

**Corporate Overview and Scrutiny Committee – 3 February 2020**  
**Cabinet – 4 February 2020**  
**Council – 20 February 2020**

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**Report Title:** Medium Term Financial Strategy 2020-24

**Portfolio Holder:** Cllr Amanda Stott - Finance, IT and Communication

**Senior Officer:** Alex Thompson – Director of Finance and Customer Services  
(Section 151 Officer)

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## **1. Report Summary**

- 1.1. This report presents the Medium Term Financial Strategy for Cheshire East Council for the four years 2020/21 to 2023/24.
- 1.2. Cheshire East Council arranges the delivery for in the region of 500 local services every day and 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:
  - We have now switched away from landfill to 'energy from waste' as the main means of disposing of our black bin residual waste,
  - The Council worked with local primary schools to offer 98.4% of Cheshire East residents a place at a school of their choice for September 2019,
  - 10 Green Flag Awards were received by our parks and open spaces in July 2019.
- 1.3. The provisional announcements from government on 20<sup>th</sup> December 2019 confirmed that local government Revenue Support Grant funding will continue to be nil in 2020/21 with no confirmation yet for future funding levels. Central Government's approach continues to rely on local tax raising powers to fund services and this has been supported by continuing to allow flexibility in the council tax charge up to the referendum limit of 2% with an

additional 2% allowable to be ringfenced specifically for Adult Social Care costs.

- 1.4. Cheshire East is the third largest council in the Northwest of England, providing services for a population of over 375,000 local people. Following extensive consultation the proposed revenue budget for 2020/21 proposes net revenue spending of £301.0m, and total capital investment aspirations of £472m is identified over the next four financial years. The individual status of schemes within the capital programme is summarised within **Appendix C, Annex 11**.
- 1.5. The provisional local government finance settlement announced the referendum limit on base increases was to be decreased to 2% in line with inflation with an additional flexibility for a further 2% to be applied and ringfenced for Adult Social Care demand pressures. It is therefore proposed that Council Tax is increased by 3.99% for 2020/21 to give a Band D charge of £1,503.98 for 2020/21. This equates to a £1 increase per week for an average property.
- 1.6. The Medium Term Financial Strategy 2020/21 to 2023/24 includes an assumption that the Council Tax could also increase by a further 1.99% each year in the medium term. These planning forecasts may be subject to change when Council is asked to set the annual budget in February each year.
- 1.7. 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 increased by £20.0m in 2020/21.
  - Central Government unringfenced grants will increase by £6.9m overall.
  - Funding for essential local services will require a proposed Council tax increase of 3.99% from £1,446.27 to £1,503.98 for a Band D property.
  - £257m is estimated to be spent over the next four years on improving our highways network.
- 1.8. This report sets out how the Council will vary the 2019/20 budget to meet the financial challenges in 2020/21.

### **Budget 2020/24**

- 1.9. Following months of development and consultation, the budget change proposals contained in this report are robust and provide an affordable budget for consideration.
- 1.10. Like most local authorities the Council has significant budget deficits to tackle over the medium term, caused by major grant reductions in local government funding over recent years, and continuing increasing demand

for services based on demographic changes, and growth, in the local population.

- 1.11. 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.
- 1.12. This report summarises the resolutions that Cabinet are requested to recommend to Council at **Appendix A**.
- 1.13. This report provides the Medium Term Financial Strategy (MTFS) Report (containing the Budget) for the period 2020/21 to 2023/24 at **Appendix C**.
- 1.14. The document is the result of the Business Planning Process led by the Council from May 2019 to February 2020, which included regular review from the Council's Scrutiny Committees, concluding with a final review by the Corporate Overview and Scrutiny Committee on 3<sup>rd</sup> February 2020. The MTFS Report is being submitted to Cabinet on 4<sup>th</sup> February 2020 for recommendation to Council for approval.
- 1.15. The business planning process involved engagement with local people and organisations and details of how this process was managed is included within **Appendix C, Annex 2** and a summary of the results is provided in **Appendix B**.

## 2. Recommendations

That Cabinet:

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

Cabinet notes:

- 2.2. The summary results of the Budget Consultation, attached at **Appendix B** and the Budget Engagement exercise undertaken by the Council, as set out in the attached (**Appendix C, Annex 2**).
- 2.3. The comments of the Council's 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 C, Comment from the Section 151 Officer**).
- 2.4. The Council's Finance Procedure Rules will always apply should any changes in spending requirements be identified (**Appendix C**).

### **3. Reasons for Recommendations**

- 3.1. The Council's Budget (as contained in the MTFS Report) requires Council approval. A copy of the MTFS Report is attached at **Appendix C**.
- 3.2. 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 2020/24.
- 3.3. The Council's 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 £229,504,099. This is based on a total 3.99% Band D increase, which includes a 2% precept ringfenced specifically for Adult Social Care services and he is satisfied with the adequacy of the financial reserves for the Council.
- 3.4. Further to the above statement it can be reported that the Medium Term Financial Strategy Report 2020/21 to 2023/24 (**Appendix C**) 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.

### **4. Other Options Considered**

- 4.1. 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 2020/24.
- 4.2. 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.

### **5. Background**

- 5.1. The Budget Setting Process 2020/24 was developed and endorsed by the Cabinet and Corporate Leadership Team in May 2019.
- 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 joint Corporate Leadership Team and Cabinet budget sessions in July and September 2019 and Overview and Scrutiny Committees were briefed in November 2019, with final consideration of the package of proposals

presented to the Corporate Overview and Scrutiny Committee on 3<sup>rd</sup> February 2020.

- 5.4. 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 1<sup>st</sup> April 2020, as well as forecast estimates up to the 2023/24 financial year.
- 5.5. The MTFS Report is based on the Provisional Local Government Finance Settlement for 2020/21. This was released on 20<sup>th</sup> December 2019. The final settlement is expected in early February 2020 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.
- 5.6. The MTFS Report 2020/24 is attached at **Appendix C**.
- 5.7. 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.
- 5.8. 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.
- 5.9. Any changes made as a result of the engagement process and further debate will be reported to Members at the Council meeting on 20<sup>th</sup> February 2020.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

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

### **6.2. Finance Implications**

- 6.2.1. Please see Sections 1 and 5 of this report.
- 6.2.2. The S.25 Statement of the S.151 Officer provides information on the process and professional judgement of the Budget 2020/21. This is provided on pages 14 and 15 of **Appendix C**.

### **6.3. Policy Implications**

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

### **6.4. Equality Implications**

6.4.1. The Council has a statutory duty to understand the equality impacts of its decisions, policies, strategies and functions.

6.4.2. 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.

6.4.3. 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.

6.4.4. Completed equality impact assessments form part of any detailed Business Cases.

### **6.5. Human Resources Implications**

6.5.1. See Workforce Development Section (**Appendix C, Annex 4**).

### **6.6. Risk Management Implications**

6.6.1. 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 2020/21 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.

6.6.2. 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.

6.6.3. 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.

### **6.7. Rural Communities Implications**

6.7.1. The report provides details of service provision across the borough.

### **6.8. Implications for Children & Young People/Cared for Children**

6.8.1. See **Section 1, Outcome 3 part of Appendix C.**

### **6.9. Public Health Implications**

6.9.1. See **Section 1, Outcome 5 part of Appendix C.**

### **6.10. Climate Change Implications**

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

## **7. Ward Members Affected**

7.1. All

## **8. Consultation & Engagement**

8.1. Please see **Appendix B.**

## **9. Access to Information**

9.1. The following are links to key background documents:

[Outturn Report 2018/19](#)

[Medium Term Financial Strategy 2019/22](#)

[Mid Year Review \(Finance\) 2019/20](#)

[Pre Budget Consultation released 1st November 2019](#)

[Council 19th December 2019: Domestic Taxbase Report](#)

[Third Quarter Review \(Finance\) 2019/20](#)

**10. Contact Information**

10.1. Any questions relating to this report should be directed to the following officer:

Name: Alex Thompson

Job Title: Director of Finance and Customer Services (Section 151 Officer)

Email: [alex.thompson@cheshireeast.gov.uk](mailto:alex.thompson@cheshireeast.gov.uk)