking in comparison to other schemes put forward.
- 11.6 The schemes receive an initial assessment by the Capital Appraisal and Monitoring Group (CAMG) who assess the viability of the scheme and provide guidance on technical, planning and legal issues to Project Leads. The CAMG met on 22nd September 2009 and compiled an initial draft programme from the business cases submitted. The draft programme was submitted to the Capital Asset Group (CAG) on 25th September 2009 for consideration against the Council priorities and the estimated resources.

Financial Analysis

Revenue

- 11.7 Cheshire East Borough Council is a relatively low funded rural local authority which provides local services to over 360,000 residents.
- 11.8 Although the Cheshire East tax base is the highest for a billing authority in the Northwest*, the Charts in **Appendix B** show that, in comparison to '15 Near Neighbours' (defined by CIPFA), the percentage of grant funding per head is lowest. It is also the lowest in the Northwest. This means taxpayers in the borough fund a greater percentage of local services than anywhere else in the area.
- 11.9 In addition to this, only 39% of the business rate collected in Cheshire East is retained by the council (55% if Fire & Police Authorities included). Only one of the near neighbours has a percentage lower than this. This means the productivity of business' in the area does not provide significantly higher funding for the local authority.
- 11.10 The above financial information, and the fact that income from fees and charges are average for a unitary authority, creates significant budget pressures from the following issues:
- Inflationary increases in costs of services
 - Demographic changes leading to increased service requirements
 - Legislative and best practice impacts on service delivery
 - Costs associated with aggregation of services
 - Falling income from the impact of recession

*Note Cumbria & Lancashire 'County' Councils have larger tax bases than Cheshire East BC

- 11.11 In addition there are emerging pressures related to the 2009-10 financial performance. The Mid-Year Review, currently in development, is not expected to significantly change the quarter one predictions. Where these pressures cannot be mitigated it creates immediate pressure on the 2010-11 baseline budget.
- 11.12 All of the above impacts have created a significant budget gap, where funding does not match proposed expenditure on services. A robust process has therefore been started to provide members, officers and stakeholders with an opportunity to address key service issues and provide early consideration on how to respond to these issues.

Capital

- 11.13 The capital programme is currently £112.007m in 2009-10, £53.586m in 2010-11 and £12.46m in later years. The 2009-10 programme consists of on-going legacy schemes (£70.923m) and new starts (£41.084m). Departments have been requested to review the current programme, in particular the schemes brought forward from predecessor authorities; to consider the capacity of the organisation to deliver such a large programme and if the schemes are still in line with the strategies and corporate objectives of Cheshire East Council.
- 11.14 The programme is funded from both direct (grants, external, linked capital receipts), and in-direct (borrowing approvals, revenue contributions, capital reserve, non-applied receipts) income. A corporate capital pot which comprises an element of departmental specific grant allocations and unapplied capital receipts is used to fund core programme schemes, such as ICT and asset improvements. In accordance with the Capital Strategy a 5% top slice is taken from departmental allocations, for 2010-11 this equates to £0.739m. In addition an initial allocation of £0.500m has been identified from revenue and £0.600m from unapplied capital receipts, which gives a total corporate pot for 2010-11 of £1.839m.
- 11.15 The Capital Receipts Policy ensures 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 means that all non-linked receipts will be pooled centrally and allocated to projects via the Capital Asset Group.
- 11.16 The forecast for future capital receipts is currently limited due to the economic climate and the downturn in the property market, however the potential for capital receipts in 2010-11 has been identified as:
- Receipt from sale of County Hall (East Share) - Approx £5m
 - Farms Estate (net of 25% costs) - Approx £1m

In addition to the above, brought forward capital receipts will be available from the predecessor Councils of Cheshire East. Further work is still to be carried out on the aggregation of the balance sheet and the confirmation of committed capital receipts, however an indicative figure is in the region of £10 – £12m. The majority

of this arises from the sale of the Macclesfield housing stock where £6m was set aside for investment purposes and £3m for a review of leisure services.

ADDRESSING EXTERNAL ASSESSMENT CRITERIA

- 11.17 The Business Planning Process will provide evidence that the Council is addressing the criteria set out in the Audit Commission's Comprehensive Area Assessment – Use of Resources Assessment in relation to Managing Finances. **Appendix C** sets out the criteria and how these are being addressed.
- 11.18 At this stage, given the scale of the current funding gap, the key challenge for the Authority is to clearly demonstrate how it will invest in priority areas and will continue to operate services within the funding available.

UPDATE

The Outcome of Challenge Sessions

Revenue

- 11.19 Directors and Cabinet Members worked together during August to develop policy proposals for the short and medium term. The financial impact of these proposals were summarised in relation to revenue and capital and their overall affordability.
- 11.20 The initial proposals were reviewed by Corporate Management Team (CMT) and then examined at a series of Challenge Sessions, chaired by Cllr Keegan (Resources Portfolio Holder), to understand and refine the options. Directors, Heads of Service and, where possible, Cabinet Members attended to discuss the proposals for their service areas. The outcome of these sessions was a mix of specific actions and a need for further refinement to develop the proposals into a suitable format for sharing with a wider audience.
- 11.21 Some key refinements from the Challenge Process included:
- All Directorates to thoroughly review and justify all growth proposals;
 - All Directorates to challenge proposed savings to see if targets can be increased and / or brought forward;
 - Consider the scope for additional savings;
 - Consider invest to save bids if they can result in cashable savings in 2010-11.
 - Replace "To be confirmed" with figures or identify items as + or - , magnitude and timescale.
- 11.22 Each Directorate will now be taking forward their key action points.

Capital

- 11.23 The initial draft capital programme was considered by Directors and Cabinet members through a series of challenge sessions. The outcome of these sessions was a mix of specific actions including:

A re-examination of the proposed schemes against the following prioritisation criteria.

- Transformation (how does the scheme contribute towards the corporate transformation goals)
- Infrastructure (how does the scheme support the ICT infrastructure and asset base)
- Compliance (what is the level of risk of non-compliance with statutory, legislative and health and safety requirements)

An exercise to identify schemes considered to be core programme and eligible for funding from the Corporate Pot. These are schemes which are necessary for the day to day delivery and operation of the Council and in the main relate to the maintenance and development of the ICT infrastructure and the asset base.

An assessment of the ICT bids against the ICT Strategy. A number of ICT bids have been identified from within services these will now be assessed and prioritised in accordance with the Strategy. Consideration also needs to be given to successor systems and the requirement to build up funds for future ICT capital investment.

An assessment of departmental bids relating to the on-going maintenance and improvement of assets, these will be reviewed by the Asset Management department and considered against a strategic view of assets and the Corporate Accommodation Strategy.

An initiative is currently underway between the Council and the NHS in Cheshire East working towards a vision of integrated care. This will require a high level, strategic review of the opportunities to dispose of land and buildings and to develop co-location of services. It is recognised that the Asset Management department do not have the capacity to undertake a review of this size, therefore the Head of Asset Management has been tasked with assessing the cost of commissioning this work from an outside organisation.

Post Challenge - Review of Financial Position

Revenue

- 11.24 The Cabinet report of 14th July 2009 highlighted a potential budget deficit of £5.3m in 2010-11, and each directorate was provided with a budget target solely related to its share of the net annual spend. The budget proposals returned early in September reflected significant additional growth pressures and the deficit therefore increased through this process to £11.8m.
- 11.25 Following the challenge sessions, the gap extended further, to £13.8m, following reaction to service proposals that are not currently appropriate.
- 11.26 **Table 1** (below) shows the current financial scenario. The table shows how income from Council Tax and grant funding is reduced by central adjustments such as inflation, capital charges and payment back to reserves for transitional costs. The base budgets for each directorate reflect ongoing liabilities adjusted by the recent proposals. Further detail is provided at **Appendix D**.

Table 1: Budgetary Pressure is focused on 2010-11

	2010-11		2011-12		2012-13	
	£m	£m	£m	£m	£m	£m
FUNDING						
Council Tax	173.7		174.2		174.7	
Less Deficit on Collection Fund	-0.5		0.0		0.0	
Grant Funding (RSG and NNDR)	63.5		63.5		63.5	
Less: Central Adjustments	-30.9		-32.8		-33.6	
TOTAL FUNDING		205.8		204.9		204.6
EXPENDITURE						
People						
Base Budget	125.0		122.5		121.9	
Current Proposals	-0.1		-2.6		-3.3	
Total		124.9		119.9		118.6
Places						
Base Budget	51.4		51.7		52.4	
Current Proposals	3.8		-1.3		0.1	
Total		55.2		50.4		52.5
P&C						
Base Budget	36.9		36.7		36.6	
Current Proposals	2.6		-1.6		-1.3	
Total		39.5		35.1		35.3
TOTAL EXPENDITURE		219.6		205.4		206.4
FUNDING GAP		13.8		0.5		1.8
FUNDING GAP - THREE YEAR TOTAL						16.1

Source: Business Planning Process – Directorate Responses at 13th October 2009

The Council can tackle the funding deficit in a number of ways, however each measure on its own carries risk, and it is therefore likely a combination of approaches may be required.

- **Measure 1 ~ Challenge Funding Assumptions**

- The July Cabinet report set out a number of key planning assumptions based on funding levels. This included central financial adjustments such as repayment of reserves (£2.75m pa); levels of non pay inflation (2.5% = £2.5m); Contingency (1% = £2.1m) and Capital Financing (circa £15m per annum).

These assumptions can be challenged to ensure they are up to date and reflect current Council policy. See **Appendix D**.

- **Measure 2 ~ Increase Council Tax**

- A 1% increase in Council Tax increases funding by £1.7m, however, guidelines announced in November 2008, by Local Government Minister

John Healey, make it clear that any increase in Council Tax should be substantially below 5%. Average increases in 2009-10 were 3.0% across the UK, an increase of this amount for Cheshire East would increase funding by £5.1m

- **Measure 3 ~ Use General Reserves**

- The Council's reserves strategy uses risk assessment to inform the prudent level of reserves. This complies with the requirement to maintain adequate reserves (see 9.0 Legal Implications, above).
- The scenario already includes a commitment to repay transitional costs from the LGR process.
- The key risk from using reserves to support the revenue budget is sustainability. This relates not only to the clear fact it is an approach that cannot be repeated in the medium term, but also to the risks from poor external assessment of the council's financial standing.

- **Measure 4 ~ Reduce Expenditure**

- The current proposals from services highlight efficiencies of £6.97m, however this is exceeded by growth pressures of £11.98m. The council can challenge services to increase efficiency or reduce services whilst retaining focus on the council's priorities.

- **Measure 5 ~ Increase Income**

- Income from customers paying for council services relates to only 8% of total income. Current proposals have highlighted a fall of £1.01m in income. This is in reaction to impacts from the recession, which are only partly mitigated by potential additional income sources.

Capital

11.27 Schemes for inclusion in the initial draft of the capital programme for 2010-11 amounted to £53.1m of which £31.7m are directly funded. Further work including the actions identified in paragraph 11.23 will now be undertaken to review the schemes and re-assess the funding gap.

11.28 The Council can bridge the affordability gap in a number of ways, however it is likely a combination of approaches may be required.

Measure 1: Downsizing the programme by deferring schemes until a later year or deleting schemes from the programme.

Measure 2: Use of Capital Receipts,

- to increase the Corporate Pot to fund the Core Programme
- to establish funding pots for each of the three directorates

Measure 3: Prudential Borrowing in accordance with the Council's Treasury Management Strategy.

12.0 BUDGET CONSULTATION

12.1 The authority is committed to enhanced consulting arrangements through:

- More regular consultation;
- Consulting earlier in the Budget setting process and at a time when feedback can be taken into account;
- Consulting on policy proposals.

12.2 The July Cabinet report proposed a two stage approach to consultation:

Stage 1 – November

Stage 2 – January

12.3 As the budget requires significant work to develop further savings proposals it is not considered appropriate to only share part of the total picture with stakeholders. Therefore the recommended approach is to ask stakeholders about their priorities.

12.4 **Appendix E (to be completed)** contains more details on the Financial Context and services provided. This will be made available to stakeholders before the meetings.

12.5 The broad structure of the material and events is :

Introduction

Briefing on Service Issues and Priorities

Financial Context

Specific Details

12.6 **Meetings** – four matching certain Local Area Partnership boundaries. Evenings (drinks from 6.30pm, 7pm start) have been selected to try and capture a wide range of stakeholders.

12.7 **Schedule of Meetings**

- Monday 23/11
- Tuesday 24/11
- Wednesday 25/11
- Thursday 26/11

To be held in :

- Knutsford / Wilmslow LAP area
- Congleton LAP area
- Macclesfield / Poynton LAP area
- Crewe / Nantwich LAP area

The match of dates, areas and venues to be determined.

Format for Consultation Events

12.8 Intro by Leader and Chief Executive / Director on purpose (ie to help us understand the local communities' priorities for our use of limited resources)

12.9 Cabinet Members Briefing to whole audience on:

- a. Budget aims and priorities
- b. Service issues

c. Financial context

- 12.10 Suggest three Cabinet speakers per session, one for each Directorate, and alternating between meetings, to give local representation where possible.
- 12.11 Breakout into mixed discussion groups to consider the issues raised and services provided. Each group to be facilitated by senior officers (with support to capture comments). Groups will be asked to identify their priorities via scoring to show where they would accept growth or savings (20-30 items max). Use a chart to capture where increases / decreases in spending could occur based on the priorities of the group.
- 12.12 Consultees also complete individual feedback form based on discussions.
- 12.13 Feedback on decisions of each group.
- 12.14 Brief Q&A session.
- 12.15 **Outcomes** – an assessment of priorities to feed back into the Cabinet’s budget decision making process.
- 12.16 **Invitations** – via formal invitation letter / e-mail in late October.
- 12.17 **Display Material** – use existing publicity material where possible and create some additional “pop ups” / display boards setting out details on activity / metrics for relevant service areas.
- 12.18 **Venues** – the intention is to use lower cost public venues where possible and practical.
- 12.19 **Reporting** – a summary of the feedback will be agreed with CMT and Cabinet and inform the development of budget proposals. A revised package will form part of the Business Planning Process report to Cabinet on 22 December 2009.
- 12.20 **Stakeholders** – the following people will be invited:
- Schools Forum (via programmed meeting on 1st December)
 - Trades Unions (via the Staffing Committee on 22 October)
 - Independent voluntary providers
 - Social Care users and carers
 - LSP / LAP representatives
(third sector reps covered above)
 - Parish Councils
 - Primary Care Trust
 - Businesses – including the Chambers of Commerce
 - Connexions
 - Cheshire Police and Fire
 - The general public via a citizen’s panel
 - Youth Mayor and student reps at Further Education colleges.
- 12.21 It is important Cabinet Members attend these events and take part in the various activities.

13 Where Next

- 13.1 The timetable below sets out the key stages to setting a Budget and Council Tax in February 2010.

2009

September	Challenge
October	Review / Refine and update Scenario
November	Cabinet agree consultation material
November	Consultation events
December	Refine package in light of consultation, funding announcements and latest information

2010

January	Share updated proposals with stakeholders
February	Budget and Council Tax set

14 Overview of Year One and Term One Issues

- 14.1 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 and Capital Schemes which will impact on service delivery and Council Tax levels.

15 Access to Information

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

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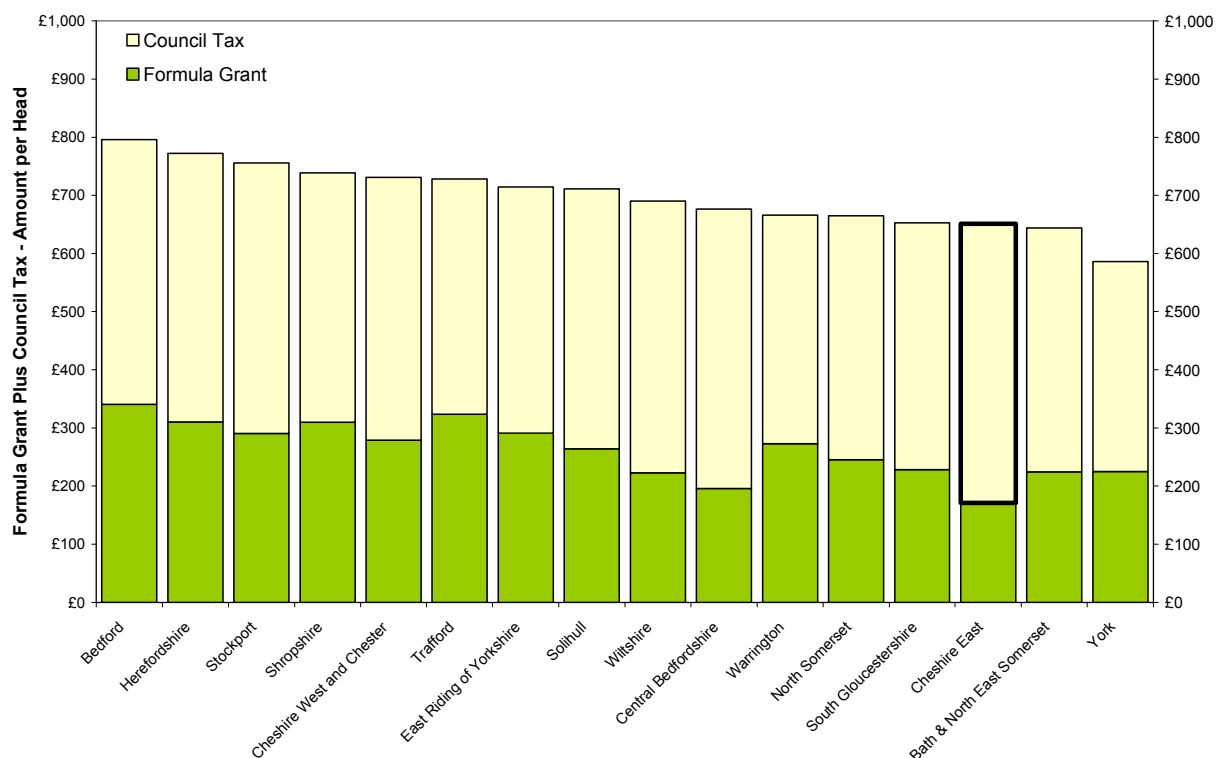
Risk Assessment – Business Planning Process 2010-13

Ref	Risk	Assessment of Risk (now) H / M / L	Proposed Mitigating Action	Assessment of Risk After Mitigating Action H / M / L	Manager
1	Failure to deliver a balanced Budget, Capital Programme, DSG Budget and Council Tax on 25 February for Council approval.	H	Ensure robust Business Planning process is followed and all necessary stages are achieved.	L	Alex Thompson
2	Slippage in the Business Planning process due to deadlines not being achieved.	H	Create second version of process with reserve dates / alternative forums to receive papers.	M	Alex Thompson
3	Links to Corporate Priorities – failure to clearly link resource allocation / investment / disinvestment to priorities in the Community Strategy / Corporate Plan and satisfy CAA requirements.	H	Maintain regular contact with Policy and Performance staff to align process and timetable accordingly.	L	Alex Thompson

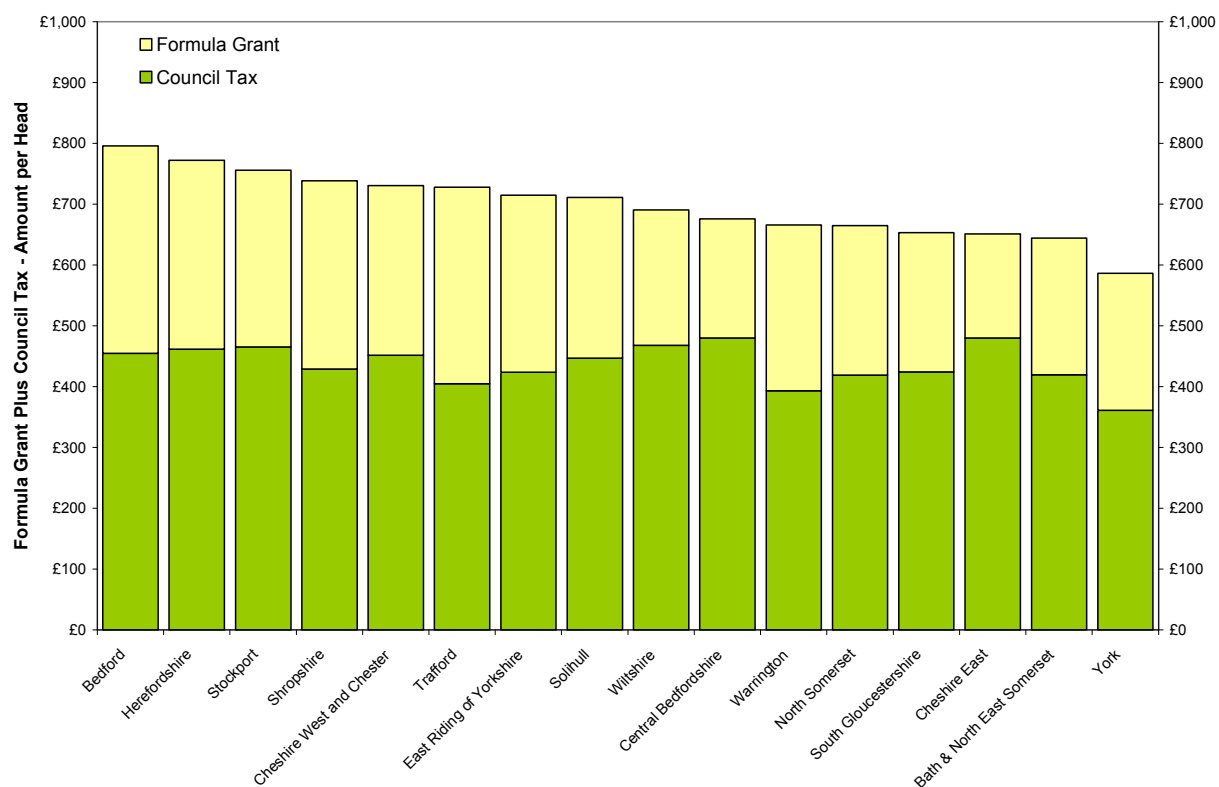
Ref	Risk	Assessment of Risk (now) H / M / L	Proposed Mitigating Action	Assessment of Risk After Mitigating Action H / M / L	Manager
4	Key Planning Assumptions do not match actual information and there is a greater funding gap than used for planning purposes. Potential need to issue revised targets at a later stage in the process.	H	Establish robust set of assumptions challenged and agreed by Management Team and Cabinet as basis for planning. Acknowledge recession, etc may impact on these and remedial action may be needed. Continue to monitor position and liaise with the Society of County Treasurers, etc.	M	Alex Thompson
5	Very significant in year cost pressures result in high savings targets that cannot be achieved without severe service cuts.	H	Establish effective remedial actions to address pressures / reduce demand for services.	M	Alex Thompson
6	Cabinet's Council Tax aspirations cannot be achieved and public faces a Council Tax increase.	H	Cabinet Members to make challenging decisions over service levels to ensure Council Tax commitment can be retained.	M	Alex Thompson
7	Budget Consultation – failure to deliver a Politically acceptable set of policy proposals for consultation purposes.	H	Maintain regular contact with Departmental and Finance Leads to ensure Cabinet Members fully involved in development of proposals.	L	Alex Thompson
8	Cheshire East Council does not achieve broad NI179 efficiency targets.	M	Make early assessment and take remedial action if additional efficiency savings have to be found.	L	Alex Thompson

Ref	Risk	Assessment of Risk (now) H / M / L	Proposed Mitigating Action	Assessment of Risk After Mitigating Action H / M / L	Manager
9	Inadequate capacity within Financial Planning team due to delays in recruitment process / loss of temporary staff and expertise at critical time in process.	M	Ensure recruitment process is promptly completed and skilled team is available.	L	Alex Thompson
10	Swine Flu impacts on Member / Directorate / Finance capacity to respond to requirements of process.	M	Ensure appropriate skills are available in reserve to provide cover. Acknowledge that Business Planning is a priority 3 function and there may have to be slippage.	M	Alex Thompson

2009-10 Council Tax and Formula Grant Analysis for Cheshire East and Nearest Neighbours



2009-10 Council Tax and Formula Grant Analysis for Cheshire East and Nearest Neighbours



Source: DCLG Revenue Estimates data 2009-10

**Summary of Comprehensive Area Agreement : Use of Resources Themes & Key
Lines of Enquiry and how addressed via the Business Planning Process**

Issues	Evidence
<p>Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?</p> <p>The organisation:</p> <ul style="list-style-type: none"> • integrates financial planning with strategic and service planning processes on a medium to long-term basis; • engages local communities and other stakeholders in the financial planning process; • manages spending within available resources and is financially sound over the medium term; • recognises individual and collective responsibilities for financial management and values and develops financial skills. 	<p>Detailed Business Planning Process linking the Council's performance and priorities with revenue and Capital planning over a rolling 3 year period.</p> <p>The Process will include enhanced Budget Consultation arrangements.</p> <p>Robust Financial Scenario based on key planning assumptions and active monitoring of expected reserves priorities built over a 3 year period.</p> <p>Debate on process and agreement of key planning assumptions at CMT and Cabinet.</p>
<p>Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?</p> <p>The organisation:</p> <ul style="list-style-type: none"> • understands its costs, including whole life, transaction and unit costs, the main factors that influence these and how they link to performance; • takes account of this understanding of its costs and performance in decision making and commissioning; • identifies the scope for making efficiencies and is on track to achieve planned efficiencies. 	<p>Generation of policy proposals and Capital Schemes within Directorates.</p> <p align="center">"</p> <p align="center">"</p>

Review of Financial Scenario

This Appendix sets out further details on the review of the Financial Scenario. At this stage there is no additional information available on Government Grant funding therefore no changes have been made. The table below summarises the Key Planning Assumptions used in the Financial Scenario, their impact and the associated risks. Further details are provided on items that may need to be revisited.

Key Planning Assumptions

Item	Assumption	Impact	Risk
Council Tax	0% per annum	1% = £1.7m	Cabinet commitment, public expectations
Council Tax Collection Fund	£0.5m deficit in 2010-11, nil in 2011-13	£ for £	Variance to Actual
Formula Grant (Revenue Support Grant and Business Rates)	As issued for 2010-11. 0% thereafter	1% = £0.6m	Potential decreases in funding from 2011-12.
Pay Inflation	1.5% per annum	1% = £1.1m	Final pay award higher and funding required from contingency / reserves
Non Pay Inflation	2.5% per annum	1% = £1m	Inflationary pressures may be higher and real terms reduction in spend.
Exceptional Inflation	1.75% per annum	1% = £1m	Contractual pressures may be higher and services have to fund difference
Contingency	1% per annum	1% = £2.1m	Insufficient level for unexpected costs
Funding Contingency	£0.75m per annum from 2011-12	£ for £	“ “
Capital Financing	Circa £15m per annum - as calculated for 2009-12 Capital Programme	£ for £	To be reviewed as Capital Programme is developed
Transitional Costs	Nil	£ for £	Insufficient level for unexpected costs
Repayment of original Transitional Costs	£6.7m 2011-13 to meet three year target	£ for £	Need to use Reserves to meet repayment targets

Source : Cheshire East Financial Scenario

ITEMS FOR REVIEW

FUNDING

1. Council Tax Collection Fund Surplus / Deficit:

Definition

The difference between the expected amount of Council Tax to be collected and the actual amount. Any difference forms a £ for £ additional income or cost against the following years budget.

July Assumption

A deficit of £0.8m was brought forward into the current financial year. This trend was expected to continue as outturn positions were confirmed and collection rates stayed high. Both these factors suggested a further deficit may be experienced for 2010-11. The assumption was to budget for a **deficit of £0.5m** in 2010-11 rather than net nil.

November Assumption

To be determined

2. Council Taxbase

Definition

This represents the estimated number of band D equivalent properties used for setting the Council Tax. The 2009-10 taxbase was 144,761 with each 0.1% change equating to £0.180m.

July Assumption

The forecast annual change was 0.7% pa based on actual recent experience. Given the current economic climate and slowdown in housing development this increase was **reduced to 0.3% per annum** to match increases experienced in previous years.

November Assumption

To be determined

EXPENDITURE

3. Pay Inflation

Definition

Pay inflation is applied to 53% of the budget. On a base of £114m each 1% equals £1.14m.

July Assumption

The 2009-10 assumption was 2.5%, at that stage the pay offer was 0.5%, therefore the provision of **1.5% per annum** was agreed for 2010-11 given that negotiations have some way to go.

November Assumption

The pay award for 2009-10 has now been agreed at 1%. With RPI expected to increase **no change** is proposed.

4. Non Pay Inflation

Definition

Non pay inflation is applied to 47% of the budget (including all fees and charges). Based on a budget of £101m each 1% equals £1m.

July Assumption

The 2009-10 assumption was 0.5% with exceptional items at 3.1%. However, RPI was expected to increase and inflationary pressures facing the Authority set to continue. Therefore, the assumption of **2.5% per annum** plus an additional provision for exceptional items at 1.75% per annum was agreed.

November Assumption

With the Authority experiencing significant cost pressures **no change** is proposed to these figures.

5. Pensions

Definition

A provision for the additional employer contributions resulting from an actuarial review.

July Assumption

As per the 2009-10 scenario a provision of £0.6m has been made for 2011-12.

November Assumption

To be determined

6. Transitional Costs

Definition

A provision for additional costs incurred as a result of re-organisation.

July Assumption

Agreed to make no provision in 2010-13 for any further costs relating to:

- Redundancy
- Early retirement
- Relocation

November Assumption

No change.

7. Contribution to / from Reserves

Definition

A one off allocation from / to the financial scenario to the Council's General Reserves.

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.

July Assumption

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

The July position included contributions back to Reserves of circa £2.2m pa for 2010-11 and 2011-12 and £4m for 2012-13.

November Assumption

Transitional costs incurred in 2008-09 proved to be higher than the original forecasts. In order to remain within the original agreed payback period of three years the repayment figures for 2010-11 and 2011-12 need to be increased to £6.7m pa. To negate any impact of this on the bottom line the options are to use reserves to meet this higher repayment or rephase the repayment of Transitional Costs.

8. Additional Temporary Flexibility

Definition

An analysis of additional temporary funding sources that may help to alleviate pressures.

July Assumption

Given the level of uncertainty no additional income was assumed.

November Assumption

The only significant development is the announcement of LABGI funding for 2009-10 of £347k and a reduction in the national allocation for 2010-11. Given this continued uncertainty no additional flexibility is assumed.

9. Current Policy Proposals / Funding Gap

Definition

It was agreed the resulting shortfall based on the assumptions in the scenario would be addressed by asking Directorates to generate Policy Proposals

July Assumption

A series of targets were set.

November Assumption

As considered in para 11.18 these targets have been significantly underachieved and the current shortfall is £13.8m in 2010-11. The way forward is also considered in para 11.18.

Outline of Budget Consultation Material

This material is being developed. The format is expected to be :

1. Introduction from Leader and Chief Executive.
2. Explanation of the process that is taking place.
3. Explanation of the Financial context drawing on the financial scenario, shortfall in funding compared to growth and inflationary pressures, funding gap and process to close gap.
4. Briefing on service issues - Portfolio Holders / Directors to be asked to set out key pressures / issues affecting their service areas and potential ways forward.

Information presented in People and Places theme or more direct issues eg Waste.

To include a section on back office pressures / efficiencies and refer to achievements in 2009-10 budget.

5. Details of the challenge facing stakeholders in the mixed discussion groups.
6. Details of where next.
7. Individual Questionnaire.