

## **Finance-Sub Committee**

**7 June 2023**

### **Medium Term Financial Strategy Assumptions and Reporting Cycle 2024-28**

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**Report of:** Alex Thompson, Director of Finance & Customer Services

**Report Reference No:** FSC/4/23-24

**Ward(s) Affected:** All wards and all members will be affected and impacted by the content of the MTFS and Corporate Plan

#### **Purpose of Report**

- 1 This report confirms the baseline assumptions for net revenue expenditure and core funding, to assist with development of the Medium-Term Financial Strategy (MTFS) 2024 to 2028.
- 2 The report also confirms the Council's baseline Capital Programme that was approved as part of the Medium-Term Financial Strategy 2023 to 2027.
- 3 The baselines in this report provide early planning targets for each Service Committee as part of the 2024/25 budget setting process. At this stage the figures extensively match the MTFS approved at full Council on 22 February 2023 which provided balanced forecasts for the 4-years 2023/24 to 2026/27. Approving these baselines now and providing a high-level timetable allows Members, Committees and Officers to begin early development of financial proposals for consultation.

#### **Executive Summary**

- 4 The Medium-Term Financial Strategy (MTFS) for Cheshire East Council for the four years 2023/24 to 2026/27 was approved by full Council on 22 February 2023.

- 5 The MTFS is underpinned by a set of assumptions around income, expenditure and core funding that result in a balanced 4-year position.
- 6 These assumptions are reviewed on an annual basis and are adjusted for information as and when it becomes available. Most notably Central Government announce the Local Government Provisional Settlement in late December every year.
- 7 The Finance Sub-Committee are being asked to confirm the current assumptions so that all Committees can develop plans based on financial targets in preparation for budget consultation and engagement events in the autumn of 2023. This approach responds to feedback on the 2023/24 budget setting process which took place much later in the financial year.
- 8 The Sub-Committee is also being asked to form a Working Group to further review these assumptions over the summer with the aim of feeding back in September. Feedback will reflect any up-to-date information that could change the service or central budgets, or the funding envelope, before the launch of the Budget Consultation for 2024/25.
- 9 The benefit of providing a baseline to each Committee now is that Officers and Councillors can immediately start to develop proposals for next year's budget. This approach gives time for planning of efficiencies and improvements within services. It also gives time to develop collaborative working across the wider Council and with the Council's partners. Updates will be necessary during 2023 to recognise emerging issues and opportunities. Such updates will also give opportunities for the strategic review of the process.
- 10 The Finance Sub-Committee are also being asked to approve the financial reporting timetable at Appendix B which is an update from the draft timetable that was considered at Finance Sub-Committee on 8 March 2023.

## RECOMMENDATIONS

The Finance-Sub Committee is asked to:

1. Approve the budget assumptions underpinning the Medium-Term Financial Strategy for 2024-28, as set out in **Appendix A1**.
2. Approve the setting up of a Finance Sub-Committee Assumptions Working Group to meet informally with the Chief Finance Officer to review the current assumptions with the aim of feeding back to the September committee

meeting. The group to be made up of at least four members of the Sub-Committee.

3. Approve the financial reporting timetable for 2023/24 as set out in **Appendix B**.

## Background

- 11 The Medium-Term Financial Strategy (MTFS) for Cheshire East Council for the four years 2023/24 to 2026/27 was approved by full Council on 22 February 2023.
- 12 Table 1 below sets out the revenue budget for the four years from 2023/24 to 2026/27:

<b>Table 1 – Revenue Budget</b>	<b>Approved Net Budget 2023/24 £m</b>	<b>Estimated Net Budget 2024/25 £m</b>	<b>Estimated Net Budget 2025/26 £m</b>	<b>Estimated Net Budget 2026/27 £m</b>
<b>Total Service Budgets</b>	<b>340.8</b>	<b>354.4</b>	<b>361.5</b>	<b>374.5</b>
Central Budgets:				
Capital Financing	19.0	20.0	21.0	22.0
Income from Capital Receipts	-1.0	-1.0	-1.0	-1.0
Bad Debt Provision change	-0.6	-	-	-
Use of (-) / Contribution to (+)	-5.0	-0.6	-	-2.2
Earmarked Reserves				
<b>Total Service and Central Budgets</b>	<b>353.1</b>	<b>372.7</b>	<b>381.5</b>	<b>393.3</b>
Funded by:				
Council Tax	-271.1	-287.9	-299.6	-311.5
Business Rate Retention	-55.3	-55.3	-55.3	-55.3
Revenue Support Grant	-0.4	-0.4	-0.4	-0.4
Specific Unringfenced Grants	-26.4	-29.1	-26.1	-26.1
<b>Total Funding</b>	<b>-353.1</b>	<b>-372.7</b>	<b>-381.5</b>	<b>-393.3</b>
<b>FUNDING POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- 13 Table 2 below sets out the revenue budget for 2023/24 as split over the Committees:

ALL COMMITTEES - Summary					
Service Area	Revenue Budget			Capital Budget	Total Revenue and Capital Budget
	2023/24	2023/24	2023/24	2023/24	2023/24
	Expenditure	Income	Net		Net
	£000	£000	£000	£000	£000
Adults and Health	201,476	-65,144	136,332	472	136,804
Children and Families	88,774	-9,649	79,125	53,829	132,954
Corporate Policy	114,842	-73,854	40,988	12,826	53,814
Economy and Growth	35,594	-11,172	24,422	71,598	96,020
Environment and Communities	59,459	-10,638	48,821	12,011	60,832
Highways and Transport	23,384	-12,255	11,129	63,948	75,077
Finance Sub-Committee - central budgets	14,209	-1,900	12,309	0	12,309
Finance Sub-Committee - funding budgets		-353,126	-353,126		-353,126
<b>Total Cost of Service</b>	<b>537,738</b>	<b>-537,738</b>	<b>0</b>	<b>214,684</b>	<b>214,684</b>

14 Table 3 below sets out the capital budget for the four years from 2023/24 to 2026/27

Table 3 – Committed and New Capital Schemes	Prior Years £m	Four Year Forecast				Total £m
		2023/24 £m	2024/25 £m	2025/25 £m	2026/27 £m	
<b>Expenditure</b>						
Children and Families	7.8	53.8	34.2	21.0	8.3	125.0
Adults and Health	0.1	0.5	-	-	-	0.6
Highways and Transport	274.1	63.9	83.2	130.1	19.1	570.5
Economy and Growth	48.2	71.6	51.9	78.2	3.9	253.7
Environment and Communities	19.7	12.0	18.7	3.9	-	54.3
Corporate Policy	0.1	12.8	10.4	5.8	0.2	29.3
<b>Total Expenditure</b>	<b>350.0</b>	<b>214.7</b>	<b>198.3</b>	<b>239.0</b>	<b>31.4</b>	<b>1,033.4</b>
<b>Funding</b>						
Grants and Other Contributions	206.1	132.2	138.3	125.8	29.6	632.1
Capital Receipts	0.4	3.3	1.0	31.5	1.0	37.2
Borrowing	143.5	79.1	59.0	81.7	0.7	364.1
<b>Total Funding</b>	<b>350.0</b>	<b>214.7</b>	<b>198.3</b>	<b>239.0</b>	<b>31.4</b>	<b>1,033.4</b>

15 Appendix A1 sets out the assumptions contained within each line in Table 1 above. Appendix A2 provides brief explanations to assist with understanding of the individual rows.

- 16 The recommendations ask for approval to establish a working group so that members of the sub-committee can review these assumptions in detail with the Chief Finance Officer. Providing feedback to the Sub-Committee in September will assist in setting the baseline for the MTFS consultation material.
- 17 The financial reporting timetable highlights how members will have the opportunity to review and approve necessary changes to the Council's budget throughout the year.

## **Consultation and Engagement**

- 18 The annual business planning process involves engagement with local people and organisations. Local authorities have a statutory duty to consult on their budget with certain stakeholder groups including the Schools Forum and businesses. In addition, the Council chooses to consult with other stakeholder groups. The Council continues to carry out stakeholder analysis to identify the different groups involved in the budget setting process, what information they need from us, the information we currently provide these groups with, and where we can improve our engagement process.
- 19 Cheshire East Council conducted an engagement process on its Medium-Term Financial Plans through a number of stages running from January 2023 to Council in February 2023.
- 20 The budget consultation launched on-line on the 6 January 2023, included details of the proposals against each Corporate Plan aim. This consultation was made available to various stakeholder groups and through a number of forums.

## **Reasons for Recommendations**

- 21 The Finance Sub-Committee co-ordinates the management and oversight of the Council's finances, performance and corporate risk management arrangements. The Sub-Committee will make recommendations to the Corporate Policy Committee regarding the development of the Medium-Term Financial Strategy and the setting and monitoring of the Capital and Revenue Budgets in accordance with the Corporate Plan and the Policy Framework.
- 22 This report enables the Committee to understand the assumptions underpinning the current MTFS and the Working Group will be informed of any changes required to accurately develop a robust budget for the MTFS for 2024/25 and over the medium term.

## **Other Options Considered**

23 Not applicable.

## **Implications and Comments**

### *Monitoring Officer/Legal*

24 The legal implications surrounding the process of setting the 2023 to 2027 Medium-Term Financial Strategy were dealt with in the reports relating to that process.

### *Section 151 Officer/Finance*

25 The financial assumptions and timetable within this report provide up to date information on the Council's MTFS process. Confirming baseline information at this stage does not create any limitations to the budget setting process for 2024/25. Approving baselines provides context and guidance that will help to develop consultation material. Providing a set of baselines that balance across the medium term is important in supporting a responsible review of net costs.

26 The figures provided in this report can now trigger a review of net spending. The review can create opportunities to vary the assumptions via wide ranging consultation with stakeholders.

### *Policy*

27 The Corporate Plan sets the policy context for the MTFS and the two documents are aligned. Any policy implications that arise from activities funded by the budgets that this report deals with will be dealt with in the individual reports to Members or Officer Decision Records to which they relate. Any review of the Corporate Plan priorities will impact on the MTFS, so the plans for such a review will be timetabled accordingly.

### *Equality, Diversity and Inclusion*

28 Under the Equality Act 2010, decision makers must show 'due regard' to the need to:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between those who share a protected characteristic and those who do not share it; and
- Foster good relations between those groups.

- 29 The protected characteristics are age, disability, sex, race, religion and belief, sexual orientation, gender re-assignment, pregnancy and maternity, and marriage and civil partnership.
- 30 Having “due regard” is a legal term which requires the Council to consider what is proportionate and relevant in terms of the decisions they take.
- 31 The Council needs to ensure that in taking decisions on the Medium-Term Financial Strategy and the Budget that the impacts on those with protected characteristics are considered. The Council undertakes equality impact assessments where necessary and continues to do so as proposals and projects develop across the lifetime of the Corporate Plan. The process assists us to consider what actions could mitigate any adverse impacts identified. Completed equality impact assessments form part of any detailed Business Cases.
- 32 The Corporate Plan’s vision reinforces the Council’s commitment to meeting its equalities duties, promoting fairness and working openly for everyone. Cheshire East is a diverse place and we want to make sure that people are able to live, work and enjoy Cheshire East regardless of their background, needs or characteristics.

#### *Human Resources*

- 33 Any HR implications that arise from activities funded by the budgets that the budget report deals with will be dealt with in the individual reports to Members or Officer Decision Records to which they relate.

#### *Risk Management*

- 34 Financial risks are assessed and reported on a regular basis, and remedial action taken if and when required. Risks associated with the achievement of the 2023/24 budget and the assumptions underpinning it were factored into the 2023/24 financial scenario, budget and reserves strategy.

#### *Rural Communities*

- 35 The budget report, as approved at Council on 22 February 2023, provides details of service provision across the borough.

#### *Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)*

- 36 The budget report, as approved at Council on 22 February 2023, provides details of service provision across the borough.

### *Public Health*

- 37 Public health implications that arise from activities that the budget report deals with will be dealt with as separate reports to Members or Officer Decision Records as required.

### *Climate Change*

- 38 Any climate change implications that arise from activities funded by the budgets that the budget report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

<b>Access to Information</b>	
Contact Officer:	Alex Thompson Director of Finance and Customer Services (Section 151 Officer) <a href="mailto:alex.thompson@cheshireeast.gov.uk">alex.thompson@cheshireeast.gov.uk</a>
Appendices:	A1 – MTFS Budget Assumptions 2023-27 A2 – MTFS Budget Assumptions 2023-27 explanatory information B – Financial Reporting Timetable 2023-24
Background Papers:	The following are links to key background documents: <a href="#">Medium-Term Financial Strategy 2023-27</a>