Pre-Budget Report

2015/16

September 2014

This document is available to download on the Cheshire East Council website, it has been distributed to Cheshire East Councillors and provides an opportunity for interested parties to review and comment on the Council's Budget proposals.

You can give feedback on the proposals in this report by speaking to your local Councillor – visit Find Your Local Councillor on the Cheshire East Council website for contact details.

Comments on this document are welcome until the end of October 2014.

You can also send any comments, queries or other responses to the email address below - all responses will be captured and reported to Cabinet Members and Council. When submitting a response or comment, please also include your name, organisation (if applicable) and contact details.

If you have any comments or queries please e-mail

shapingourservices@cheshireeast.gov.uk

After this date, interested parties may still submit comments on the budget up to the Council meeting in February 2015 where the Budget is considered by all Members.

Foreword from the Finance Portfolio Holder

Cheshire East Council puts local residents and businesses first, always trying to deliver better outcomes from a reducing level of resources. The main priority of our financial planning is to keep costs down and provide maximum value for money.

The development of the 2015/16 Budget will ensure that the good work in creating community hubs in our main towns, improving infrastructure through road schemes and further rolling out of superfast broadband will continue.

The budget will also focus on enhancing our early intervention in care services and support for children and adults, for example further promotion of fostering for children as well as assisting people to stay independent and in their homes for longer.

Council Tax has not been increased for four consecutive years, and this Pre-Budget Report for 2015/16 plans to continue this trend and extend the freeze for a fifth consecutive year. We know how important it is to try to help ease the pressure on the running costs of every household.

Financially the Council is in a strong position. Spending is well controlled within budget, and general reserves are adequate to protect the Council against risk as well as to support investment opportunities. Even with the significant level of planned capital investment, there is no intention to increase our level of borrowing next year. We will maximise external funding opportunities for the direct benefit of our local residents, businesses and visitors.

The capability of the Council to achieve better outcomes continues to improve through the commissioning of providers who offer 'best fit' local services. The commissioning model that supports this approach will continue to be enhanced.

The Council's wholly owned companies will also start to explore commercial opportunities and greater innovation to further improve value for local people.

It is also worth recognising that next year is an important year for democracy with local and general elections taking place in May 2015.

The recent track record for Cheshire East Council has been one of continued improvement of local services despite the scale of financial challenges across the sector.

I am confident we will set a robust budget again and then spend within it. I look forward to receiving feedback on our approach and on the proposals included in this document. If you have any ideas for savings or income generation that you wish us to consider then please share them as part of this consultation exercise.

Peter Raynes

Cllr Peter Raynes,
Finance Portfolio Holder

Comment from the Chief Operating Officer

Local government continues to go through a period of unprecedented change and financial challenge. This Pre-Budget Report provides further evidence of how Cheshire East Council is addressing these risks and creating sustainable affordable services based on local needs.

The financial planning arrangements for 2012/13 and 2013/14 provided a solid foundation for the future. We continued to build on this good practice during the development of the Budget for 2014/15, providing increased confidence and assurance over the strong financial management of the Organisation.

I believe we have improved the process again and the outline proposals set out in this report are robust and are being shared much earlier than in previous years. This is designed to encourage feedback and engagement with all stakeholders.

Maintaining strong governance and stewardship is vital to control costs and improve or maintain services for local residents. It is clear that the level of resources available to Local Government and Cheshire East Council will continue to reduce for the foreseeable future.

The current financial performance of the Organisation during these difficult times is impressive but many more challenges and difficult choices lie ahead.

The Council is committed to continue to exploit opportunities to revolutionise service delivery arrangements. This is based on the belief that we can create the right arrangements so that the provider can be more focused, innovative and get closer to the resident to better understand their needs and therefore deliver at a better price.

A lot of change is already programmed and this will be closely monitored against best practice. I will be carrying out significant benchmarking during 2014, and further plans will emerge in the future that keep Cheshire East as the best place to live in the North West.

P J Bates

Peter Bates CPFA CIPD MBA

Chief Operating Officer
(Section 151 Officer)

Overview of Pre-Budget Report 2015/16

Putting Residents First

Achieving the Council's Five Outcomes through improved value in services

Cheshire East Council provides more than 500 services, supporting over 370,000 residents, and over 17,500 businesses.

Children and Families

- Continuation of existing programmes to improve adoption and fostering
- Move to in-borough provision of residential care

Adult Social Care and Independent Living

- Commission residential respite from the private sector
- Examine full cost recovery for care beds and other care services
- Review contracts and continue efficiency programme

Public Health and Wellbeing

- Integrate spending with relevant providers to deliver better services at appropriate cost
- Continue the process of re-tendering services
- Review management fees for service delivery vehicles

Highways and Environmental

- Secure the planned quality improvements and cost reductions
- Review management fees through new companies

Communities

- Continue programme to improve customer service functions
- Examine commercial opportunities
- Review costs and income to reduce or remove subsidies

Economic Growth and Prosperity

- Achieve energy project targets
- Consider capitalisation of appropriate costs
- Continue to rationalise Council assets

Chief Operating Officer

- Reducing the costs of Council buildings
- Procurement challenges to save on goods and services
- Analysing and reacting to benchmarking data

Financial Stability

- Council Tax frozen for the fifth year in a row
- No increase in external borrowing
- Sound platform of delivering to budget in 2012/13 and 2013/14
- Reducing Pension costs
- General Reserves to remain appropriate

Enhanced Budget Processes

- Significant improvement to timescale for developing and sharing draft Budget Proposals
- Greater elected Member input
- Extended stakeholder engagement
- Development of internal challenge processes
- Maintaining direction of travel towards improved finance and performance reporting

The financial challenge ahead:

Medium Term Financial Strategy as at 27th February 2014

Forecasts presented to the Council in February 2014 highlighted potential budget deficits in the medium term. Proposals in the Pre-Budget Report focus on eliminating the short term deficit, whilst building financial resilience for the future.

	2014/15 £m	2015/16 £m	2016/17 £m	Two Year Change £m	Two Year Change %
Commissioning					
Children and Families	54.3	**52.5**	**53.0**		
Adult Social Care and Independent Living	94.8	**96.7**	**96.0**		
Public Health and Wellbeing	1.6	**1.8**	**2.2**		
Highways and Environmental	39.0	**38.2**	**37.4**		
Communities	10.5	**9.3**	**9.3**		
Economic Growth and Prosperity	14.8	**13.5**	**12.9**		
Chief Operating Officer	42.0	**41.9**	**43.1**		
Other (Including Capital Financing)	14.6	**15.6**	**15.0**		
Additional Reductions to Close Funding Deficit in 15/16			***-6.6***		
Estimated Service Budgets	**271.6**	**269.5**	**262.3**	**-9.3**	**-3.4%**
CENTRAL BUDGETS					
Government Grants	-104.3	-95.6	-79.6	24.7	-23.7%
Council Tax	-167.3	-167.3	-167.3	0.0	0.0%
TOTAL: Central Budgets	**-271.6**	**-262.9**	**-246.9**	**24.7**	**-9.1%**
Potential Funding (Surplus) / Deficit	**0.0**	**6.6**	**15.4**		

Source: Cheshire East Finance

Note

This table sets out the Medium Term Financial Strategy before any additional growth or savings, referred to later in the report, have been factored in.

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1. Meeting the Council's Priorities

Cheshire East Council is responsible for delivering more than 500 local public services across an area of over 1,100km^2 for over 370,000 residents. The budget to deliver these services in the period April 2015 to March 2016 will be over £750m, which is raised from a combination of local taxes, national taxes (in the form of government grants) and payments direct from service users and other organisations.

Continuing to improve services and provide better outcomes for local people within reducing funding levels requires constant challenge to the way services are provided. In order to plan good quality services that meet people's needs the Council reviews priorities, consults and analyses data. This section provides details on the Council's service delivery arrangements and describes the more significant proposals for existing services.

The following three pages set out some of Cheshire East Council's achievements over the last year, as detailed in the Council's Outturn Report, the Three Year Council Plan as agreed by Council on 28th February 2013, and the engagement plan for the current budget setting process. The Council Plan details its "Residents First Outcomes" which form the starting point for development of any proposals. The proposals in this report reflect the Council's ambition to achieve these outcomes.

The engagement schedule identifies who is being consulted with as part of this budget development process.

These pages are followed by further detail for each of the Council's service areas and corporate initiatives. Each page sets out key facts and figures (including the net budget) and narrative on what services are delivered. This is followed by details on the proposals for changing the budget and the broad financial impact. A range has been shown to acknowledge further work is underway to develop the ideas and that consultation may result in changes to the detail of the proposals which may change the final value built into the budget. Service pages also set out the relevant performance indicators that would demonstrate successful performance together with some of the key challenges and opportunities facing each service.

Talking about 2013/14

New companies set up in development and leisure

Over 57,000 potholes repaired in 2013 and claims from pothole damage have significantly reduced

56,270 gullies cleaned in 2013

28% reduction in fleet emissions since 2008/09

No Council Tax increase for four years

87.3% Good or Outstanding Schools

Adults with NVQs – up in 2013 to 58.4%

Outstanding Youth Offending Service

Best Local Authority Adoption Service of the year

Over 5% increase in Grades A-C since 2009/10 (inc English and Maths)

Business birth and survival rates continue to increase – 92.5% 'One year Business Survival Rate' for 2013/14

One of only three new business hotspots outside London

500,000 calls to the contact centre

Over 4,000,000 website hits

Only 1.8% benefits claimant count

Best in the North West – only 3.4% of population are Not in Education, Employment or Training

Nearly 2,000,000 library visitors

12.5 million bins emptied in the year

54% refuse recycled in 2012/13 – 5% increase in recycling rate since 2009

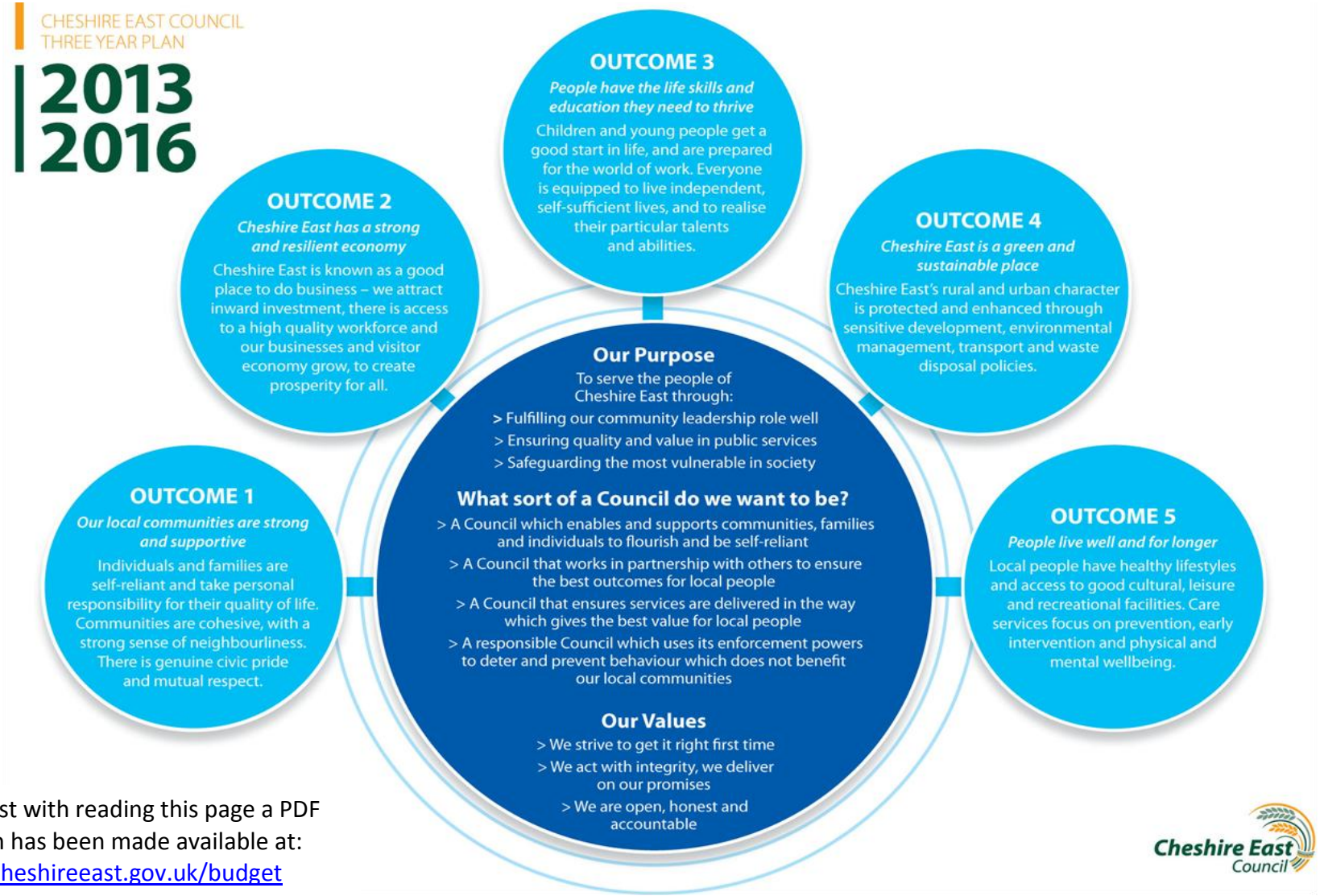
Projected to send over 40% of residual waste to energy recovery this year

12.5% reduction in residual waste tonnage since 2009

Almost 3,000,000 leisure centre visitors

Over 5,900 'leisure service' volunteer hours completed

Focused on Outcomes



To assist with reading this page a PDF version has been made available at: www.cheshireeast.gov.uk/budget

Cheshire East Council

Local Engagement

Cabinet and Council meetings

- Cabinet December 2014 (Taxbase)
- Cabinet February 2015 (Budget)
- Council February 2015 (Budget)

Member briefings

- Programme of Finance briefings to be arranged

Updates for staff on budget progress

- Updates to be made available in TeamTalk, on Centranet and the Cheshire East Council website
- Staffing Committee will include updates for the attention of Cheshire East Council staff

Overview and Scrutiny

- Corporate Overview and Scrutiny Committee 21st July 2014
- Opportunity to examine service budget proposals on 11th September 2014

Engagement events with other stakeholder groups

- Including businesses, Trades Unions, key partners, voluntary, community and faith sector, and the Schools Forum
- These events will highlight how the Cheshire East Council budget will affect our different stakeholders and help to answer questions, address concerns these stakeholders may have, and help us to develop our relationship with our stakeholders and the wider community

Residents

- Any comments? – Speak to your local Councillor
- Information included with Council Tax bills
- Media releases
- Citizens' Panel survey
- Social media

Group meetings

- An opportunity to discuss details of the budget with Officers
- Available upon request

Children and Families

Some facts about Children and Families Services
1. Cheshire East adoption services, in collaboration with Stockport, Tameside and Trafford Councils, won the 2013 Adoption Service of the Year award, and the Council is on course to arrange the adoption of the most children ever
2. 87.3% of primary and secondary schools in Cheshire East are good or outstanding
3. High quality youth support services were recognised through inspection of the Youth Offending Service and excellent NEET (Not in Education, Employment or Training) figures (only 3.4% NEETs, a 39% reduction since 2009)
4. Targeted preventative activity has seen the number of children in care reduce by 11.4% in the last year
5. Over 5% increase in Grades A-C obtained since 2009/10 (including English and Maths)
6. The number of adults with NVQs increased in 2013/14 to 58.4%

2015/16	
2014/15 Budget	£54.3m
Options for 2015/16	Managing savings of £2.5m to £3.3m

The service focuses on providing children with a good start in life in their early years, raising aspiration and achievement across primary and secondary education, and working closely with partners to protect vulnerable children including those placed in the care of the Council. Achievements within Children and Families Services will be measured through improvements in areas such as increased numbers of recognised qualifications, reducing numbers of NEETs, improved safety of vulnerable children, the number of children adopted, and less children and young people getting involved in anti-social behaviour.

Children and Families Budget proposals are focused on these significant areas:

- Further 10% reduction of children in care due to effective prevention and demand strategy
- Continue successful adoption collaboration and introduce fostering collaboration including agreed business efficiency recommendations
- Further reduce use of out of borough residential provision for both social care and special educational need
- Reconfigure current in-borough care residential provision and link with care leaver independent housing commission

Measures of successful performance:

- Increasing apprenticeships in cared for children
- Increasing percentage of cared for children being placed locally

Challenge for 2015/16:

- Maintaining consistently high quality social work practice

Adult Social Care and Independent Living

Some facts about Adult Social Care and Independent Living
1. **Life expectancy in Cheshire East is significantly higher than the England average for both men and women**
2. **Cheshire East Council supports an average of 5,700 adults with their social care needs at any given time**
3. **More than one third of the Council's net budget is utilised in support of services to adults**

2015/16	
2014/15 Budget	**£94.8m**
Options for 2015/16	**Additional investment of £1.0m to £1.5m**

This service's focus is on promoting and supporting better lifestyles through delivering choice and personalisation. Achievements within Adult Care will be measured through improvements in areas such as self management, lifestyle services, greater use of universal services and community resources, and a refocus on prevention and early intervention, increasing re-ablement and increases in choice and control.

Adult Social Care and Independent Living Budget proposals are focused on these significant areas:

- Commissioning of residential respite from the private sector, no longer using the respite beds in three in-house resources centres
- Full cost recovery of care beds at Hollins View and Lincoln House
- Having no subsidy may result in the NHS procuring more effectively from another provider
- Review of charges and removal of subsidies for adult care services
- New ways of working, tighter controls and budget management at the front line assessment and care management service
- Review of contracts funded by former Supporting People Grant in terms of priority and contract value

Measures of successful performance:

- Increases in independent living for adults in Cheshire East
- Increase in preventative actions, helping people to live well

Challenge for 2015/16:

- Managing the impact of the Social Care Act

Public Health and Wellbeing

Some facts about Public Health and Wellbeing
1. Responsibility for some public health duties and services were transferred to Local Authorities on 1st April 2013 under reforms set out in the Health and Social Care Act (2012)
2. Drug, alcohol and sexual health services account for around half of the total public health budget
3. In 2013/14 all areas of public health spend were reviewed and contracts renegotiated
4. Planned re-tendering of services will take place over the next two years
5. A new fund has been created to assist in the delivery of new innovative services
6. Attendance at Council leisure facilities is increasing, with over 2.8 million visits during 2013/14

2015/16	
2014/15 Budget	£1.6m
Options for 2015/16	Managing savings of up to £0.2m

Public Health and Wellbeing focuses on helping people to stay healthy. This includes helping people to reduce their risk of illness, decreasing the effects that illness can have on an individual and controlling the spread of disease. Services and activities are being refreshed to provide a greater focus on prevention and early intervention and supporting people in taking ownership of their health lifestyle choices. These services are continuing to develop collaborative relationships across the Council and with local partners to develop health and wellbeing services and the wider determinants that affect the health and wellbeing of the local population.

In 2015/16 the Council will continue to deliver some of these services through the alternative service delivery vehicle, Everybody Sport and Recreation Trust, which was set up in May 2014.

Public Health and Wellbeing Budget proposals are focused on these significant areas:

- Review efficiencies and structure
- Integrating spending:
  - Across the Council, NHS, statutory, voluntary, community, faith and private sectors
  - Linking with school nursing, special schools and child obesity
- Managing the Innovation Fund to promote engagement and best practice in local health services
- Re-tendering key services
- Reviewing management fees with service providers
- Securing quality improvements and cost reductions from providers

Measures of successful performance:

- Reduce drug and alcohol associated conditions, long term adult cohort and emergency admissions due to alcohol in those aged <18 years
- Improve sexual health
- Improve health of children and other key groups (for example, by providing more health checks to the over 50's)

Challenge for 2015/16:

- Managing policy reviews, including those by external bodies such as Public Health England
- Securing desired transformation in public health outcomes at pace that helps people live well and for longer

Highways and Environmental

Some facts about Highways and Environmental
1. Over 240,000 bins are emptied every week in Cheshire East, 12.5 million bins emptied in the year
2. Ranked 2nd in the Northwest of England for recycling
3. More than 57,000 potholes repaired in 2013 and claims from pothole damage have significantly reduced
4. Satisfaction with country parks increased during 2013/14 to 94.6% - Summary Report 1st July 2014
5. 56,270 Gullies cleaned during 2013/14 to achieve reduced flooding last year

2015/16	
2014/15 Budget	£39.0m
Options for 2015/16	Managing savings of up to £0.4m

Highways and Environmental Services incorporate a wide range of front line operational services that are delivered by the Council and used by all residents who live in and travel through Cheshire East. The services range from those that are essential to all residents such as waste collection, roads and bereavement services; to services that enhance the environment, such as the Countryside and Public Rights of Way Network. All of which are vital and valued by the communities within Cheshire East.

In 2014/15 the Council will deliver many of these services through the alternative service delivery vehicles (ASDV) of:

- ANSA Waste Services
- Orbitas Bereavement Services

Achievements in this service are measured by such things as maintaining the high recycling and satisfaction rates in waste services, improving the condition of the Highway Network by reducing the number of potholes, managing down overall pollution in the area whilst increasing satisfaction with parks, open spaces and countryside.

Highways and Environmental Budget proposals are focused on these significant areas:

- Challenge ASDV management fee
- New vehicles securing quality improvements and cost reductions – 25% of any profit can be retained by the Council

Measures of successful performance:

- Maintaining the high percentage of waste recycled
- Reducing fleet Carbon Dioxide emissions
- Maintaining satisfaction levels in waste and highways services

Challenges for 2015/16:

- Working with greater exposure to market forces
- Delivering outcomes through commercial skills and effective contract management

Opportunities for 2015/16:

- Building commercial capacity and producing a dividend on investment
- Producing new income streams

Communities

Some facts about Communities	
1.	Nearly 2,000,000 visitors pass through the doors of Cheshire East libraries each year
2.	Work in communities delivers a wide range of community activities and projects with over 100 new volunteers getting involved in projects such as managing community centres or volunteering at one of the 16 new work clubs
3.	180,000 Council Tax and National Non Domestic Rate bills are issued during annual billing. In 2013/14 the Council collected 98.1% of Council Tax placing it in the upper quartile compared to other unitary councils
4.	Focus on local area working attracted £0.65m in external funding and £0.3m in kind contributions from Partners in a year
5.	95% of all library users are satisfied with their library service
6.	The Council receives 500,000 telephone calls and face to face enquiries in its Customer Service Centres and the Cheshire East Council website receives more than 4,000,000 visits in a year
7.	120,000 new claims and changes of circumstances for housing and council tax benefits are received and processed in a year
8.	£94,714 of Community Grants awarded towards £887,029 worth of project costs for 92 voluntary and community organisations during 2013/14
9.	The number of Penalty Charge Notices issued is over 22,000 per annum
10.	60 Unauthorised Gypsy and Traveller encampments were dealt with across the Borough in 2013
11.	Reports of anti-social behaviour in Cheshire East are less than half the average for the Northwest

2015/16	
2014/15 Budget	£10.5m
Options for 2015/16	Managing savings of £0.3m to £0.8m

Some more facts about Communities
12. **Regulatory Services carry out c.1,000 inspections a year in relation to diverse cases such as animal welfare, permitted processes, food safety and health and safety**
13. **97% of businesses and domestic service users are satisfied with the service received from Environmental Health**
14. **The Bikeability scheme continues its success with 3,800 young people receiving accreditations in 2013/14**
15. **Planning enforcement have responded to almost 600 new reports of alleged breaches of planning control issuing 21 formal notices**
16. **Licensing have managed over 3,300 applications this year**
17. **"Free after 3" car parking has been introduced in seven car parks across the Borough to help businesses and increase footfall in town centres, with an addition of four more free car parks in Crewe, Congleton, Macclesfield and Wilmslow**

The service focuses on the role that the Council will play in leading communities, shaping local areas and bringing public services together with communities to create strong communities with a sense of independence, and ability to influence what services we commission in the future. It brings together a diverse range of services that impact on individual localities such as customer services, communities and partnerships, libraries, revenue and benefits, transport and community safety, and enforcement.

Achievements of the service will be measured by: an increase in volunteers in communities; increasing use of the Council's website; developing community hubs based around the Council's current library services; accessible and relevant transport services; and reductions in crime, particularly for young offenders.

Communities Budget proposals are focused on these significant areas:

- Ongoing agreed business improvements in Customer Services, Libraries, Revenues and Benefits
- Exploration of commercial opportunities for financial and forensic intelligence functions and marketing of services to other Local Authorities and businesses
- Removal of subsidy from commercial pest control service
- Business improvement opportunities in enforcement services

Measures of successful performance:

- Maintaining customer satisfaction with the services provided in libraries
- Achieving effective enforcement activity
- Having high satisfaction with regulation services – which is currently at a positive 98%

Challenge for 2015/16:

- Realising commercial opportunities within short timescales

Opportunities for 2015/16:

- Promoting services that are digital by default, which can increase access to users and achieve greater efficiency

Economic Growth and Prosperity

Some facts about Economic Growth and Prosperity	
1.	Cheshire East, as part of the Cheshire and Warrington Local Enterprise Partnership (LEP), is well established as a top-performing economy; in a national context, out-performing many of the leading economies in the Greater South East
2.	Cheshire East's economic output (Gross Value Added) per head is 16% above the UK average and 34% above the regional average
3.	Cheshire East's unemployment rate is at a five year low, at 1.7%, and is significantly lower than the rate for the region (3.1%)
4.	Business birth and survival rates continue to increase - 92.5% '1-year Business Survival Rate' for 2013/14
5.	Cheshire East is home to over 17,500 businesses including 21 of Insider's Top 250 Companies. In fact, there are more businesses in Cheshire East than any other unitary council in the Northwest - even more than in Manchester
6.	An estimated 37% of the Northwest region's Research and Development jobs are based in Cheshire East
7.	Around 40% of Cheshire East's workforce are qualified to degree level, significantly higher than the regional and UK average
8.	Cheshire East has one of the largest highways investment programmes outside of any metropolitan centre
9.	Cheshire East's tourism industry employs 10,461 Full Time Equivalents, attracts 13.89 million visitors, and is now worth £737m to the local economy

2015/16	
2014/15 Budget	£14.8m
Options for 2015/16	Managing savings of £0.5m to £1.0m

Cheshire East Council has set out a clear vision and strategy for economic growth based on driving the Borough's economy as the Engine of the North. This articulates the rationale and plans for increasing productivity and creating new jobs. This is based on the strong competitive advantage and track record that the Borough has in terms of its skilled workforce, existing business base, entrepreneurial spirit, quality of life and its infrastructure. Cheshire East has all the right ingredients to see a step change in economic productivity and become a growth engine of the North. As such the directorate is being reconfigured to:

- Utilise strategic assets to drive economic growth – this includes a strong business base, skilled workforce, quality of life and outstanding connectivity, as well as the physical, financial and political resources at the Council's disposal.
    - Increase focus on securing new investment from both current and new inward investors.
    - Strengthen the approach to major development programmes that build upon key commercial, institutional and sectoral assets.
    - Drive stronger and faster regeneration in town centres, as a vital component in the well-being of the economy and local communities.
    - Ensure that the Council and its commercial stakeholders are well positioned to secure new funding for projects, coming through Cheshire and Warrington Local Enterprise Partnership and others.
- As well as an excellent place to do business, Cheshire East is also a fantastic place to live and visit, and therefore focus is being placed on boosting the visitor economy and ensuring the housing offer is right. Major investment is also being made in the transport infrastructure to unlock the potential of Cheshire East towns and villages, while at the same time protecting outstanding natural assets, vital for attracting and retaining a skilled and well qualified workforce.
- Key growth areas include:
    - Capitalising on HS2 investment, with a particular focus on securing a SuperHub station in Crewe which could provide the catalyst for billions of pounds of investment, and tens of thousands of new jobs for Crewe and the wider sub-region.
    - The development of a Science Corridor across North Cheshire linked with Greater Manchester – harnessing and increasing the value to UK plc of a number of world-leading science-based employment areas from Astra Zeneca in Macclesfield, through Jodrell Bank, Alderley Park, Booths Park and the International Technology centre for Barclays Bank at Radbroke Hall. The recently opened European HQ of Waters Corporation in Wilmslow demonstrates the growing confidence of investors in Cheshire and the valuable science industries located here. This is also reflected in the strong pipeline of life science businesses locating at the Alderley Park BioHub facility.
    - The growing energy programme, focused on addressing fuel poverty in the Borough by ensuring lower cost sustainable energy to residents and businesses through a range of transformational projects.
- Major economic growth plans for Crewe and wider links through Mid Cheshire and along the M6 Corridor (High Growth City) will be delivered in alignment with the All Change for Crewe Regeneration programme. Building on recent successes in inward investment such as Bentley's £800m expansion plans in Crewe, AstraZeneca's £120m investment in Macclesfield and Wilson Bowden's £90m planned leisure and retail development, also in Macclesfield, the Council is working closely with growing businesses, new investors, sub-regional agencies and Government to drive further growth in jobs and investment. This includes recent announcements that the Borough will benefit from £81.5m of investment through the Cheshire and Warrington Enterprise Partnership, which includes £20m towards a new investment fund for Life Science businesses across the Manchester and Cheshire and Warrington sub-regions.

- Key to delivery of economic growth is a local planning framework which enables plan-led growth and stops unsustainable speculative development – this year the Council will deliver the adoption of new planning framework for the Borough to support communities and businesses.
- Investment in strategic and local infrastructure will continue both delivering against existing infrastructure schemes but leveraging in more investment from Government and the private sector to deliver a large programme of new roads and highway improvements. Ensuring that the best deal for Cheshire East from national infrastructure proposals such as HS2 are a major focus, as well as major mitigation proposals for the North of the Borough, form the basis of the Council's response to the current consultation.

Achievements within Economic Growth and Prosperity will be measured by the number of new jobs created; levels of employment / unemployment; economic productivity; business survival rates; inward investment; high-speed broadband coverage; strategic highways investment; skilled and productive workforce; timescales for processing of major planning applications and an increasing supply of affordable housing.

Economic Growth and Prosperity Budget proposals are focused on these significant areas:

- Appropriate capitalisation of infrastructure and regeneration costs
- Further asset rationalisation
- Project resource review

Measures of successful performance:

- Increasing numbers of new homes
- Increasing the employment rate in Cheshire East
- Reduce energy poverty
- Increase in skills for people aged 14 years+

Challenge for 2015/16:

- Managing financial pressures associated with key services such as cost of planning appeals and Tatton Vision

Opportunities for 2015/16:

- Development of benefits associated with a HS2 / SuperHub station
- Realising benefits for residents from a programme of energy projects, including establishing an energy company
- Promoting local issues and opportunities as part of the science corridor programme

Chief Operating Officer

Some facts about Chief Operating Officer Services
1. **Spending on Central Services in Cheshire East is forecast to be 20% lower than in the average English Unitary Authority**
2. **The Service manages the Council's property portfolio of approximately 600 major property assets, with an asset value of £440m, which will assist in the delivery of a wide range of services to over 370,000 people in Cheshire East**
3. **Over 10,000 births, deaths or marriages are registered by the Council each year**
4. **Over 290,000 people are registered to vote in the Borough, the third largest electoral role in the Northwest**
5. **The service maintains and supports front-line services with nearly 4,000 computers and laptops and nearly 350 different applications**

2015/16	
2014/15 Budget	**£42.0m**
Options for 2015/16	**Managing savings of £0.7m to £1.3m**

Chief Operating Officer Services focus on providing professional advice, such as legal and accountancy issues, across all Council services as well as providing the significant facilities and technology that can enable front-line services to operate effectively. In addition this, these Services have a vital role in maintaining registers, providing procurement advice and project management skills, supporting elected Members and managing the governance and stewardship arrangements that promote transparency and accountability.

Achievements within Chief Operating Officer Services will be measured by such things as promoting local democracy; 'true and fair' opinions from the external auditors on the financial statements; the added value of professional advice and expertise; the level of income collection; how the costs of support compare with national comparisons; and achieving the best rate of returns on investment and the Council's estate.

Chief Operating Officer Budget proposals are focused on these significant areas:

- Contract and Energy savings in management of Council buildings
- Further savings from procurement of goods and services
- Responding to the significant benchmarking exercise taking place in summer 2014
- Efficiency savings and staffing reductions
- Reduce costs of Occupational Health Unit, Workforce Development and Training

Measures of successful performance:

- Investing more taxpayer funding in front line services by reducing the percentage of funding spent on professional functions
- Reducing the £ per m^2 costs of Council properties
- Increasing the percentage of non-pay spending managed by procurement professionals
- Enhancing spending and benefits realisation though management of projects
- Improve engagement and satisfaction with local people through high use of business intelligence

Challenge for 2015/16:

- Developing support services to reflect the increasing and different demand from other services within the Council

2. Developing the Budget

April 2014	May 2014 to June 2014	July 2014 to November 2014	December 2014 to February 2015
Start with: • Service Charging Strategy • Three Year Plan • Medium Term Financial Strategy (£6.6m deficit in 2015/16)	Commissioning Leads analysed financial resilience and performance to propose initial variations to budget Cabinet consider options for consultation	Briefings taking place Consultation Cabinet / Corporate Leadership Board Refinement	Council approve taxbase Cabinet to recommend estimated budget Council provide approval

Worth noting, in 2013 the Council only "Set Parameters" in July!

2015/16 – Key Budget Events

Event	Comments
1. Council 27th February 2014	Identified potential net budget deficit of £6.6m
2. Corporate Leadership Board – April 2014	Confirm potential deficit and the process to manage it
3. Corporate Leadership Board and Cabinet Members – May / June 2014	Develop high level proposals
4. Cabinet 1st July 2014	Receive 2013/14 Final Outturn
5. Corporate Overview and Scrutiny Committee 21st July 2014	Receive details of process and broad Budget proposals
6. All Member Briefing 5th August 2014	Receive details of process and broad Budget proposals
7. Consultation / Engagement Process – September – October 2014	Share the proposals in the Pre-Budget Report
8. Review and Challenge Process – September 2014	To ensure the proposals are robust
9. Corporate Overview and Scrutiny Committee – 11th September 2014	Review Pre-Budget Report

3. Financial Stability

Introduction

This Pre-Budget Report focuses on the Council's continued approach to putting residents first by achieving outcomes for local people and local businesses. This section of the report highlights how the services and proposals can be funded from a range of income sources. Local residents and businesses contribute to sustainable Council services through local taxation, contributions and charges; and central government provides grants funded mainly from national taxation.

The government's budget for 2014 again highlighted the need to reduce the public sector deficit and debt to secure economic recovery. Cheshire East Council is proposing to continue supporting this approach in a number of ways:

- reducing net expenditure by approximately 3% in response to taxbase projections and proposed reductions in government grants
- freezing Council Tax for a fifth successive year
- not entering in to any additional borrowing
- promoting local economic growth

The new Business Rates Retention funding system and control over Council Tax levels are placing greater responsibility on all councils to determine their own funding levels.

In Cheshire East the Council is meeting this challenge in a number of ways and focusing on longer term financial stability through its actions.

Cheshire East Council has a promise of 'Putting Residents First'. This will apply through:

Approval of a Local Plan - this will set out both realistic targets for new homes in the medium term and ambitions around land for business development. It will also enable the Council to develop and introduce a Community Infrastructure Levy to help local needs.

Growing the domestic taxbase - each new home brings additional Council Tax revenue, New Homes Bonus and potentially Community Infrastructure Levy together with additional costs, such as education, waste collection and highways. The Council ensures that any subsidy from its general funding sources is carefully examined to achieve maximum value. Through such actions the Council can protect families from Council Tax increases, make full use of any Government freeze grants and increase Council Tax income.

Promoting Economic Growth - business growth can result in additional income being retained for local investment, subject to certain thresholds. Therefore the Council is investing heavily in economic growth through unlocking development land and has created a company to assist with this ambition.

Increasing employment opportunities - through economic growth resulting in fewer people relying on welfare benefits from the Council and releasing funding for further improvements.

Maintaining strong collection rates and challenge of taxbases - to ensure fairness to all involved and ensure the Council maximises local income for local use.

This approach is very important and is embedded in the Council's actions.

Background

The Local Government Finance Settlement was released on 5th February 2014 and agreed by Members of Parliament following a debate in the House of Commons on 12th February 2014. This included provisional funding figures for 2015/16 which have been built into the Council's financial modelling.

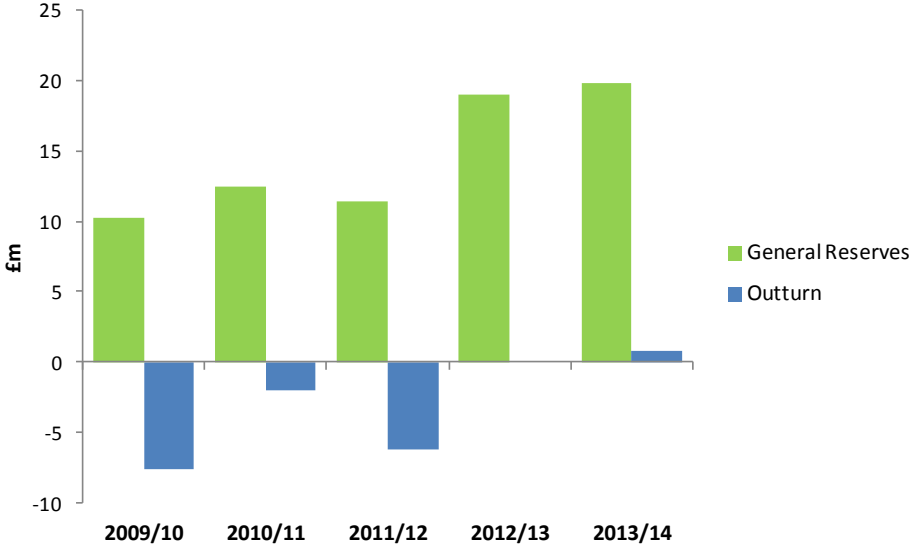
Beyond 2015/16 there is less certainty over the funding levels other than the expectation of sustained austerity through to the end of the current decade, some specific pointers around benefit costs and the prospect of a General Election.

As further clarity is not expected until later this year at the earliest, grant funding levels in the medium term must be based on estimates. The details behind these estimates and the other significant funding sources are set out in this section.

Performance to date

The financial resilience for Cheshire East Council is positive, and has improved in recent years. **Chart 1** shows how general reserves have improved over time, creating longer term stability. It also shows how spending has been within budget for the last two years, highlighting good financial control and accurate planning.

Chart 1: Reserves have increased and outturn has improved



Source: Cheshire East Finance

Government Grants

- General grant is predicted to reduce by almost 24%.
- New Homes Bonus will exceed expectations but other specific grants, such as health and education, are largely in line with forecasts.

Local Taxation

- Collection rates for Council Tax and Business Rates in Cheshire East exceed 99% of the amount billed and these local taxes provide the majority of funding for local services in Cheshire East. The Council is currently planning to continue freezing Council Tax levels, which it has done since 1st April 2011.

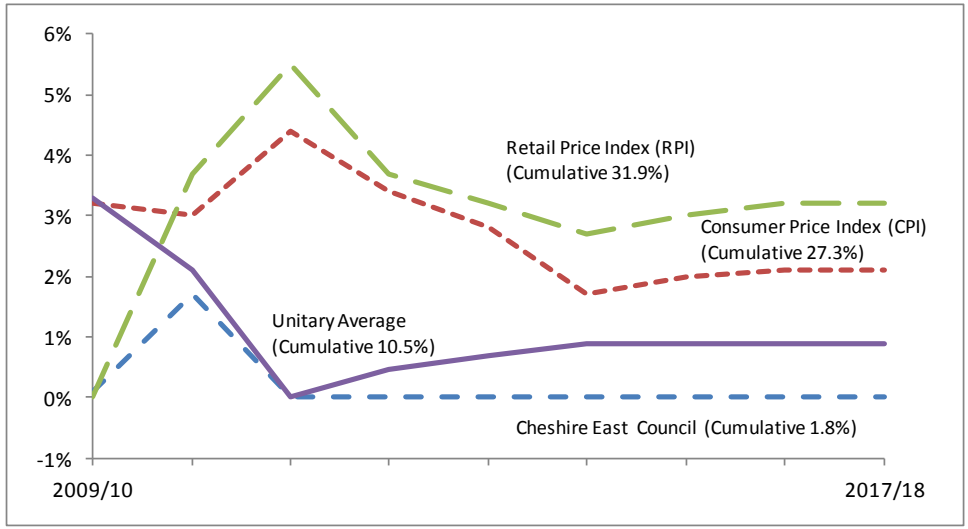
Business Rates

- Income from business rates will continue to be analysed. Performance in the medium term, from fluctuations in business rate yield, will help to determine the longer term strategy to funding local services.
- No growth above inflation (as applied to the multiplier) is currently forecast for Cheshire East Council due to typically large values of appeals and limited trend data.
- Options to pool business rates, to create mutual benefits with neighbouring authorities, are still being explored.
- The impact of the 2013 Autumn Statement in terms of reliefs and the multiplier cap are being ascertained in budgetary terms.

Council Tax

- The current proposal is to freeze Council Tax levels for a fifth consecutive year.
- The overall tax base is forecast to slightly increase due to new homes being built in the area, in accordance with the Local Plan estimate less changes to discounts.

Chart 2: Despite inflation Cheshire East Council Tax bills are still not planned to rise

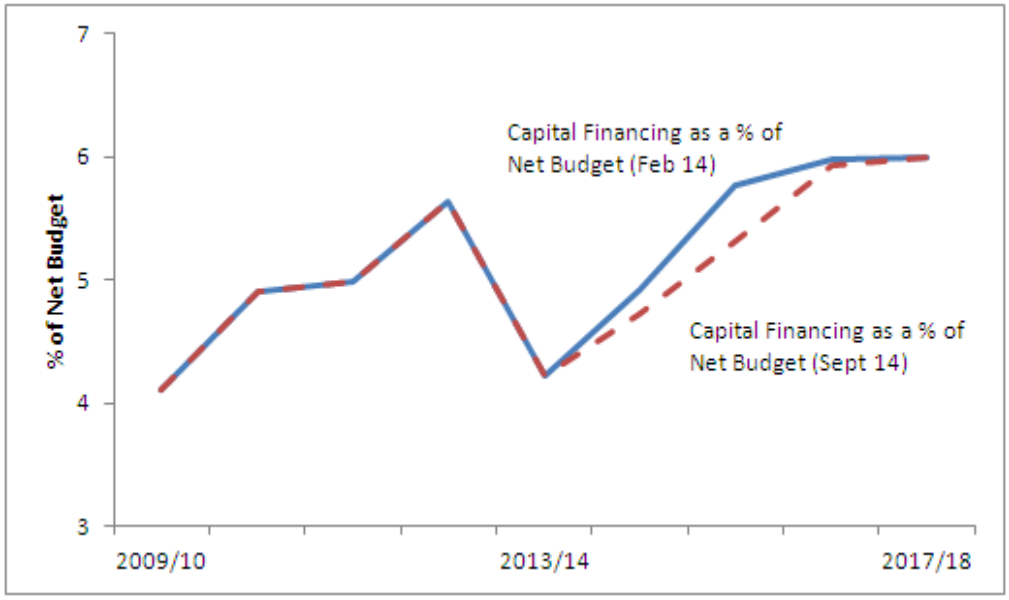


Source: Cheshire East Finance

Capital Financing

- Capital expenditure includes spend on major items such as new highways and schools. These costs are met through the Council's capital financing budget which takes into account all available income sources.

Chart 3: The impact of capital financing on the revenue budget is being reduced compared to forecasts in February 2014



Source: Cheshire East Finance

- The Treasury Management Strategy aims to hold down capital financing requirements at c.£14m per year in the medium term. The net revenue budget will decrease over time so the percentage required to fund capital is therefore likely to increase, which is as expected as the Council targets investment in infrastructure that can support the local economy.
- Properly managing resources ensures that cash balances remain stable and the forecast capital financing budget will reduce compared to the Medium Term Financial Strategy.
- No additional external borrowing is planned in 2015/16.

Pay and Pensions

- Pension contributions from staff are expected to increase from 1st April 2015.
- Staff pay increase of 1% is anticipated for 2015/16 although this is not expected to apply to senior officers.
- Pension contributions by the Council are also expected to increase in line with the Medium Term Financial Strategy forecasts.

Better Care Fund

- Nationally transferring £3.8bn from the National Health Service to move resources from acute care setting to primary, community and social care.
- Nationally £1.6bn will be paid based on performance against six nationally set measures and a seventh locally decided measure.
- The transfer is phased over two years.

Financial Stability ~ Proposals

Some facts about Financial Stability
1. **Capital Programme – in 2013/14 the Council underspent its revised Capital budget of £78.6m by £13m. Some of this was deliberate re-profiling in order to maximise external investment opportunities**
2. **Council Tax and Business Rates – the Council is among the top third of Unitary Councils in terms of collection. Over 99% of Council Tax and Business Rates are collected within three years**
3. **The level of general reserves has been maintained at or above the risk assessed minimum level in recent years as a result of improved performance against budget**

2015/16	
2014/15 Budget	**£14.6m**
Options for 2015/16	**Managing savings of £2.0m to £2.5m**

Treasury management

- Three year capital programme is funded (subject to confirmation of grants and developer contributions)
- No new external borrowing planned
- More effective cash flow management and reducing debt
- Ongoing review will keep within the cap of max. £14m and expected to deliver a saving

Pension fund costs

- In year settlement of actuarial payments reduces interest costs
- Elected Members come out of Local Government Pension Scheme following elections in May 2015

Council Taxbase

- Prudent estimates based on the local plan for the taxbase and the impact on new homes bonus calculations

Reserves to remain adequate

- Maintain £14m in risk based general reserves
- Continue to manage the use of non-statutory earmarked reserves to support investment in local communities and the local economy

Summary of Options for 2015/16

The estimated deficit for 2015/16 was forecast at £6.6m (see Page 4). Proposals detailed in this report are expected to achieve revenue budget savings of between £5m to £8m. The process being followed to achieve a final balanced position is detailed in the **Annex** to this report.

Service	2014/15 Budget	Options for 2015/16
Children and Families	£54.3m	(£2.5m) to (£3.3m)
Adult Social Care and Independent Living	£94.8m	£1.0m to £1.5m (Additional Investment)
Public Health and Wellbeing	£1.6m	£0.0m to (£0.2m)
Highways and Environmental	£39.0m	£0.0m to (£0.4m)
Communities	£10.5m	(£0.3m) to (£0.8m)
Economic Growth and Prosperity	£14.8m	(£0.5m) to (£1.0m)
Chief Operating Officer	£42.0m	(£0.7m) to (£1.3m)
Financial Stability	£14.6m	(£2.0m) to (£2.5m)
Total	**£271.6m**	**(£5.0m) to (£8.0m)**

Capital Investment 2015/16

- The Council's strategic Capital Programme of £438.7m for the period 2014/15, 2015/16 and Future Years was approved by Council on 27th February 2014. It has an emphasis on infrastructure which will generate local economic growth; investment in new service delivery models and improvements in the Council's asset base.
- The Capital Programme is intentionally aspirational, reflecting the Council's ambition, to pursue additional external funding, private sector investment and capital receipts. It is designed to allow flexibility, so that schemes can be phased, reviewed and if necessary put on hold until the resources required are identified and secured, or alternatively, started to take advantage of funding and market opportunities as and when they arise.
- Budgets will be subject to scrutiny through the gateway process which ensures a robust quality assurance framework is followed for each project. The governance arrangements will safeguard against projects proceeding where costs may escalate beyond budgets. Variances from approved budgets will be subject to supplementary approval in accordance with financial regulations.
- Longer term proposals are included in the programme for planning purposes. Where costings are not yet available indicative estimates are included and these will be updated as projects progress through the gateway process and variations will be reported to Members via quarterly reports.
- The programme is expected to be funded by c.£80m of capital receipts, depending on the timing of these receipts the start times of some projects may be brought forward or delayed. The current status of the land and property market will be kept under review by the Asset Management Service and East Cheshire Engine of the North Ltd. The programme will be reviewed if the resource position changes.
- Projects that are not included in the current programme may still be considered if there are alternative funding options and there is opportunity to meet the capacity requirements of the project.
- At this point in time, any additional Capital resources to deliver the 2015/16 budget are being identified.

Protecting Against Risk and Supporting Investment

- Cheshire East's strong taxbase and greater independence provides financial stability and offers some 'local protection' from the impact of national economic fluctuations. Compared to most other English councils, Cheshire East is less reliant on government revenue grant as local businesses and residents provide a higher proportion of the Council's overall funding. In this context, it is also important to note that compared to neighbouring local authorities, total spending per head of population is below average. Given this national and local context its overall financial risk profile is lower than previous years. The Council's consideration and response to threats, and its ability and capacity to recognise and seize new opportunities, underpin its successful performance.

- The Council continues to strengthen its risk management framework and uses this to help it respond to changes. The Council's risk management framework strengthens the effectiveness of its overall governance, and provides a mechanism to ensure effective decision making. The internal control system allows the Council to respond appropriately to risks. This increases the likelihood of the Council achieving its strategic priorities and outcomes.

- Supporting the Council's budget with adequate reserves is a key element to creating financial resilience, and the publication: Guidance and Data on the Financial Resilience of the Council provides clear evidence of an improving trend of robust forecasting of performance and improvements in the level of general reserves.

- The decision, by the Chancellor in his Autumn Statement (December 2013), to include Council Tax freeze funding as part of the Council's basic grant allocation reduces the threat of that income source being removed at some later date. The 2015/16 budgets will therefore rely on much less one-off funding than was estimated in February 2014. As a consequence of this the Council will be much more flexible in its approach to holding or transferring money from general and earmarked reserves.

- Since Local Government Reorganisation in Cheshire in 2009 the Council has invested one-off income sources such as Council Tax freeze grants to pay for items such as redundancy costs or alternatively short term staffing needs that support transformation in service delivery. The Council also establishes a level of reserves that are adequate to protect the Council against financial risks, such as emergencies, which are not specifically budgeted for in individual years.

- The Council will continue to be flexible about investing revenue funding in maintaining sustainable services and reflecting changes to the risks facing the Council. The full Budget Report will include a revised Reserves Strategy for 2015/16 to provide further detail on estimated balances and the application of reserves in the medium term.

The Medium Term

- If the Council had taken no action to mitigate the impact of inflation then a real deficit could have emerged of approximately £60m over the medium term. Cost pressures can materialise in Council services from increasing demand or from inflation in prices.

- The Council is inevitably subject to inflation in demand, for example, an ageing population may require additional social care support and an increasing number of households will require more bins being emptied. Price inflation can also come from rising fuel bills and utility charges.

- Cheshire East Council will maintain an innovative approach to minimise cost and invest in prevention activity which seeks to reduce demand for direct Council services.

- The deficit, forecast for 2016/17, was £15.4m (6%) when the budget was reviewed in February 2014 (see Page 4) and the Council is working towards mitigating that potential issue through strong in-year budget management, analysing and mitigating risk and working with local businesses and communities to get the most value from local services. The development of the commissioning approach to local service delivery is significant, as this focuses resources on achieving outcomes with the agreement of local people.

- Matching the approach taken previously, the 2016/17 budget will set aside dedicated funding to support costs of transition, such as costs from staffing reductions or implementing new processes or ICT.

- Maintaining budget control in 2014/15, following the recent trend of spending within budget, assists the Council in understanding the genuine cost base for services. This information, along with data on potential resident needs in the future, will allow decisions to be made on a revised medium term plan following elections in May 2015.

4. Workforce Planning

The key outcomes of effective workforce planning in 2015/16 are summarised below:

- We have an agile, skilled, engaged and high performing workforce ready and able to respond to the challenges ahead
- Where appropriate we attract and retain the best people from all sectors of the community to work for the Council
- Share and deploy available resources across the Council in the best way to ensure priorities are achieved

These outcomes will continue to be measured through formal assessment and recognition against national standards and benchmarks alongside key performance indicators. The introduction of Performance Related Pay for senior managers will strengthen this further.

Pensions

There are a number of changes to the Local Government Pension Scheme that came into effect in 2014/15. As a reminder, the key aspects covered in the Regulations are:

- Career Average Re-valued Earnings (CARE) benefit structure through the setting up of "Pension Accounts" for each employment/category of member (7 in total)
- The Pension Accounts are based on a 49ths accrual rate [98ths for the 50:50 Scheme]
- Revaluation adjustment used to index each year's pension accrual through an addition to the Pension Account
- Revised employee contribution rates (applying to the wider definition of Pensionable Pay that does not exclude non-contractual overtime)
- Creates an Assumed Pensionable Pay (APP) which protects members when pay is reduced in certain circumstances
- Ill health and survivor benefits
- Changes to Retirement Ages, and the continued link to State Pension Age
- Inclusion of various Administration aspects under Part 2 of the draft regulations

Employee Pension fund contributions for high earners, has also increased from 1st April 2014, however 97% of Local Government Pension Scheme fund members have not seen an increase to their contributions. The full impact of these changes will be reviewed during 2015/16 along with any additional proposals to change the scheme (though we are not aware of any significant changes at this stage).

Employer Pension contributions are expected to increase in 2015/16 in line with the Medium Term Financial Strategy forecasts and these will be included in the Budget Report in February 2015.

Pay and Terms and Conditions

The Employers Organisation have made a full and final offer to the Trade Unions for a 1% pay award in 2014/15 for all staff Grade 12 and below. This is the subject of a national pay dispute and is yet to be resolved. The Employers Organisation are keen to ensure that the lowest paid receive a higher proportion of the award and have recommended an increase to the bottom six pay points by between 1.25% and 4.66%. This approach is supported by the Council and as such this proposed pay award has been budgeted for in 2014/15 and 2015/16.

Whilst the Council is not anticipating any large scale changes to employee Terms and Conditions in 2015/16, there is a commitment to phase out Zero Hours Contracts and in light of this move, the Council no longer offers zero hours contracts.

In addition, the Council is seeking to move to the lowest NJC mileage rate of 46.9p for staff claiming casual business mileage, though this is subject to staff and Trade Union consultation which is currently underway. The full year effect of any change will be reflected in the 2015/16 budget.

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Headcount analysis and trend

Between April 2009 and April 2014 the Cheshire East Headcount has reduced by 32.49%, the largest reduction in headcount occurred between April 2013 and 2014 when the Cheshire East headcount reduced by 13.72% (equivalent to a 16.7% reduction in FTE). This is, in part, attributable to the TUPE transfer of staff to ASDV's as detailed below.

On 1st April 2014, 351 employees (334 FTE) TUPE transferred to ANSA and 24 employees (23.8 FTE) TUPE transferred to Orbitas. On 1st May 2014, 693 employees (193.3 FTE), including casuals, TUPE transferred to ESAR and 106 employees (100.7 FTE) TUPE transferred to CoSocius.

The Council is also developing a strategic client function to support the commissioning model and align staffing numbers and functions to support this into 2015/16.

Annex to Pre-Budget Report

2015/16

September 2014

Annex ~ Timetable to Approval

2014	Event	Comments
10th November	Corporate Overview and Scrutiny Committee	Receive Mid -Year Performance Report
11th November	Cabinet	Receive Mid -Year Performance Report
9th December	Cabinet	Council Taxbase
11th December	Full Council	Agree Council Taxbase
Mid December	Funding announcements	Expected from Government
Mid December	Final proposals issued	Bringing together consultation outcomes, taxbase and funding settlement
Mid December	All Member Briefing	Budget proposals
2015		
Mid January	Final Budget Report released	
Late January	Final Settlement from government	
2nd February	Corporate Overview and Scrutiny Committee	Receive Quarter 3 Performance Report
3rd February	CABINET MEETING	Receive Quarter 3 Performance Report and **recommend 2015/16 Budget Report** to 26th February Council
26th February	COUNCIL MEETING	Agree 2015/16 Budget Report