

Cheshire East Council

Cabinet

Date of Meeting:	7 th February 2017
Report of:	Peter Bates, Chief Operating Officer
Subject/Title:	The Council's Corporate Plan and Medium Term Financial Strategy 2017/20
Portfolio Holder:	Cllr P Groves Groves, Cabinet Member, Finance and Assets Cllr C Andrew, Deputy Cabinet Member, Finance and Assets

1. Report Summary

- 1.1 This report presents the Corporate Plan and Medium Term Financial Strategy for Cheshire East Council for the years 2017/18 to 2019/20.
- 1.2 Cheshire East Council arranges the delivery of over 500 local services every day. The Council's achievements in making Cheshire East such a great place to live are reflected in a range of local indicators, some headlines include:
 - Latest estimates show that Cheshire East's economic output (Gross Added Value) stands at £10.6bn; a GVA growth averaging 2.7% per annum since 2012.
 - 93% of Cheshire East primary schools and 86% of secondary schools are ranked as good or outstanding.
 - Over 97% of young people are in education, employment and training; those whose destination is 'not known' remains the lowest and therefore the best in the North West at only 0.2%.
- 1.3 The provisional funding announcements of 15th December 2016 confirmed that local government spending will continue to reduce through to 2019/20. Central Government's approach continues to rely on local tax raising powers to fund services and this has been supported by allowing further increases and flexibility in the council tax charge to support Adult Social Care of up to 6% over the coming three years. The reduction in central government grant that was reported in the Council's [Pre-Budget Consultation](#) (November 2016) has also been confirmed. This level was guaranteed by the completion of a [4-Year Efficiency Plan](#) (submitted to Government in October 2016)
- 1.4 Cheshire East is the third largest council in the Northwest of England, providing services for a population of over 370,000 local people. Following extensive consultation the proposed revenue budget is balanced for 2017/18 with net revenue spending of £263.8m and total capital investment aspirations of £535.6m is identified over the next three financial years. The individual status of schemes within this ambitious programme is summarised within Appendix D, Annex 12.

- 1.5 In proposing a balanced budget for the period 2017/18 to 2019/20 the Council has recognised the requirement to respond to both cost and demand pressures in Adult Social Care Services. Central government grant reductions of £14.8m in 2017/18, were based on an assumption, by the Government, that the Council's ability to raise Council Tax levels could go some way to replace this reduction in grant. The clear local, regional and national pressure within the overall Health and Social Care system led to the introduction of additional flexibility to increase Council Tax levels within the Local Government Settlement in December 2016.
- 1.6 In response to these issues and assumptions from Central Government the Council is proposing to increase the Adult Social Care Precept to 3% in 2017/18. This is designed to not only protect Adult Social Care investment, but can also fund a net increase in spending in this area. The Adult Social Care precept is in addition to a general Council Tax increase of 1.99%. This means an overall Council Tax increase of 4.99% in 2017/18 is proposed which equates to a £1.21 increase per week for an average Band D property.
- 1.7 The Medium Term Financial Strategy 2017/18 to 2019/20 is currently balanced on an assumption that the Council Tax could also increase by a further 4.99% in 2018/19 and up to 1.99% in 2019/20. These planning forecasts may be subject to change when Council is asked to set the annual budget in February each year.
- 1.8 This report is based on the Provisional Settlement, which therefore still requires parliamentary approval, and includes the following headlines:
- Overall net revenue spending on services is being reduced by £2.9m to deliver a balanced position in 2017/18.
 - Value for money will continue to be supported through prudent management of Council investments. This will include the further reduction of external loans by £6.8m, bringing the total repayment to £34.8m since 2009.
 - Central Government grants will reduce by £14.8m.
 - Funding for essential local services will require a proposed Council tax increase of 4.99% from £1,261.95 to £1,324.92 for a Band D property.
 - £197m is estimated to be spent over the next three years on improving our highways network.
- 1.9 This report sets out how the Council will approach the financial challenges over the medium term and forecasts a balanced budget in each of the three years from 2017/18 to 2019/20.

Corporate Plan 2017/20

- 1.10 This report also includes the updated Corporate Plan for the period 2017/18 to 2019/20.

- 1.11 During the summer of 2016 the Council's Cabinet Members re-considered the priorities and outcomes contained within the Corporate Plan (2016-20). The review concluded that the outcomes in that plan continue to be hugely relevant to the way the Council can meet the needs of local residents and businesses, but more emphasis could be placed on the priorities of the Council in the Medium Term. The Six Outcomes have been maintained for the Corporate Plan 2017 to 2020.
- 1.12 The updated Corporate Plan has formed the basis for developing proposals within the Medium Term Financial Strategy. Progress against the Corporate Plan will be monitored through quarterly reporting to Cabinet and Overview and Scrutiny Committees. The quarterly reports will also identify up to date financial and operational performance of the Council and show how the latest priorities are being managed to achieve the best outcomes for local residents.

Budget 2017/20

- 1.13 Following months of development and consultation, the budget change proposals contained in this report are robust and provide a balanced budget for consideration.
- 1.14 Like most local authorities the Council had significant budget deficits to tackle over the medium term, caused by major grant reductions in local government funding. This is Central Government's clear strategy to try to deal with the scale of the national deficit. Our local response to these pressures continues to focus on innovation and creativity with a clear emphasis on improving efficiency, productivity and establishing more effective local service delivery arrangements.
- 1.15 Our ability to create the best conditions for private sector investment, economic growth and prosperity will be critical to the continued success of the Borough as the Council's reliance on locally generated income increases.
- 1.16 This report summarises the resolutions that Cabinet are requested to recommend to Council at **Appendix A**.
- 1.17 This report provides the Medium Term Financial Strategy (MTFS) Report (containing the Budget) for the period 2017/18 to 2019/20 at **Appendix D**.
- 1.18 The document is the result of the Business Planning Process led by the Council from May 2016 to February 2017, which included regular review from the Council's Scrutiny Committees, concluding with a final review by the Corporate Overview and Scrutiny Committee on 2nd February 2017. The MTFS Report is being submitted to Cabinet on 7th February 2017 for recommendation to Council for approval.
- 1.19 The business planning process involved engagement with local people and organisations and details of how this process was managed is included within

Appendix D, Annex 2 and a summary of the results is provided in **Appendix C**.

2. Recommendations

2.1. That Cabinet recommend to Council the items at **Appendix A**.

2.2. That Cabinet notes:

- a) The summary results of the Budget Consultation, attached at **Appendix C** and the Budget Engagement exercise undertaken by the Council, as set out in the attached (**Appendix D, Annex 2**).
- b) The comments of the Council's Chief Operating Officer (Section 151 Officer), contained within the MTFS Report, regarding the robustness of estimates and level of reserves held by the Council based on these budget proposals (**Appendix D, Comment from the Chief Operating Officer**).
- c) The risk assessment detailed in the MTFS Report (**Appendix D, Annex 5**).
- d) That the estimates and profiling contained within the proposed Capital Programme 2017/18 to 2019/20 reflect the scale of ambition and future investment plans of the Council. The programme may vary to take advantage of external funding opportunities, maximise private sector investment, prudential borrowing considerations, operational capacity and to ensure optimal delivery of the overall programme (**Appendix D, Annex 12**).
- e) That projects will be robustly governed through the Executive Monitoring Board. The Council's Finance Procedure Rules will always apply should any changes in spending requirements be identified (**Appendix D, Annex 12**).

3. Other Options Considered

3.1. The Business Planning Process enables the Council to develop options, consider the best approach, produce Business Cases and share these options via the [Pre-Budget Consultation](#) 2017/20.

3.2. The engagement process and feedback on the [Pre-Budget Consultation](#) plus funding announcements and on-going refinement, informs the set of proposals in this report. For the first time the Council included options that were considered during the preparation of the consultation material, but were not currently being proposed for inclusion in the balanced medium term forecasts. This increased level of transparency allowed stakeholders to comment on a wider set of considerations.

4. Reasons for Recommendation

- 4.1. A copy of the Corporate Plan 2017/20, is attached at **Appendix B**.
- 4.2. The Council's Budget (as contained in the MTFS Report) requires Council approval. A copy of the MTFS Report is attached at **Appendix D**.
- 4.3. In accordance with the Budget and Policy Framework Rules of Procedure, Cabinet is requested to recommend this report to Council to approve the MTFS Report for 2017/20.
- 4.4. The Council's Chief Operating Officer (Section 151 Officer) reports that, in accordance with Section 25 of the Local Government Act 2003 and Sections 32 and 43 of the Local Government Finance Act 1992, as amended by the Localism Act 2011, he is satisfied with the robustness of the estimates making up the Council Tax Requirement of £191,055,465. This is based on a total 4.99% Band D increase, which includes a 3% precept specifically for Adult Social Care (based on the Provisional Finance Settlement and subject to change from the Final Settlement) and he is satisfied with the adequacy of the financial reserves for the Council.
- 4.5. Further to the above statement it can be reported that the Medium Term Financial Strategy Report 2017/18 to 2019/20 (**Appendix D**) is based on sound financial principles and reflects sufficiently detailed plans that can maintain the financial resilience and viability of the Council in the medium term.

5. Background / Chronology

- 5.1. The Budget Setting Process 2017/20 was developed and endorsed by the Cabinet and Corporate Leadership Team in May 2016.
- 5.2. This has enabled a set of proposals to be developed and challenged through a managed process that considered service changes, the Capital Programme and the supporting financial planning assumptions relating to funding levels.
- 5.3. There have been a series of distinct stages of the Budget Setting Process with reports in relation to the Council's financial position being taken to Cabinet in July, September, November, December 2016 and February 2017. Overview and Scrutiny Committees were briefed in July and November 2016, and January 2017 with final consideration of the package of proposals presented to the Corporate Overview and Scrutiny Committee on 2nd February 2017. All Members were invited to a finance briefing on 12th January 2017.

- 5.4. This exercise has been undertaken against a background of significant reductions in funding levels from Central Government, implementing the new Corporate Plan and the Authority continuing to deliver against its commitment to become a commissioning council through its 'Best Fit' model of service delivery.
- 5.5. The MTFS Report provides financial background as well as setting out further details of the on-going approach to funding the Outcomes set out in the Corporate Plan. It highlights the spending plans and income targets for the financial year starting 1st April 2017, as well as forecast estimates for the 2018/19 and 2019/20 financial years.
- 5.6. The MTFS Report is based on the Provisional Local Government Finance Settlement for 2017/18. This was released on 15th December 2016. The final settlement is expected in early February 2017 with a debate by Members of Parliament in the House of Commons expected in mid February (after the publication date of this report to Cabinet) to agree the position. The Settlement included some changes to national policies which the Council has responded to.
- 5.7. Adding to or amending the change programmes has been an important focus of the budget setting process, ensuring that the Council focuses its energy and resources on those areas of change which will help build sustainable communities and a Council that remains fit for the future.
- 5.8. Progress in terms of delivery of the proposals has been monitored and reported at regular intervals during 2016/17 and this will continue during 2017/18.
- 5.9. The MTFS Report 2017/20 is attached at **Appendix D**.
- 5.10. The MTFS Report continues to include estimated grant allocations in relation to several Specific Grants (**Annex 8**). These will be refined as appropriate in due course.
- 5.11. Any resulting impact of these issues in terms of changes to funding will be managed through General Reserves. Therefore, a balanced budget position will be maintained. Should there be any changes these will be notified to Members at the earliest opportunity.
- 5.12. Any changes made as a result of the engagement process and further debate will be reported to Members at the Council meeting on 23rd February 2017.

6. Wards Affected and Local Ward Members

- 6.1. Not applicable.

7. Implications of Recommendation

7.1. Policy Implications

- 7.1.1. The report outlines policy and budget proposals which will impact on service delivery arrangements.

7.2. Legal Implications

- 7.2.1. The Council should have robust processes so that it can meet statutory requirements and fulfil its fiduciary duty.

7.3. Financial Implications

- 7.3.1. Please see Sections 1 and 5 of this report.

7.4. Equality Implications

- 7.4.1. The Council has a statutory duty to understand the equality impacts of its decisions, policies, strategies and functions.
- 7.4.2. The Council needs to ensure that its budget decisions do not discriminate against any group and promote equality of opportunity and good community relations. The Council undertakes equality assessments where necessary, and continues to do so as projects develop across the lifetime of the Corporate Plan. This process helps us to understand if our budget proposals:
 - Have an adverse impact on any of the protected characteristics listed in the 2010 Equality Act.
 - Result in direct or indirect discrimination.
- 7.4.3. The process assists us to consider what actions could address or alleviate any adverse impact and help us to recognise where investment could alleviate an adverse impact from a saving.
- 7.4.4. Completed equality assessments form part of any detailed Business Cases.

7.5. Rural Community Implications

- 7.5.1. The report outlines policy and budget proposals which will impact on service delivery across the Borough.

7.6. Human Resources Implications

- 7.6.1. Please see Workforce Development Section – **Appendix D, Annex 4.**

7.7. Public Health Implications

7.7.1. Please see Section 1, Outcome 5 part of **Appendix D**.

7.8. Other Implications (Please Specify)

7.8.1. The Council has a statutory duty to consult with certain groups on its Budget Proposals and as part of the implementation of certain items. Further details are provided in **Appendix D, Annex 2**.

8. Risk Management

8.1. The steps outlined in this report mitigate the four main legal and financial risks to the Council's financial management arrangements:

- The Council must set a balanced Budget.
- Setting the Council Tax for 2017/18 must follow a compliant process.
- The Council should provide high quality evidence to support submissions for external assessment.
- That Council borrowing will comply with the Treasury Management Strategy which is underpinned by the Prudential Code.

8.2. A risk assessment of the significant proposals being put forward has been carried out by each service and is included as part of the planning process.

8.3. It is important to note that the Council faces significant financial challenges in achieving its desired outcomes. Management of risk is embedded within the organisation to ensure the Council can seize opportunities, introduce new, innovative models of service delivery, focus on improving outcomes for residents and review its range of services whilst identifying and controlling any resulting risks. The approach to risk management will continue to be assessed as the Council's plans and financial strategy are implemented.

9. Access to Information / Bibliography

Please see the following financial reports:

[2015/16 Outturn Report](#)

[2016/17 First Quarter Review of Performance](#)

[2016/17 Mid-Year Review of Performance](#)

[2016/17 Pre-Budget Consultation](#) released 3rd November 2016

[Corporate Overview and Scrutiny Committee 3rd November 2016](#)

[Council 15th December 2016: Domestic and Non Domestic Rate Taxbase Reports](#)

[2016/17 Third Quarter Review of Performance](#)

10. Contact Information

Contact details for this report are as follows:-

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Appendix A

Recommendations to Council from Cabinet - February 2016

That Council approve:

- 1 The updated Corporate Plan 2017/20 as provided at **Appendix B**.
- 2 The Revenue estimates for the 2017/18 budget and the medium term Capital Programme estimates 2017/20, as detailed in the Medium Term Financial Strategy Report (MTFS) 2017/20 (**Appendix D**).
- 3 Band D Council Tax of £1,324.92 representing an increase of 4.99%. This is below the referendum limit and arises from the provisional finance settlement allowing up to a 3% additional charge to fund Adult Social Care pressures (**Appendix D, Section 2**).
- 4 The 2017/18 non ring-fenced Specific Grants, and that any amendments to particular grants will be reported to Council if further information is received from Government Departments or other funding bodies (**Appendix D, Annex 8**).
- 5 The 2017/18 Capital Grants, and that any amendments to particular grants will be reported to Council if further information is received from Government Departments or other funding bodies (**Appendix D, Annex 9**).
- 6 The relevant Portfolio Holder to agree the use of additional Specific Grants received in conjunction with the Finance Portfolio Holder as further updates to the 2017/18 funding position are received.
- 7 The recommended Prudential Indicators for Capital Financing (**Appendix D, Annex 11**).
- 8 The Children and Families Portfolio Holder to agree any necessary amendment to the 2017/18 Dedicated Schools Grant (DSG) of £143m and the associated policy proposals, in the light of further information received from DfE, pupil number changes, further academy transfers and the actual balance brought forward from 2016/17 (**Appendix D, Annex 8**).
- 9 The recommended Reserves Strategy (**Appendix D, Annex 13**).

That Council recognises that Cabinet has noted:

- 10 The Budget Engagement exercise undertaken by the Council, as set out in the attached (**Appendix D, Annex 2**).
- 11 The results of the Budget Consultation (**Appendix C**).
- 12 The comments of the Council's Chief Operating Officer (Section 151 Officer), contained within the MTFS Report, regarding the robustness of estimates and

level of reserves held by the Council based on these budget proposals
(**Appendix D, Comment from the Chief Operating Officer**).

- 13 The risk assessment detailed in the MTFS Report (**Appendix D, Annex 5**).
- 14 That the estimates and profiling contained within the proposed Capital Programme 2017/18 to 2019/20 reflect the scale of ambition and future investment plans of the Council. The programme may vary to take advantage of external funding opportunities, maximise private sector investment, prudential borrowing considerations, operational capacity and to ensure optimal delivery of the overall programme (**Appendix D, Annex 12**).
- 15 That projects will be robustly governed through the Executive Monitoring Board. The Council's Finance Procedure Rules will always apply should any changes in spending requirements be identified (**Appendix D, Annex 12**).