APPENDIX B

Budget Report
2011 / 2012

Our People, Our Place

February 2011

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Foreword by Cllr Wesley Fitzgerald

I am pleased to present Cheshire East Council's Budget for 2011/2012.

I attended a number of engagement events in January, following the publication of the Pre Budget Report. And I'd like to thank our stakeholders for their attendance and constructive remarks. It is clear to me that the challenges facing the Council, while not unique, are understood and our approach is being recognised as appropriate and necessary.

The budget focuses on the Council's aims despite the pressing need to reconcile a reducing grants position against a rising demand for services. The population is generally ageing, requiring more care, but the demand for the protection of our young people has also increased and the weather is seriously affecting the condition of our road network.

The Council is well prepared, we have restructured and transformed services to create real efficiencies over the last two years. This approach continued over the autumn and early winter as the Cabinet and Management Team have worked at reducing the impact on services and the transformation will continue in order to deliver the budget whilst protecting front line services.

The Council's decision to accept a proposal from government to freeze the Cheshire East Council Tax will be welcome news to residents. The Council will receive a grant, allowing us to keep council tax at the 2010/2011 rates.

But in response to the low supply of property in the area there is going to be a reduction in discounts on second homes and homes that are left empty for long periods. And in some service areas charges may rise.

We will continue to transform services to provide essential funding for front line services, we will strive to make each pound go further. The Community Strategy, "Ambition for All," sets out how Cheshire East could look over the next 15 years. This will be achieved through co-ordinating effort in the local area.

Our seven priorities as an area are to:

- Nurture strong communities
- Create conditions for business growth
- Unlock the potential of our towns
- Support our children and young people
- Ensure a sustainable future
- Prepare for an increasingly older population
- Drive out the causes of poor health

2011/2012 will be a key year to engage with the government to ensure they recognise the potential in Cheshire East. We are responding positively to proposals for changes in the structure of local government funding. We believe changes can be made to increase accountability to the local area, its businesses and its citizens. We recognise that delivering high value, low cost council services is essential to this aim.

Using government comparisons the spending power for Cheshire East Council is only £753.31 per head, this compares to an England average of £1,007.21. Value in Cheshire East is already high, but we will continue to do more.

The spending of local funding in this budget is based on the needs of local residents. I look forward to continuing our work with local partners and businesses to maintain Cheshire East's position as a prosperous place with great potential.

Cllr Wesley Fitzgerald

Leader of the Council
& Portfolio Holder - Resources

Comment from the Borough Treasurer

The Cheshire East Council Budget for 2011/2012 includes significant savings proposals. This always presents a risk in how completely such savings can be realised.

My role as Chief Finance Officer (CFO) involves supporting services to maximise value to customers whilst working to control spending within agreed limits. This is a statutory role and all CFO's have recently received a letter from CIPFA, reinforcing the statutory background to this role.

I have a responsibility to report on the robustness of the estimates contained within this budget. The Council has managed an intense process to scrutinise proposals for the 2011/2012 Budget from June 2010 to February 2011.

Officers and Members, as well as key stakeholders have been involved in the budget setting process. **Chapter 6** of this Report provides a breakdown of the engagement process associated with the production of the budget. I am satisfied that the final estimates, although ambitious, are robust.

The key financial risks facing the Council in 2011/2012 include:

- Outturn spending in 2010/2011
- Increasing demand for services
- Low opening Reserve levels
- Falling Grants and the overall review of local authority finance
- Rising inflation

Each risk is being addressed. For example, quarterly monitoring reports to Cabinet have established mitigating actions in relation to spending in 2010/2011. Services demands are being met by growth proposals, particularly in Services for Adults

The Reserves Strategy, established in 2009/2010, remains effective, and has supported payments in advance for invest to save projects such as the energy reduction programme.

The Government aim to reduce grants to Local Authorities by over 25% within 4 years. With this target in mind this budget also contains provisional estimates for 2012/2013 and 2013/2014 (see **Annex 6**).

Cheshire East Council is not as dependant on government grants as many local authorities, but any reduction still has an impact. The projections for the next three years demonstrate that estimates contained in the 2011/2012 budget are essential and will greatly assist the Council in establishing longer term financial stability.

Inflation is currently higher than government targets. This budget reflects inflationary increases within services where it is already anticipated and a contingency has also been established for additional in-year inflation.

The Council has an established approach to balancing its budget using five measures that demonstrate where choices are made. This is summarised in **Annex 3**.

Finally, a comment on reserves. The opening balance of reserves is expected to be below the level of risk. This budget therefore proposes repayments to reserves as well as the reduction in the number of earmarked balances.

After reviewing all of the supporting material I am satisfied that the estimated level of expenditure matches the level of income, this includes the necessary repayments to reserves. The Reserves Strategy has been updated to demonstrate that the 2011/2012 Budget will establish adequate General Reserves for Cheshire East Council (see **Annex 8**).

Lisa Quinn

Borough Treasurer & Head of Assets
Section 151 Officer

Overview

This Budget Report outlines proposals to support the Council's vision whilst acknowledging continuing financial pressures and a reduction in funding from Government. Local demographic pressures, in particular the increasing numbers of older people, must be recognised as the Council strives to

Work together to improve community life

Key Proposals within the Budget Report 2011/2012 respond to the current challenges whilst minimising the impact on citizens. Proposals include:

- **No Council Tax Increase ~** the Coalition Government offered funding in return for a freeze in Council Tax in 2011/2012. Therefore Council Tax will remain the same and the Authority will benefit from this time limited 'freeze' funding of £4.4m for four years.

- **Adults ~ Overall Budget increasing to recognise £10.1m of growth pressures**
  - Acknowledging the rising population of adults needing support by increasing the budget for Adult Services by £11.8m.
  - Increasing Spending in Adults, Community & Health & Wellbeing following funding transfers from the NHS.
  - Continuing re-ablement activity, reducing subsidy and continuing transformation to realise savings.
  - Lifestyle Centres – rethinking the relationship between services to Adults who receive care and the Council's recreation service, to tackle two key budget issues of reducing care costs by keeping people healthy, and generating income for discretionary, but valued services.

- **Children and Families ~ Overall Budget increasing to recognise £0.1m of growth pressures**
  - Increasing budgets to continue to provide care for looked after children
  - Reducing activity levels where acceptable and improving commissioning to reduce costs.

- **Places ~ Overall Budget Decreasing by £3.9m**
  - Supporting rising costs in roads maintenance of £300,000
  - Enhancing, and optimising refuse collection activity, whilst realising savings of £700,000
  - Total Transport - transforming the way in which transportation is delivered across Cheshire East to meet the future needs of customers, our commitment to carbon reduction and more effective and efficient public services. The three major projects behind this programme are:
    - Integrated Transport Unit project – To implement a re-designed passenger transport function into the Places Directorate to ensure the needs of residents are more readily met.
    - Highways Re-procurement – ensuring efficiency in delivery of Highway services.
    - Fleet Review consolidating the fleet operation across Cheshire East, delivering major savings, improving efficiency of service delivery and providing a more locally responsive service.

- **The Council Tax Base has been revised** due to the impact of a review of single person discounts and the decisions to reduce the discount on second homes to 10% and remove the discount on long term empty properties**. Overall this will raise an anticipated £2.1m in 2011/2012.** Support will continue to help bring empty homes back in to use to meet housing demand.

- **Supporting Service Delivery & Cross Directorate Savings ~ Decreasing Budget by £11.1m**
  - Targeting procurement savings and efficiency in business management processes.
  - Freezing pay, proposals to harmonise pay, reducing staff on-costs through salary sacrifice schemes and reducing costs of agency staff.
  - Improving use of the Council's property portfolio and energy efficiency.
  - Restructuring Democratic services to achieve optimum use of resources.
  - Rationalising Internal Audit, Partnerships, Planning & Performance and Communications teams.
  - Rationalising back office processes and changing demand in Customer Services by reducing contact and the need for face to face contact.
  - Continuing last year's commitment to support a campaign to ensure citizens receive all benefit entitlements.

- **No Supplementary Business Rates** are being levied in 2011/2012.

- **Income from charges** for Council services is estimated to **increase in line with inflation** unless stated otherwise within this document. Changes to Adults Services charging are being consulted on.

- General **reserves will increase** to an **appropriate level**.

- **Council borrowing to support 2011/2012 planned capital expenditure is estimated at £24m,** of which £16m relates to new capital schemes and £8m for ongoing capital schemes. This represents an increase of £2.3m from 2010/2011.

- The net **capital financing costs have increased to £13.9m**, 5.6% of the net revenue budget. A small increase of £0.3m over 2010/2011.

Introduction – Getting the most from this report

This section helps you to make effective use of the Budget Report by outlining the information contained within each chapter.

Main Report

Chapter	What's in this Chapter
1. Financial Stability	This section establishes how the Amount Available to Spend on Council Services is determined. It also sets out the detailed funding arrangements and economic factors that impact on the revenue and capital budgets.
2. Our People	This section highlights how the Amount Available to Spend on Council Services is allocated and spent on Our People. It also provides the overall vision and approach taken in the Adults and Children and Families Directorates to deliver services in the medium term. This is followed by details of the issues and proposals for the service areas of Children and Families, and Adults, Community, Health and Wellbeing Services.
3. Our Place	This section highlights how the Amount Available to Spend on Council Services is allocated and spent on Our Place. It also provides the overall vision and approach taken in the Places Directorate to deliver services in the medium term. This is followed by details of the issues and proposals for the service areas of Environmental Services, Safer & Stronger Communities, Planning & Housing and Regeneration.
4. Supporting Service Delivery	This section highlights how the Amount Available to Spend on Council Services is allocated and spent on Support Services. It also provides information on key services such as Legal and Finance that assist the front line directorates. The chapter sets out the purpose, issues and proposals for each area.
5. Budget Impact	This chapter provides a flavour as to the impact of the budget proposals on the Cheshire East area.
6. Summary of Business Planning Process	Details of the Business Planning Process including the engagement methods.

Annexes

Annex		What's in this Annex
1.	A Profile of the Authority	A detailed statistical profile of the Council's administrative area.
2.	Grant Funding Position 2011/2012	An analysis of the funding announcements for 2011/2012 and the equivalent position for 2010/2011.
3.	Balancing the Three Year Budget Position	Supporting financial data to Chapter 1.
4.	Minimum Revenue Position	Annual Minimum Revenue Provision Policy Statement 2011/2012
5.	Prudential Borrowing Indicators	The calculations and an explanation of the Council's Prudential Borrowing rationale.
6.	Service Budget & Capital Details	Detailed pages setting out the policy proposals and Capital Programme for 2011/2012 divided up into service areas.
7.	Risk Analysis	Consideration of the risk factors surrounding the setting of the Budget.
8.	Reserves Strategy 2011/2014	Report setting out the strategy used for calculating the required reserve levels.
9.	List of Abbreviations	Details of abbreviations used in the report.

1. Financial Stability

Background

1. This section of the Budget Report focuses on the local and national influences that impact on how the Council intends to fund local services in 2011/2012 and the future.

2. Cheshire East Council is a large unitary authority in the North West of England. The Council is the third largest in the region, behind Liverpool & Manchester City Councils. However, the rural nature of the area means the challenges are different. A detailed analysis of the local area, including population statistics, is provided at **Annex 1**.

3. The Council acts responsibly to balance the needs of local people against the finances available to pay for the service levels demanded. Revenue is received or generated from a number of sources, which are set out below:

Source	Paragraphs
Government Grant Funding of Local Expenditure	4 to 33
Collecting Local Taxes for Local Expenditure	34 to 48
Charges to Local Service Users	49 to 51
Investment, Borrowing and the Capital Programme	52 to 63

Income and expenditure is also influenced by decisions and estimates of the Council in relation to:

Managing the Reserves Position	64 to 69
Other Economic Factors such as inflation & pensions	70 to 84

Each source is dealt with in turn below, with an overall summary provided on Page 24.

Government Grant Funding of Local Expenditure

4. The nature of council funding changed in 2010. On 20th October the Chancellor of the Exchequer, the Rt Hon George Osborne MP, made the following statement in delivering the Comprehensive Spending Review to Parliament:

   "There will be overall savings in funding to councils of 7.1% a year for four years. But to help councils, we propose a massive devolution of financial control. Today I can confirm that ring-fencing of all local government revenue grants will end from April next year.

   The only exception will be simplified schools grants and a public health grant. Outside of schools, police and the fire service, the number of separate core grants that go to local authorities will be reduced from over 90 to fewer than 10."

5. Cheshire East receives two main types of Government grants, **Formula Grant** and **Specific Grants**. The overall total of Government Grant estimated for 2011/2012 is **£444.1m**. This represents **a reduction of £8.5m** (1.9%) in comparison to grant received by Cheshire East Council in 2010/2011. This represents an increase of £9.5m since publication of the Pre Budget Report, reflecting the up to date estimate of Council Tax Benefit and Housing Benefit.

6. On the same day as this announcement, the Secretary of State for Communities, Rt Hon Eric Pickles MP, wrote to all local authorities to confirm that 24 specific grants would be rolled into Formula Grant. If this exercise had happened in 2010/2011 it would have affected £18.6m of Cheshire East grants. The beneficial impact of rolling these grants up is to provide greater flexibility to the Council in determining the local allocation of funding.

7. This increased flexibility allows the Council to allocate funding based on local needs rather than top down targets. However, the Council still currently relies on significant government grants and the overall savings requirement will therefore impact on the Council's financial stability. This is particularly challenging given the short timescales in which these changes take place.

8. The method of calculating central Government support to the Council provides relatively low financial assistance to Cheshire East, as the calculations take account of the relative affluence of local people. The Council therefore relies on the payment of Council Tax to support service delivery, which helps to make the Council highly accountable to local service users. This is positive in many ways, as it helps to engage local residents in establishing how local services should be delivered.

Formula Grant (includes National Non-Domestic Rates - NNDR)

9. On 31st January 2011 the Department for Communities and Local Government (DCLG) announced the Finance Settlement which set out how much Formula Grant each local authority will receive from April 2011. In

2011/2012 Cheshire East Formula Grant will be **£70.3m**. This is a reduction in cash terms of £11.8m (14%) when compared to the equivalent 2010/2011 position.

10. Formula grant is a central Government allocation of Revenue Support Grant (RSG) plus income from redistributed business rates – National Non-Domestic Rates (NNDR). Formula Grant is not ringfenced, meaning the Council is solely responsible for the allocation and spending of this income.

    RSG is divided into four blocks:

    i. A needs assessment – relative needs formulae – is intended to reflect the relative cost of providing comparable services between different local authorities. It takes into account characteristics such as population and social structure.
    ii. A resources element – relative resources amount – takes into account the different capacity of different areas to raise income from Council Tax due to the differing mix of properties. It is a negative amount as it represents assumed income for local authorities.
    iii. A central allocation which is the same for all local authorities delivering the same services.
    iv. A floor 'damping block' in order to protect local authorities from large grant increases or decreases. Grant changes to other Councils in the same class are scaled back in order to bring all local authorities to the appropriate floor. The damping process has been further complicated by the inclusion of banding to protect authorities who are heavily reliant on Government support.

11. **Table 1** (below) shows the split between Revenue Support Grant and National Non-Domestic Rates which is included within the Formula Grant. The table also shows the impact of government cuts in this grant.

Table 1: Overall Formula Grant has reduced considerably for 2011/2012

	2010/2011 £m	2011/2012 £m	Change £m	%
Revenue Support Grant	8.1	16.6	8.5	
National Non Domestic Rates	55.4	53.7	(1.7)	
Total Formula Grant	**63.5**	**70.3**	6.8	
2010 Value of Grants Rolled in to Formula Grant from April	18.6			
Overall Impact on Cheshire East Formula Grant	**82.1**	**70.3**	(11.8)	**-14.4%**

Source: CLG and Cheshire East Finance

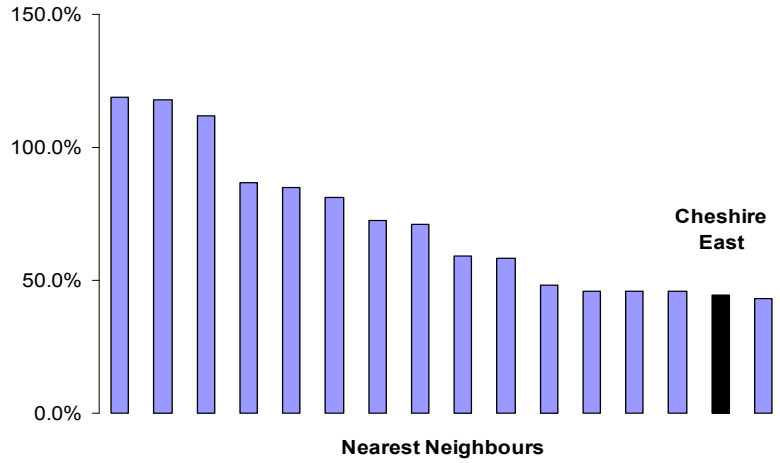
12. Cheshire East's Formula Grant per head, of £191.62, for 2011/2012 is the lowest within its group of comparable local authorities (Nearest Neighbour group). Bedford had the highest Formula Grant per head within this group at £343.05 per head.

13. National Non-Domestic Rates (NNDR) is collected from businesses in Cheshire East based on commercial rateable property values and the NNDR multiplier. The Multiplier has been provisionally set by the DCLG in line with inflation and to take account of the cost of small business rate relief. The inflation factor used is 4.6% which reflects RPI (Retail Price Index) as at September 2010.

14. The small business multiplier applied to businesses who qualify for the small business relief has been provisionally set at 42.6p in 2011/2012. The non-domestic multiplier has been provisionally set at 43.3p in the pound for 2011/2012. Bills will be issued to businesses in February 2011 after the provisional multiplier has been confirmed.

15. The amount collected is paid into a national pool and reallocated back to local authorities based on need. The element of NNDR funding retained by Cheshire East Council is low compared to the amount of NNDR collected. **Chart 1** compares the amount of rates retained against the nearest statistical neighbours.

Chart 1: In 2010/2011 only 44.3% of business rates collected in Cheshire East were retained for spending on Council services



Sources: CLG 2010/2011 NNDR1 returns, CIPFA Council Tax Demands and Precepts Statistics 2010/2011

16. Figures are not currently available for the estimated 2011/2012 NNDR yield for other authorities, however due to the centralised nature of setting Business Rates, there are no significant changes expected.

17. In a recent Government White Paper '*Local Growth: realising every place's potential'* the government sought opinion on retention of Business Rates by Local Authorities. Cheshire East Council is supportive of these proposals on the basis that further growth can be stimulated and local business can become better engaged with the Council and the local strategies.

Specific Grants

18. This relates to targeted areas of Government financial support. In 2011/2012 Cheshire East Specific Grants will be **£373.8m**. This is an increase in cash terms of £3.3m (0.9%) when compared to the equivalent 2010/2011 position.

19. The Council receives a number of grants or subsidies from different Government departments. Not all of these have been announced and information is still being received. The Council maintains a Grants Register which details this complex picture. Grants not included in the Settlement include items such as Housing & Council Tax benefit & Sixth Form funding.

20. Specific grants are split between non - ringfenced (£144.2m) and ringfenced (£229.6m). Spending in relation to ringfenced grants must be in line with the purpose for which it is provided.

Non- Ringfenced Grants

21. Following the October 2010 Spending Review and the letter from Rt Hon Eric Pickles MP it was confirmed very few grants were remaining as Specific Grants. Of these, only school grants and the new public health grant will be ringfenced. Other specific grants are not ringfenced, so although provided for a specific reason, the Council is able to determine the actual allocation and spending of such income. **Annex 2** provides further information on each remaining Specific Grant.

22. **Table 2** sets out the forecast income from non - ringfenced specific grants to Cheshire East Council using estimates where further information is still pending.

Table 2: Non Ringfenced Grants in 2011/2012 have not changed significantly

	2010/2011 Adjusted £m	2011/2012 £m	Change £m	Change %
Specific Grants	139.2	139.8		
Council Tax Freeze Grant	—	4.4		
Total	**139.2**	**144.2**	5.0	3.6%

Source: CLG

Ringfenced Grants

Dedicated Schools Grant (DSG)

23. The Government has announced the indicative allocations of DSG for 2011/2012 which is ringfenced. They are based on Guaranteed Units of Funding (GUF) per pupil. The Pupil numbers used in the calculation to date are based on the October 2010 Pupil Level Schools Census information. Final allocations of the 2011/2012 DSG will be based on actual pupil numbers in early 2011 and will not be known until May / June 2011.

24. **Table 3** shows the actual DSG received for 2010/2011, the estimated DSG for 2011/2012, the actual GUF (Amount per Pupil) received for 2010/2011 and the estimated GUF to be received for 2011/2012 (excluding the adjustment for Academy recoupment).

Table 3: Dedicated Schools Grant has increased to reflect mainstreamed grants

	Actual 2010/2011	Estimated 2011/2012
Dedicated Schools Grant	£200.6m	£229.6m
Amount Per Pupil	£4,110	£4,695

Figures quoted are before the Academy recoupment.
Source : CLG

25. The Department for Education (DfE) have mainstreamed £28.6m of grants in to the DSG (announced on 13th December 2010). The GUF and DSG therefore appear to have increased significantly between 2010/2011 and 2011/2012. Every local authority's GUF has increased from the 2010/2011 amount by the per pupil grant allocation received, which in effect has maintained funding levels for schools at the same level as for 2010/2011.

26. This is intended to ensure minimal turbulence between Local Authorities when mainstreaming the grants. The level of GUF for Cheshire East appears to be reasonable compared to the level of grants held previously. However, in the future, those grants will be subject to direct variation with pupil numbers, which was not previously the case. The GUF does not include any allocation for inflation which is expected to be approximately £2.3m.

27. **Annex 2** provides a summary of the overall impact on DSG and details of those grants which have been mainstreamed.

Dedicated Schools Grant (DSG) ~ Pupil Premium

28. The Government has also announced that a Pupil Premium will be introduced from April 2011, paid to local authorities by means of a specific grant based on January 2011 census figures for deprived pupils in years from Reception to Year 11.

29. The indicator for eligibility will be Free Schools Meals, and £430 for every deprived child in maintained schools and academies will be made available in the first year. Children who have been looked after for more than six months will also attract the £430 pupil premium from 2011/2012, and children whose parents are in the armed forces will attract £200 per annum. It is estimated that Cheshire East Council will receive £2m in relation to the Pupil Premium for 2011/2012.

Dedicated Schools Grant (DSG) ~ Academy Funding

30. The DfE have announced that its methodology for calculating Academy budgets will be retained for a further year. The DfE continue to be clear that becoming an Academy should not bring about a financial advantage or

disadvantage to a school but rather, enable Academies to have greater freedom over how they use their budgets.

31. The Individual Schools Budget (ISB), and the grants receivable for the new academies which opened during 2010/2011; Brine Leas, Fallibroome and Sandbach, have been removed from the total DSG award to be received. The funding for these academies of approx £17m will be recouped from the Authority's DSG as part of the academy recoupment process.

32. The local authority budget element of the Local Authority Central Spend Equivalent Grant for the number of new academies and free schools expected to convert or be established in 2011/2012 and 2012/2013 has been top sliced from formula grant in those years. The top slice is based on estimates of the number of new academies and free schools expected over the next two years.

33. Cheshire East Council's formula grant is being reduced by £0.9m. This money has not previously been recouped from local authorities and there will be no further adjustments to local authority funding in 2011/2012 and 2012/2013 as academy conversions take place in this time period.

Collecting Local Taxes for Local Expenditure

34. The amount of Council Tax charged to occupied properties in 2011/2012 will be frozen at the 2010/2011 amounts. For 2011/2012 the Band D Council Tax for Cheshire East Council will therefore remain at £1,216.34. This also reflects the acceptance of the Council Tax freeze grant. The level of Council Tax for each band is shown in **Table 4** below:

Table 4: Impact of Cheshire East Council Tax on each Band.

Band	A	B	C	D	E	F	G	H
Council Tax £	810.89	946.04	1,081.19	**1,216.34**	1,486.64	1,756.94	2,027.23	2,434.68
No of Dwellings	29,069	34,197	32,711	24,216	18,679	12,832	11,838	1,696

Source: Cheshire East Finance

35. However, overall Council Tax income is estimated to increase to **£178.7m** in 2011/2012 which is a rise of £2.1m compared to 2010/2011. This reflects increases in the tax base and increases the amount available for services.

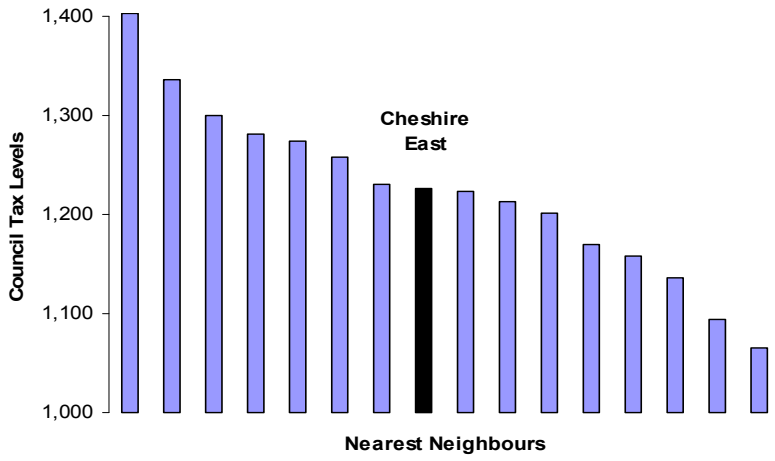
36. The decision to set the level of Council Tax is normally reserved for the Members of the Local Authority, however, the Government have set up a new grant for authorities willing to freeze council tax levels. In a letter from the Rt Hon Eric Pickles MP dated 20th October 2010, the following proposal was made:

"...if you choose to freeze council tax in 2011/2012, we [the government] *will fund the equivalent of a 2.5% increase in council tax that year for the Spending Review period"*

37. In considering this proposal comparisons were made with nearest neighbours on Council Tax levels. **Chart 2** shows that the level of Cheshire East Council Tax is in the middle of the pack.

38. If most local authorities accept the proposal, the Cheshire East Council Tax level would remain in the middle of the pack, which is satisfactory. The Budget Report therefore includes acceptance of the government proposal. Funding from this grant has been calculated at £4.4m for 2011/2012 and is included in the Specific Grants section above.

Chart 2: Government forecasts show 2011/2012 Band D Council Tax for Cheshire East Council will be in the middle when Compared with Nearest Neighbours



Source: DCLG Provisional Settlement Reports 2011/2012

Council Tax Base

39. The Council Tax Base quantifies the number of properties from which the Council is able to collect Council Tax. The Tax Base is presented as an equivalent number of domestic properties in Council Tax Band D after adjusting for relevant discounts and exemptions. The level of Council Tax multiplied by the tax base equals the expected income from local taxation.

40. The Authority formally approved the Council Tax Base on 16th December 2010. The gross tax base for 2011/2012 (before making an allowance for non-collection) is calculated as 148,383.04. After taking into account current collection rates, a non-collection rate was set at 1%. This results in a final tax base of 146,899.21 Band D equivalent domestic properties.

41. The tax base for 2011/2012 reflects an increase of 1.19% from 2010/2011. This increase comes from 4 key areas:

i. New development in the area
ii. Fluctuations in the number of discounts awarded
iii. A campaign to eliminate incorrectly claimed discounts

iv. The reduction in discount for second and long term empty properties from 25% to 10% and nil respectively.

42. Cheshire East has a relatively high Council Tax Base compared to its nearest neighbours. This is partly due to the much higher proportion of properties in Bands E to H in the Cheshire East area (27.3% in Cheshire East compared to the England average of 18.5%). Revenue Support Grant (see Formula Grant above) is comparatively low for Cheshire East based on the perceived high resources available from Council Tax payments.

Collection Fund

43. Receipts from Council Tax payers are paid into the Collection Fund which is then distributed to all precepting organisations (Cheshire East Council, Fire & Police Authorities and Local Town & Parish Councils). A predicted deficit in the Collection Fund reduces revenue funding for the following annual budget (and vice versa in the case of a surplus). This can happen if predicted changes in the tax base do not occur or if payments are delayed.

44. The estimated balance on the Collection Fund has been forecast as a net nil position for 31st March 2011. This represents no change from the position forecast at 31st March 2010.

Council Tax on Second Homes

45. During 2006 the Cheshire Local Government Association (LGA) agreed to reduce the level of discount on Second Homes across Cheshire from 50% to 25% on the basis that the additional funds would be utilised as follows:-

i. 50% to be retained by local authorities.
ii. The balance to be paid over to Local Crime and Disorder Reduction Partnerships (CDRPs) for local activities including the appointment of Community Support Officers.

46. Under this agreement a small charge is made to the Police and Fire authorities for administration.

47. The final figures cannot be calculated until each authority has set its 2011/12 Council Tax. Contributions under the Second Homes agreement to the CDRP from Cheshire Police Authority and Cheshire Fire and Rescue Authority will be made during 2011/12 by adjusting the precept payments to those authorities. The provisional contribution from Cheshire East Council is shown in the table below.

48. The further proposed reduction in the Second Homes discount from 25% to 10% is not part of the above agreement and therefore the additional income from that reduction is not included in the figure shown overleaf.

Table 5: CDRP Contribution

	2011/2012 £000
Contribution to CDRP by Cheshire East Council for the employment of Police Community Support Officers and other local activities	114

Source: Cheshire East Finance

Charges to Local Service Users

49. In some key service areas the Council makes a charge directly to the service user. The prices charged will sometimes be set nationally, but should always be related to recovering some or all of the Council's costs in delivering discretionary services.

50. Approximately 9.5% of the Council's gross income is received through Fees & Charges and the prices are reviewed at least annually. Overall, income from charges is expected to increase in line with inflation. Charging for Adults Services is undergoing consultation.

51. The Cheshire East Council pricing structure has over 1,500 different charges. With the overall objective to reduce subsidy in charged for services some prices may rise considerably more than inflation. In such cases users are being consulted and alternative service options are being discussed.

Investment, Borrowing & the Capital Programme

52. The Capital Programme, managed by the Council, is funded through receipts, grants and borrowing. Costs are also partly mitigated through secure investment of cash balances, but there is a net cost to the revenue budget in respect of Capital Financing. An allowance of **£13.9m** is included in the proposed 2011/2012 budget for this.

Capital Programme Funding

53. During 2010/2011 a fundamental review of the capital programme has been undertaken to ensure that it only includes schemes that fulfil the Council's priorities for service delivery. As a result of this review, reductions in the capital programme totalling £5.7m have been made and where possible a number of schemes have been deferred until future

years. Significant reductions in specific capital grants to support improvements in the infrastructure of the school property portfolio will mean a significant reduction in capital improvement schemes affecting schools in 2011/2012.

54. The proposed new capital schemes for the 2011/2012 programme take into account the following factors:

- Available external funding
- Essential maintenance and replacement
- Invest to save – capital investment required to deliver revenue saving proposals
- Available capital receipts
- Affordable levels of Prudential Borrowing

55. The programme is set out in **Table 6** below and further details are provided in **Annex 6**

Table 6 Capital Expenditure and Funding 2011/2012

	£M
Total Capital Expenditure	**77.0**
FINANCING	
Supported Borrowing	4.1
Unsupported Borrowing - Prudential	20.0
Government Grants	35.1
Capital Reserve	12.8
Linked/earmarked Capital Receipts	2.5
External Contributions	1.4
Other Revenue Contributions	1.1
	77.0

Source: Cheshire East Finance

Capital Financing Costs

56. The capital financing budget includes the amounts charged in respect of the repayment of outstanding debt and the amount of interest payable on the Council's portfolio of long term loans. These budgeted costs are partly offset by the interest the Council anticipates earning from temporary investment of its cash balances during the year.

57. No additional loans have been taken out during 2010/2011 as the Council is currently able to borrow from internal cash balances to fund the capital programme.

58. The Council currently has debt outstanding of £135.5m. In 2010/2011 the opportunity was taken to restructure £50m of debt by replacing a number of loans with an average interest rate of 4.22% with a new loan at a rate of 2.35%. This will generate savings over the next ten years of £4.47m of which £0.6m will be achieved in 2010/2011 and £0.8m in 2011/2012. The savings have been reflected in the budget for 2011/2012 as set out in **Table 7.**

59. The budget is based on current commitments within the Capital Programme and therefore additional borrowing in future years to fund new schemes will put significant pressure on the financing budget.

60. Following the Comprehensive Spending Review, the Government has increased the cost of new borrowing from the Public Works Loan Board (PWLB). The current PWLB rate (as at 7 January 2011) for a new maturity loan for 30 years is 5.36%.

Table 7: Capital Financing costs can be partially offset by Interest on balances

	£m
Repayment of outstanding debt	9.4
Interest on long term loans	6.1
Contribution from services towards the cost of borrowing	-0.8
Total Debt Repayment	**14.7**
Less Interest receivable on cash balances	-0.8
Net Capital Financing Budget	**13.9**

Source: Cheshire East Finance

Interest Rates

61. The latest national economic forecast indicates that the recovery in growth is likely to be slow and uneven. The Interest Rate forecast reflects the fragility of the recovery and the impact of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank of England is forecast to stick to its lower for longer stance on rates**.**

Table 8: Interest Rates are expected to rise steadily

	Dec 2010	Mar 2011	June 2011	Sep 2011	Dec 2011	Mar 2012	June 2012
Bank Rate	0.50	0.50	0.50	0.75	1.00	1.25	1.50

Source: Bank of England

Prudential Indicators

62. There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. CIPFA issued a revised Code in November 2009.

63. Prudential Indicators are the means whereby local authorities are able to ensure decisions made on the mix between revenue and capital expenditure are made on an informed basis that is prudent (i.e., does not result in too high a level of external borrowings) whilst at the same time sustainable (i.e., does not result in excessively large increases in Council Tax bills). The Prudential Indicators for 2011/2012 to 2013/2014 are set out in **Annex 5**.

Management of Council Reserves

64. The Council Reserves Strategy 2011/2014 states that the Council will maintain reserves to protect against risk and support investment. In line with the Strategy, the Council intends to increase the level of reserves by **£5.1m** in 2011/2012.

65. The Strategy identifies two types of reserves:

- *General Reserves*
  - Balances in this category are not identified for specific purposes, but will be used to cushion against the impact of emerging events or genuine emergencies.

- *Earmarked Reserves*
  - Balances in this category are set aside for specific projects where spending will occur outside of the usual annual spending pattern of the budget.

66. Cheshire East Council's Reserves Strategy has been updated and is included at **Annex 8** to this report. For the 2011/2012 Budget the Chief Finance Officer is satisfied that the strategy remains consistent with previous years.

67. The need to make contributions to general reserves is mainly associated with the repayment of costs associated with past staff reduction proposals. It should be noted that there is no further central allocation of costs associated with severance of staff contracts. Further severance and actuarial costs may be proposed during 2011/2012, however, any settlement will be dependent upon identifiable savings and opening balances confirmed from the closure of the 2010/2011 accounts.

68. At 1st April 2010 Cheshire East Council held general reserves of £10.2m. For 2011/2012 the level of risk has been reduced based on more historic data now being available and the embedding of key items within the Revenue Budget. **Table 9** (overleaf) provides a forecast of the closing General Reserves balance as at 31st March 2012.

69. **Table 9** (overleaf) reflects the opening balance at 1st April 2011 after adjusting for the projected 2010/2011 outturn. Further work is progressing to mitigate in year impacts where possible. The position will also be reviewed in the light of ongoing consultation exercises over changes to Services to Adults, and the Council may also opt to use Capitalisation Directives (permission to spread the cost over several years, funded by the Capital programme), to support costs from restructuring, where appropriate.

Other Economic Factors

70. The Council makes an assessment of its financial position over the next three years by using a model known as the financial scenario. It is based on a series of planning assumptions (for example: estimated inflation rates). The planning assumptions were last published in July 2010. Allowance will be made in 2011/2012 budget for other economic factors, largely inflation and pension costs; totalling **£6.7m**.

Inflation

71. The Pre-Budget Report for 2011/2012 includes a provision of **£1.9m** in respect of potential pressure from inflation and changes to National Insurance Contributions. Inflationary pressure is generally being mitigated by service efficiency proposals.

Table 9: General Reserves are expected to increase in 2011/2012

Detail	2010/2011 £m	2011/2012 £m
Estimated Balance @ 1st April	**10.2**	**6.7**
Projected Increases in Reserves		
- Contingent Asset (VAT reclaim) net of fees	1.6	0.7
- Business Finance Loan Repayments	0.3	0.2
- Planned Contribution to Reserves	4.3	5.1
- Contribution from Earmarked Reserves		2.3
Projected Use of Reserves		
- Transfer to Voluntary Redundancy Reserve	(1.5)	
- Estimated Impact of 2010/2011 Spending	(7.7)	
- Supplementary Revenues Estimates	(0.2)	
- Transitional Funding carried forward (P&C)	(0.3)	
- Repayment due to CWAC re location		
Forecast General Reserves @ 31st March	**6.7**	**15.0**
Risk Assessed Minimum Level		14.7
Un-Allocated Balance		**0.3**

Sources: Cheshire East Council Reserves Strategy 2010/2011 to 2012/2013 & Quarter 3 Budget Monitoring Report 2010/2011

72. Recent trends in the Consumer Price Index (CPI) are shown in **Chart 3** (overleaf). CPI rose from 3.2% in October 2010 to 3.3% in November 2010. The Governments' Comprehensive Spending Review estimates inflation at 2.1% and has allowed for this in government settlements.

73. Inflation for Cheshire East Council is split between two elements, the potential impact in each element is described below:

Pay expenditure

To date no pay award has been agreed for 2011/2012. The employers are seeking a pay freeze but the employees' representatives have requested an increase of £250 per person. Should this be agreed it would cost £1.5m.

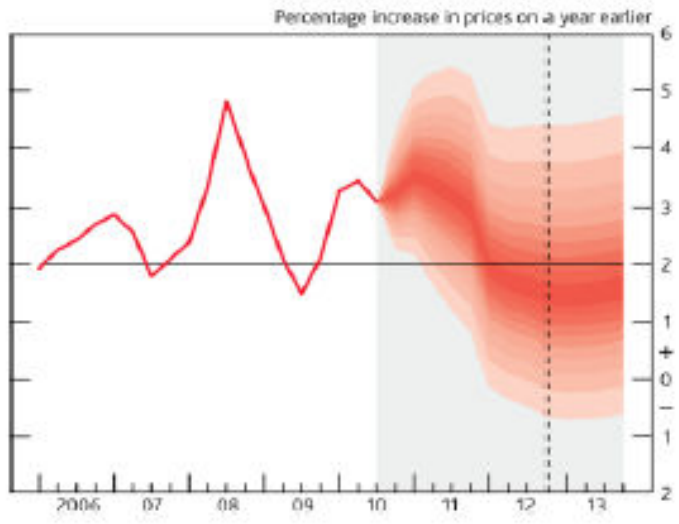
In addition the pay award for 2010/2011 has not been settled. The employees have requested an increase of £250 for each of those paid less than £21,000 per annum. If agreed this would cost £1m.

Another cost pressure includes changes to National Insurance – employer contributions. It is expected this will cost £0.2m from 1st April 2011.

Non pay expenditure

As an indication, if an allowance for non pay inflation, at the CPI rate of 3.3%, was provided it could cost the Council an additional £4.4m. These pressures are being mitigated through improvements in procurement and efficiency.

Chart 3: CPI is projected to rise in the short term before reducing to targets levels of around 2%.



Source: Arlingclose Economic and Interest Rate Forecast Report November 2010

Reading this Chart: Fan charts are a way of graphically illustrating probability. Each band represents a 10% probability, so if a band is wide then each point within that band carries a lower probability than points contained within a narrow band. The line shown at the left hand side represents historical data.

74. The fan chart at **chart 3** shows the probability of various outcomes for CPI growth. The right hand side of the chart shows possible CPI future growth with past movements shown on the left. There is a 10% probability that CPI will be around 1.5% in 2013. There is a 10% probability that the growth will fall outside of the shaded areas of the fan. The most likely growth pattern is shown by the darker shading in the centre of the fan.

Employee Pensions

75. Based on the latest actuarial valuation of the Cheshire Pension Fund, the employer contribution rate for Cheshire East will increase by 0.5% from 1st April 2011. This will result in additional costs of **£0.6m** per annum.

76. The reorganisation and transformation process the Council is going through has led to greater efficiency and a reduction in staff numbers. Some of this has been through early retirement. Actuarial charges totalling **£4.2m** have been allowed for in 2011/2012 relating to these retirements.

Summary of Financial Stability

77. Funding for Council services is affected by a large number of income sources and corporate costs. The overall picture changes in response to both national and local decisions. The Funding Available to Services in 2011/2012 is estimated at **£597m** which is a reduction of £4.8m (0.8%) compared to 2010/2011.

78. **Table 10** summarises the changes from the 2010/2011 Budget to the 2011/2012 Budget.

Table 10: Funding in 2011/2012 will reduce by £4.8m

Income Source	2010/2011 £m		2011/2012 £m		Variance £m
Formula Grant	(82.1)		(70.3)		
Specific Grants	(370.5)		(373.8)		
Government Grant Funding		(452.6)		(444.1)	8.5
Local Taxation		(176.6)		(178.7)	(2.1)
Investment & Borrowing		13.6		13.9	0.3
Management of Reserves		4.2		5.1	0.9
Other Economic Factors		9.6		6.8	(2.8)
Funding Available to Services		**(601.8)**		**(597.0)**	**4.8**

Note: Changes to 'Charges to Local Service Users' are included within policy proposals shown in **Annex 6**.

Source: Cheshire East Finance

2012/2013 Financial Position and Beyond

79. Key elements of the Council's financial position for 2112/2013 can be justified with some certainty based on information already available. For example, the Government's financial settlement related to Formula Grant and a number of specific grants included funding details for two years:

- **Formula Grant** will reduce by a further £7.1m to £63.2m.
- £373.8m of **Specific Grants** will reduce by £1.3m to £372.5m.
- **Adjustments** for Inflation, Investment & Borrowing, Management of Reserves and Other Economic Factors are expected to increase by £4.3m.

80. The overall funding available to services is estimated to **reduce by £12.1m** in 2012/2013.

81. The government settlement only confirms the funding position up to 31st March 2013. After this date the financial strategy must be based on less informed estimates. The assumptions are that:

- Government Funding is expected to continue reducing.
- Council Tax will be set locally.

- Charges to service users will reflect the need to recover actual costs.

Further details are shown in **Annex 6**.

Corporate Risks

82. Given the context of developments in the public sector, the current economic climate and the Council's need to deliver local priorities within the limits of available funding, risk management has an increased profile. It is important that the Council is able to demonstrate that it has effective risk management processes in place.

83. Based on the current Corporate Plan 2010/2013, a risk workshop was undertaken by the Corporate Risk Management Group to identify the key corporate risks that may adversely or beneficially affect the Council's ability to achieve its corporate objectives. The Corporate Risk Management Group, comprising members from Corporate Management Team and other senior managers, and chaired by the Portfolio Holder for Performance and Capacity, ensures the accuracy and completeness of the risks and monitors the implementation of actions to reduce the risks to acceptable levels.

84. A key corporate risk relates to Financial Control and the impact this may have on the Council's financial stability. **Annex 5** provides an extract from the Cheshire East Corporate Risk Register to highlight the existing controls and planned improvement actions.

2. Our People

Vision and Transformation

85. The Council's vision is to **work together to improve community life.** People based services are committed to making their distinctive contribution, collectively and individually, to fulfilling that Vision.

86. The services are varied, but they have coherence in a shared purpose, which is to:

Improve the wellbeing, health and care of all Cheshire East's people.

87. The Council has five Corporate Objectives and the "People Services" contributes to them all, in particular:

- To give the people of Cheshire East more choice and control about services and resources;
- To grow and develop a sustainable Cheshire East;
- To improve the life opportunities and health for everybody in Cheshire East.

88. The staff and managers of the Adults, Community, Health and Wellbeing Directorate and the Children and Families Directorate are working hard to transform that set of services. Many services are already good, but if they are to be relevant to changing circumstances and expectations, they need to be transformed.

89. High quality services and information is the aim with the following key features:

- **Accessible** Available as close as possible, recognising that an increase in specialisation may require less local availability. Information to be accessible on–line wherever possible
- **Relevant** Services must make sense to, and meet the needs of, those accessing them in terms of achieving their required outcomes.
- **Equitable** Services must meet the needs of individuals and families from the full range of backgrounds and circumstances in Cheshire East
- **Effective** Services must be able to demonstrate that they deliver the results that are required
- **Value for Money** Budgets are tight and demand is high. The way services are delivered and to whom must be cost effective.

Current Issues

90. Increasing numbers of people needing help, rising public expectations and reducing resources all mean that "more of the same" will not be sustainable. For that reason there are programmes of transformational work across the Directorates – work on the redesign of services to children and families, on redesigning adult social care and on reviewing leisure, culture and library services.

91. Personalisation and prevention are key themes running through that transformational work. Personalisation is all about giving people more choices and more control over the resources available to them in line with objective 1 of the Corporate Plan for the Council. The prevention agenda becomes crucial, for it will become increasingly important to keep down care costs and to enable our citizens to manage their health and wellbeing. This is at the heart of Corporate objective 2 to grow and develop a sustainable Cheshire East.

92. That analysis is shared by our partners within the NHS locally, including the emerging consortia led by General Practitioners. We realise that only by reducing demand for high cost interventions in health and social care, can we manage the spiralling costs of our ageing population and the impact of alcohol on our communities' health and wellbeing. This approach underpins Corporate objective 5 to work with others to deliver for Cheshire East.

93. The challenging context is likely to require a shift in the balance between universal services and targeted services, towards the latter. That will be particularly evident within Health and Wellbeing Services where the emerging 'Lifestyle Concept' will be tested for its contribution to the financial and outcome challenges faced by the Council. This supports objective 3 of the Corporate Plan – to improve life opportunities and health for all in Cheshire East.

94. Services are becoming more local – for example the Local Independent Living Teams (LILTs) that started as Adults teams now encompass staff from health and other agencies. Case committees are being piloted, bringing a wide range of professionals together to focus concerted attention upon individuals and families causing particular concern. Where possible, services, responsibilities and resources will be shared with Parish and Town Councils and this has the potential to provide a very local preventative response, particularly with vulnerable older people. The development of the Joint Strategic Needs Assessment has assumed greater significance in the whole process as services must deliver better outcomes for all using the positive assets within our communities to model and improve the health and wellbeing of our population.

95. Local delivery is a concept that will cover all services inside and beyond the Council. Putting the citizen at the centre of delivery means all services working together to deliver outcomes and to avoid duplication of provision to individuals and families.

96. The scale of the financial challenge requires that the Council must move beyond a transformational approach alone and must consider options that reduce or remove some services that are not core to meeting its overall aim. It may also have to charge more for services that are retained and to apply charges to activity that has previously been free at the point of use. We must also work collaboratively with partners to consider local approaches to meeting the health and wellbeing of individuals, families and communities.

97. Safeguarding vulnerable children, adults, older people and families from risk of abuse is a key responsibility of the Council and its partners. Empowering our citizens to protect themselves and to report concerns about others at risk or experiencing abuse is a priority. Where abuse occurs, intervening to protect individuals within the appropriate legal framework is followed. Given the scale of the changes required to deliver our services within the given budget, the Council will continually review the possible impact of changes upon the safety and wellbeing needs of people most at risk in our communities.

Services for Children and Families

Improving outcomes for children through effective service delivery.

98. Increasing demand for statutory children's social care services is a continuing feature of the Directorate's work with a significant increase in referrals being made for services in 2010/2011. To stem this demand, a significant work programme commenced to strengthen the ability of partner agencies to work together to support families sooner, thereby preventing issues of concern escalating to the point that children need to come into the care of the Council. As a consequence, the rapid increase in the numbers of children in the care of the Council, witnessed in the preceding 12 months, resulting in growth of £4m, has begun to abate with numbers now steadily reducing, and an anticipated reduction in costs of £1.3m.

99. The work programme focussing upon earlier intervention and targeted prevention has included a major review of services inherited from the predecessor authority, some of which have not demonstrated value for money. A major review of family support services, due to be implemented over the period of the next 12 months, while resulting in identified savings of £0.43m, will also produce a much more targeted focus upon service delivery, some of which will be commissioned from the voluntary, community and faith sector.

100. Connecting services at the frontline, with greater integrated working across the health, education, social care, police and youth support services is mobilising; with a drive to reduce duplication of work with vulnerable children and families, the prevention of problems escalating and improved targeting of ever reducing resources. This work is beginning to frame around the concept of 'locality working' and over the next 12 months will embed on this basis.

101. Changes in national policy regarding schools is seeing a push for greater autonomy. Some schools have chosen to opt for Academy Status which makes them independent of the Local Authority while other schools are choosing to remain as part of the Local Authority network of schools. Whichever route schools choose to follow, Cheshire East Council is working with Headteachers and Governors to examine the benefits of the maximum delegation of education resources to school level, and exploring what services schools may, or may not, choose to purchase from the Council in the future. Additionally, the mainstreaming of grants to schools to become part of the Dedicated Schools Grant has required a full review of support services provided to them by the Local Authority. In dialogue with schools, fewer services will be retained at the centre, with schools choosing to purchase services back from the Local Authority or from other providers. That part of the service which provides services to schools will therefore reduce significantly and will only be sustained if they are purchased back on a full cost recovery basis.

102. Increasingly, the Local Authority's role with schools will reduce, but a key role will be retained in identifying and supporting schools which are struggling to make the progress that is required of them and are producing poor outcomes for the children attending. As a consequence of this change, the workforce of the Directorate is both reducing in size and being reframed.

103. Further policy changes impacting upon the Directorate, include changes in the youth support arena, with proposals from the Coalition Government to an All Age Careers Guidance company and the future delivery of information, advice and guidance to young people. Historically the Local Authority along with Cheshire West and Chester and Warrington Borough Councils commissioned services for youth support from the Cheshire and Warrington Connexions Company Ltd with the contract due to expire at March 2011. The Local Authority will be reducing the scale of youth support services previously commissioned and will be pursuing commissioning of future delivery to ensure young people continue to receive information, advice and guidance services with other services being targeted to those young people at risk of poor outcomes.

104. Support to vulnerable children continues to be a strong focus of the work of the Directorate, with a key emphasis being upon the modernising of services to children and families. Over the preceding 12 months, two large children's homes have closed at Redsands and Prior's Hill, with two smaller houses opening. Further investment of £1.15m in Capital and £0.78m in revenue is planned to provide residential care more akin to a family setting than an institution. A strong campaign is being driven to recruit more foster and adoptive carers to increase the availability of care provision for children requiring it within the Borough. Additionally services to children and young people with disabilities and their families have been reviewed with a wider menu of short break opportunities now being developed. Further work is underway to examine the future need for overnight short break provision for children and young people with complex disabilities. Clearly the Directorate is intending to build upon and strengthen this offer, and awaits the Coalition Government's Green Paper on Special Education Needs (SEN) and Disabilities.

105. Further investment priorities over the forthcoming period are in the areas of special school provision and education provision for pupils permanently excluded from schools. A major review of special education needs is nearing completion. It is evident that there is insufficient special school provision within the Borough and that further provision is required. Proposals will shortly be forthcoming regarding the expansion of provision which will require capital investment. Such provision is required to reduce the need for children and young people with complex disabilities to have to travel significant distances outside of Cheshire East to attend a special school, or indeed to have to reside away from their home and families during school terms. Significant costs are incurred in transporting pupils to such settings and these will be reduced when more provision is made available locally.

106. Formalising and improving educational arrangements for young people permanently excluded from school is a priority, with proposals due to be submitted to Cabinet in February 2011. Current arrangements are unsatisfactory and the Local Authority is required to provide full time educational provision within a registered setting. It is proposed that a Pupil Referral Unit is opened to provide the necessary educational provision and support to those pupils who are permanently excluded from schools and those awaiting transfer to other mainstream or special schools.

107. A review of the Council's Home to School Transport Policy has identified increased expenditure pressures generally and areas of discretionary activity and support provided by the Council which is no longer sustainable within the current financial climate. This includes denominational transport, and post 16 provision, where it is intended to remove subsidies and / or increase charges. After taking these savings into account, budget growth of £0.989m is still required in this area.

108. Extensive work has been taken to remodel the workforce within the Service. This is being driven by the need to contain costs, respond to national and local policy changes and improve the effectiveness of service delivery. A significant number of posts have therefore been removed from the structure.

109. Efficiencies will be secured through improved commissioning arrangements (for example by the combining of arrangements for the commissioning of some care placements). Finally, while some areas of service delivery may cease to be commissioned due to reductions in funding, it is expected that other elements of service delivery historically provided by the Council will be commissioned externally.

Services for Adults

Continuing Transformation and Growth

110. The growth in demand for Adult Social Services has become a major national issue. The impact of the ageing population on demand for services is being better understood and a major national enquiry has been established to work out how this impact may be managed effectively.

111. We know that the population of Cheshire East is older than the average population of England. Last year an allowance of £0.4m was made for this impact and this has proved inadequate to meet the challenge especially for those aged 85 years and over. Care costs for this group have exceeded £20m in the past year. The recessionary impact is also becoming clearer, with falling house values and diminished personal savings causing greater costs to fall upon the Council. Overall, year on year growth pressures of £4m are recognised for the budget (£11.8m for the three years from 2009/2010 to 2011/2012).

112. The strategy for tackling dementia services has continued, with one purpose built centre being opened, and more places planned to provide cover across the area. However, the impact of people using their own personal budgets to buy care has meant that demand for directly provided services has shrunk dramatically and the future of our own services are bound to be considered more fully during 2011/2012.

113. The pattern of separate services for older people and adults with a learning or physical disability or sensory impairment, has shifted to generic local service that address the needs of individuals as individuals, rather than as part of a 'client group'. Key to this is the operation of the four Local Independent Living Teams (LILTs) which provide a vehicle for wider integration across the public sector in line with emerging concepts such as 'community budgets'. The Adults Service is therefore ready for the major policy shifts brought about by the Coalition Government.

114. The Pooled Budget for Services for Adults with Learning Disabilities that is operated jointly with the Primary Care Trust (PCT) has continued to be challenging in terms of the need to manage spending, and to organise the transfer of money from the PCT under the Valuing People Now (VPN) initiative which is dependant on Continuing Health Care assessment. There is additional pressure on the partners to this arrangement caused by the requirement to bring budgets into balance before transfer to the emerging GP Consortia.

115. Mental Health Services are being reviewed by the commissioners and providers of services with a view to examining whether they could be more closely aligned with the LILT delivery model. This should be resolved during 2011/2012 and a budget saving is expected from this exercise.

116. The large-scale transformational programme to redesign Adult Social Care is on target to exceed the requirement on it to deliver £2.995m of savings in 2010/2011. In response to budget pressures proposals have been brought forward and extended in scope. However, it has become apparent that transformation alone will not deliver a balance between the demand and the money available to pay for it. This 2011/2012 budget is therefore characterised by proposals that are raising revenue by the removal of subsidy rather than securing savings via a remodelling of services.

117. Key elements of the programme include :

- Reducing care costs by a radical review of existing care packages supported by an increasing focus on using technology to monitor and manage spend at an individual worker level, as well as at team and whole service levels. (£0.8m)
- £1.541m is being saved through a number of initiatives. Firstly, further efficiencies in the operation of the in house care provision (Care4CE) are projected to save £580k. Secondly, further savings in procurement are projected to yield £827k, made up of changes to the Domiciliary Block Contract of £427k, £300k from improving care cost procurement and £100k being the 2011/2012 effect of the existing meals contract. The final £134k is made up of smaller savings in expenditure, for example, giving up part of the Workforce grant, reflecting the smaller size of the Adults workforce given the voluntary redundancies incurred to date within the lifetime of the new council.
- The impact of 'reablement' is beginning to emerge and learning from this now to ensure maximum impact and savings is required. The additional independence that this provides to customers is reflected in a saving of £0.4m within the Care4ce efficiencies.
- Review of the overall staffing requirement will continue. Adult Services granted voluntary redundancy to over 400 staff in the first eight months of 2010/2011 and the process is set to continue beyond local teams and the in house care provider (Care4CE), to other areas of the service. It will be combined with a hard look at staffing costs generally. All these staff related changes will deliver a further significant saving. (£0.95m)
- Building based services have proved to be a source of savings in the first two years of the Council and again there is a large target. (£1m). This process is essential to fund the shift from direct provision to direct payments. If buildings and services that are no longer required by customers are not closed then direct payments become a net cost to the service instead of a net saving. In the case of the housing networks run by Care4CE, rationalisation rather than closure is the immediate objective, adding £150,000 to the above target for building based services.
- The elements that are not transformational are the increases in charges to remove existing subsidy from the provision of social care services (including some administrative aspects) and a similar process related to transport where a combination of increased charges and reduced offer will make savings of £0.8m. The general increase in

charges is set to raise £0.65m of the £0.99m shown. The Council has completed two separate formal public consultation exercises, in relation to both the transport and charging proposals. A full list of consultation events is included in **Chapter 6**. These consultations will be the subject of a separate report to Cabinet shortly. At the time of writing it is not appropriate to prejudge the outcome of that exercise, nor comment on the overall content of further reports. However, the Council acknowledges that the proposals have raised a range of important issues that are currently receiving careful consideration. Specific consideration is already being given to elements of carer's services. It is recognised that the impact of any amendments to estimated income will require further analysis and mitigation.

- The Lifestyle concept within the Big Idea is intended to deliver £0.796m in Adults through a mixture of reducing cost and increasing income.

Before taking into account new grants, the Adults service is proposing savings totalling £8.66m to offset the growth proposals of £11.8m. This includes £1.5m worth of further efficiencies to be delivered through a second phase of Social Care Redesign that will focus on areas such as the personalisation agenda, delivering social care through using direct payments to individuals paid net of client contribution direct onto an Empower card. The trend of growth in demand will continue and the service remains committed to the creation of a new round of transformation to deliver further streamlining of service, reduction in costs and demand. However, the scale of the challenge suggests that a radical programme of integration within and beyond the Council will be needed by 2014 to deliver an affordable health and social care system across children's, adults and older people's services.

118. The radical approach to tackling the challenge of delivering social care within a limited and reducing budget requires effective use of capital to deliver efficiencies in processes and reduction in care costs. It is for this reason that improvements in information technology form an important part of the programme - aimed at reducing staff time servicing systems. Investment is also needed in identifying the business case for further development of the dementia strategy and the case for a comprehensive 'Lifestyle' approach to provision in the directorate. Once established these approaches will themselves require significant capital investment to deliver the identified benefits.

Health and Wellbeing

Growth in costs and opportunities

119. Health and Wellbeing (H&W) services are in transition. There is a mix of services that have potential (some more than others) to contribute to the emerging priority of tackling the new public health agenda as those services move to the Local Authority from the Primary Care Trust (PCT). 2011/2012 will be a year in which this realignment takes place, assisted by the greater integration of H&W into the work of the Adults, Community, Health and Wellbeing Directorate. In this context the 'Big Idea' of using H&W services to meet more mainstream social care is highly relevant.

120. Such a change requires a different approach within the H&W service so during 2011/2012 the commissioning elements of the service will be moved to a strategic commissioning function across Adults, H&W and the Children and Families Directorate. The remaining provider services will be subject to an options appraisal to seek the best way to structure and deliver these services in future.

121. During the year, the Lifestyle concept – which is at the centre of the 'Big Idea' – will be tested at a number of leisure centres across the Council area to see if additional investment in these centres will enable them to meet social care needs and build confidence and independence among older and disabled people. The focus on their use of the facilities will be when the general public use is not high – thus making the facilities more economically viable for universal use. This, with other efficiencies from directorate integration, and increased income should deliver a net £754,000 (contributing to the £1.023m).

122. Progress has been made to bring the Council's Customer Contact Strategy and the Council's Library Services Strategy together, so that libraries offer an effective customer contact service. However, to free up human resources in support of that transformation, it will be necessary to continue to invest in the technology which enables self issue and self return of books. A review of library provision will articulate the Council's ambitions for its library services and the infrastructure required to deliver that ambition. This is a key part of the Building Based Review of all parts of Health & Wellbeing and will save £268,000. (contributing to the £774,000 saving)

123. The role of Green Spaces will also be considered and the extent of the Council's presence reviewed. While the spaces themselves are freely available, the cost of access to them for particular groups may be considered within the 'Lifestyle Concept' with the potential to derive income from delivering access. (£225,000).

124. The process of devolution to Town and Parish Councils continues and the Civic and Community Halls may be a key part of that process. Pending this change, these facilities, plus others being reviewed, will continue to be funded by the H&W service.

125. As with Adults Service, H&W must also look to increased and new charges to raise income in order to meet the challenge of increased costs (£210,000). The overall net reduction of £1.5m for H&W represents a further reduction of 12% over and above savings of £1.8m already delivered since 1st April 2009.

126. Capital investment will be focussed upon moving towards the aspiration to develop lifestyle centres. Funding permitting, an options appraisal will be undertaken to determine the best way forward, preferred site and functions to accommodate. Other capital work will only be undertaken to ensure compliance with health and safety legislation, or to avoid loss of income through unplanned facility closure.

Summary of the Revenue and Capital Position

127. The tables below summarise the Revenue Budget and Capital Programme for the People related Directorates.

Table 11: People Related Services Revenue Budget Summary 2011/2012 ~ see **Annex 4**

Services	2011/12 Budget £m	Policy Proposals £m	Total £m
Children and Families	306.7	0.1	306.8
Adults, Community, Health and Wellbeing	96.6	10.1	106.7
Total	403.3	10.2	413.5

Source: Cheshire East Finance

Table 12: People Related Capital Programme Summary 2011/2012 – see **Annex 6**

	2011/2012 £m
People	
Committed schemes	
Children and Families	14.3
Adult Services	1.9
Health and Wellbeing	2.5
	18.7
New Starts	
Children and Families	11.5
Adult Services	0.2
Health and Wellbeing	0.7
	12.4
Total Capital Programme - People	**31.1**
FINANCING	
Supported Borrowing	2.6
Unsupported Borrowing - Prudential	5.9
Government Grants	20.4
Capital Reserve	0.0
Linked/earmarked Capital Receipts	1.1
External Contributions	1.1
Other Revenue Contributions	0.0
Total Sources of Funding	**31.1**

Source: Cheshire East Finance

3. Our Place

Vision and Transformation

128. The Council's vision is to **work together to improve community life.** The Places Directorate is a set of services committed to making their distinctive contribution, collectively and individually, to fulfilling that vision.

129. The Places Directorate is responsible for the delivery of a wide range of varied services including Environmental Services, Safer and Stronger Communities, Regeneration and Planning and Housing, which have coherence in a shared purpose, which is to:

Create and maintain a quality environment to promote prosperity and wellbeing.

130. The Council has five Corporate Objectives and the Places Directorate contributes to them all, in particular:

- To grow and develop a sustainable Cheshire East;
- To enhance the Cheshire East environment

131. The Places Directorate faces many opportunities and challenges and is working hard to transform services to ensure they are more:

• **Customer focused**	Committed to designing and delivering high quality services that meet the changing needs of customers whilst delivering high levels of customer satisfaction.
• **Sustainable**	A range of services, delivering the Council's responsibilities and ambitions in an affordable and efficient manner, that meet customers varied and changing needs.
• **High Quality**	Services committed to enhancing quality, both in their own delivery, and in that of partners and suppliers.
• **Forward Looking**	Identifying and addressing the major strategic challenges which will face Cheshire East in future years including demographic changes, climate change and economic conditions.
• **Locally Focussed**	Services which are focussed upon meeting the needs of local communities by being more easily accessible and more readily responsive to residents and customers.

Current Issues

132. Ensuring future services are flexible, to meet the changing needs of customers. Increasingly providing greater levels of choice, whilst maintaining a core level of service to all.

133. Developing local solutions and devolving service provision, whilst both maintaining, and improving quality, and realising resource efficiencies.

134. Ensuring that Cheshire East benefits from any upturn in the economy and that the Council can facilitate investment and encourage growth and prosperity.

135. Planning effectively for the future, through the development of major strategic plans such as the Local Development Framework, and the Local Transport Plan (LTP).

136. Working with our Sub-Regional Partners to support the Local Economic Partnership and other collaborative working whilst continually developing strong links with the Association of Greater Manchester Authorities.

Environmental Services

137. The highway network is the Council's largest asset, it is valued at more than £2 billion and is fundamental to achieving all of our key objectives, particularly in creating and maintaining the quality environment necessary to promote prosperity and wellbeing of our businesses and communities. Deterioration of the highway network is continuing due to the effects of falling investment and severe winter damage over recent years. This challenge will be faced with a new contractor appointed to manage and maintain the highway network, on behalf of the Council and achieve revenue efficiency savings of £0.5m in 2011/2012.

138. Cheshire East residents recycle about 50% of their waste; the highest level in the North West of England. However, we still send approximately 90,000 tonnes of residual municipal solid waste per year to landfill, which is damaging to the environment and wastes many valuable materials. Because of significant increases in landfill tax applied by central government each year (currently £8 per tonne), the cost of the waste service, responsible for waste collection, recycling and disposal, continues to escalate (£214,000 in 2011/2012). The Council has been working with Cheshire West and Chester Council to develop a long-term solution to treat residual household waste rather than continuing with the practice of waste disposal by landfilling. Recently, central government has announced that their financial support for Cheshire's Private Finance Initiative (PFI) residual waste treatment project has been withdrawn and consequently the future of the project is now at significant risk. A revised strategy for the treatment of the Council's residual waste will need to be devised over the next year.

139. In order to provide householders with a much improved waste and recycling collection service, the Council will introduce a new system in 2011/2012, based in large measure, on three wheeled bins rather than the current mix of bins, boxes and bags. This will increase the number of materials that can

be recycled by all householders and reduce the costs of waste and recycling collections by £0.7m in 2011/2012, increasing to over £1m per annum from 2012/2013.

140. Our work on Local Service Delivery is continuing, and practical means of achieving greater local ownership of key frontline services such as public toilets, street cleansing and grounds maintenance remains a key objective. Town and Parish Councils are engaged in discussing the levels of transfer and devolution and it is expected that during 2011/2012 agreement to progress this transformation of service delivery will be reached.

Safer and Stronger Communities

141. The Council is facing a significant threat to its Community Safety Partnership work as a result of the uncertainty over Area-Based Grant. The grant is used to fund a range of interventions to tackle our priority areas of Anti-social Behaviour, Domestic Abuse and Prolific & Priority Offenders. Reduction in the Council's Warden Services will further impact on the visibility of uniformed presence in local neighbourhoods.

142. Regulatory Services continue to work towards a more integrated approach to service delivery and they will undergo a 'Peer Review' in February 2011. This assessment will drive the continued improvement in our approach to achieving the right balance between prosperity and protection. This is particularly important during the economic downturn but will also need to take full account of the legislative changes and new responsibilities flowing from closing down of agencies such as the Office of Fair Trading and Health Protection Agency.

143. The Car Parking Strategy has recently been updated and set in the context of the broader Local Transport Plan (LTP) work. Recent trends show an increase in usage in many of our car parks, as the impact of the recession recedes. Our investment in new Residents' Parking Schemes has also resulted in additional permit sales. This is reflected in an increased income projection for 2011/2012.

144. The Emergency Planning Shared Service is currently investigating the opportunities to extend its remit to cover the Warrington Borough Council area. This will result in both financial savings and greater capacity within the extended team to deal with major emergencies and serious incidents. Further work on exploring a multi-agency collaborative model is underway too and it is hoped this will improve all agencies' collective response to emergencies.

Planning and Housing

145. Recent Government reforms of social housing pose uncertainties for the future and the economic down turn has slowed the delivery of affordable housing. Resources from the Homes and Communities Agency are also severely curtailed. The Council will need to find new ways of providing affordable homes, including partnership arrangements and the use of its own assets. The economic downturn is increasing the risk of homelessness – this may be compounded by changes in Housing Benefit in 2013.

146. The Building Control service has been affected by the implementation of new Charge Regulations which came into force 1 October 2010. These new Regulations restrict the ability to recover costs from statutory functions. This creates a harder financial climate for the team, removing any ability to generate surplus income. However there is potential for small growth in market activity for the coming year.

147. The Spatial Planning team has a programme for the preparation of the Local Development Framework (LDF) to secure the adoption of the Core Strategy by 2013 and the Site Allocations Plan by 2014. This process is likely to give rise to significant community interest. Once the LDF is adopted, the Council will be able to introduce Community Infrastructure Levy, which has the potential of raising over £330 million for investment in new infrastructure. The LDF will also allocate sites for new housing development, which has the potential to attract significant receipts from government proposals to introduce a New Homes Bonus, details of this new scheme are currently in consultation.

148. Cheshire East is amongst the top ten busiest planning authorities in England, determining nearly 5,000 planning and related applications each year. The recession has stripped out much of the more 'profitable' commercial development from the process, leaving the Council with proportionately more low value, but high input applications. Development Management is currently undergoing a transformation process, which will introduce new and improved ICT systems and accompanying ways of working, delivering savings of £0.3m.

149. The Government has recently announced a reform in the planning fees from April 2011, with Councils able to set their own fees and potentially offset the full cost of the service. This should have a positive impact on overall income (£0.2m), but full details are still to emerge.

Regeneration

150. Supporting the local economy and ensuring Cheshire East is at the forefront of the upturn will remain a major priority for the coming year. The Council will continue to engage strongly with local businesses to support job growth and provide a constant link in a rapidly changing business support environment.

151. Work will continue to develop and support our new Local Enterprise Partnership for Cheshire and Warrington which will be a strong business-led partnership responsible for driving forward economic growth (£260k in 2011/2012). There will be a strong focus on marketing and promoting the area to new investors and visitors through a new 'Marketing Cheshire' organisation that brings together visitor economy support and place marketing.

152. Leading major regeneration of Macclesfield and Crewe will remain a major priority for the Council. Redevelopment of the town centres in a difficult economic climate is a challenge, however progress is expected following the recent work led by the Council to create a strong vision for the future in both Macclesfield and Crewe, and emerging work in Congleton and Wilmslow. We will continue to deliver our Sustainable Towns Framework with local partners, to support all town centres and economic areas across Cheshire East.

153. The Total Transport Transformation project remains a major corporate priority for the Council. The next twelve months will see major change in the way in which the Council delivers our highway and transport priorities. A new Cheshire East Transport Unit will be established which will continue to deliver a strong operational service to all our clients (delivering efficiencies of £0.2m in 2011/2012), whilst building our strategic response to the transport pressures facing the area, including the provision of a strong rural transport network; supporting sustainable travel; new investment to support economic growth and ensuring strong links with our neighbours, particularly with greater Manchester.

154. The Council currently provides support towards the maintenance and management of Tatton Park, a major visitor attraction which has over 800,000 visitors a year. Over the last twelve months the Council has developed ambitious plans for future investment and development in Tatton to increase the visitors to over 1,000,000 per year by 2016. Through this investment and development it is anticipated that the level of financial support required from the Council can be eliminated while retaining Tatton's positive impact on the local economy, sustaining its conservation and delivering of the Council's lease-hold obligations.

155. In order to demonstrate leadership on climate change, the Council has developed a Carbon Management Plan as part of a comprehensive strategy. The strategy is to reduce our carbon emissions by 25 per cent by 2015/2016, from its current baseline of 50,000 tonnes per year. Over the last year the Council has cut its emissions by over 1,000 tonnes, mainly through small technical solutions in its buildings.

Summary of the Revenue and Capital Position

156. The tables below summarise the Revenue Budget and Capital Programme for the Places Directorate.

Table 13: Places Revenue Budget Summary 2011/2012 ~ see **Annex 4**

Services	2011/12 Budget £m	Policy Proposals £m	Total £m
Environmental Services	38.2	(0.7)	37.5
Safer & Stronger Communities	1.2	(0.9)	0.3
Planning & Policy	4.0	(1.0)	3.0
Regeneration	12.7	(1.2)	11.5
Total	56.1	(3.8)	52.3

Source: Cheshire East Finance

Table 14: Places Capital Programme Summary 2011/2012 – see **Annex 6**

	2011/2012 £m
Places	
Committed schemes	
Environmental Services	3.2
Planning & Policy	1.3
Regeneration	3.3
Safer & Stronger Communities	0.6
	8.4
New Starts	
Environmental Services	2.0
Planning & Policy	1.8
Regeneration	17.4
Safer & Stronger Communities	0.0
	21.2
Total Capital Programme - Places	**29.6**
FINANCING	
Supported Borrowing	1.3
Unsupported Borrowing - Prudential	10.0
Government Grants	14.1
Capital Reserve	2.9
Linked/earmarked Capital Receipts	0.0
External Contributions	0.4
Other Revenue Contributions	0.9
Total Sources of Funding	**29.6**

Source: Cheshire East Finance

4. Supporting Service Delivery

Vision and Transformation

157. The Council's Corporate Plan incorporates five key objectives. This section of the Council supports the achievement of all objectives and, in particular

"Being an excellent Council and working with others to deliver for Cheshire East"

158. The Council groups services that support all service delivery under the heading of Performance & Capacity. The overriding aim of these services is to provide necessary support to achieve the Council's aims at the best value, to the right standards and with a focus on what matters to the public of Cheshire East.

159. The major services within Performance & Capacity perform a number of roles:

- **Focused on Outcomes** Providing strategic review, analysis and intelligence to develop the Council's Plans, provide focus on what really matters, link performance outcomes to resources and influence, respond and implement local and national public policy.
- **Focused on Customers** Improving the customer experience and making customer contact simple, relevant and fit for purpose while learning and improving based on feedback.
- **Joined Up** Maximising the benefits of working in partnership including shared service opportunities to assist the successful delivery of front line services, minimise duplication, maximise cost efficiencies and enable truly joined up services appropriate for our differing localities.
- **Sustainable** Supporting the development of the Council's processes, governance arrangements and accountability structure including developing the Council's workforce and protecting the Council against risks both legal and financial.
- **High Quality** Supporting front line services as they strive to deliver transformational projects (for example Finance, Human Resources, ICT, Legal, Procurement and Property support are required for most projects).
- **Forward Looking** Leading projects on behalf of the Council to further improve the Council's asset base, infrastructure, community liaison, policy co-ordination.

160. Significant savings have already been made as a result of the local government review process, targeted activity on support services efficiencies and a focused approach to spending money on what really matters in Cheshire East. Savings planned for 2011/2012 are ambitious and appropriate. It is anticipated that reductions in the inspection regime, central reporting and a focus on Cheshire East local performance will facilitate the savings plans.

161. Performance and Capacity is split into the following five areas:

- Treasury and Assets
- Human Resources and Organisational Development
- Legal and Democratic Services
- Policy and Performance
- Corporate Improvement

Treasury and Assets

Assets

162. The Council understands its asset base and has developed a strategic approach to asset management which is integrated with corporate and service planning.

163. The office accommodation strategy, which is already well underway, is providing modern open-plan offices that support and enhance flexible styles of working. It is providing staff with a range of working environments that suit the changing requirements of customers. The majority of the Council's office based staff have already been successfully moved to facilities that are fit for the purpose of delivering modern services.

164. A major element of the Council's Transformation Programme is the Asset Challenge. This was launched in January 2010 and involves a comprehensive review of the Council's existing property assets and their usage and an analysis of the Council's future property needs. This work will underpin the transformation of front line services and will ensure that Cheshire East will have an asset base in the medium term that will deliver services where and how they are needed by the Cheshire East communities.

165. A key aspect of the asset challenge is the links with our partners and the delivery of services from joint facilities where appropriate. The Capital Programme reflects an investment of over £5m in 2011/2012 for building maintenance including satisfactory compliance with its legislative and regulatory responsibilities. There is an expectation that the Asset Challenge process will achieve significant efficiencies and savings over the next three years.

Information & Communications Technology

166. The ICT service will continue to exploit new developments to deliver savings in the operational running cost of major systems such as Oracle, Microsoft

and PARIS. This will include reviewing new models of product licensing, rationalisation of products and the delivery of support to these systems.

167. Appropriate technology will be put in place so that the Council's policy on flexible and mobile working can be delivered. Improved capacity for flexible and mobile working is a key pre-requisite for the delivery of the accommodation strategy and delivery of efficiency improvements in services.

168. Significant service improvements and greater efficiency will be delivered through centralised management and greater standardisation of Personal Computers, laptops, mobile devices and telephones. This project is already underway within the service, and therefore tangible benefits should start being delivered in early 2011/2012. The Capital Programme includes a further £0.981m investment in the essential replacement of core technical infrastructure, demonstrating the Council's commitment to the maintenance and improvement of its ICT capability.

169. In November 2009, the Council launched a major initiative with a range of public, private and third sector partners to reduce operating costs of ICT through greater sharing of facilities, such as data centres, and the elimination of duplication and excess capacity. Some small projects have already been delivered and major proposals are now being developed for 2011/2012.

Finance

170. The core financial system optimisation project will change business processes and service levels within Finance and Shared Service teams to deliver cashable savings. The project will see a capital investment of up to £825,000 in 2011/2012 and will deliver revenue savings of £141,000 in Finance and the HR & Finance Shared Service. Further savings will be delivered across the organisation as lean systems and processes are embedded as part of a Business Management Review, a cross directorate savings target of £750,000 reflects this opportunity.

171. The first priority will be to streamline transaction processing through improved compliance and optimisation of upgraded technology. The second tranche of work will be to deliver a standard suite of financial reports to be delivered direct to managers' desktops through a much clearer 'dashboard' that includes key facts 'at-a-glance'. In addition, improvements will be made to automate income reconciliation allowing more efficient processing of revenues.

172. Further rationalisation of staffing levels in the Revenues and Benefits Teams will be taken forward during 2011/2012, following the implementation of a single system to replace the three inherited, legacy platforms, and in line with reduced government funding for benefits administration costs.

173. Continued rationalisation of the Council's insurance arrangements will deliver modest savings in 2011/2012 ahead of a full re-tender exercise in 2012/2013, which will target more substantial savings, in the region of £300,000. This may require some changes to self-insurance levels and a more rigorous approach to risk management.

Procurement

174. The Procurement Unit will support the Council in the delivery of procurement savings of £1.65m during the next year. This will be achieved through the continued embedding of the Corporate Procurement Strategy, providing a greater control and visibility of spend within the organisation to drive down unit costs.

175. Savings will be achieved through the acceleration of the category management approach to procurement, increased economies of scale and capacity through expanded use of the Association of Greater Manchester Authorities sub regional procurement hub and collaboration with other partners and the increased use of the regional E-portal (The Chest).

176. The Procurement Unit will embark upon a cost reduction programme that will urge suppliers to consider the positive benefits to their competitive position from price reductions to the organisation that will result in an efficient and balanced supply base.

Shared Services

177. The Council currently has several long and short term shared service arrangements with Cheshire West and Chester Council. These are predominantly supporting service delivery (for example, back office transactional and ICT functions) with some elements supporting Our People & Our Place. These have demonstrated significant savings since their introduction in 2009 and budget challenge for the forthcoming years have identified further potential savings in the region of £1.5m (£300,000 for 2011/2012)**.**

178. Shared Services will continue to be managed to deliver best value for Cheshire East Council and its stakeholders. However greater effort will be focused on exploring opportunities to extend the Councils approach to collaborative working with a range of partner organisations to provide more streamlined and co-ordinated approaches to service delivery resulting in greater efficiency and improved performance.

Human Resources & Organisational Development

179. In order for Cheshire East to consistently deliver high levels of service to our customers and communities in these unprecedented times, we require a highly engaged and appropriately skilled workforce. The graduate development programme successfully launched in 2010 actively demonstrates the Authority's commitment to supporting and helping young people to gain meaningful employment in this difficult economic climate. To fund the additional Graduate placement agreed by Members, funding of £41,000 is required in 2011/2012.

180. The Council committed additional funding of £35,000 in 2010/2011 to enable the employment of 1 temporary member of HR staff to deal with the increase in essential work following LGR, specifically Job Evaluation. This work is due to reduce in 2011 and this additional funding is no longer required.

181. Cross directorate savings of £83,000 will be achieved through the launch of three new salary sacrifice schemes in 2011; Cycle to Work, Computer Purchase and the Green Car Scheme. These savings are predominantly savings in tax and National Insurance contributions.

182. Additional cross directorate savings of £407,000 will be achieved as a result of the recent renegotiation of margins, management fees and pay rates associated with the Reed temporary recruitment service, which has recently been extended for a further 12 months.

183. In order to maximise the cross directorate Salary Sacrifice Savings that HR has put forward, an additional administrator post is required to ensure that the new salary sacrifice schemes are run efficiently with maximum take up and subsequently maximum savings. Additional funding of £13,000 is required for this post.

184. Work has been ongoing to review Cheshire East's terms and conditions of employment with a view to resolving harmonisation, equal pay and historical Single Status issues. It is anticipated that the review will be completed in 2011, with a single set of terms and conditions in place by late summer. Whilst powerful software has been procured specifically for the purposes of pay modelling, some assumptions have been made in order for us to proceed with the modelling which will allow for a small margin of error in reporting. Additionally, it is not possible at this stage to identify accurate savings as we are still part way through consultation with the Trade Unions and a package has yet to be agreed. However, due to the budgetary pressures facing the Authority as a result of significant grant reductions, a savings target of £2.4m has provisionally been set aside in the draft budget in order to assist the Council in its planning. Finance colleagues are closely involved in the project and will be formally auditing the methodology used to arrive at savings.

Legal and Democratic Services

Legal Services

185. The Council must protect itself against risk (such as legal action being taken against the Council) and ensure services are delivered to proper frameworks. The legal services team must therefore be properly resourced to support services in their work. Detailed consideration is being given to the ways in which the Service can be properly resourced in order to ensure service delivery, and in order to minimise risk. An Interim Borough Solicitor has recently been appointed to do this and will report upon her findings in due course.

186. The service has historically carried out a substantial amount of work throughout the year on schools appeals. The budget proposes that the cost of this work should be recovered, which will be reliant upon agreeing buy back proposals with the schools.

Democratic Services

187. The proposals for the service comprise a package which relies upon making use of buoyant Registration Service income, together with restructuring and rationalisation proposals.

Policy and Performance

188. The Directorate provides wide ranging services that help shape Cheshire East, identify priorities, support strategic management, promote good governance and enhance and protect the reputation, integrity and effectiveness of the Council. It is split into five service areas each of which are part of the Corporate support functions within the Council. These are:

- Customer Services
- Partnerships (including grants to outside bodies)
- Performance and Planning (including research)
- Communications
- Internal Audit and Compliance

189. The service plays a central role in helping the Council achieve its corporate objective to be "an excellent Council and work with others for Cheshire East." Each of the services have quite different individual objectives contributing to this aim and are influenced by the need to:

- Maintain a robust corporate core to manage the Council's business
- Provide a high quality corporate planning and performance management frameworks
- Provide an information analysis, evidence-base and external consultation service including continuous support for the Joint Strategic Needs Assessment
- Comply with the statutory responsibility to have an internal audit function and to have a Head of Audit giving an annual assurance on internal controls
- Provide Corporate Policy advice and co-ordination
- Protect, enhance and develop the Council's reputation
- Co-ordinate internal and external communication to ensure targeted messages to the people of Cheshire East
- Provide co-ordination of, and engagement with, strategic and local partnership activity through existing formal and informal mechanisms
- Provide high quality customer access through face to face, telephone and the web, driving improvements in customer service standards across the Council
- Maintain standards in relation to Freedom of Information, Data Protection, Business continuity and other statutory requirements
- Oversee the Corporate approach to the single equality and inclusion scheme

190. The Direction of Travel of the service going forward remains that of playing a central role in helping the Council achieve its corporate objectives. The inspection requirements on the Council have significantly diminished with the abolition of the Comprehensive Area Assessment (CAA). There remains a need, however, to reshape the priorities of Cheshire East in a time of austerity and to ensure that the priorities, outcomes and performance reflect what Cheshire East really wants to achieve.

191. We have an opportunity moving forward to use our sustainable community strategy to properly focus our time and resources on those areas that matter most to the people of Cheshire East. We want to improve performance outcomes (not count inputs), do everything we do in the most cost effective way, and satisfy our customers. Empowering citizens and sustaining a sense of civic pride is fundamental to moving forward in the difficult months and years ahead. Neighbourhood action, a community spirit and a combined effort is the way forward and this will require co-ordination, drive and input from the partnership and performance team.

192. We have agreed seven priorities for action within our strategy which are about nurturing strong communities, creating the conditions for business growth, unlocking the potential of our towns, supporting young people, ensuring a sustainable future, preparing for an increasingly older population and driving out the cause of poor health.

193. The reality is that we will be making difficult choices about how we use the financial resources available – by being clear about what we want to achieve through our community strategy and corporate and service plans we can make sure that things that really matter have scope for development and our finances, resources, focus and time is spent on making those things happen.

194. Given all of the above the main changes proposed for the service relate to rationalisation and a focus on partnership working, efficient customer services and an emphasis on communication and reputational management. Savings plans include:

- Rationalise the internal audit function by reducing staffing and realigning specialist work (£200,000 saving, taking the total to £550,000)
- Rationalise customer access and back office processes (£225,000 in 2011/2012)
- Transfer of six customer outlets to libraries (already achieved) and potentially extend the transfer of customer access points and / or use different technologies to drive savings (£240,000 - £390,000).
- Transfer Tourist Information Centres to visitor economy team and reduce the net expenditure on this area (£45,000)
- Combine and rationalise Partnerships and Performance & planning team functions (£420,000) to reflect changed approach to inspection and policy shifts
- Reduce the level of community and cohesion grants (£150,000 (16%) in 2011/2012)
- Consolidate costs in Communications by reducing publications, circulation, media analysis and staffing (£150,000)

Summary of the Revenue and Capital Position

195. These tables summarise the Revenue Budget and Capital Programme for Performance and Capacity.

Table 15: Performance & Capacity Revenue Budget Summary 2011/2012 ~ see **Annex 4**

Services	2011/12 Budget £m	Policy Proposals £m	Total £m
Borough Treasurer & Head of Assets	124.0	-3.0	121.1
HR & Organisational Development	3.1	0.1	3.3
Borough Solicitor	6.3	-0.5	5.8
Policy & Performance	8.4	-1.2	7.2
Corporate Improvement	0.5	-0.1	0.4
Total	142.4	-4.7	137.7

Source: Cheshire East Finance

Table 16: Performance & Capacity Capital Programme Summary 2011/2012 ~ see **Annex 6**

	2011/12 £m
Performance & Capacity	
Committed schemes	
Borough Solicitor	0.0
Borough Treasurer & Head of Assets	7.2
HR & Organisational Development	0.0
Policy & Performance	1.0
	8.2
New Starts	
Borough Solicitor	0.0
Borough Treasurer & Head of Assets	8.0
HR & Organisational Development	0.0
Policy & Performance	0.1
	8.1
Total Capital Programme - Perf & Capacity	**16.3**
FINANCING	
Supported Borrowing	0.2
Unsupported Borrowing - Prudential	4.1
Government Grants	0.6
Capital Reserve	9.9
Linked/earmarked Capital Receipts	1.3
External Contributions	0.0
Other Revenue Contributions	0.2
Total Sources of Funding	**16.3**

Source: Cheshire East Finance

5. Budget Impact

196. The 2011/2012 Budget Report is the result of a major process to set a balanced budget that can meet the needs of local people in the local environment. The details of the Budget have been set out in previous chapters in terms of financial stability and service proposals. This section considers the impact of the Budget on typical groups of service users in terms of any changes they may see as a result of proposals in this report.

Example Groups		**Annual Charges**
2 Adults **2 Dependant Children** **Typical Household Facts:** Adults both working (full or part time) with combined **net income of £43,000 per annum** Children attending **local schools** Living in a **Band E** Property	**Council Tax** **Typical Fees & Charges** School Meals (190 meals x 2) Car Parking (2 hours a week) Adult weekly Swim Children's swimming Leisure Centre Membership Other spending on services (Bulky Waste, Badminton, Library CD Rental) **Total Charges in 2010/2011** **Total increase in Charges if inflation of 4.8% for the year were added i.e. (Retail Prices Index increase)** **Actual proposed increase in charges for 2011/12**	 **£3,109** **£149** **£43**

Service Impacts

Families will be supported, especially in difficult times or when starting out. The Council is investing in private sector housing improvements and will provide Affordable Housing Assisted Purchase scheme loans.

In order to provide householders with a much improved waste and recycling collection service, the Council will introduce a new harmonised system in 2011/2012 based in large measure on three wheeled bins rather than the current mix of bins, boxes and bags. This will increase the number of materials that can be recycled by all householders and reduce the costs of waste and recycling collections by more than £1m per year.

Funding for our schools comes via a Government Grant, the Dedicated Schools Grant, which is set to ensure that an individual school's funding will not fall by more than 1.5%. A review of central funding retained by the Council is underway aiming to delegate a bigger proportion to schools to allow head teachers and their Governing Bodies to have a greater say in school spending choices.

A review of the Council's home to school transport policy and arrangements will see subsidy removed and the introduction of charges for some denominational and post 16 transport provision.

During the year the new Lifestyle Concept will be tested at a number of our Leisure Centres, where working with the National Health Service (NHS) and General Practitioners, along with funding transferred from the NHS, there will be an aim to make better use of our facilities to improve the health of our communities.

Example Groups	Annual Charges £	
Pensioner Couple **Typical Household Facts:** Private pension with combined **net income of £21,000 per annum** Living in a **Band D** property	**Council Tax** **Fees & Charges** Swimming Car Parking (2 hour a week) Aqua Fit (2 sessions a week) Other spending on services (Bulky Waste, renting a DVD monthly) **Total Charges in 2010/2011** **Total increase in Charges if inflation of 4.8% for the year were added on (Retail Prices Index increase)** **Actual proposed increase in charges for 2011/12**	 **£1,774** **£85** **£6**

Service Impacts

Funding of **£1.2m** is being provided in the form of Disabled Facilities Grants, helping people to live in their own homes.

The Council has an ambitious five year investment plan for the development of Tatton Park. The vision is to improve the experience for visitors, provide new attractions and events and eliminate public subsidy.

Via the Lifestyle Concept facilities at our Leisure Centres will be developed to enable them to build confidence and independence with older and disabled people.

The Council is increasing the amount invested in its Reablement Services by £3.9m in 2011/2012, which will help to enable more individuals to remain in their own homes and retain their independence. This Council will continue to assess an individual's needs and those meeting the eligibility criteria will receive care free for up to six weeks.

Charges for social care and transport are subject to consultation.

Example Groups	Annual Charges £
Local Businesses Typical Facts Non Domestic Rates set by Government Supplementary Rates set by Cheshire East Liable to pay some Fees & Charges (for example licensing)	**Central Government** Inflation adjustment per September RPI (+4.6%) so rates bills will increase. **Cheshire East Council** No Supplementary Rates in 2011/2012 Some small increases in fees in-line with current inflation In 2011/2012, there will be **£10.9m** capital investment in Highways maintenance and new start capital improvements

Service Impacts

In a challenging economic climate, the Council has developed strong visions for the future of both Macclesfield and Crewe and is committed to providing strategic leadership on the major re-development of the towns.

The Council will contribute to the development of a new Local Enterprise Partnership for Cheshire and Warrington. This will be a strong, business-led partnership responsible for driving forward economic growth. There will also be a focus on promoting the area to new investors and visitors through a 'Marketing Cheshire' initiative, bringing together visitor economy support and place marketing.

The Planning Service has a three year programme for the preparation of the Local Development Framework; this will take forward strategies for regenerating our towns and will allocate sites for new housing and economic development, review town centre policies and develop the Council's Infrastructure Plan to support major new investment.

Example Groups	Service Impacts
Council Partners & Stakeholders For Example: Town & Parish Councils, PCT, Fire, Police, Schools, Local Area Partnerships	The Council is developing its Local Service Delivery agenda and is working with Town and Parish Councils and other local groups, exploring the potential for new arrangements in respect of the ownership, choice and provision of a range of facilities and activities. Reductions in funding to community and voluntary groups have been kept to a minimum wherever possible. Directorates have worked together to efficiently commission services from community and voluntary groups. We will make best use of the opportunities for services to be delivered by community and voluntary groups, and town and parish councils. Support to Local Area Partnerships (LAP) continues through the funding of the Partnerships team. LAP Managers will ensure co-ordinated support to neighbourhood groups, town and parish councils, voluntary organisations and other partners. They will ensure that services are joined up and able to address issues of local concern. £625,000 of reserves remains earmarked to support the local transfer and devolution of services. The LAP Reserves of £625,000 will support local groups, particularly town and parish councils, to run services in their local area. The Council will seek to reduce expenditure on its commissioned services with impacts on our partners. Within Children and Families reductions and efficiencies of £1.235m have already resulted in a reduced service provision for the Youth Services provided locally by Connexions.

Example Groups	Service Impacts
The Local Environment 	The Council is committed to reducing its energy consumption and will continue to develop strategies during 2011/2012 and over the next few years, to improve on the environmental impact of its activities and also help to minimise the adverse financial implications of any national carbon reduction-related incentive schemes. A review of the Council's role and presence in the freely available green spaces will be undertaken, aiming to reduce the overall cost of access and potentially deriving additional income. Review of Green Space policy deriving additional income of £0.45m. The Council has developed a Carbon Management Plan to reduce our carbon emissions by 25 per cent by 2015/2016, from its current baseline of 50,000 tonnes per year. Over the last year the Council has cut its emissions by over 1,000 tonnes, mainly through small technical solutions in its buildings.

6. Summary of Business Planning Process 2011/2012

197. Cheshire East Council launched the Business Planning Process at Cabinet in July 2010. The process provides a framework for setting the Budget and Corporate Plan with the aim of linking resource allocation with priorities and desired performance.

198. The key stages of this process are:

Date	Meeting	Purpose
July	Launch Process	Identify funding issues, provide framework for engagement and establish key milestones
August	Set targets Quarter 1 report to Cabinet	Formalise approach for service responses. Note ongoing budget pressures
September / October	Refinement of service responses	Challenge budget proposals
October / November	Comprehensive Spending Review and autumn engagement process on the key messages.	Analyse government proposals, update key stakeholders on local impact
October: 13th 22nd 28th	Manager Conferences Leading Improvement – 'Customer Service Excellence in Challenging Times'	Briefing on Business Planning Process and Comprehensive Spending Review (CSR).
21st	Policy Briefing Paper via e-mail to all Members	Update on CSR Headlines
21st	Opposition Leaders	Update on CSR Impact and Implications
22nd	Staff Newsletter	Briefing on Business Planning Process and CSR.
27th	Overview and Scrutiny Budget Consultation Group	Update on Business Planning Process and CSR.
29th	All Member Business Planning Briefing	Update on: - Business Planning

Date	Meeting	Purpose
		Process - CSR - Potential areas of savings.
November 2nd	Letter to all staff from the Chief Executive.	Provide information on the impact of the CSR and information regarding change of hours / contract / Voluntary Reduction Programme.
3rd	Senior Managers Meeting	Inform managers of Business Planning and CSR Impact and Implications
4th	Partnerships for Action in Cheshire East (PACE) Executive	Update on CSR Impact and Implications
15th	Quarter 2 report to Cabinet	Review ongoing budget pressures and mitigating action
25th	Consultation begins on changes to Adults charges:- 25th Nov – Nantwich 30th Nov – Sandbach 1st Dec – Middlewich 6th Jan – Crewe 7th Jan – Wilmslow 19th Jan – Macclesfield 21st Jan – Poynton 27th Jan - Knutsford	Forum to present and record feedback on proposals for changes in Adult Services. Results to be collated and reported back to Cabinet.
December 1st	Human Resources Newsletter 'Fit for the Future'	Launch of Newsletter detailing review to be undertaken to move all employees to one new standard set of terms and conditions within 12 months.
1st	Consultation begins on changes to Transport in Adults, Community, Health and Wellbeing Services: 1st Dec – Middlewich (1 and 2) 21st Jan - Knutsford	Forum to present and record feedback on proposals for changes in transport provision. Results to be collated and reported back to Cabinet.
7th	Liberal Democrat Group	Comprehensive Spending Review Impact and Implications
7th	Facilitated meetings begin at Day Care Centres: 7th Dec – Hollins View	Forum to present and record feedback on proposals for changes in Adult Services.

Date	Meeting	Purpose
	13th Dec – Peatfields 13th Dec – Cheyne Hall 7th Jan – Mount View 11th Jan – Redesmere Centre 13th Jan – Carter House 17th Jan – Hilary Centre 19th Jan – Mayfield Centre 24th Jan – Stanley Centre 24th Jan – Macon House 25th Jan – Salinae House	Results to be collated and reported back to Cabinet.
8th	Senior Managers Meeting	Briefing on Corporate Plan and Service Planning
13th	Provisional Financial Settlement	Government announcement on Grant Funding to Local Government
January 13th	Briefing for Directors and Scrutiny Budget Consultation Group	Update Group on impact of Finance Settlement
18th	Briefing for all Members	Engagement on Pre Budget Report
19th	Issue Pre Budget Report	Publicise Pre Budget report to Press & Public. Comments invited via website
20th 21st 25th 26th 27th	Partners / Third Sector Staffing Committee / Trade Unions Schools' Forum Business Town and Parish Councils	Engagement on Pre Budget Report NNDR and regeneration work. Local Service Delivery and Planning
February 14th	Cabinet agree Budget and Corporate Plan	
24th	Council agree Budget and Corporate Plan	

The Budget Report will also be available on the Cheshire East website.

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