

## **Corporate Policy Committee**

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<b>Date of Meeting:</b>	9 <sup>th</sup> February 2023
<b>Report Title:</b>	Medium-Term Financial Strategy 2023-27
<b>Report of:</b>	Alex Thompson – Director of Finance and Customer Services (Section 151 Officer)
<b>Report Reference No:</b>	CP/32/22-23
<b>Ward(s) Affected:</b>	All

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### **1. Purpose of Report**

- 1.1. This report presents the Medium-Term Financial Strategy (MTFS) for Cheshire East Council for the four years 2023/24 to 2026/27. 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 on 22 February 2023.

### **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. **Appendix B** summarises the Corporate Plan 2021-2025 on one page.
- 2.4. The Council operates a three-stage cycle to support its financial strategies, the stages are Plan, Monitor and Report. Progress against each element of this cycle is crucial to maintain sustainable services:
- 2.4.1. **Plan** – the Council presented a four-year balanced Strategy in 2022. In-Year performance identified inflation factors and service growth that exceeded the budget, putting pressure on reserves. As this was a national issue the Government made announcements that changes to funding levels would be made within the Autumn Statement and the Local Government Settlement. This delayed the start of the local consultation on the Council's proposed budget. Following further in-year analysis and final government announcements the Council launched the local consultation on 6 January 2023. Following consultation on the draft revenue budget for 2023/24 via all service committees and other stakeholders, net spending is proposed at **£353.1m**. The budget addresses spending challenges such as rising social care costs, exceptional inflation and increasing demand. Total capital investment aspirations of £0.7bn, including the associated borrowing requirements, are also identified over the next four financial years.
- 2.4.2. **Monitor** - the outturn position for 2022/23 is currently forecast to be an overspend of £7.7m. The forecast has been reported to each service committee, where action plans were presented to show intended mitigating responses. Following the approach in 2022, the overspend will be funded through use of the Council's Medium-Term Financial Strategy Earmarked Reserve in the first instance. The potential available balance for this purpose was reported to the Finance Sub-Committee as £5.2m. The potential remaining overspend of £2.5m would have to be met through General Reserves reducing the balance to £12.4m.
- 2.4.3. **Report** - the audit of the Council's accounts for 2021/22 remains incomplete due to a national review on the valuation of infrastructure assets. The draft accounts have been published which provided the information behind the outturn report 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 2023/24 financial year:
- Overall net revenue spending on services is being increased by £25.4m to £353.1m in 2023/24, split as follows:

Adults (inc. Social Care / Public Health)	£136.3m
Children (inc. Social Care / Education)	£79.1m
Place (inc. Highways / Regeneration / Waste)	£84.4m
Corporate (inc. ICT / Customer Servs)	£41.0m
Central (inc. Capital Financing)	£12.3m
<b>Total Net Revenue Budget</b>	<b>£353.1m</b>

- Central Government unringfenced grants (including Revenue Support Grant) will increase by £2.8m overall to £26.8m.
  - Funding from Council Tax will need to increase by £16.4m, to £271.1m. To provide this essential funding for local services it will require a proposed Council Tax increase of 4.99% from £1,626.24 to £1,707.39 for a Band D property. 2% (£5.1m) of the Council Tax increase relates to Adult Social Care and partially supports the forecast growth in demand.
  - In response to concerns over the cost of living the Council Tax Support scheme was improved in 2022/23 to protect families on low incomes from council tax increases. Residents in the lowest income bands saw support increase from 75% to 80%, those on the lowest incomes, and in receipt of specified benefits, now receive 100% rebates. This is funded from Local Council Tax Support grant which was set aside for this purpose.
  - Capital spending is forecast at £683.4m for the period 2023/24 to 2026/27 including £117.2m on school expansions and increasing SEN provision. £293.4m is provided for strategic Highways and Transport projects including Middlewich Eastern By-Pass and Poynton Relief Road. There is £205.5m on Economy and Growth projects including Crewe Town Centre £17.1m and Strategic development sites at £89.9m. There is further spending on Environmental and Corporate projects. The proposals also include inflationary uplifts for highways maintenance to ensure the increased activity to repair potholes continues as planned.
  - General Reserves are forecast to be £12.4m (estimated closing balance for 2022/23).
- 2.6.** The Medium-Term Financial Strategy has been developed during 2022 and the draft budget was published in full on 6 January 2023 for consultation with all stakeholders.
- 2.7.** During the consultation there were 2,267 engagements, with additional feedback being provided by the Council's Committees. This is the largest response to any budget consultations that the Council has received. Annex 2b, within Appendix C, provides information on the responses. The most significant headlines from the feedback are summarised as follows:
- 2.7.1.** Of the 122 proposals included in this year's MTFS, the vast majority (109 out of 122) seemed to be supported.

- 2.7.2. However, a handful of MTFS proposals either face strong net opposition, polarise resident opinion, are extremely nuanced, face strong localised opposition, or require more detail. Details of these proposals can be found in the Budget Consultation report (Appendix C, Annex 2b).
- 2.8. Changes made during the consultation period include:
- 2.8.1. **Corporate Policy Committee, Proposal 47: Shared Services Review – move to Hybrid Model.** Transformation costs have been capitalised to spread the costs of this project and release revenue budget savings of £0.5m.
- 2.8.2. **Environment and Communities Committee/Economy and Growth Committee/Highways and Transport Committee, Proposals 65/74/82/94/102/106: Pay inflation and Pension costs adjustment.** Reallocation of changes, with no overall financial impact, across Economy and Growth, Environment and Communities and Highways and Transport Committees to improve accuracy for 2023/24 budget.
- 2.8.3. **Economy and Growth Committee, Proposal 70: Cultural.** Increase of £8,000 in 2025/26 to reflect a more accurate forecast.
- 2.8.4. **Environment and Communities Committee, Proposal 80: Waste Disposal – Contract Inflation and Tonnage Growth.** £1m increase in expenditure in 2023/24 to reflect revised tonnages, fuel costs and value of recycled materials.
- 2.8.5. **Environment and Communities Committee, Proposal 89: Local Plan Review.** Reprofiled expenditure leading to reductions in spending of £34,000 in 2023/24, £135,000 in 2024/25, £270,000 in 2025/26 and £77,000 in 2026/27.
- 2.8.6. **Environment and Communities Committee, Proposal 91: Maintenance of Green Spaces.** Year one savings reduced by £0.5m to reflect a more managed transition towards the proposed changes.
- 2.8.7. **Environment and Communities Committee, Proposal 93: Libraries – Service Review.** Reduction of savings by £0.3m in 2023/24 and £44,000 in 2024/25 to support continued Saturday opening times and retention of the mobile library service.
- 2.8.8. **Environment and Communities Committee, Proposal 96: Restructuring Potential (Environment and Communities).** Reduction in planned saving in 2024/25 of £135,000.
- 2.8.9. **Finance Sub-Committee, Proposal 113 and 116: Use of Earmarked Reserve – MTFS Reserve and Transformation Reserve.** Variations reflect the approach to balancing the MTFS. Full details are included within the Reserves Strategy.
- 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 that will be part of the recommendations) for the period 2023/24 to 2026/27 at **Appendix C**.

### 3. Recommendations

#### 3.1. That Corporate Policy notes:

- 3.1.1. The year-end forecast outturn position for 2022/23 (**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 remain unchanged and 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 has responsibility 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 statutory 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 £271,096,891. This is based on a total 4.99% 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. The S.25 statement of the Council's s.151 Officer is included on Page 15 of **Appendix C** and members should have due regard of this report in making their recommendations to Council or giving approval to recommendations at Council.
- 4.4. Further to the above statement it can be reported that the Medium-Term Financial Strategy Report 2023/24 to 2026/27 (**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. Options cannot therefore 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” to support spending plans for the Council in 2023/24. The Council has statutory obligations to provide certain services, which would be unaffordable based on the latest forecasts if the Council failed to levy an appropriate Council Tax.
- 5.3.** The Council will continue to explore options to provide financial benefits through efficiencies, enhanced digital services, process reviews and sale, transfer or leasing of surplus assets.

## **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 2023-2027 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 2022/23. 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 2023, as well as forecast estimates up to the 2026/27 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 MTFFS aligns resources to manage the costs associated with achieving the Council's vision.
- 6.8.** The Corporate Plan is regularly reviewed by the Corporate Policy Committee where progress and achievements are noted. The Corporate Plan will continue to drive the Council's ambitions and priorities for the next three years.
- 6.9.** The MTFFS Report is based on the Provisional Local Government Finance Settlement for 2023/24. This was released on 19 December 2022. The final settlement is expected in early February 2023 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 MTFFS 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 22 February 2023.

## **7. Consultation and Engagement**

- 7.1.** The business planning process involved a series of events during 2022. 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 2023/24. This is provided on page 15 of **Appendix C**.

### **8.3. Policy**

- 8.3.1.** The MTFFS 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). There is growth of £27.7m in Adult Services to protect current spending requirements to support individuals accessing care and provide new funding to manage the local impact of rising prices and an ageing population. There is also growth of almost £1.5m per year in Children’s Social Care to provide protection and opportunities for younger people who need it.

**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 on mitigation and consultation will take place 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.

**8.5.2.** Any restructures will follow the Council's established processes and will include consultation and engagement with staff and Trade Unions.

## **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 2023/24 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.** Also see **Appendix C, Annex 3** for further information.

## Access to Information

Contact Officer:	Alex Thompson Director of Finance and Customer Services (Section 151 Officer) Email: <a href="mailto:alex.thompson@cheshireeast.gov.uk">alex.thompson@cheshireeast.gov.uk</a>
Appendices:	Appendix A - Recommendations Appendix B – Corporate Plan (summary) Appendix C – Medium-Term Financial Strategy 2023-27 Budget Consultation Report <a href="#">APPENDIX C - MTFS 2023-2027 Council</a> Annex B – Summary of Responses <a href="#">CE Budget Engagement 2023 - 2027</a>
Background Papers:	<a href="#">Outturn Report 2021/22 (Finance Sub Committee Meeting)</a> <a href="#">Medium-Term Financial Strategy 2022-26</a> <a href="#">Financial Update 2022/23 (Corporate Policy Meeting)</a> <a href="#">Council 14 December 2022: Domestic Taxbase Report and Council Tax Support Scheme</a> <a href="#">Medium Term Financial Strategy 2023-27 Consultation (launched 6<sup>th</sup> January 2023)</a>