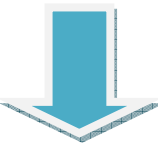

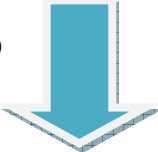



Appendix 1 – Overview and Budget Setting Assumptions

1. The backdrop to the Budget Setting process is an established Sustainable Community Strategy (SCS), 3 Year Council Plan and detailed Medium Term Financial Strategy. The significant issues in the next process are the unbalanced financial position and the shift to a commissioner / provider approach in delivering outcomes. Approval of the Budget framework and the key dates will enable these issues to be addressed as part of the process.
2. Budget Setting will follow the Council's recommended policy development approach as set out below. A prompt start is essential to enable a robust set of budget proposals to be presented for engagement and for approval at Council in February 2014. The budget setting process will form the sole method of requesting significant changes to service levels.

Date	Approach	Outputs
July 2013 	Stage 1 ~ Set Parameters	<ul style="list-style-type: none"> - SCS / 3 Year Plan to be confirmed as Council Priorities. ^(See Note 1) - Agreed Process and identification of key stakeholders for Stage 3. ^(see Note 2) ➤ Report to Cabinet on 22nd July 2013.
Aug to Oct 	Stage 2 ~ Gather Evidence & Develop Proposals Finance / Performance staff to meet with Commissioning managers ^(See Note 3)	<ul style="list-style-type: none"> - Financial Position updated to reflect outturn and latest local / national forecasts. ^(see Note 4) - Services identify change requests to existing Major Change Programme to address latest issues, or to increase scope for additional net savings. ^(see Note 5) - Services identify additional proposals to create required savings following guidance at Appendix 4. ➤ First cut of proposals agreed by Management Team & Cabinet Members.
Nov to Jan 	Stage 3 ~ Consult and Refine	<ul style="list-style-type: none"> - Challenge and engagement with key stakeholders. - Revised proposals in response to consultation and updated financial forecasts. ➤ Second cut of proposals agreed by Management Team & Cabinet Members.
February 2014 	Stage 4 ~ Approve	<ul style="list-style-type: none"> - Updated Budget Report. - Major Change Programme updated. ➤ Final proposals agreed by Council.

Notes:

1. **Priorities** ~ The February 2013 Council Meeting approved the Three Year Council Plan (**Appendix 2**), Medium Term Financial Strategy and [Budget Report](#). These included Budget Principles and the Council's priorities. It is assumed that the Council Plan continues to form the steer when developing proposals / remodelling budgets.
2. **Budget Setting Process** ~ The key assumptions being made in relation to the Budget setting process are set out later in this Appendix. The Council will determine the key stakeholders, if they want to consult / engage with them, when and how. (**Appendix 6**)
3. **Commissioning Managers** ~ These meetings will be undertaken individually or in very small groups. Where the manager has not been appointed, these meetings will be conducted with the appropriate person.
4. **Financial Context** ~ The initial financial planning assumptions were detailed in the [Budget Report](#) 2013/2016 (page 4) and are repeated at **Appendix 3**. These will be updated in light of the Comprehensive Spending Review (released on 26th June 2013) plus subsequent analysis and reported as part of the process. The base budgets being used are also shown at **Appendix 3**. These will be updated during the process for additional approvals and virements.
5. **Developing proposals** ~ the recommendation is for officers to develop the proposals, seek agreement with Portfolio Holders and then involve the relevant Policy Development Group in the options under consideration.

Budget Setting Assumptions

The table below lists the key assumptions in relation to the Budget Setting process.

Issue	Current Assumptions	Intended Actions
1. Managing the Process	Business Planning Group (BPG) (process / overview), and Central Finance Group (funding assumptions / scenario) continue in their respective roles.	Membership will be reviewed.
2. Reporting	Formal reports will be taken to <u>Cabinet</u> in July and February.	Further reports may be taken as the process develops.
3. Base Budgets	The base budgets being used for financial planning are set out in Appendix 3 . These are extracted from the Budget Report and can only be changed through the quarterly review process.	The budgets and major change programmes will need to be reallocated to the new structure. Ownership is assumed to rest with the original managers until any change has formally taken place.

Issue	Current Assumptions	Intended Actions																					
<p>4. Major Change Programmes (See Appendix 2)</p>	<p>The impact of the major change programmes in 2014/2015 and 2015/2016 (on-going or new starts) are factored into funding 'gap' calculations. The impact of the projects is currently:</p> <table data-bbox="555 308 1364 884"> <tr> <th></th><th>2014/2015 £m</th><th>2015/2016 £m</th></tr> <tr> <td>Children and Families</td><td>-2.1</td><td>-1.4</td></tr> <tr> <td>Adults</td><td>+1.2</td><td>+5.7</td></tr> <tr> <td>Places and Organisational Capacity</td><td>-3.0</td><td>-1.0</td></tr> <tr> <td>Corporate Services</td><td>-0.2</td><td>-0.7</td></tr> <tr> <td>Cross Service Items</td><td>+1.1</td><td>-</td></tr> <tr> <td></td><td>-3.0</td><td>+2.6</td></tr> </table> <p>See the Budget Report page 72.</p>		2014/2015 £m	2015/2016 £m	Children and Families	-2.1	-1.4	Adults	+1.2	+5.7	Places and Organisational Capacity	-3.0	-1.0	Corporate Services	-0.2	-0.7	Cross Service Items	+1.1	-		-3.0	+2.6	<p>The assumption is that these will be delivered subject to any further consideration through the Project Management framework.</p> <p>A schedule will be circulated to show the impact of these schemes and where the proposal is in the project management process.</p> <p>Through the process of generating new proposals it may be necessary to extend the projects or combine them into a new larger scheme. Changes to the existing programme and new schemes need to be returned by services in their initial responses.</p>
	2014/2015 £m	2015/2016 £m																					
Children and Families	-2.1	-1.4																					
Adults	+1.2	+5.7																					
Places and Organisational Capacity	-3.0	-1.0																					
Corporate Services	-0.2	-0.7																					
Cross Service Items	+1.1	-																					
	-3.0	+2.6																					
<p>5. Financial Planning Assumptions</p>	<p>The key financial planning assumptions are based on the Budget Report and set out at Appendix 3.</p>	<p>The assumptions will be updated in light of the CSR and regularly reviewed throughout the year by Central Finance Group.</p>																					
<p>6. Closing the Funding Gap</p>	<p>Services will need to address the funding gaps through the major change programmes and the measures listed in the Budget Report (repeated at Appendix 4).</p>	<p>The intention is to present a three year balanced position in February 2014. If gaps remain (particularly for 2016/2017) then a pro-rata target exercise will be introduced.</p>																					

Issue	Current Assumptions	Intended Actions
7. Developing Proposals	<p>A three year package of proposals needs to be developed to meet a deadline of October 2013.</p> <p>Existing forms will be reviewed and used again.</p> <p>There is a strong steer against any cross service items at the initial stages of the process.</p>	<p>Proposals will be recorded through 1:1 meetings between Commissioning Managers, Finance (Strategy and relevant service team) and Performance. These meetings will be booked.</p>
8. Cost of Investment	<p>There will be a Cost of Investment provision identified for the next MTFS.</p>	<p>Services should continue to separately identify one-off implementation costs.</p>
9. Developing the Draft Capital Programme	<p>The strengthened approach to Capital will be maintained.</p> <p>The major change programmes from years 2 / 3 will need to be developed and considered by the Project Management framework via detailed business cases.</p>	<p>Capital timescale will run broadly in parallel with revenue.</p> <p>Interdependencies between capital and revenue will be identified and reported. There will be a further review of Capital to ensure a deliverable programme is set.</p>
10. Reporting Proposals	<p>For the last two years a single list of proposals, highlighting capital links has been used.</p>	<p>This will be continued and improved.</p>
11. Challenge Arrangements	<p>This will only review those items which have changed from the existing three year plan, rather than review those items already accepted – unless of course the changes are so fundamental that they impact on the whole scheme.</p> <p>A multi-stage approach to Challenge will be adopted:</p> <p>a) An initial overview session by the Commissioning Managers to review links / impacts.</p> <p>b) A series of Gate 1 meetings will be scheduled to review proposals that officers and Portfolio Holders have agreed can go forward. This will ensure the requirements of the Project Management Framework are met.</p>	<p>Challenge arrangements will be put in place and meetings booked.</p>

Issue	Current Assumptions	Intended Actions
	<p>c) Challenge from Finance.</p> <p>d) Engagement with wider Members and Stakeholders.</p>	
<p>12. Corporate Scrutiny Committee</p>	<p>This Committee will review in year performance reports and key budget setting items.</p>	<p>Lessons from in-year performance will be linked to the development of proposals at mid and three quarter stages.</p>
<p>13. Finance Policy Development Group</p>	<p>This group, who are considering funding issues from 2014/2015, will contribute to the financial planning assumptions for the MTFS.</p>	
<p>14. Wider Member involvement.</p>	<p>Several all Member briefings will be held in July (23rd), November and January.</p>	
<p>15. Consultation and Engagement Plans</p>	<p>See Appendix 6 for further details on this issue.</p>	<p>Broadly a continuation of the existing arrangements.</p>
<p>16. Supporting Strategies</p>	<p>Management Team have considered the Charging and Trading Strategy and their feedback is being addressed for the final version.</p>	<p>Compliance with the Charging and Trading Strategy will be considered by Finance PDG and also reported to the Management Team.</p>

Appendix 2 – The Council's Priorities

i) The Council's Sustainable Community Strategy 2010 to 2025

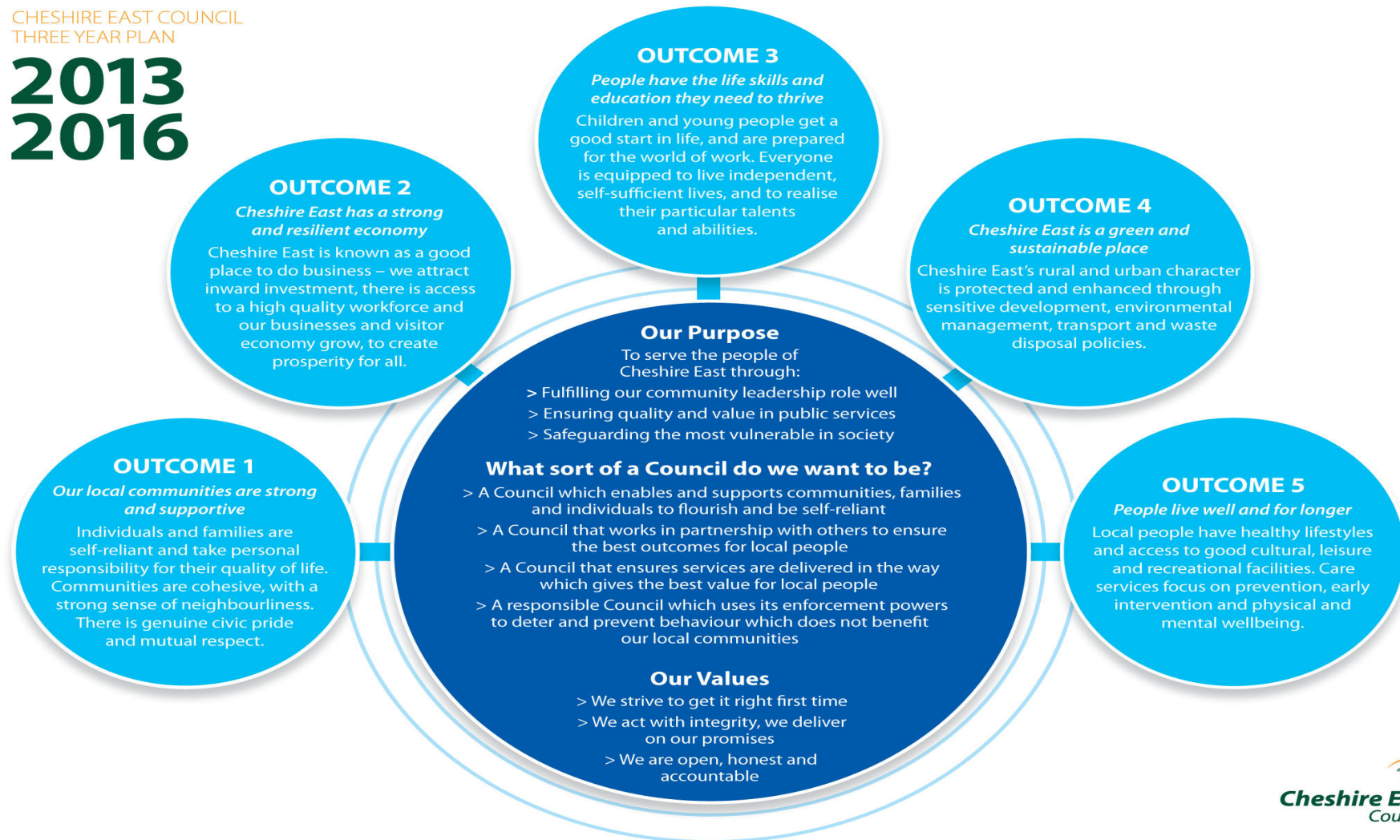


1. Nurture strong communities
2. Create conditions for business growth
3. Unlock the potential of our towns
4. Support our children and young people
5. Ensure a sustainable future
6. Prepare for an increasingly older population
7. Drive out the causes of poor health

ii) The Council Plan

CHESHIRE EAST COUNCIL
THREE YEAR PLAN

**2013
2016**



2013 2016

Our principles to underpin budget decisions

- We will be policy-led and stick to our decisions
- We will make decisions based on evidence of need and of what works, with due regard to our equality duty
- We are planning for at least three years
- We must be a more productive and affordable organisation
- We will stop doing some things to focus on those that matter most to local people
- We will invest in innovative new ways of providing services
- We will ensure that those who provide services, whether in-house or externally, give real value-for-money
- We will promote self-reliance and capacity in local communities to reduce demand on public services
- We will focus our limited resources on prevention and early intervention
- We will invest in infrastructure to promote local economic growth and access to job opportunities

Priorities

1. Local economic development	1.1 Investment in existing and new road infrastructure 1.2 Investment in high speed broadband network for Cheshire East 1.3 Investment to support business growth and delivery of Macclesfield and Crewe regeneration, and the Sustainable Towns programme
2. Developing affordable and sustainable local models of care for vulnerable children and adults	2.1 Improve the sufficiency of care locally for vulnerable children and adults 2.2 Next phase of development of Care4CE service 2.3 Secure new integrated health and care pathways for learning disabilities 2.4 Securing efficiencies through strategic commissioning of children and adult services
3. Focusing services on early intervention and prevention	3.1 Focus Childrens Services on early help for families 3.2 Review adult assessment and case management services
4. Responding to the changing education and learning environment	4.1 Develop our relationship with self-sustaining schools 4.2 Continue review of Home to School transport 4.3 Improve the range of special school provision 4.4 Pursue the development of a new University Technical College
5. Securing housing that is locally-led, community-based and that meets local needs	5.1 Develop a new delivery model for the housing service and ensure housing services support independent living and health improvement 5.2 Develop accommodation strategy for vulnerable adults and those with learning disabilities
6. Redefining the Council's role in core place-based services	6.1 Develop new delivery model for leisure provision 6.2 Develop new delivery model for streetscape and bereavement 6.3 Develop a new model for sustainable library services and community hubs 6.4 Determine future delivery model for waste management services 6.5 Develop Total Transport Programme
7. Re-shaping the organisation	7.1 Restructure the organisation 7.2 Develop a more affordable model of corporate and support services with key subject expertise, to enable better strategic commissioning and delivery of frontline services 7.3 Continue targeted business improvement reviews to find efficiency savings from all services 7.4 Implement a modern business architecture, including ICT systems, which supports innovative and affordable frontline delivery 7.5 Maximise the benefits from the Corporate Landlord model to best utilise our asset base to support delivery of the Council's wider objectives 7.6 Develop resilient communities
8. Workforce planning	8.1 Further develop employment and working practices to enable flexible and agile working 8.2 Identify changing skills requirements over medium term and equipping the organisation with these skills 8.3 Manage workforce turnover so that vacant posts are used to provide efficiency savings, whilst retaining staff with essential skills

Appendix 3 – Financial Stability

Financial Context ~ The table below summarises the funding gaps for the MTFS period as detailed in the [Budget Report](#) 2013/2016 at page 4 (2016/2017 has been added by repeating the assumptions made in 2015/2016). The assumptions are considered below and will be updated in light of analysis of the Comprehensive Spending Review (released on 26th June 2013). While these figures are based on prudent assumptions and will change, they signal the longer term expectations of reduced funding levels and the scale of the task that is still to be achieved.

	2014/2015 £m	2015/2016 £m	2016/2017 £m	Total £m
Funding Gap	8.3	14.1	12.0	34.4

Financial Planning Assumptions ~ These are set out under the standard five headings used to review the scenario.

Measure 1 ~ Challenge Funding Assumptions			
Item	Basis	Impact	Action
Business Rate Retention Scheme	Based on February 2013 Settlement Figures. New Funding system from 1 st April 2013. Being monitored to understand links between growth and funding levels. Net nil growth position assumed for each year.	1% = £0.4m	To be informed by work on business rates actuals, forecasts for 14/15, views of Regeneration Service (economic growth / employment) and CSR (% funding reductions).
Specific Grant Funding	Based on figures released by the relevant Government Department or best estimate in line with CSR 2010 / CSR 2013.	£ for £	To be informed by Local Plan / Planning Service (new homes bonus) and CSR (% funding reductions) to Health related funding etc.
Central Adjustments			
- Inflation & Pensions	See Measure 4	£ for £	
- Capital financing	Based on estimates from 2013/2016 capital programme	£ for £	To be reviewed as capital programme is developed and challenged.
- Severance Costs	Based on agreed basis for dealing with early retirement costs	£ for £	Relates to employees who have left. Regularly reviewed.

Measure 2 ~ Review Local Taxation			
Item	Basis	Impact	Action
Council Tax	0% in each year. No Council Tax freeze included. To be reviewed following CSR announcements.	1% = £1.6m	Expectation that further Freeze grants can fund Cost of Investment.
Council Tax Base	No % increase per annum. Significant changes to the taxbase for 2013/2014 will be reviewed to ascertain impact for future years.	0.1% = £0.2m	Ambitions for economic growth to be reviewed in terms of new homes.
Collection Fund	Nil surplus / deficit per annum.	£ for £	To be reviewed later in the year.
Supplementary Business Rates / Business Improvement Districts	No additional income.	1p supplement = £2.1m	To be reviewed but considerable lead in time to consult with businesses etc. The maximum supplement is 2p.
Community Infrastructure Levy	No additional income.	Unknown	May be possible to raise income from 2016/2017 but many issues to be worked through.

Measure 3 ~ Use General Reserves			
Item	Basis	Impact	Action
Contribution to / from Reserves	<p>A planned contribution to reserves to ensure a minimum strategic level is retained. Insufficient levels of Reserves will not provide working balances nor meet emergencies or unforeseen service demand.</p> <p>Note that the current Reserves Strategy has no contribution to or from General Reserves over the period.</p>	£ for £	An updated Reserves Strategy will be reported as part of the first quarter review of performance to Cabinet on 19 th August 2013.

Measure 4 ~ Review Expenditure			
Item	Basis	Impact	Action
Pay Inflation	1% per annum based on Chancellor's Statements.	1% = £1.4m	Base Budget under review.
Non Pay Inflation	0% per annum.	1% = £0.9m	Reflects move to cash based budgeting. Specific inflationary pressures can be submitted as proposals.
Pensions	Employee contribution rates to rise by 1% per annum	1% = £1.4m	Under review as a result of reducing base and pending actuarial results.
Abolition of second state pension – additional NI costs	Nothing factored in.	-	Anticipated impact from 2016/2017. Calculations being put together.

Note: Base Budgets are set out later in this Appendix. The scenario assumes the funding gaps in each year are permanently closed.

Measure 5 ~ Review Income			
Item	Basis	Impact	Action
Fees and Charges	To be reviewed as part of the roll out of the Council's Charging and Trading Strategy to establish the basis for the charge and scope for full cost recovery.	£ for £	Service Charging Strategies to be reviewed as part of the process. Finance PDG to review framework.

Base Budgets (developed from Budget Report 2013/2016)

	Net Budget 2013/2014	Adjust Base for Roll Forward & Temp. Items	Estimated Net Budget 2014/2015	Estimated Net Budget 2015/2016	Estimated Net Budget 2016/2017
Notes:	Budget Report Position at February 2013	Includes savings and income set out in Budget Report 13/16		Incl. assumption that the Funding Deficit from previous years is closed	
	£m	£m	£m	£m	£m
Children & Families	57.8	-2.0	55.8	54.3	54.3
Adults	101.5	1.1	102.6	108.3	108.3
Public Health Net Expenditure	12.7	1.3	14.0	14.0	14.0
Public Health Grant	-12.7	-1.3	-14.0	-14.0	-14.0
Places & Organisational Capacity	76.4	-3.0	73.4	72.4	72.4
Corporate Services	26.5	-0.2	26.3	25.7	25.7
Increment Provision	0.2	1.7	1.9	1.9	1.9
Management Reductions	-2.2	-0.6	-2.8	-2.8	-2.8
Vacancy Management Provision	-2.5	0.0	-2.5	-2.5	-2.5
Costs of Investment ^(being supported by CT Freeze Grant)	6.3	0.0	6.3		0.0
<i>Additional Reductions to closing Funding Deficit Yr 1</i>	0.0	0.0		-8.3	-8.3
<i>Additional Reductions to closing Funding Deficit Yr 2</i>	0.0	0.0			-14.2
TOTAL:	264.0	-3.0	261.0	249.0	234.8
<i>CENTRAL BUDGETS</i>					
Business Rate Retention Scheme	-93.0	7.4	-85.6	-74.0	-65.3
Specific Grants (includes ESG)	-21.0	2.7	-18.3	-15.7	-14.4
Council Tax	-166.8	0.0	-166.8	-166.8	-166.8
Central Adjustments					
Capital Financing	11.9	1.6	13.5	15.0	15.0
Contribution to (from) Reserves			0.0	0.0	0.0
Other ^(including provisions and pensions)	4.9	-0.4	4.5	6.7	8.7
TOTAL: Central Budgets	-264.0	11.3	-252.7	-234.8	-222.8
Funding Deficit	0.0	8.3	8.3	14.2	12.0

These Budgets will be updated for any permanent changes approved at the quarterly reviews of performance.

Appendix 4 - Measures to Balance the Budget

Note Service focus on measures 4 and 5

Measure	Balancing the Medium Term Budget (Extract from Budget Report 2013/2016)
Measure One Challenge Financial Assumptions	<ul style="list-style-type: none"> - There is some uncertainty around final funding levels for 2014/2015 and 2015/2016 in terms of percentage changes and the return of the national contingencies of Education Support Grant (formerly LACSEG), New Homes Bonus (contingency element) and the safety net. Although, the latter two are likely to be small or nil. Existing forecasts remain prudent. - Growth, beyond inflation, in the amount of Business Rates paid is not assumed in the medium term. However, the new Business Rate Retention approach to funding local authorities would see a return of as much as £0.3m on just 1% of additional growth. Although the Council has ambitious development plans the impact of rating appeals and the overall national economic picture means a currently prudent approach is appropriate at this point in time. - New Homes Bonus attracts funding of £1,400 per annum for six years for every additional band D property. The estimates in the MTFS match those detailed in the Local Plan and these will be reviewed in light of in year performance, planning permission granted and sites being developed. - Employer pensions costs are assumed to rise in the medium term. The results of the actuarial review will be known in 2013 and the Council will continue to refine its pensionable pay costs to determine an accurate provision. - Pay Inflation is being assumed in the medium term and will be reviewed in light of available funding and economic circumstances.

Measure	Balancing the Medium Term Budget (Extract from Budget Report 2013/2016)
Measure Two Review Local Taxation	<p><i>The Council retains the opportunity to review current funding assumptions:</i></p> <ul style="list-style-type: none"> - There are no assumed increases in Council Tax Band D levels, nor any assumption about receipt of further freeze grants. This position can be re-examined each year to reflect local and national ambition. - The Council may continue to maximise its tax base through any further flexibility made available by legislation. The potential for development in the area is also likely to increase the tax base, but at this stage a prudent approach is being taken and no assumptions are being made about growth. - Impacts from the introduction of the local Council Tax Support Scheme will be reviewed and scrutinised during the medium term. The scheme may be amended where appropriate, but overall the ambition is to reduce claimant numbers in relation to out of work residents through the promotion of economic growth in the area. - As the potential benefits of investment in local infrastructure are realised the Council may engage businesses and re-consider the introduction of a Business Rate Supplement for specific purposes. For example an additional rate of 1p on the rating multiplier could raise as much as £2.1m each year, this level of funding could support a 20% increase in the Council's Capital funding costs. - There is potential to work with local businesses to introduce business improvement districts for specific purposes.
Measure Three Manage Reserves	<ul style="list-style-type: none"> - The Council is adopting a rigorous approach to managing in year expenditure. Service heads will sign off their Budget allocations to endorse accountability. In-year reporting will continue to identify emerging pressures and associated mitigating actions. - The robustness of the proposals in the budget will improve budget management, significantly reducing the risks of unforeseen budget pressure. - The Reserves Strategy for 2013/2016 aims to maintain reserve levels over the medium term, reinvesting one-off funding in service change.

Measure	Balancing the Medium Term Budget (Extract from Budget Report 2013/2016)
Measures Four & Five Manage Cost Drivers & Income	<p>The Council's Major Change Programmes can be found within the Medium Term Financial Strategy Report. Many of the financial implications relate specifically to 2013/2014. However, many of these programmes will deliver further savings in 2014 to 2016 and there are further projects which will start in 2014/2015 and 2015/2016, and these are detailed on the Council's website at: www.cheshireeast.gov.uk/budget</p> <p>To support longer term planning it is intended that savings identified in the above list should not be re-opened during the medium term without significant justification.</p> <p>In addition to these service changes the Council must make further savings in service delivery. Listed below are a number of focused activities that can realise significant further reductions in expenditure over the medium term reflecting the ambition detailed within the Medium Term Financial Strategy:</p> <ul style="list-style-type: none"> - Continuously reviewing management levels and staffing structures. Expenditure on employees accounts for c.40% of the Council's expenditure on services, and the reviews will look to ensure that the Council operates an effective commissioning model that focuses on cost benefits and efficiency. - Maintaining the focus on priorities, using a scale-able approach to service delivery that can continue to adapt to available funding and provide essential services. - Reshaping Corporate Services, which account for c.10% of the Council's net budget, to reflect a smaller organisation. - Challenging discretionary services to ensure these meet priority needs, are afforded in the most effective way or are instead ceased or transferred to alternative providers. - Review subsidy levels in services also supported by charges to service users. Users pay c.£70m each year towards direct service provisions already. The review will focus on the adequacy of this funding with a view to re-assessing or removing some existing subsidies for discretionary services. - Introducing a robust and effective Community Infrastructure Levy that can engage developers and other stakeholders in delivering appropriate funding in key areas. - Creating and developing an effective commercial approach to trading and shared services, in such services as ICT / HR / Finance / Property / Waste with like minded partners or suppliers. - Maximising development opportunities from the increasing broadband coverage. Increasing commercial development located in Cheshire East would see returns from Business Rate Retention. For example a 1% increase in Business Rates would realise c.£300,000 of additional income per year.

Measure**Balancing the Medium Term Budget (Extract from Budget Report 2013/2016)**

- Exploring opportunities to improve health and reduce dependency through integration of the local health programme with key partners. Net expenditure on Adult Services is currently accounting for 38% of the Council's budget. This is the only Council budget expected to increase in the medium term rising to as much as 45% of the Council's budget by 2015/2016, so managing costs in this area is essential.
- Engaging with community groups and local Town & Parish Councils to explore ways of maintaining service delivery at a local level. There are c.300 such groups already financially engaged with Cheshire East Council. The third sector is a powerful economic partner, employing nearly 4,000 staff and generating an income of over £125m per annum, the vast proportion of which is invested back into our local communities and economies. Further opportunities will be explored as part of the Council's Three Year Plan.
- Utilising capacity that can be purchased from the private sector, or other potential partners, to support modern ways of working, opting where possible for no-win, no-fee arrangements, but in any case ensuring low risk returns on investment. Where the Council cannot practically retain expertise it is suitable to purchase this from appropriate suppliers.
- Delivering efficient internal processes, such as debt collection and low complexity, high volume transactions in a way that achieves high efficiency without deflecting expenditure from front line services. This may involve lowering any level of tolerance for non-compliance.
- Carrying out a further Capital Challenge to address rising capital financing costs. The Capital Programme in 2013/2014 is **£112m**, however the Council is reducing capacity overall so must prioritise delivery of this size of programme. The Capital Challenge carried out by the Portfolio Holder for Finance in 2012 focused on service priorities and maximising returns on investment. This led to an overall reduction in the borrowing requirement of **£32m**. In light of the medium term financial forecasts this exercise will be repeated and further streamlining identified.
- Improving access to digital channels will significantly reduce the costs associated with telephone and face-to-face contact as customers shift their approach to accessing services. For example at present the Council's essential numbers handle c.12,000 telephone calls each week, and yet a Citizen Panel Survey in 2012 identified that c.90% of Cheshire East's residents have access to the internet either at home or at work. So in some cases the Council will reduce the availability of staff and in most cases customers will be expected to use on-line facilities as the default method of accessing services.

Appendix 5 – The Budget Setting Process

	Set Parameters		Gather Evidence / Develop Proposals		Consult / Refine				Approve
Date	Central Finance Group	Business Planning Group	Portfolio Holders	CMT	Project Management Process	Finance Policy Development Group	Corporate Scrutiny Committee	Stakeholders	Council
July 2013	Financial Assumptions	Budget Setting Process	All Member Briefing (23/7)	Agree and launch process					
August / Oct			Review Programmes and budgets and develop additional savings proposals in line with Appendix 4						
November / January				High level overview	Gate 1 challenge	Advice on funding policies	Review in year performance	Briefing on key themes Comment on proposals	
February 2014									Agree Budget

Appendix 6 – Engagement

This note sets out the issues surrounding the sharing of budget proposals outside the Council.

Background ~ Local authorities have a statutory duty to consult on their budget with certain groups. This takes the form of consultation on the general budget and consultation on specific proposals, where further statutory requirements can apply (social care charges being the best example). How consultation is achieved is left to the Council to decide.

The profile of the whole issue has been raised with successful challenges being made against councils who have been judged as inadequately consulting on proposals or failing to give due regard to equality issues. Therefore, undertaking a process and providing adequate evidence is essential.

Cheshire East Approach ~ Locally the approach to consultation has broadly followed the pattern of:

November:	Consultation on budget process, forecast funding levels and key areas under review. Generally using existing meetings.
January	Consultation on draft Budget proposals using a mix of existing meetings, the website and a number of dedicated events.

Recently the term consultation has been replaced with engagement to acknowledge that the funding reductions being experienced do not allow scope to significantly alter the proposals as a result of feedback. It has therefore, been an opportunity to share proposals and request feedback on how to manage the impact.

The last two budgets have seen a number of proposals being specifically flagged as ‘subject to consultation’ within issued documentation. This has indicated that the proposals may be changed prior to implementation. Such changes are one of the risks factored into the minimum level of general reserves held by the Council.

Equality Impact ~ ensuring that proposals have been subject to an equality assessment has been managed for the last two budget setting rounds:

2012/2013	EIA’s produced as part of budget setting and placed on the website.
2013/2014	Considered as part of project management process.

Engaging with the public ~ the Citizen’s panel should be able to help with this aspect.

In overall terms it could be concluded that:

- The Council has tried to improve the process. However, the overall context for budget setting has shifted, making this difficult.
- There is a natural concern over sharing any potential service reductions before the provisional settlement which may mean they are not required.
- Consultees may not feel they can change anything.
- This has led to a reduction in meetings and mixed attendance levels (high at the outset of the new Council, low in recent years).
- The quality of the presentation material has continually improved to meet the needs of the audience.
- There is a lack of evidence if there is any value in improving the current offer.

What are other councils doing? ~ in short it's a variety on a theme, with some councils using web based exercises / voting systems in addition to meetings.

Key stakeholders ~ the main groups consulted with are: Members, Schools Forum, Trade Unions, Staff, Health, Third Sector, Partners and Businesses.

Timescale ~ The key dates are fixed and January remains a key month with settlement figures available and several weeks to formal Budget setting.

Conclusion ~ it is assumed the appetite for change is low and the current arrangements in November and January will continue.