

Corporate Policy Committee

Date of Meeting:	12 th January 2022
Report Title:	Medium Term Financial Strategy 2022/23 – 2025/26
Report of:	Alex Thompson, Director of Finance and Customer Services (Section 151 Officer)
Report Reference No:	CP/30/21-22
Ward(s) Affected:	Not Applicable

1. Executive Summary

- 1.1. The purpose of this report is to capture the Committee members' response to consultation on the Medium-Term Financial Strategy 2022 to 2026.
- 1.2. The Council's Medium-Term Financial Strategy sets out the financial implications of the Council's Corporate Plan and how spending plans can be funded over the next four years. The Council is required by law to approve a balanced budget, where gross expenditure is matched by gross income and appropriate use of reserves, on an annual basis.
- 1.3. The consultation document includes proposals to update the current MTFS that was approved by Council in February 2021.
- 1.4. The current MTFS was balanced over the four-year period 2021 to 2025 and assumed that spending linked to the pandemic would be matched by government funding. The proposals recognised the risk of ongoing reductions in Government Grants as well as growth in demand, particularly within Adult and Children's and Waste services. Additional impacts were included for inflation such as staff pay and spending on utilities. Mitigation for increasing costs included savings, and additional income from some user charges. Mitigation also included increases in Council Tax of 4.99% for 2021/22 and a further annual increase of 1.99% from 2022/23.

- 1.5. The MTFS 2022 to 2026 consultation reflects financial pressures identified in the In-Year Review of Finance. The consultation also recognises high-level implications of the 2021 Central Government Spending Review.
- 1.6. This report sets out the activities to date and current estimated timescales and assumptions. All Committees are being asked to provide feedback in relation to their financial responsibilities as identified within the Constitution and linked to the budget alignment approved by the Finance Sub-Committee in July 2021.
- 1.7. Responses to the consultation will be reported to the Corporate Policy Committee to support that Committee in making recommendations to Council on changes to the current financial strategy. The Chief Finance Officer will report on the robustness of estimates and the adequacy of reserves in relation to the final proposals.

2. Recommendations

That Corporate Policy Committee:

- 2.1. Review the MTFS 2022 to 2026 Consultation Document (**Appendix 1**) and provide feedback on the proposals relevant to the responsibilities of the Committee as outlined in the Constitution, which are:
 - 1) Improving Digital Customer Experience (page 11)
 - 2) Pay inflation (page 11)
 - 3) National Insurance increase at 1.25% for social care funding (page 11)
 - 4) Improved Debt Recovery and correcting budgeted court costs income targets to reflect actual levels (page 11)
 - 5) Transactional Service Centre additional funding (page 12)
 - 6) Vendor Management Phase 3 (page 12)
 - 7) Unified IT Communications (page 12)
 - 8) IT Security and Compliance (page 12)
 - 9) IT Procurements and Application Lifecycle Management (page 12)
 - 10) Information Assurance and Data Management Phase 3 (page 12)
 - 11) Removal of temporary implementation budget and investment to run the new Financial System (page 14)
 - 12) Staff Travel and related savings (page 14)
- 2.2. Notes those proposals that are rolling forward from the MTFS 2021-25 relevant to the committee (as part of **Appendix 1** (Appendix A)).
 - 6) Mitigation of reduction in the Dedicated Schools Grant (Corporate Services) (page 33)
 - 7) Mitigation of the year-on-year reduction in the Dedicated Schools Grant (ICT) (page 33)

- 13) Efficiency savings and Restructures within Corporate Services (page 33)
- 15) Shared services review (page 33)
- 21) Review of corporate subscriptions (page 33)
- 34) Brighter Futures Together Programme Customer Experience (page 34)
- 43) Infrastructure Investment Programme (page 34)

- 2.3. Notes the impact of the local government financial settlement as provided at **Appendix 2** on the MTFS Consultation Document.
- 2.4. Comments on any other element of the MTFS Consultation Document related to the responsibilities of the Committee (including WOC Business Plans, and Reserves levels).
- 2.5. Notes that the minutes of this meeting will form the consultation response of this Committee, and along with feedback from all the other Committees, will be considered at the next meeting on 10 February 2022.

3. Reasons for Recommendations

- 3.1. The Council is required to consult on the proposals within the annual budget. This is required in general terms with businesses but may also require consultation with service users on specific proposals, although where proposals relate to universal services the requirements can be covered through a single consultation document on the overall budget.
- 3.2. The Council must set a balanced budget for each financial year based on robust estimates and supported by adequate reserves. This requirement is significantly supported by meaningful consultation as this improves the assurance that proposals will be delivered within manageable levels of risk.
- 3.3. Establishing key dates for the consultation process manages expectations for stakeholders.
- 3.4. The financial parameters within the MTFS have been reviewed and options for proposals that could be included in a revised MTFS have been put forward.
- 3.5. **Appendix 1** contains the Budget Engagement document including the survey questions that have been used during the consultation period (closed 4 January 2022).

4. Other Options Considered

- 4.1. Delay the publication of budget proposals until after the local government finance settlement had been confirmed, which is usually late December, and adopt the minimum level of engagement. This was not desirable because it is not transparent and does not give enough time to consider future budget changes by stakeholders.

5. Background

- 5.1. Proposals to vary the current budget have been set out as part of the Budget Engagement document that was launched on 24 November 2021. These are continuing to be developed in line with the priorities included within the Corporate Plan and refined as further funding announcements are confirmed.
- 5.2. Proposals will recognise growth and savings requirements to ensure the published MTFS is both robust and transparent and supports members in making informed decisions.
- 5.3. On 27 October, the Chancellor announced the spending review 2021 that will cover the next 3 years (2022/23 to 2024/25). Details of the actual funding allocations for each local authority were not announced until the provisional settlement on 16 December 2021. At the time of publishing the Budget Consultation in November it had been confirmed that broadly there is due to be an extra £1.6bn for local authorities in each of the next three years. This funding will help the council in managing the increasing costs of complex care, stabilisation of the care market and rising inflation as well as including funding to manage cyber threats.
- 5.4. Planning for the MTFS is an ongoing process, and the Council has, in most years, followed a path of establishing the parameters for the planning process, then proposing variations to achieve a sustainable strategy and then consulting on the proposals. The launch of the consultation process has taken place in November/December in recent years and for the 2022-26 MTFS, the consultation launched on 24 November 2021 and ran until 4 January 2022.
- 5.5. The Provisional Settlement announced on 16 December has varied the assumptions contained in the Budget Engagement document. **Appendix 2** sets out the changes announced and the impact on the estimated funding envelope (Appendix to follow).
- 5.6. Service committees will provide feedback on their individual proposals and then this Committee will make the final recommendation to full Council at the February meeting.

6. Consultation and Engagement

6.1. The budget consultation involves engagement with local people and organisations to ensure that we seek feedback from all stakeholders:

6.1.1. With regards to the Budget consultation, the 6-week public consultation period ran from 24 November 2021 to 4 January 2022. During this time, residents, members and stakeholders were able to provide their views in a number of ways.

6.1.2. A dedicated engagement hub provided access for all stakeholders to get information about the proposals being consulted upon within the Budget consultation and encouraged the submission of comments, views and suggestions. The Council's social media accounts promoted the dedicated website.

6.1.3. The Council's Digital Influence Panel, Councillors, Town and Parish Councils, Public Service partner agencies, voluntary, community and faith sector stakeholders and Trade Unions have also been invited to give their views. The Council also sought to engage with representative groups for young people, disabled people and older people in the community.

6.1.4. The feedback is being collated and analysed and used to enable transparent decision making.

7. Implications

7.1. Legal

7.1.1. The Medium-Term Financial Strategy is a part of the Council's Budget and Policy Framework and as such requires approval by Council.

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

7.1.3. Any legal implications arising from this report will be addressed through the budget setting process.

7.2. **Finance**

7.2.1. The current Medium-Term Financial Strategy estimates a balanced budget over the next four years.

7.2.2. The Budget Engagement document sets out the estimated revised position, based on up-to-date information and forecasts, and maintains that balanced four-year position.

7.2.3. Changes as a result of the provisional settlement are set out in Appendix 2.

7.3. Policy

7.3.1. The Corporate Plan sets out the vision, values, aims and priorities for Cheshire East. It is a sister document to the MTFS.

7.4. Equality

7.4.1. An Equality Impact Assessment will be completed to support the MTFS, setting out the implications and mitigation.

7.5. Human Resources

7.5.1. Consultation on the proposals will include staff. Any changes involving staff will be managed in consultation with staff and Trade Unions.

7.6. Risk Management

7.6.1. There are significant risks associated with the financial consequences of the pandemic, recovery and COVID-scarring. These are set out in more detail in the Strategic Risk Register.

7.7. Rural Communities

7.7.1. There are no direct implications for rural communities.

7.8. Children & Young People/Cared for Children

7.8.1. There are no direct implications for children and young people.

7.9. Public Health

7.9.1. The Coronavirus pandemic has had a significant impact on public health.

7.10. Climate Change

7.10.1. The Corporate Plan has a very strong environmental thread throughout with a specific aim for the Council to be 'Greener'.

7.10.2. A number of priorities and activities are underway which will support the Council's commitment of being carbon neutral by 2025,

including the delivery of an Environmental Strategy and a Carbon Action Plan.

Access to Information	
Contact Officer:	Alex Thompson Director of Finance and Customer Services (Section 151 Officer) alex.thompson@cheshireeast.gov.uk
Appendices:	Appendix 1 – Budget Engagement Document Appendix 2 – Provisional Settlement
Background Papers:	Medium Term Financial Strategy 2021-25 2021/22 In-Year Review of Finance