

OPEN

Corporate Policy Committee

Tuesday, 13 February 2024

Medium Term Financial Strategy 2024/25-2027/28

Report of: Alex Thompson, Director of Finance and Customer Services (s151 Officer)

Report Reference No: CP/39/23-24

Ward(s) Affected: (All Wards);

Purpose of Report

- 1 This report presents the Medium-Term Financial Strategy (MTFS) for Cheshire East Council for the four years 2024/25 to 2027/28. The Corporate Policy Committee is asked to consider the feedback from the budget consultation and recommend a balanced budget for 2024/25 to the full Council meeting on 27 February 2024.

Executive Summary

- 2 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.
- 3 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:
- 4 Open - We will provide strong community leadership and work transparently with our residents, businesses and partners to deliver our ambition in Cheshire East.
- 5 Fair - We aim to reduce inequalities, promote fairness and opportunity for all and support our most vulnerable residents.

- 6 Green - We will lead our communities to protect and enhance our environment, tackle the climate emergency and drive sustainable development.
- 7 **Appendix B** summarises the Corporate Plan 2021-2025 on one page. The plan is due to be refreshed during 2024.
- 8 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:

Plan

- 9 The Council presented a four-year balanced strategy in February 2023. In-year performance identified inflation factors and service growth that exceeded the budget, putting pressure on reserves.
- 10 The issues were also forecast to continue into the following financial year and beyond; therefore significant work had to be undertaken to mitigate these pressures as far as possible.
- 11 Finance Sub-Committee approved indicative 2024/25 budget envelopes to assist with reallocating additional budget to the highest pressure area of Children's Social Care. The reports were received by committees in November 2023 and recommended that officers work with Members to develop further proposals to enable budgets to be managed within each envelope for 2024/25.
- 12 This delayed the start of the local consultation on the Council's proposed budget. Following further in-year analysis and the provisional government funding announcements the Council launched the local consultation on 8 January 2024.
- 13 Following consultation on the draft revenue budget for 2024/25 via all service committees and other stakeholders, and including additional funding estimates as announced by the government in late January 2024, the net revenue spending budget is proposed at **£375.7m**.
- 14 Total capital investment of £0.6bn, including the associated borrowing requirements, is identified over the next four financial years; but all schemes that are not fully funded by grants and / or external contributions are to be subject to a detailed review, as the current proposals are now not affordable.

Monitor

- 15 The outturn position for 2023/24 is currently forecast to be an overspend of £13.0m at the Third Financial Review position. The third

review forecast has been reported to each service committee, where action plans were presented to show intended mitigating responses.

- 16 In October 2023, the Cheshire East Budget Emergency Response Team (CEBERT) was set up to lead on coordinating work across the organisation to address the financial challenge and rebalance the Council's spending forecasts.
- 17 Weekly meetings are chaired by the Chief Executive with updates relating to the workstreams identified in the review. These workstreams include Establishment Management, Spending Control Panel, Pricing Strategies and Capital Spending.
- 18 Following the approach in 2022/23, the in-year forecast overspend of £13.0m for 2023/24 will be funded through the use of reserves. The previously capitalised spend on the now cancelled HS2 scheme (£8.7m) will also now be funded through revenue this financial year as the scheme can no longer be classified as capital spend. This will be funded through the use of the Capital Financing and Collection Fund earmarked reserves.
- 19 The cycle of special committee meetings in January and February focused on consultation on the MTFS proposals. Members requested that, throughout 2024/25, service committees have effective oversight and scrutiny of the implementation of the MTFS and its approved change items. As a result, the Council's reporting 'masterplan' and committee work programmes will be updated to include reporting on the monitoring and delivery of all MTFS change items, including matters requiring consultation and / or decisions. This will ensure regular reporting to Corporate Leadership Team and all service committees on implementation of the MTFS and achievement of savings, throughout the coming year.
- 20 In addition to reporting at the formal 'financial review' points in the year, other progress reports will be scheduled for reporting to particular service committees, on their items as appropriate; by way of example, this will include (but not be limited to) reports on: high cost care packages in Adults and Children's Services; work between directorates to enhance the transition process from child to adult social care; safer walking routes for school children; libraries strategy; asset transfers and devolving services to town and parish councils; car parking; and the use of assets to support transformation of services (including for Special Educational Needs and Disabilities, and Extra Care Housing).

Report

- 21 Financial performance has been reported regularly to committees throughout 2023/24. The statutory accounts for 2022/23 were closed

within the national deadline and presented in May 2023. The financial outturn was presented in July 2023, and in-year financial reviews reported in October, November and January.

Budget 2024/25

- 22 The Medium-Term Financial Strategy contains the following headlines for the 2024/25 financial year:
- 23 Overall net revenue spending on services is being increased by £22.6m to £375.7m in 2024/25, split as follows:
- | | |
|---|----------------|
| Adults (incl. Social Care / Public Health) | £137.5m |
| Children (incl. Social Care / Education) | £89.0m |
| Place (incl. Highways / Regeneration / Waste) | £92.5m |
| Corporate (incl. ICT / Customer Services) | £41.5m |
| Central (incl. Capital Financing) | £15.2m |
| Total Net Revenue Budget | £375.7m |
- 24 Central government unringfenced grants (including Revenue Support Grant) will increase by £5.2m overall to £32.0m.
- 25 Funding from Council Tax will need to increase by £16.0m, to £287.1m. To provide this essential funding for local services it will require a proposed Council Tax increase of 4.99% from £1,707.39 to £1,792.59 for a Band D property. 2% (£5.4m) of the total Council Tax increase relates to Adult Social Care and partially supports the forecast growth in demand.
- 26 Capital spending is forecast at £592.3m for the period 2024/25 to 2027/28 including £270m on Highways, £176m on Economy and Growth and £86m on Education and Children's Social Care.
- 27 There is an on-going review of the whole capital programme, in particular schemes that require financial contributions from Cheshire East as all or part of their funding. The programme will need to be reduced for it to be affordable and sustainable in future years.
- 28 The 2023/24 forecast in-year overspend, funding of the HS2 capitalised spend, plus the in-year planned drawdowns from earmarked reserves, total a movement of £50.3m for 2023/24.
- 29 Net expenditure in 2024/25 is expected to increase by £34.3m, however income from additional funding is only forecast to increase by £22.6m, creating a budget deficit of £11.7m, which will have to be taken from reserves if further transformational activity does not take place by the end of 2024/25. Once the planned drawdowns from reserves for next year are added in, this results in a further estimated £21.6m being

utilised. This rapid use of reserves is unsustainable and effectively leaves the Authority with only £3.8m of reserves in total by the end of the 2024/25.

- 30 The forecast balance in the General Reserve will be £2.1m by the end of 2024/25.
- 31 The forecast balance in the ringfenced earmarked reserves will be £1.7m by the end of 2024/25.
- 32 Further details are included in the Reserves Strategy included at **Appendix C: Annex 13**.
- 33 The Report from the Director of Finance and Customer Services (Chief Finance Officer) on page 16 of the MTFs (**Appendix C**) sets out the planned response to the 2024/25 budget and reserves position and the transformational activity that needs to take place during 2024/25 to address the financial crisis the Council is facing.

Budget Consultation

- 34 The Medium-Term Financial Strategy has been developed during 2023 and the budget consultation was published on 9 January 2024 for engagement with all stakeholders, following the launch to Members on 8 January.
- 35 During the consultation there were 2,829 engagements, with additional feedback being provided by the Council’s committees. This is the largest response to any budget consultation 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:
- 36 23 of the 29 proposals received net support, with details of these presented in the table below. Although these proposals had net support, feedback suggests they are complex and potentially impact on some of the most vulnerable residents in Cheshire East. More detail about respondent concerns for each proposal can be found in the main report at **Appendix C: Annex 2b**.

Budget proposal that received net support	Net Support
CP1: Reduce leadership and management costs	87%
CP7: Reduce spending on staffing and agency costs	76%
CP5: Improved debt recovery and increased charges of costs	73%
CP3: Reduce election costs and increase charges where possible	70%
EC1: Refresh wholly owned company overheads and contributions	66%
CF7: Reduce growth in expenditure	66%

CF6: Other service reviews	66%
CF3: Review of structure to further integrate children and families services	65%
CP6: Other efficiencies and reductions across Corporate Services	65%
CF5: Achieve the Family Hub model	59%
CP4: Accelerate digital and other ICT transformation	50%
EG1: Service restructures within place based services	48%
EC6: Reduce revenue impact of carbon reduction capital schemes	45%
AH3: Working age adults - Prevent, reduce, delay	44%
EG2: Reduce opening hours for main offices	36%
AH4: Older people – Prevent, reduce, delay	32%
CF1: Discretionary offer to children with disabilities	31%
CF2: Remove school catering subsidy	25%
EC4: Fund libraries a different way	24%
AH2: Client contributions increase	17%
EC2: Strategic Leisure Review (Stage 2)	14%
AH1: Fees and charges	10%
CF4: Reduce discretionary post-16 travel support	7%

37 The 6 proposals that received net opposition included:

Budget proposal that received net opposition	Net Opposition
HT1: Highway maintenance savings	-45%
CP2: Close the Emergency Assistance scheme	-30%
EC7: Increase garden waste charges to recover costs	-28%
EC5: Reduce costs of street cleansing operations	-20%
EC3: Reduce costs of waste disposal and number of HWRCs	-20%
HT2: Introduce annual increases to car parking charges	-13%

38 Details of these proposals and all the feedback can be found in the full Budget Consultation report (**Appendix C, Annex 2b**).

39 Changes made during the consultation period include:

40 **Removal of proposal CP7: Reduce additional spending on staffing and agency costs (£3.2m)** – this was removed due to the proposal being unachievable in its current form, including the risk of duplication of initiatives. Significant work has already taken place by CEBERT to review and reduce the use of agency staff; and going forward it will remain a requirement on senior management to ensure that staffing resources are employed in ways that achieve best value (which in particular cases may be realised through the use of agency staff, or from overtime / additional hours of current employees).

- 41 **Additional unringfenced funding announced estimated at £3m** – on 24 January there was further “exceptional provision” to be made available to support councils facing soaring costs in social care as a result of 46 MPs lobbying the Prime Minister to go further than the provisional settlement allocations. This had the result of increasing the forecast funding envelope from £372.7m to £375.7m.
- 42 This report summarises the resolutions that Corporate Policy Committee are requested to recommend to Council at **Appendix A**.
- 43 This report also provides the Medium-Term Financial Strategy (MTFS) Report (containing the Budget for 2024/25 that will be part of the recommendations) for the period 2024/25 to 2027/28 at **Appendix C**.

RECOMMENDATIONS

That Corporate Policy Committee notes:

1. The year-end forecast outturn position for 2023/24 (**Appendix C, Section 2**).
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. 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, Report from the Director of Finance and Customer Services (Chief Finance Officer)**).
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**).

That Corporate Policy Committee recommends to Council:

5. The items at **Appendix A**

Background

- 44 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 Finance Officer brings Members' attention to the processes and risks associated with developing these estimates.

- 45 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.
- 46 All councils are legally required to set a balanced budget each year.
- 47 The budget setting process for 2024/25 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.
- 48 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 2023/24. See **Appendix C, Annex 2** for further details of the process undertaken.
- 49 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 2024, as well as forecast estimates up to the 2027/28 financial year.
- 50 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.
- 51 The Corporate Plan is regularly reviewed by the Corporate Policy Committee where progress and achievements are noted. The current Corporate Plan 2021-25 will continue to drive the Council's ambitions and priorities. A refreshed plan is due to be launched later in 2024.
- 52 The MTFS Report is based on the Provisional Local Government Finance Settlement for 2024/25. This was released on 18 December 2023. On 24 January 2024 there was an additional "exceptional provision" allocation of funding announced for local authorities to assist with the well-documented budget pressures felt across the sector, following the provisional settlement announcements. The final

settlement is expected in early February 2024 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.

- 53 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.
- 54 Any further changes made as a result of the engagement process and further debate will be reported to Members at the Council meeting on 27 February 2024.

Consultation and Engagement

- 55 The business planning process involved a series of events during 2023. Details of how this process was managed is included within **Appendix C, Annex 2**.

Reasons for Recommendations

- 56 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.
- 57 The recommended MTFS should be balanced to support the Council in its statutory duty.
- 58 The Council's Section 151 Officer report, 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, is included within the MTFS and provides commentary on the robustness of the estimates making up the Council Tax Requirement of £287,086,013. This is based on a total 4.99% Band D increase, which includes a 2% precept ringfenced specifically for Adult Social Care services. Additionally, the report comments on the adequacy of the financial reserves for the Council. The S.25 statement of the Council's s.151 Officer is included on Page 16 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.
- 59 Further to the above statement it can be reported that the Medium-Term Financial Strategy Report 2024/25 to 2027/28 (**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.

Other Options Considered

- 60 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 the Council to fulfil this duty.
- 61 There is no option to “do nothing” to support spending plans for the Council in 2024/25. 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.
- 62 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.

Implications and Comments

Monitoring Officer/Legal

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

Section 151 Officer/Finance

- 64 Please see all Sections of this report.
- 65 The Section 25 Statement of the Section 151 Officer provides information on the process and professional judgement of the Budget 2024/25. This is provided on page 16 of **Appendix C**.

Policy

- 66 The MTFS report outlines policy and budget proposals which will impact on service delivery arrangements.
- 67 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.

Equality, Diversity and Inclusion

- 68 Under the Equality Act 2010, decision makers must show ‘due regard’ to the need to:
- 69 - Eliminate unlawful discrimination, harassment and victimisation;
- 70 - Advance equality of opportunity between those who share a protected characteristic and those who do not share it; and

- 71 - Foster good relations between those groups.
- 72 The protected characteristics are age, disability, sex, race, religion and belief, sexual orientation, gender re-assignment, pregnancy and maternity, and marriage and civil partnership.
- 73 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.
- 74 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.
- 75 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**.
- 76 Positive impacts include significant investment in services for children and adults (protected characteristics primarily age and disability). There is growth of £9m 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 £14.3m per year in Children’s Social Care to provide protection and opportunities for younger people who need it.
- 77 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.
- 78 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.

Human Resources

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

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

Risk Management

81 The steps outlined in this report mitigate the four main legal and financial risks to the Council's financial management arrangements:

82 The Council must set a balanced Budget.

83 Setting the Council Tax for 2024/25 must follow a compliant process.

84 The Council should provide high quality evidence to support submissions for external assessment.

85 That Council borrowing will comply with the Treasury Management Strategy which is underpinned by the Prudential Code.

86 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.

87 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.

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

Rural Communities

89 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.

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

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

91 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.

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

Public Health

93 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.

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

Climate Change

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

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

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

Access to Information	
Contact Officer:	Paul Goodwin, Honor Field honor.field@cheshireeast.gov.uk, paul.goodwin@cheshireeast.gov.uk
Appendices:	Appendix A - Recommendations Appendix B – Corporate Plan (summary) Appendix C – Medium-Term Financial Strategy 2024-2028 Appendix C – Annex 2b: Budget Consultation Report
Background Papers:	Outturn Report 2022/23

	<u>Medium Term Financial Strategy 2023-27</u> <u>First Financial Review 2023/24</u> <u>Second Financial Review 2023/24</u> <u>Third Financial Review 2023/24</u> <u>Domestic Taxbase Report 2024/25</u> <u>Budget Consultation 2024/25</u>
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