

## **Finance Sub-Committee**

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| <b>Date of Meeting:</b>     | 2 March 2022   |
| <b>Report Title:</b>        | Aligning the Medium-Term Financial Strategy (MTFS) to the Committee Structure                          |
| <b>Report of:</b>           | Alex Thompson, Director of Finance & Customer Services   |
| <b>Report Reference No:</b> | FSC/25/21-22   |
| <b>Ward(s) Affected:</b>    | All wards and all members will be affected and impacted by the content of the MTFS and Corporate Plan. |

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### **1. Report Summary**

- 1.1. This report will determine the allocation of the approved budgets to each of the service committees and inform the financial reporting cycle for 2022/23.
- 1.2. The report contributes to the Council's objective of being an open and enabling organisation.

### **2. Executive Summary**

- 2.1. The Medium-Term Financial Strategy (MTFS) for Cheshire East Council for the four years 2022/23 to 2025/26 is subject to approval by full Council on 24 February 2022.
- 2.2. Service Committees will be allocated budgets for 2022/23 in line with the approved MTFS. The financial reporting cycle will provide regular updates on progress against the budget proposals, the forecast outturn position, progress on capital schemes, movement on reserves and details of supplementary estimates and virements.

### **3. Recommendations**

That Finance Sub-Committee:

- 3.1. Approve allocation of the capital and revenue budgets, policy proposals and earmarked reserves to the following Committees in accordance with the approved MTFS, as set out in **Appendix A**:

- Adults & Health
  - Highways & Transport
  - Children & Families
  - Economy & Growth
  - Environment & Communities
  - Corporate Policy
  - Finance Sub-Committee
- 3.2. Approve the supplementary estimates set out in **Appendix B, Tables A and B.**
- 3.3. Recommend to Council to approve supplementary estimates over £1,000,000, set out in **Appendix B, Table C.**
- 3.4. Note the financial reporting timetable for 2022/23 set out in **Appendix C.**

#### **4. Reasons for Recommendations**

- 4.1. In accordance with the Corporate Plan and the Policy Framework the Finance Sub-Committee has the responsibility to co-ordinate the management and oversight of the Council's finances, performance and risk management arrangements.
- 4.2. The Committee is responsible for allocating budgets across the Service Committees. This responsibility includes the allocation of revenue and capital budgets as well as relevant earmarked reserves.
- 4.3. The Committee has responsibilities within the Constitution to approve, or recommend for approval, virement and supplementary estimates that will amend the MTFS. Such requests are brought to the Committee as they arise.

#### **5. Other Options Considered**

- 5.1. Not applicable.

#### **6. Background**

- 6.1. All councils are legally required to set a balanced budget each year. The MTFS was approved by full Council in February 2022.
- 6.2. The MTFS includes a Report from the Chief Finance Officer in line with the Section 25(1) of the Local Government Finance Act 2003. This report confirms that the MTFS is balanced and that the Chief Finance Officer is satisfied with the robustness of the estimates and the adequacy of the financial reserves of the Council. The report also highlights the factors taken into account in arriving at this judgement including relevant financial issues and risks facing the Council during the medium term.
- 6.3. Finance Procedure Rules set limits and responsibilities for movement of funds, treating reserves as part of this overall balanced position. Any

movement within this balanced position is treated as a virement. To increase the overall size of the MTFS requires a supplementary estimate, which must be backed with appropriate new funding and approved in line with the Procedure Rules.

- 6.4.** To support accountability and financial control under the Committee system the 2022/23 budget is being reported across the Service Committees based on their associated functions. This report sets out the allocation of the revenue and capital budgets and earmarked reserves to the relevant service committee in accordance with their functions.
- 6.5.** Each committee function has been associated with a Director budget. Budget holders are responsible for budget management. Where a team supports multiple Directors (most notable in Corporate Services) the budget remains with the Director and is not split, for example, Governance and Democratic Services are aligned to the Corporate Policy Committee even though the activity of the team is split across all teams.
- 6.6.** The financial alignment of budgets to each Committee is set out in Table 1 with further details in **Appendix A**.

**Table 1: Revenue and Capital Budgets allocated to service committees as per the approved MTFS**

| Committee                            | Expenditure<br>£m | Income<br>£m    | Net Budget<br>£m | Total<br>Capital<br>Budget<br>£m | Total<br>Rev + Cap<br>£m |
|--------------------------------------|-------------------|-----------------|------------------|----------------------------------|--------------------------|
| Health and Adults                    | 178.126           | -57.287         | 120.839          | -                                | <b>120.839</b>           |
| Highways and Transport               | 20.673            | -8.871          | 11.802           | <b>77.435</b>                    | <b>89.237</b>            |
| Children and Families                | 77.272            | -3.495          | 73.777           | <b>33.793</b>                    | <b>107.570</b>           |
| Economy and Growth                   | 32.654            | -9.144          | 23.510           | <b>52.001</b>                    | <b>75.511</b>            |
| Environment and Communities          | 54.795            | -10.422         | 44.373           | <b>10.973</b>                    | <b>55.346</b>            |
| Corporate Policy                     | 94.672            | -56.350         | 38.322           | <b>7.043</b>                     | <b>45.365</b>            |
| Finance Sub Committee                | 16.007            | -0.900          | 15.107           | <b>4.000</b>                     | <b>19.107</b>            |
|                                      |                   |                 | -327.730         | <b>-185.245</b>                  | <b>-512.975</b>          |
| <b>Original Budget (MTFS Feb 22)</b> | <b>474.199</b>    | <b>-146.469</b> | <b>0.000</b>     | <b>0.000</b>                     | <b>0.000</b>             |

- 6.7.** The 2022-26 MTFS includes a net revenue budget of £327.7m and an approved capital programme of £185.3m for the financial year 2022/23. Further details on the schemes within the capital programme are provided in **Appendix A**.
- 6.8.** The Finance Sub-Committee has additional responsibility for the oversight, scrutiny and budget review of the following functions: Land and Property; Central Budgets; Pensions; Grants; Council Tax; Business Rates; Reserves; and Other Funding as set out in **Appendix A**.
- 6.9.** The estimated balance of general reserves as at 1 April 2022 is £11.5m and earmarked reserves total £68.8m, further details are provided in **Appendix A**.

## **7. Consultation and Engagement**

- 7.1.** 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.
- 7.2.** Cheshire East Council conducted an engagement process on its Medium-Term Financial Plans through a number of stages running from December 2021 to Council in February 2022.
- 7.3.** The budget consultation launched on-line on the 24 November 2021, 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.

## **8. Implications**

### **8.1. Legal**

- 8.1.1.** The legal implications surrounding the process of setting the 2022 to 2026 Medium-Term Financial Strategy were dealt with in the reports relating to that process.

### **8.2. Finance**

- 8.2.1.** Contained within the main body of the report.

### **8.3. Policy**

- 8.3.1.** 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 within the individual reports to Members or Officer Decision Records to which they relate.

### **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.** 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).
- 8.4.6.** 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.
- 8.4.7.** 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.** Any HR 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.

## **8.6. Risk Management**

- 8.6.1.** 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 2022/23 budget and the level of general reserves were factored into the 2022/23 financial scenario, budget and reserves strategy.

## **8.7. Rural Communities**

- 8.7.1.** The report provides details of service provision across the borough.

## 8.8. Children and Young People/Cared for Children

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

## 8.9. Public Health

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

## 8.10. Climate Change

8.10.1. 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.

| <b>Access to Information</b> |   |
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| Contact Officer:             | Alex Thompson<br>Director of Finance and Customer Services (Section 151 Officer)<br><a href="mailto:alex.thompson@cheshireeast.gov.uk">alex.thompson@cheshireeast.gov.uk</a>                                  |
| Appendices:                  | <b>A</b> - Allocation of capital and revenue budgets, earmarked reserves and policy proposals to service committees<br><b>B</b> – Supplementary Estimates<br><b>C</b> – Financial Reporting Timetable 2022/23 |
| Background Papers:           | The following are links to key background documents:<br><a href="#">Medium-Term Financial Strategy 2022-26</a>  |