

REVENUE BUDGET - KEY SERVICE ISSUES

PEOPLE DIRECTORATE

Children and Families

Non Dedicated Schools Grant (£1.097m overspend) (TQR £4.767m overspend)

The final outturn position for has improved since TQR, mainly due to the application of grants during the year, fully utilising all the SureStart grant and Standards Funds where ever possible. This was the result of a planned approach to hold grant money back from commitment during the early part of the year, combined with the impact of the new service structure being implemented in the latter half of the year, and consequently the early achievement of some of the savings targets put forward in the 2010-11 budgets.

The underlying position contains to be one of budgetary pressure - the demand for Children Social Care services has increased by 25% since April 2009 and the underlying overspend has increased further due to additional placements since the MYR (approximately 14); in house care facilities are at full capacity meaning that children are being placed in high cost external placements. It is envisaged that this overspend will continue in future years due to the increase of the number of referrals being made to the department and an increase in the number of Looked after Children (LAC).

In association with the above there has been an increase in the demand for specialised placements for looked after children with disabilities with particular overspends related to out of County and residential placements. The overspend for this area is £1.17m before application of grant. The cost of care in these cases is extremely high as specialised care is required.

Home to school transport contracts are reporting an overspend of £1m mainly due to inflationary price increases not budgeted for and an increase in contracts, however there is a widescale review of the transport service, with a view to saving £100k in 2010-11 and addressing the underlying overspend.

The School Catering Service reported a projected overspend of £1.1m at the mid year review with remedial action required of (£1m). This position is now being reported as a £103k underspend following the remedial action. The outturn improved following a review to ensure that all income streams had been identified and were being reported.

Children and Families face a difficult challenge in 2010-11; although there is some growth in the budget, in order to achieve this, the service must find £3.6m of savings. The changes brought by the new Coalition government mean that it is likely that the service will also face cuts of £1.5m in their grants. In addition the service needs to address the underlying overspend from 2009-10, which although reported as £1.1m included the use of £2.7m grants in remedial action. The service

is therefore facing pressure of £8.9m in 2010-11. A new service structure is being implemented and whilst this will transform the way that the service is delivered this will not create savings in the short term that can fund the gap linked to demand driven services. The maximisation and utilisation of grant will continue to help to mitigate the areas under pressure and the service redesign together with the full year effect of the restructure will help ensure the Children's and Families achieve a balanced budget.

Dedicated Schools Grant (DSG) - balanced

The DSG outturn is balanced, after the automatic carry forward of a surplus of £1.158m into 2010-11. The surplus is due to a number factors, namely; unallocated additional grant following the final DSG notification from the DCSF and the remaining balance of underspend from 2008-09 (£2.3m), and the utilisation of Sure Start grant & vacancy management.

In addition to the above, there is an accumulated carry-forward of underspend against Schools' budgets of £8.7m, which is an increase of £0.6m during the year. Primary and Secondary School balances have increased to £5.779m and £2.107m respectively whilst Special Schools balances have increased to £769,000. The increase reflects the spending decisions of individual schools but there are a number of underlying factors, including increased budgetary awareness through the Financial Management Standards in Schools (FMSiS) process.

Adults (£2.8m overspend)

The final outturn of the Adults service is a residual overspend of £2.8m after the application of temporary transitional funding which represents a variance of 3.5% against the final net revenue budget of £75.7m. This temporary funding, which is a mixture of grant and budget carried forward from Cheshire County Council, totalled £6.9m. £1.5m of this has been allocated corporately to contribute the cost of Voluntary Redundancies, leaving a balance of £2.3m to be approved as part of this report. £0.3m of the temporary funding has been allocated to a capital scheme to fund essential Health & Safety works, with the residual £5.1m applied to the revenue budget.

Of the £6.9m funding, up to £3.8m was approved, subject to outturn, to be met from general reserves. As stated, £1.5m of this has been earmarked for Voluntary Redundancies, leaving a balance of £2.3m to be approved as part of this report.

2009/10 represented a year of unprecedented change for the Adults service with the service going through a full transformation, not only in the first year of operation of Cheshire East Council but at a time where demand for services continues to grow. This increased demand comes not only from children with extremely complex needs coming through transition into Adults services, but also reflects the demographics of Cheshire East which has the fastest growing over 85 years of age population anywhere in England.

The whole of the Adults structure is based on a carefully costed model linked to the anticipated budget. Each part of the structure links to the other and within each part of the structure there are significant changes in working practice, infrastructure and policy framework designed to deliver three objectives that together deliver a strategic vision of greater independence for individuals, safeguarding the most vulnerable and more information and support for those who are not eligible for funded care from the Council

The three objectives are

- Performance improved – on course for delivery
- Outcomes such that the service rated as excellent – on course for delivery
- Budget balanced – full review needed

Actions to drive down costs

(i) Individual Commissioning – now known as Local Independent Living Teams (LILTS)

- Use of resource formula to ensure consistent and controlled use of resources – close to implementation.
- Review of staffing – reductions in social workers –will deliver full year savings of £850k
- Flexible and Mobile working – implemented in full
- Lean process – being implemented
- Removing duplication with health – being implemented
- Reductions in management costs – implemented
- Reductions in building use – being implemented
- Stricter application of eligibility for care and transport – on course to deliver large savings

The Individual Commissioning service has been restructured into four Local Independent Living Teams (LILT's) each covering a major geographical patch within Cheshire East and these teams will be multi disciplinary as opposed to being focussed on particular client groups (such as Learning Disability, Physical Disability etc). This has involved complex reassessment of individual caseloads to ensure that the most expensive staff work with the most challenging cases and that all staff operate according to an agreed process flow, This will deliver considerable savings in 2010/11. Considerable tightening up of services provided to match critical and substantial eligibility criteria will further drive down costs going forward, as will focusing the level of financial accountability on front line staff.

Meanwhile, historic care costs remain in the system pending the completion of these processes. Remedial action of £900k anticipated at TQR has not been delivered in full although costs were taken out during this time. However, such is the extent of change that final outturn has worsened by £1.5m from that anticipated at this point. Care costs have continued to rise in the latter part of the year due to increased volumes within the system. Small numbers of increased clients can have a major effect on the budget, this is evidenced by the fact that an increase of 22 residential

and nursing care customers from period 7 onwards, lead to an overspend of £0.7m. There were also 4 high cost domiciliary packages from period 7 onwards which led to an overspend of £0.3m.

Overall, the significant pressure from an increase in the average cost of care packages and the volume of customers which outweighed the reductions of 5% targeted by the service resulted in an overspend of £2m.

Moving forward, it is envisaged that the Adults Service will apply for and evidence any requests for growth to budgets on an individual case by case basis.

(ii) Strategic Commissioning

- New pooled budget for services for Learning Disability – done
- New arrangements for Community Equipment – done
- Recommissioning Third Sector – on course to deliver £250k savings
- Recommissioning Hot Meals – on course to deliver £160k savings
- Extra Care Housing – existing schemes working new schemes being processed
- Dementia Strategy – improved outcomes from fewer centres – in process large savings from two closures (subject to Cabinet decision on second)
- Reablement – designed to divert demand from the system – working and may deliver savings in year.
- Major procurement exercise – Adults is undertaking the largest exercise within the Council to examine every area of spending and the potential for savings

The final outturn also reflects pressures from the Learning Disability Pooled budget due to savings targets not proving achievable given increased in complexity and level of demand. Almost all authorities have struggled to contain spending on Learning Disability services over many years. Cheshire East Council and C&EC PCT will continue to examine how to achieve a balanced budget. To this end a new Pooled Budget has been established between Cheshire East Council and Central and Eastern PCT based purely on the Council's footprint. This reorganisation, which involves closer working with CEC PCT colleagues, in conjunction with a short term LD Task Force now in operation is intended to deliver efficiencies and drive down costs in 2010/11.

The extent of change has inevitably led to double running costs, which was a major reason why temporary monies were vested in the service. In addition, the pace of change has not been able to match the way the reductions have been phased into the budget. A good example here is the closure of the Santune House Community Support Centre which the budget envisaged as closing during 2009/10. The centre will actually close in the summer of 2010 reflecting the timescale involved (primarily due to building works) at Lincoln House, elsewhere in Crewe in order to provide specific provision for dementia service users. Training of staff has continued at pace during the latter part of 2009/10 and into 2010/11 so that new ways of working which refocus the services offered internally can be implemented.

Within the overall adverse position there have been certain success stories to report, for example, the Community Equipment Service has recovered a deficit position reported at £400k at Mid Year Review to deliver a balanced final outturn

(iii) Provider Services

A Full staffing restructure that will deliver £1M of savings in 2010/11 has been achieved, with more staffing savings to follow as the structure is continually revisited to reflect revised patterns of demand.

Conclusion

The final outturn evidences the major transformation being undertaken and the time needed to embed changes right through the service from top to bottom. These changes include offering a short term reablement to all clients and ensuring that all reviews are completed on time. Evidence from other authorities indicates that the design and delivery of reablement takes time but delivers significant benefits in terms of outcomes and savings.

It will be important to match budget changes to the pace of this change and retain a commitment to process of transformation that remains the Council's best hope of containing the cost of an ageing population at a time of economic restraint.

Action will be taken in 2010-11 to identify further areas for savings in managing the cost of care.

The 2009/10 budget contained a net reduction of £3.9m, 2010/11 contains a reduction of £3.8m and the latter 2 years of the MTFS a further reduction of £3.0m. The permanent base budget of the Adults Service will therefore reduce by approximately 14% over the first four years of operation of the new council

Health and Wellbeing (£0.45m overspend)

The Health & Wellbeing final outturn for 2009/10 is an overspend of £450k which represents a variance of under 3% on the net budget of £15.4m. This outturn reflects the very challenging year the service had endured from a financial point of view. This has included a paucity of accurate financial information, significant issues in relation to accurate coding of staffing and other budgets, and a number of difficulties related to the merger of financial systems. It has recently been confirmed that there are still discrepancies between HR and finance coding of staff that means staff costs are being coded to the wrong budgets within the service. All these issues have combined to make it very difficult for Service and Finance Managers to accurately establish levels of budget and spend against budget during 2009/10.

The service has faced many transitional issues, including significantly from a financial point of view the bringing together of services from all four legacy authorities. The budget aggregation from these 4 sources has revealed that there were some serious issues inherited from the predecessor authorities that have contributed to this year's pressures (for example income targets for grant

programmes that no longer existed) and over optimistic income targets for some facilities. In addition inherited liabilities for which there was no budget provision (Honford Hall, maintenance of printers and photocopiers, software licences, grant payments to third sector organisations for example) have added to the pressures.

The final outturn does however reflect the very positive remedial action delivered by service managers which is evidenced by comparison to the Mid Year Review projection of £1.2m over and the Three Quarter position of £813k unfavourable projection.

This remedial action includes cutting back on all non essential expenditure and particular targeting within certain areas. A good example of this is the final position on the Libraries Bookfund which has delivered a one-off underspend of £100k in order to offset underachievement in Libraries income. This underachievement in income is largely attributable to a reduction in audio visual / sound recording income and a reduction in "overdue charges". Clearly reductions such as this are untenable on anything but a one-off basis as they bring into question the value offered by the service.

The major pressures within the final outturn, over and above those outlined above, fall into a number of areas. These include the 20% supplies and services reduction, this has not been applied where there was a direct correlation with income (e.g. bar purchases). If applied it would have only led to a worsening of the financial position as the profit margin achieved on sales would have been lost. It should also be noted that the service has borne a residual financial burden in 2009/10 in respect of the Swim Free initiative. The loss of income added to the additional marginal costs incurred (for example, increased lifeguarding costs in order to comply with national safety standards) less the government grant received has resulted in net costs of over £100,000. Members voted an additional £100k for 2010/11 only before the current issue of grant withdrawal became apparent. Finally, there have been problems with regard to income in respect of the Civic Halls and Lyceum theatre (£56k) and an additional unbudgeted cost of £53k for the "Party in the Park & Macclesfield Fun Day. These pressures very much correlate with those reported earlier during the financial year. With regard to energy budgets it is envisaged that there will be further pressure in 2010/11 following the allocating out of cross cutting savings.

The final outturn in addition to demonstrating the prudent approach adopted by the service throughout the financial year, also contains some particular success stories. Most notably these include direct over the counter income in Leisure Centres which has held up exceedingly well given the recessionary position of the economy in the widest sense

Detailed work is underway using the final outturn to realign revenue budgets and in doing so, to build in the £550k growth that Members allowed as part of setting the budget for 2010/11.

The first quarter year review will highlight any budget pressures in 2010/11 coming from the MTFS savings required and also, any new budget pressures that have emerged in 2010/11.

PLACES DIRECTORATE

Key issues

The 2009-10 out-turn for the Places directorate after remedial actions shows an overspend of £1,207k compared to £519k at TQR. Additional budget pressures arose during the final quarter resulting from highways winter maintenance caused by an exceptionally cold winter.

Outturn compared to approved budget:

Service	Approved Budget £'000	Actual Net Expenditure £'000	Variance from Approved Budget £'000
Environmental Services	34,080	36,036	1,956
Safer & Stronger Communities	507	526	19
Planning & Policy	3,090	3,512	422
Regeneration	11,470	10,280	(1,190)
Total	49,147	50,354	1,207

Table 1: Places directorate outturn 2009-10

Key variances are examined in more detail below.

Environmental Services

Environmental Services are reporting an overspend at out-turn after remedial actions amounting to £1.9m: of this £1.7m is in respect of landfill and household waste recycling centres: a further £867k is in respect of highways winter maintenance caused by an exceptionally cold winter this was negated by the use of earmarked reserves.

Savings of £2.8m were incorporated into the base budget for 2009-10 based on residual waste tonnages in the East in 2008-09. The Service has been expected to absorb the impact of the increase in landfill tax of £8 per tonne and other contractual cost pressures through the reduction in the volume of tonnes processed. However, the reduction in tonnage triggers a compensation payment to the contractor when the threshold for the guaranteed minimum tonnage (GMT) is not met: the out-turn position for GMT was £1.1m.

Out-turn tonnage figures for 2009-10 are analysed below.

	A	B	C	C:B	C:A
Contract	2008-09 Actual Tonnes	2009-10 Budget Tonnes	2009-10 Out-turn Tonnes	Change % Out-turn : Budget	Changes % 09/10 Actuals : 08/09 Actuals
Landfill	87,656	79,649	81,576	2.4%	-6.9%
Household-Residual	15,007	13,695	13,424	-2.0%	-10.5%
Household-Recyclate	25,396	26,197	25,955	-0.9%	2.2%
Composting	8,724	9,059	8,470	-6.5%	-2.9%
Total	136,783	128,600	129,427	0.6%	-5.4%

Table 3: Places directorate waste tonnages as at March 2010

The Waste Collection & Recycling service is reporting a £517k adverse out-turn variance resulting from pay overspends of £883k, mitigated by favourable variances in respect of transport costs £392k (these variances are mainly attributable to the delayed route optimisation savings and additional staffing costs reported at TQR). However, Waste Strategy & Minimisation and the Joint Waste Team are reporting a favourable variance £567k mainly due lower waste minimisation initiatives costs £371k.

Overall Highways Operations out-turn reflects a £217k adverse variance including winter maintenance referred to above, plus additional street lighting costs, offset by general highways maintenance favourable variances.

The Streetscape & Bereavement adverse variance is principally due to pay overspends of £262k across the service and income shortfalls in particular on grounds maintenance and markets.

Safer & Stronger Communities

The Car Parking adverse income variance of £880k was due to economic recessionary pressures and the later implementation of charging in the Congleton area.

Regulatory Services favourable pay variances of £595k were due to vacancies within Trading Standards, Environmental Health and Licensing. Places Directorate Training cost savings of £126k were also made as part of the planned remedial actions, following Mid-Year Review.

Planning & Policy income

Partly offsetting the planning and search fees adverse income variance referred to in the Places Directorate report were favourable pay variances totalling £331k and non-pay variances of £390k, mainly in respect of consultancy and third party payments.

Regeneration

The final outturn for Regeneration of (£1.1m under spend) against a net budget of £11.3m includes favourable variances across the service. These comprise of a £646k under spend within the directorates business support along with under spends in Economic Development (£311k) & Strategic Highways (£117k) principally due to vacancy management.

PERFORMANCE & CAPACITY

Borough Treasurer & Head of Assets

Service	Net Budget £000	Budgeted Savings £000	Underlying Budget Pressures £000	Remedial Actions £000	Net Budget Pressures £000
Head of Borough Treasurer & Assets	341	(212)	(36)	0	(36)
Building Maintenance	2,806	(225)	(1,657)	0	(1,657)
The Farms Estate	(74)	0	(187)	0	(187)
Property Services	5,310	(91)	1,234	(66)	1,168
Facilities Management	763	(235)	646	0	646
ICT	5,825	(3,670)	2,497	(2,497)	0
Revenue & Benefits	872	(616)	148	0	148
Finance	3,153	(1,975)	560	(345)	215
Insurance	2,516	0	(504)	0	(504)
Shared Services	566	158	450	(450)	0
Procurement – CBS supplies	(65)	0	(8)	0	(8)
Procurement – International unit	81	(38)	(28)	0	(28)
Procurement Other	279		52	0	52
Corporate Procurement Savings	(561)	(561)	561	(350)	211
Corporate Energy Savings	(500)	(500)	500	(150)	350
Total	21,312	(7,965)	4,227	(3,858)	369

Within the service a number of changes since the ¾ year position resulted in an increase in the underlying overspend of £238k:

Head of Borough Treasurer & Assets - £36k underspend. The underspend has reduced by £73k since three quarter due to PWC consultancy costs, relating to benchmarking work, being absorbed within this figure.

Building maintenance- £1,657k underspend. Building Maintenance has an under spend of £1,657k compared to £300k at three quarter review. The variance is mainly due to the uncertainty relating to the condition of the ex district building stock, lack of manpower to ascertain this in a timely manner and the timing of projects earmarked for the planned maintenance of these premises, which are now intended

to be carried out in 2010/11. In addition to this there were significant pressures in the Hard FM area of the service, detailed below, which were off set by using some of this underspend.

The Farms Estate (Shared Service) – £187k underspend. The Farms Estate reported an under spend of £187k against a predicted net nil position at TQR. However, the underspend of £187k overstates the true position due to an accounting error which duplicated income by £72,000, which will need to be addressed by the Assets service in 2010/11. The service has improved their outturn, since three quarter, partly due to over cautious management of expenditure during the initial months and partly due to the methodology applied in disaggregating the starting budget. During the 2010/11 period, more accurate forecasting will be achievable.

Property Services - £1,234k overspend. The overspend in this area has worsened by £305k since three quarter year primarily due to the final CWAC recharge being £300k higher than originally anticipated.

The underlying overspend was due to a number of factors.

Firstly, an unforeseen bad debt provision of £0.24m had to be created to acknowledge the delay in payments relating to rent or room hire. £53k of this related to 2008/09 debt inherited from the former district councils where the central provision that was created had not been sufficient.

Secondly, premises related costs were significantly higher, £0.54m adverse, than budget mainly due to the loss of budgets to CWAC following the disaggregation process. This was partly offset by staffing, £0.28m favourable, which was favourable due to the delay in appointing to the structure.

Thirdly, Emperor Court did not have permanent funding in place in 2009/10 but the service is planning to use the County Hall budgets that will be made available in 2010/11. The impact this year was £225k adverse.

Finally, previous analysis associated with income targets, reported at three quarter, which revealed that there was approximately £0.15m of unachievable income mainly relating to Westfields £70k and Crewe Industrial Estates £75k was realised at outturn. In addition a further £73k linked to a number of business parks was also unachievable. The service is now looking at alternative ways of generating income to meet the original budget targets or using CWAC related budgets as they become available.

Facilities management - £646k overspend

This service had a three quarter position of £142k underspend and has worsened by £788k. The key reasons are within include a lack of understanding of inherited budgets and an inability to agree the level of budgets to be transferred to Assets for the provision of FM from other client services. There was also an unexpected increase in actual costs partly due to increased 'make do and mend' costs as planned projects were still being finalised, combined with a variety of different

maintenance contractors providing the maintenance not benefiting from the economies of scale associated with a single maintenance supplier.

Work relating to the centralisation of budgets is still ongoing with £0.2m of Places budgets already vired to FM along with actual expenditure. Discussions are still to take place with Health & Wellbeing on an additional £1m that is held in their budget. The service is currently working on an SLA to assist with the centralisation process in helping all parties to understand what will be delivered.

ICT - £2,497k overspend For 2009-10 it was planned at the start of the financial year to charge a sum of between £2.0 and 2.5m to the transitional fund. The prediction made at Q3 was £2.340m. Close control of the budget on a week by week basis has proved extremely difficult due to the lack of information from the host authority (CWAC) in respect of the Shared ICT service. However the final revenue outturn position was very close to the projected figure. It is proposed that a further spend of £157,000 is also charged to the transitional fund. Discussions which are both robust and detailed are taking place with CWAC to ensure that good quality financial and non financial data is made available on a regular and timely basis for 2010-11.

Finance (incl. Revenues & Benefits) The underlying overspend of £654k is little changed from the $\frac{3}{4}$ year position. As with the ICT service this overspend was planned and managed as the service reduced its cost base from the one inherited downwards in line with the savings from the LGR business case. The overspend of £450k on the Shared Service element of the service was more than compensated for by the underspend on Insurance budgets where the centralisation of budgets facilitated savings.

Procurement . The underlying overspend of £16k represents an improvement of £71k since the $\frac{3}{4}$ year position and relates primarily a slight improvement on the net nil position reported at three quarter.

Cross Cutting Savings - £1.061m overspend

Corporate Energy Savings -£500k overspend

No change from three quarter review. A corporate decision was taken not to try and allocate savings of £500k in year. Assets have managed £150k of these savings through the application of transitional funds, which left the residual balance of £350k to be met across the authority.

Corporate Procurement Savings - £561k overspend

No change from three quarter review. A corporate decision was also taken not to allocate Council procurement savings of £561k in year. Approval was given for these to be partially offset against £350k of transitional funding, leaving a residual balance £211k to be managed.

Human Resources & Organisational Development

Service	Net Budget £000	Budgeted Savings £000	Underlying Budget Pressures £000	Remedial Actions £000	Net Budget Pressures £000
Head of HR & OD	135	(21)	0	0	0
HR Strategy & Policy – OHU Shared Service	98	(70)	(33)	0	(33)
HR Strategy & Policy - Other	689	(179)	98	(125)	(27)
HR Organisational Development	559	(194)	87	(75)	12
HR Delivery – Shared Services	686	(316)	50	(50)	0
HR Delivery – Other	703	(174)	187	(139)	48
Total	2,869	(954)	388	(388)	0

The underlying position across the HR and OD service has improved by £315k from the ¾ year position. The major changes are:

Head of HR & OD – Balanced. The underlying position has improved by £30k since three quarter due to the removal of the non-achievable inherited income target.

HR Strategy & Policy – OHU £33k underspend. £63k improvement since three quarter achieved in the OHU Shared service by a combination of lower than budgeted staffing expenditure and over achieving the income target.

HR Strategy & Policy – Non Shared service £98k overspend. The underlying overspend is only £7k higher than reported at three quarter and this is due to increased expenditure on areas linked to transitional funds. The expenditure related to pay modeller / equal pay reviewer £39k and job evaluation resource £86k.

HR Organisational Development - £87k overspend

The £146k improvement in the underlying position reported at three quarter is due to less expenditure on areas linked to transitional funding such as Management Engagement and Continuous Improvement tools. A bid to carry forward some of the unused transitional funding into 2010/11, to complete some of this work programme is included elsewhere in this report.

HR Delivery – Back Office - Shared £50k overspent. No change from three quarter review. However, savings are anticipated in 2010/11 in this area of £50k - £75k as work continues on streamlining resource inputs and maximising process efficiencies.

HR Delivery – Non Shared £187k overspend. The improvement in the underlying position of £82k is primarily due to lower than anticipated expenditure in areas linked to transitional bids. The £139k of transitional funds relates to £6k on the Schools Policy Adviser, £45k on a Business Partner in P & C and £88k linked to excess staffing costs relating to the move to the final HR & OD structure.

Borough Solicitor

Service	Net Budget £000	Budgeted Savings £000	Underlying Budget Pressures £000	Remedial Actions £000	Net Budget Pressures £000
Head of Borough Solicitor	147	(6)	(40)	0	(40)
Democratic Services – Members allowances	1,342	(329)	243	0	243
Democratic Services – Elections	827	0	(350)	0	(350)
Democratic Services - Coroners	446	0	35	0	35
Registration services	(9)	0	(204)		(204)
Democratic Services – Other	1,158	(468)	(71)	0	(71)
Legal Services	1,437	(280)	487	(100)	387
Total	5,348	(1,083)	100	(100)	0

Within the Borough Solicitor's service the underlying position has improved by £245k from the ¾ year position. This is primarily due to:

Democratic Services – £347k underspend overall. This area has improved its outturn position by approximately £250k since three quarter. This is due mainly to the registration service which through the review and implementation of higher fee rates in September 2009 has generated a significant surplus against their budget. This was supplemented by a change in accounting treatment relating to the administration charges associated with marriage ceremonies. These will now be recognised in the year that they are receipted rather than record them on the balance sheet against the financial year that the marriage is taking place

Due to the final outturn position it was not necessary to use transitional funds to assist the service.

Key variances in the services outturn are as follows:-

1. Members allowances is overspent by £243k, a slight deterioration of £26k since three quarter, due to travel expenditure and take up of pensions exceeding original estimates.
2. Election budgets are underspent by approximately £350k a decrease of £10k against three quarter. This underspend is still based on a carry forward

request of £250k not being deemed necessary to fund elections in 2011/12 as a request next financial year would generate the required budget to meet financial expectations.

3. Coroners is expected to overspend by £42k. It has been recommended that this area, along with Members allowances, are ring fenced as the budget is not controllable. Charges from Warrington Borough Council are population driven and not subject to negotiation.
4. Registration delivered a £204k underspend which was a significant improvement compared to the balanced position reported at three quarter. A conservative estimate at three quarter was due to not being able to accurately predict how the new fees would affect demand. A review of the 3rd and 4th quarter income suggests that demand has not been affected by the significant increases.

Legal Services - £487k overspend

This area has worsened by £5k since three quarter. The overspend was unavoidable for this financial year. There were a variety of transitional issues that needed to be addressed, which required significant input from the Service. With a full team, it would have been difficult to meet these demands. In fact, the structure was not settled until some months into the financial year, due to uncertainties about the budgetary position, particularly going forward into 2010/2011, and it was necessary to put in place various temporary arrangements.

The growth bid of £250k that has been agreed for 2010/11 will improve next year's outturn position but the identification of an income target of approximately £42k relating to inherited budgets and the continuing reduction in planning-related income will mean that next year's budget will be challenging.

Policy & Performance

Service	Net Budget £000	Budgeted Savings £000	Underlying Budget Pressures £000	Remedial Actions £000	Net Budget Pressure £000
Head of P&P	49	(14)	125	0	125
Customer Services	3,626	124	(96)	0	(96)
Planning & Performance	959	(220)	(276)	0	(276)
Audit	1,003	(206)	(233)	0	(233)
CEO & Partnerships	2,364	(221)	(181)	0	(181)
Communications	1,347	(650)	396	0	396
Total P&P	9,348	(1,187)	(265)	0	(265)

Head of Policy & Performance has an over spend of £125k compared to a budget pressure of £61k offset by transitional funding at three quarter review. The three quarter review contained £61k of approved transitional funding to cover the shortfall in salary budgets inherited from the four legacy councils for this post. This funding

has been removed as Policy and Performance is reporting an under spend as a whole.

Additional budget pressures have arisen due to severance costs not covered by central funding and additional costs of employing an interim member of staff over Cheshire East staff costs. These were not anticipated in the three quarter review.

Customer Services is reporting a £96k under spend compared to budget pressure of £141k at three quarter.

The £141k pressure at three quarter was as a result of prudential borrowing costs for the CRM and Telephony capital programme. Prudential borrowing costs are not applicable in 2009-10 as funding has been found from elsewhere, thus removing this budget pressure. Transition costs have also been absorbed within the service and so transition funding of £21k is no longer needed.

The majority of the under spend is as a result of carrying staff vacancies in year, particularly during the last quarter.

Recommendation : It is requested that £70,263 of the under spend is carried forward into 2010-11. Due to the delayed CRM procurement, shortening of implementation timescales to still achieve April 2011 completion, and delayed realisation of benefits (contributing to £206k budget challenge), an additional 3 FTE staffing (grade 5) will be required in 2010-11. These are needed to back fill the temporary secondment of Customer Advisors to the CRM implementation team to support business analysis, user testing and user training.

Planning & Performance The under spend for Planning and Performance has increased from £50k reported at three quarter to £276k at outturn. The £50k under spend reported at three quarter was after £57k of voluntary redundancy costs had been absorbed by the service. These have now been coded centrally and so the amended three quarter position is £107k under spend.

Both the under spends at three quarter and outturn are as a result of carrying staffing vacancies throughout the year. There were also some additional savings in non staffing costs, through lower relocation and travel expenditure and lower spend on software and CAA audit fees.

Audit The under spend for Audit has increased from £90k reported at three quarter to £233k at outturn. The £90k under spend reported at three quarter was after £55k of voluntary redundancy costs had been absorbed by the service. These have now been coded centrally and so the amended three quarter position is £145k under spend.

The lower expenditure is as a result of carrying staffing vacancies for longer than originally predicted in the year due to delays in filling structures. There was also lower expenditure on training and travel / relocation costs.

Chief Executive and Partnerships are reporting an under spend of £181k compared to a budget pressure of £120k fully offset by funding of £120k at three quarter. The funding was due to an approved transition cost bid for Local Area Partnership staff and LPSA1 continuation funding to fund payments to Cheshire Community Action. This funding is no longer needed as the related costs can be absorbed by the service.

Savings have been made in 2009-10 on staff costs as vacancies have only been filled towards the end of the year. It was anticipated that these would be filled much earlier in the three quarter review.

Some grant payments made to Community organisations have slipped into 2010-11 due to the size and nature of the grants. **Recommendation : It is requested that £11,000 is carried forward into 2010-11 to fulfil these obligations.**

In addition, delivery of a range of community empowerment projects under the Community Cohesion area based grant has also slipped into 2010-11.

Recommendation: It is requested that £26,529 is carried forward into 2010-11 to meet the obligations of this grant.

Communications has an over spend of £396k compared to a budget pressure of £453k offset by transitional funding of £311k at three quarter review.

The three quarter review contained £311k of approved transition funding for one off spend across the council for vehicles, external signage, bus shelters, internal branding etc. The total spend in 2009-10 on these transitional areas was £301k. As Policy and Performance have an overall under spend, these transitional costs will be absorbed within Policy and Performance and no transition funding will be sought.

The remaining budget pressure is due to a shortfall in staffing budget. This arises as communications did not receive all of the budget they were forecasting from Assets relating to the Print Unit from the County Council.

Recommendation : It is requested that £10,000 is carried forward into 2010-11. This is to complete the branding exercise (for external signage etc.) which was not finished in 2009-10.

Transitional funding

As part of 2009-10 budget transitional funding of £5.2m was approved. This funding recognised that P&C services would be unable to deliver all the savings required as part of the LGR business case on day 1, particularly with regard to staffing reductions, and would need to draw down temporary funding in 2009-10 as they downsized.

The Outturn report contains requests to utilise £4.346m of transitional funding, meaning that £861k remains unspent as at year end. There are a small number of requests to carry forward a portion of this underspend into 2010-11 shown in follows:

Service / Issue	Amount requested £k	Detail	Note
Finance	95	Agency / Consultancy staff related to close down	1
Customer Services (Business Management review)	60	Project manager + business analyst	2
ICT (Photocopying)	50	Termination charges + outstanding lease payments.	3
HR & OD	75	Management and Employee Development	4
Total	280		

Note 1 - Finance

This relates to additional costs over and above the available base budget to meet the costs of agency and consultancy staff to assist with the closedown of the 2009-10 accounts. A large number of residual financial issues from LGR are still being managed by the Finance service and additional expertise has been required to cope with this additional workload and to ensure statutory year end deadlines are met. Additional work has been generated by the need to confirm and verify the opening balance sheet position of the new authority (including a significant requirement to revalue former district assets), the reconciliation of legacy systems used to collect income during 2009-10 and the complex financial arrangements underpinning the Shared Services and with CWaC generally.

Note 2 – Business Management Review

£60,000 is required to fund Project Management and Business Analyst resources to support the implementation of the Business Management review, including the development and implementation of 'to be' processes for critical business functions such as Income to Cash, Procurement, HR delivery and Facilities Management. The goal of the Business Management review is to enable a step change in the current quality of Business Management activity (as measured by timeliness, accuracy, and compliance) without significant additional staffing.

Note 3 – Photocopying

In future all corporate buildings will be managed by the Assets service – this will include all Facilities Management services, including provision of photocopiers. Budgets will be centralised under the Assets service to enable this to happen. However, in the short term the authority has to manage its way out of multiple contracts with different suppliers, with often high penalty charges for the early termination of lease arrangements. Office moves often make it difficult to establish which services are using which machines, thereby making it difficult to continue in the short term with the former district model of recharging photocopying usage out to all service users. This funding will enable the IT service to continue to manage the

issue corporately on behalf of the authority for the first six months of 2010-11. They will continue to pay outstanding leasing and usage charges and possibly some termination charges, which will enable the transition to a more efficient managed print service to progress.

Note 4 – HR & OD

Priorities that emerged over the first year of the new Council focused on establishing and consolidating the fundamentals for employees i.e their places of work, roles and responsibilities and key priorities. It has not been timely or appropriate to use transitional funding to invest in development programmes. A carry forward bid of £75k is proposed to support ongoing management and employee development in 2010-11. This will include organising Management Engagement & Development Conferences, CMT and SMT away days, continuing the Lean Education Programme and supporting Change Management training. This programme of work will develop Cheshire East's organisational capacity.