

Corporate Policy Committee

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| Date of Meeting: | 10 February 2022 |
| Report Title: | Medium-Term Financial Strategy 2022-26 |
| Report of: | Alex Thompson – Director of Finance and Customer Services (Section 151 Officer) |
| Report Reference No: | CP/35/21-22 |
| Ward(s) Affected: | All |

1. Purpose of Report

- 1.1. This report presents the Medium-Term Financial Strategy (MTFS) for Cheshire East Council for the four years 2022/23 to 2025/26. The Corporate Policy Committee is asked to consider the feedback from the budget consultation and recommend an annual balanced budget to the full Council meeting of 24 February 2022.
- 1.2. The Appendices referred to in this report will be circulated with the agenda as a separate document which will also be used for the Council meeting.

2. Executive Summary

- 2.1. 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.
- 2.2. In February 2021 the Council approved the Corporate Plan 2021-2025 which articulates the vision of how these services will make Cheshire East an Open, Fair and Green borough:
 - 2.2.1. Open - We will provide strong community leadership and work transparently with our residents, businesses and partners to deliver our ambition in Cheshire East.

- 2.2.2.** Fair - We aim to reduce inequalities, promote fairness and opportunity for all and support our most vulnerable residents.
- 2.2.3.** Green - We will lead our communities to protect and enhance our environment, tackle the climate emergency and drive sustainable development.
- 2.3.** The Corporate Plan 2021-2025 was agreed by Council in February 2021. **Appendix B** summarises the plan on a page.
- 2.4.** The Council operates a three-stage financial cycle to support its strategy plans – Plan, Monitor and Report. Progress against each element of this cycle is crucial to maintain sustainable services:
- 2.4.1.** **Plan** – the Council presented its first four-year balanced Strategy in 2021. Despite the financial settlement from government providing only a single year of certainty the Council is again presenting a four-year balanced financial strategy in 2022. Following public consultation on the draft revenue budget for 2022/23, net spending is proposed at **£327.7m**. The budget addresses significant spending challenges such as rising social care costs, inflation and increasing demand. Total capital investment aspirations of £633.7m are also identified over the next four financial years.
- 2.4.2.** **Monitor** - the outturn position for 2021/22 is currently forecast to be a marginal overspend of £2.3m. This is a small increase of £0.1m compared to the first in-year forecast mainly due to increased costs of school transport which have been offset by various improvements across other services. Any variation to budget at year-end will be managed through the Council’s Medium-Term Financial Strategy Earmarked Reserve in the first instance.
- 2.4.3.** **Report** - the Council’s audited accounts for 2020/21 were unqualified and highlighted achievement of a positive outturn for the year. The Outturn report showed increases in reserves based on temporary underspending but identified prevailing financial pressure and risks, particularly in Social Care that are causing budgets to continue to rise in the medium-term.
- 2.5.** The Medium-Term Financial Strategy contains the following headlines for the 2022/23 financial year:
- Overall net revenue spending on services is being increased by £16.6m to £327.7m in 2022/23, split as follows:

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| Adults (inc. Social Care / Public Health) | £120.8m |
| Children (inc. Social Care / Education) | £ 73.8m |
| Place (inc. Highways / Regeneration / Waste) | £ 79.7m |
| Corporate (inc. ICT / HR) | £ 38.3m |
| Central (inc. Capital Financing) | £ 15.1m |
| Total Net Revenue Budget | £327.7m |

- Central Government unringfenced grants will increase by £4.8m overall to £24.0m.
 - Funding from Council Tax will need to increase by £11.8m, to £254.7m. To provide this essential funding for local services it will require a proposed Council Tax increase of 2.99% from £1,579.03 to £1,626.24 for a Band D property. 1% (£2.4m) of the Council Tax increase is related to Adult Social Care and partially supports the £4m of forecast growth in demand in 2022/23.
 - In response to concerns over cost of living increase the Council Tax Support scheme has improved to protect families on low incomes from council tax increases. Residents in the lowest income bands will see support increase from 75% to 80%, those on the lowest incomes, and in receipt of specified benefits, can receive 100% rebates. The estimated cost to the Council is £1.4m in 2022/23, funded from Local Council Tax Support grant which was deliberately set aside for this purpose.
 - Capital Spending is forecast at £633.7m for the period 2022/23 to 2025/26 including £19m on improving our highways network.
 - COVID-19 related spending will continue to be managed through Government Grant.
 - General Reserves will remain at £11.5m.
- 2.6.** The Medium-Term Financial Strategy has been developed following months of analysis and consultation. The strategy responds to the challenges raised throughout this process to ensure the change proposals contained in this report are robust and provide an affordable budget for consideration.
- 2.7.** During the consultation there were 380 engagements, with additional feedback being provided by the Council's Committees. Annex 2b, within Appendix C, provides information on the nature of the responses. The most significant headlines from the feedback are summarised as follows:
- 2.7.1.** 46% agreed that Council Tax increases of 2.99% were appropriate (35% disagreed).
- 2.7.2.** 23 investment proposals were included in this year's budget consultation and the level of support for each ranged from 89% down to 34%.
- 2.7.3.** 9 saving proposals were included in this year's budget consultation and the level of support for each ranged from 86% down to 50%.
- 2.8.** The Local Government Settlement was received during the consultation period which increased unringfenced funding overall by £6.6m for the 2022/23 financial year. There was also a further £1m received for Market Sustainability and Fair Costs of Care that will be ringfenced for use within the Adults budget. Allocations beyond 2022/23 are unknown, so this additional funding is being treated as a one-off benefit for a single year. Based on the key items raised during the consultation period, including the

emerging in-year financial position, the additional funding is being allocated as follows:

- 2.8.1. Adding £2.7m to the Capital Financing Budget to fund new borrowing costs associated with an increase in the Highways Maintenance capital budget to £19m (£7m in 2022/23, and £4m in each of the following three years).
- 2.8.2. Increasing Home to School Transport by £1.2m in 2022/23, with a further £1m being drawn from reserves.
- 2.8.3. Increasing utility and carbon management budgets by £1.5m in 2022/23.
- 2.8.4. Providing additional temporary support to Planning and Public Rights of Way (PROW) services of £0.7m in 2022/23. A further £0.3m being provided for PROW for the period 2023/24 to 2025/26.
- 2.8.5. The balance is added to the Medium-Term Financial Strategy Reserve in response to feedback that the Council has relatively low reserves compared to the potential risks associated with short term funding settlements.
- 2.9. This report summarises the resolutions that Corporate Policy Committee are requested to recommend to Council at **Appendix A**.
- 2.10. This report also provides the Medium-Term Financial Strategy (MTFS) Report (containing the Budget) for the period 2022/23 to 2025/26 at **Appendix C**.

3. Recommendations

3.1. That Corporate Policy notes:

- 3.1.1. The year-end forecast outturn position for 2021/22 (**Appendix C, Section 2**).
- 3.1.2. The summary results of the Budget Consultation and Engagement exercise undertaken by the Council, as set out in the attached (**Appendix C, Annex 2a and 2b**).
- 3.1.3. The report 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**).
- 3.1.4. The Council's Finance Procedure Rules will always apply to ensure proper approval should any changes in spending requirements be identified (**Appendix C, Annex 14**).

3.2. That Corporate Policy Committee:

- 3.2.1. Recommend to Council the items at **Appendix A**.

4. Reasons for Recommendations

- 4.1. In accordance with the Budget and Policy Framework Rules of Procedure, Corporate Policy Committee is requested to recommend the Medium-Term Financial Strategy to Council for approval.
- 4.2. The recommended MTFS should be balanced to support the Council in its duty.
- 4.3. 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 £254,681,348. This is based on a total 2.99% Band D increase, which includes a 1% precept ringfenced specifically for Adult Social Care services and he is satisfied with the adequacy of the financial reserves for the Council. The S.25 statement of the Council's s.151 Officer is included on Page 15 of **Appendix C** and members of the committee should have due regard of this report in making their recommendations to Council.
- 4.4. Further to the above statement it can be reported that the Medium-Term Financial Strategy Report 2022/23 to 2025/26 (**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.

5. Other Options Considered

- 5.1. 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 decision of the Committee must still recognise the requirement for Council to fulfil this duty.
- 5.2. 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.

6. Background

- 6.1. 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 Financial Officer brings members attention to the processes and risks associated with developing these estimates.
- 6.2. 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.

- 6.3. All councils are legally required to set a balanced budget each year.
- 6.4. The Budget Setting Process 2022-2026 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.
- 6.5. 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 Corporate Leadership Team and all Committees throughout 2021/22. See **Appendix C, Annex 2** for further details of the process undertaken.
- 6.6. The MTFS Report provides financial background as well as setting out further details of the ongoing approach to funding the priorities set out in the Corporate Plan. It highlights the spending plans and income targets for the financial year starting 1 April 2022, as well as forecast estimates up to the 2025/26 financial year.
- 6.7. The Corporate Plan is a key strategic document for the Council, setting the vision and objectives for the whole organisation. It is a vital part of the Council's performance management framework and how the Medium-Term Financial Strategy is delivered. The MTFS aligns resources to manage the costs associated with achieving the Council's vision.
- 6.8. The Corporate Plan was reviewed by the Corporate Policy Committee at their meeting on 2 December 2021, where progress was noted. The Corporate Plan will continue to drive the Council's ambitions and priorities for the next three years.
- 6.9. The MTFS Report is based on the Provisional Local Government Finance Settlement for 2022/23. This was released on 16 December 2021. The final settlement is expected in early February 2022 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 position.
- 6.10. The MTFS Report continues to include estimated grant allocations in relation to several Specific Grants (**Appendix C, Annex 7**). These will be refined as appropriate in due course.
- 6.11. Any changes made as a result of the engagement process and further debate will be reported to Members at the Council meeting on 24 February 2022.

7. Consultation and Engagement

- 7.1. 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**.

8. Implications

8.1. Legal

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

8.2. Finance

- 8.2.1. Please see all Sections of this report.
- 8.2.2. The S.25 Statement of the S.151 Officer provides information on the process and professional judgement of the Budget 2022/23. This is provided on page 15 of **Appendix C**.

8.3. Policy

- 8.3.1. The MTFS report outlines policy and budget proposals which will impact on service delivery arrangements.
- 8.3.2. The Corporate Plan will drive and inform Council policy and priorities for service delivery. The priorities and actions listed may have direct policy implications will be considered on a case-by-case basis.

8.4. Equality

- 8.4.1. 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.
- 8.4.2. The protected characteristics are age, disability, sex, race, religion and belief, sexual orientation, gender re-assignment, pregnancy and maternity, and marriage and civil partnership.
- 8.4.3. 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.
- 8.4.4. 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.

8.4.5. The proposals within the MTFs include positive and negative impacts. A separate Equality Impact Assessment has been produced and is included in **Appendix C, Annex 3**.

8.4.6. Positive impacts include significant investment in services for children and adults (protected characteristics primarily age and disability). Specific examples are Investment in Cared for Children and Care Leavers, SEND services and School Transport. There is also significant investment in Adult Social Care and support to care providers (protected characteristics primarily age and disability).

8.4.7. There are a number of savings proposals which could have a negative impact on those with protected characteristics. Where this is the case, more detailed work and consultation before any decisions are made.

8.4.8. 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.

8.5. Human Resources

8.5.1. A number of the proposals will impact on staff. See **Appendix C, Section 1** for full list of change proposals.

8.6. Risk Management

8.6.1. 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 2022/23 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.

8.6.2. 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.

8.6.3. 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.

8.6.4. See **Appendix C, Annex 4** for further information.

8.7. Rural Communities

8.7.1. The Corporate Plan, along with the 'Green' aim and supporting priorities will have direct and indirect implications for our rural communities across Cheshire East. These impacts will be considered and reported through individual work programmes as they are developed.

8.7.2. The MTFs report provides details of service provision across the borough. See **Appendix C, Section 1**.

8.8. Children and Young People/Cared for Children

8.8.1. The Corporate Plan, along with the 'Fair' aim and supporting priorities will have direct and indirect implications for children and young people and cared for children which will be considered individually and in line with the actions required. These impacts will be considered and reported through individual work programmes as they are developed.

8.8.2. See **Appendix C, Section 1**.

8.9. Public Health

8.9.1. The Corporate Plan, along with the 'Fair' aim and supporting priorities will have direct and indirect implications for public health which will be considered individually and in line with the actions required. These impacts will be considered and reported through individual work programmes as they are developed.

8.9.2. See **Appendix C, Section 1**.

8.10. Climate Change

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

8.10.2. A number of priorities and activities are listed which will support the Council's commitment of being carbon neutral by 2025, including the ongoing delivery of an Environmental Strategy and a Carbon Action Plan.

8.10.3. As part of our commitment to be carbon neutral for our operations by 2025, proposals have been assessed for their estimated annual impact on our carbon footprint. **Appendix C, Section 1** contains a score for every proposal within this budget. The score is the projected tonnes of carbon, with negative meaning a reduction, and positive being an increase.

8.10.4. Also see **Appendix C, Annex 3** for further information.

| Access to Information | |
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| Appendices: | The following Appendices are circulated with the agenda as a separate document and are available on the agenda web page: Appendix A - Recommendations Appendix B – Corporate Plan (summary) Appendix C – Medium-Term Financial Strategy 2022-26 Budget Consultation Report Equality Impact Assessment |
| Background Papers: | Outturn Report 2020/21 (Finance Sub Committee Meeting) Medium-Term Financial Strategy 2021-25 Financial Update 2021/22 (Corporate Policy Meeting) Pre Budget Consultation released 24 November 2021 Council 15 December 2020: Domestic Taxbase Report and Council Tax Support Scheme |