

OPEN

Highways and Transport Committee

Tuesday, 30 January 2024

**Medium Term Financial Strategy
Consultation 2024/25 - 2027/28
Provisional Settlement Update**

Report of: Alex Thompson, Director of Finance and Customer Services (s151 Officer)

Report Reference No: HTC/25/23-24

Ward(s) Affected: All Wards

Purpose of Report

- 1 The Highways and Transport Committee is being asked to provide feedback, as consultees, on the development of the Cheshire East Medium-Term Financial Strategy 2024/25 to 2027/28. Feedback is requested in relation to the responsibilities of the Committee.
- 2 The Medium-Term Financial Strategy (MTFS) sets out how the Council will resource the achievement of the Corporate Plan and the budget change proposals within that report are subject to consultation and approval on an annual basis.
- 3 Developing the MTFS requires a wide range of stakeholder engagement. Members are key stakeholders in their capacity as community leaders and also have specific responsibilities as decision makers in setting the Council's budget.
- 4 All feedback will be collated and provided as evidence to the Corporate Policy Committee on 13 February 2024.
- 5 Final approval of the 2024/25 budget will take place at full Council on 27 February 2024 following recommendation from the Corporate Policy Committee.

Executive Summary

- 6 Financial strategies underpin how Cheshire East Council will allocate resources, achieve the Corporate Plan and provide in the region of 500 local services every day. The strategies must be affordable, based on robust estimates and balanced against adequate reserves.
- 7 Committees are responsible for overseeing the achievement of the Council's priorities contained within the Corporate Plan. Resources for the 2023/24 financial year, including Revenue, Capital and Reserves were allocated by the Finance Sub-Committee in March 2023, following the budget Council. All resources are allocated to a specific Service Committee or the Finance Sub-Committee.
- 8 The reports received by Committees in November 2023 set out the indicative budget envelopes for Committee budgets for 2024/25. The reports recommended that officers work with Members to develop further proposals to enable budgets to be set within each envelope for 2024/25.
- 9 The indicative budget envelopes for 2024/25 for all Committees were set as follows:

	2023/24 Original Approved budget	2024/25 Revised indicative budget envelope* *	2024/25 Roll forward proposals	2024/25 Target growth/ savings	2023/24 Pay inflation shortfall	2024/25 Overall Committee target
	£m	£m	£m	£m	£m	£m
Adults and Health	136.3	137.7	+6.1	-5.5	+0.8	+1.4
Children and Families	79.1	89.0	+2.9	+6.4	+0.6	+9.9
Corporate Policy	41.0	41.2	+1.0	-1.2	+0.4	+0.2
Economy and Growth	25.0	27.0	+2.4	-0.7	+0.2	+2.0
Environment and Communities	48.3	47.2	-0.3	-1.6	+0.7	(1.1)
Highways and Transport	11.0	12.3	+1.5	-0.4	+0.1	+1.3
Finance Sub (Central)	12.4	18.4	+6.1	-	-	+6.0
TOTAL	353.1	372.7	+19.6	-2.8	+2.8	+19.6

Note 1 - Full list of budget proposals for 2024/25 is included at Appendix A

Note 2 – there may be roundings present in the table totals and when compared to Appendix A due to the presentation to one and three decimal places respectively.

** virements between Committees during 2023/24 will revise the figures for the 2024/25 permanent budgets and will be set out within the MTFs budget report.

- 10 Work by members and officers has been undertaken since these meetings to put forward key change proposals for 2024/25 that help to align budgets to these targets, exceeding targets wherever possible.
- 11 The key budget change proposals are contained within the Budget Consultation survey which was launched on 9 January 2024. The consultation is due to run until 28 January 2024. Feedback received up to the close of 22 January will be shared with all members as soon as is available.
- 12 The budget items identified in the consultation were insufficient to ensure long term financial viability for the council. It is therefore necessary to raise additional income or reduce expenditure further and additional general themes/options were put forward in the consultation for consideration of how to achieve this. The consultation proposals are summarised in the table below:

Proposal details included at Appendix A	Overall Committee target	Budget change proposals (growth)	Budget change proposals (savings)	Shortfall (-) / exceeding (+) target
	£m	£m	£m	£m
Adults and Health	+1.4	+10.8	(9.7)	+0.3
Children and Families	+9.9	+15.6	(5.7)	-
Corporate Policy	+0.2	+2.5	(5.2)	+2.9*
Economy and Growth	+2.0	+4.9	(1.6)	(1.3)
Environment and Communities	(1.1)	+8.2	(8.2)	(1.1)
Highways and Transport	+1.3	+5.8	(1.0)	(3.5)
Finance Sub (Central)	+6.0	+14.6	-	(8.6)
Finance Sub (Funding)	-	-	(18.2)	(1.4)
TOTAL	+19.6	+62.4	(49.6)	(12.7)

*includes cross cutting savings proposal of £3.2m relating to agency and overtime costs which will be apportioned across service committees

- 13 Committees should aim to put forward additional change proposals to either meet or exceed their committee target to ensure that an overall balanced position for the Council can be recommended by Corporate Policy to full Council on 27 February 2024.
- 14 The Provisional Local Government finance settlement was received on 18 December 2024. There was no material impact on the target funding envelope for the Highways and Transport Committee.

RECOMMENDATIONS

The Highways and Transport Committee are being asked to:

- (a) Recommend to the Corporate Policy Committee, for their meeting on 13 February 2024, all proposals within the budget consultation, as related to the Committee's responsibilities, for inclusion in the Council's budget for 2024/25.
- (b) Identify further budget change proposals, as related to the Committee's responsibilities, that could assist Corporate Policy Committee in presenting an overall balanced budget to Council for 2024/25.

Background

- 15 The Council's financial resources are provided from a combination of local taxes, government grants, investment returns on assets and other direct contributions from individuals or organisations. Financial plans are based on estimated spending and income over the next four years and the report of the Chief Finance Officer brings Members' attention to the processes and risks associated with developing these estimates.
- 16 The Council aims to achieve value for money based on Economy (how much we pay for things), Efficiency (how well we use things) and Effectiveness (how we use things to achieve outcomes). Public feedback and internal and external scrutiny create the necessary framework to hold the Council to account for achieving these aims.
- 17 All councils are legally required to set a balanced budget each year and the immediate focus will be on balancing the 2024/25 financial year rather than on the whole medium term as has been the case previously. This reflects the extremely challenging circumstances all councils are facing currently.
- 18 The budget consultation is based on the Provisional Local Government Finance Settlement for 2024/25. This was released on 18 December 2023. The final settlement is expected in early February 2024 with a debate by Members of Parliament in the House of Commons expected in mid-February (after the publication date of this report to Committee) to agree the final position.
- 19 The provisional settlement set out the Core Spending Power for the authority, based on the assumption that council tax will be increased in line with the maximum allowable before a referendum would have to be held (4.99%). Some of the grants included in the Core Spending Power

calculation are ringfenced for use within the relevant service. There was no material impact on the target funding envelope for the Highways and Transport Committee.

- 20 Any changes made as a result of the engagement process and further debate will be reported to Members at the Council meeting on 27 February 2024.

Consultation and Engagement

- 21 This report forms part of the consultation process for Members on the budget setting for 2024/25. Each committee will receive a report covering their own area of responsibilities.
- 22 All feedback from each Committee will be presented to the Corporate Policy Committee. That Committee will then make recommendations on spending and income estimates for 2024/25 to the full Council meeting on 27 February 2024.
- 23 This report and other committee meeting debates will form part of a series of engagement events with wider stakeholders to gather opinion and collate feedback on the final budget for 2024/25.

Reasons for Recommendations

- 24 In accordance with the Constitution, Committees play an important role in planning, monitoring and reporting on the Council's finances. Each Committee has specific financial responsibilities.
- 25 The Council's annual budget must be balanced. The proposals within it must be robust and the strategy should be supported by adequate reserves. The assessment of these criteria is supported by each Committee having the opportunity to help develop the financial proposals before they are approved by full Council.

Other Options Considered

- 26 The Council has a legal duty to set a balanced annual budget taking regard of the report from the Chief Finance Officer. As such options cannot be considered that would breach this duty. Any feedback from the Committee must still recognise the requirement for Council to fulfil this duty.
- 27 There is no option to "do nothing". The Council has statutory obligations to provide certain services, which would be unaffordable if the Council failed to levy an appropriate Council Tax.

Implications and Comments

Monitoring Officer/Legal

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

Section 151 Officer/Finance

- 29 The Council's financial resources are agreed by Council on an annual basis and aligned to the achievement of stated outcomes for local residents and communities. Monitoring and managing performance helps to ensure that resources are used effectively, and that business planning and financial decision making are made in the right context.
- 30 Reserve levels are agreed, by Council, in February each year and are based on a risk assessment that considers the financial challenges facing the Council. If spending associated with in-year delivery of services is not contained within original forecasts for such activity it may be necessary to vire funds from reserves.
- 31 The requirement to use reserves to fund annual spending is not sustainable. The unplanned use of financial reserves will therefore require the Council to deliver a greater level of future savings to replenish reserve balances and reduce the level of risks associated with the development of the Reserves Strategy in future.
- 32 The risk associated with the scale of the current financial challenges, in line with many councils in England, is that the Council could act illegally, triggering the requirement for a Section 114 report from the Chief Financial Officer. Illegal behaviour in this context could materialise from two distinct sources:
- (a) Spending decisions could be made that exceed the available resources of the Council. This would unbalance the budget, which is unlawful.
 - (b) Spending decisions to restrict or hide pressures could be made that avoid an immediate deficit, but in fact are based on unlawful activity.
- 33 The consequences of the Council undermining a budget with illegal activity, or planned illegal activity, is the requirement to issue a s.114 report. Under these circumstances statutory services will continue and existing contracts and commitments must be honoured. But any spending that is not essential or which can be postponed must not take place.

- 34 Further consequences would be highly likely and could include the appointment of Commissioners from the DLUHC, and potential restrictions on the decision-making powers of local leaders.

Policy

- 35 The existing Corporate Plan and the refreshed plan due to be approved later in 2024 will drive and inform Council policy and priorities for service delivery. The priorities and actions may have direct policy implications and will be considered on a case-by-case basis.

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Equality, Diversity and Inclusion

- 36 Under the Equality Act 2010, decision makers must show “due regard” to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation;
 - (b) Advance equality of opportunity between those who share a protected characteristic and those who do not share it; and
 - (c) Foster good relations between those groups.
- 37 The protected characteristics are age, disability, sex, race, religion and belief, sexual orientation, gender re-assignment, pregnancy and maternity, and marriage and civil partnership.
- 38 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.
- 39 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.
- 40 The proposals within the MTFs include positive and negative impacts. A separate Equality Impact Assessment for the budget as a whole is routinely included in the full MTFs report each year.

- 41 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

- 42 Consultation on the budget change proposals will include staff. Any changes involving staff will be managed in consultation with staff and Trade Unions.

Risk Management

- 43 Cheshire East recognises that in pursuit of its objectives and outcomes, it may choose to accept an increased degree of risk. Where the Council chooses to accept an increased level of risk it will do so, subject always to ensuring that the potential benefits and threats are fully understood before developments are authorised, that it has sufficient risk capacity and that sensible measures to mitigate risk are established.
- 44 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.
- 45 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 2024/25 to provide further detail on estimated balances and the application of reserves in the medium term.

Rural Communities

- 46 There are no direct implications for rural communities.

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

- 47 Budget change proposals and further mitigations that need to be identified which will affect the Children's area of the budget have been set out in the report to the Children and Families Committee.

Public Health

- 48 There are no direct implications for Public Health due to the nature of this budget being ringfenced.

Climate Change

- 49 The current Corporate Plan has a very strong environmental thread throughout with a specific aim for the Council to be 'Greener'.
- 50 Budget change proposals which would affect the Council's commitment of being carbon neutral by 2025 will be included in the relevant Committee report to which they relate.

Access to Information	
Contact Officer:	Alex Thompson, Paul Goodwin, Honor Field alex.thompson@cheshireeast.gov.uk, paul.goodwin@cheshireeast.gov.uk, honor.field@cheshireeast.gov.uk
Appendices:	Appendix A – Extract from Budget Consultation and Detailed list of proposals
Background Papers:	Outturn Report 2022/23 Medium Term Financial Strategy 2023-27 First Financial Review 2023/24 Second Financial Review 2023/24 Third Financial Review 2023/24