

CHESHIRE EAST COUNCIL

Cabinet

Dates of Meeting:	4 February 2013
Report of:	Leader of the Council
Subject/Title:	The Council's Medium Term Financial Strategy

1 Delivering our 3 Year Plan

- 1.1 In October last year, my Cabinet and I set out the framework of a new 3 Year Council Plan, which gave us all a clear strategic direction. This showed the purpose of the Council, the main outcomes we wanted (to ensure good quality of life for local people in Cheshire East), and our priorities for action to achieve these. A summary of our 3 Year Plan is attached to my report.
- 1.2 We recognised that, if we were to realise our ambitions to make Cheshire East a better place to live and work, we needed a new, medium term financial strategy that would make the best use of our limited resources, and would provide tangible value for money for local people in these difficult times.
- 1.3 That is why we also set out the principles that would drive our thinking in preparing the Council's Budget, and would guide the difficult decisions that need to be made over where to find savings and to cut costs, whilst also investing in necessary improvements in our vital services.

Our principles to underpin budget decisions:

- We will be policy-led and stick to our decisions
- We will make decisions based on evidence of need and of what works, with due regard to our equality duty
- We are planning for at least 3 years
- We must be a more productive and affordable organisation
- We will stop doing some things to focus on those that matter most to local people
- We will invest in innovative new ways of providing services
- We will ensure that those who provide services, whether inhouse or externally, give real value for money
- We will promote self reliance and capacity in local communities to reduce demand on public services
- We will focus our limited resources on prevention and early intervention
- We will invest in infrastructure to promote local economic growth and access to job opportunities

- 1.4 As well as ensuring that our main priorities for improvement are properly resourced, I want to create a Council that is financially stable. So, we have also taken a prudent approach in a time of unprecedented change and uncertainty in local government, and of growing demand for some local services, such as care for those who are elderly and vulnerable.
- 1.5 This sound financial management and wise stewardship of public money is what this Council is about under my leadership. Hard pressed, hard working local people and families can be confident that we are on their side, and that they can rely on us in these uncertain times.
- 1.6 Over the past few months, the intensive and wide-ranging work I and my Cabinet have done means that we can confidently make decisions now on the best use of the Council's resources. My recommendations to Council for a balanced budget over the next 3 years will protect and enhance our essential frontline services, retain sufficient skilled staff to get the job done well, and give local people even better value for money as we cut our costs. This approach is also the best way to make our contribution to reducing the burden of public debt and to create greater prosperity for hard working local people.

2 Recommendations

That Cabinet recommends to Council that Members:

- 2.1 Note the ongoing Budget Engagement exercise undertaken by the Council, as set out in the attached Appendix 4;
- 2.2 Note the comments of the Council's Chief Finance Officer regarding the robustness of estimates and level of reserves held by the Council based on these budget proposals;
- 2.3 Approve my 2013/2016 Budget Report, which presents the financial implications of the Medium Term Financial Strategy, and the detailed changes needed to implement it, as set out in the attached Appendix;
- 2.4 Approve the 3 Year Capital Programme for 2013/14 to 2015/16 as set out in the attached Appendix 3;
- 2.5 Approve a Band D Council tax of £1,216.34 (no change from 2012/13);
- 2.6 Approve the recommended Reserves Strategy;
- 2.7 Note the 2013/14 non ring-fenced Specific Grants, and that any amendments to particular grants, in the light of further information received from government Departments or other funding bodies, will be reported to Council;
- 2.8 Agree the 2013/14 Dedicated Schools Grant (DSG) of £182.4 million and the associated policy proposals;

- 2.9 Authorise the Children's and Family Services Portfolio Holder to agree any necessary amendment to the DSG position in the light of further information received from DfE, pupil number changes, further academy transfers and the actual balance brought forward from 2012/13;
- 2.10 Note the receipt by the Council of the transferred and ring-fenced grant for Public Health functions, and acknowledge the positive benefits for local people from the Council acquiring these new functions and responsibilities from 1 April 2013;
- 2.11 Approve the recommended Prudential Indicators for Capital Financing to Council for approval; and
- 2.12 Note the risk assessment detailed in the Chief Finance Officer's report.

3 Good Business Planning and the Use of Reserves

- 3.1 Our 3 Year Plan identifies the core purpose of the Council, reflects the changing role of local government, responds positively to the challenge of major funding reductions, and is in line with policy changes at both national and local levels. Since I introduced this last October, further conversations on the best way forward have taken place with Members, our staff, our local partners, and others with a stake in the future of Cheshire East.
- 3.2 This has resulted in an improved Plan. In particular, the major change programmes we identified as necessary in October, have been developed further through our improved business planning process. The updated list of change programmes is set out in the first appendix to my report.
- 3.3 Our ambitious change programmes have been an important focus for the rigorous budget setting process undertaken by me and my Cabinet over the past few months. They are the key to us putting all our creative energy and resources into those areas of change which will ensure maximum value for money for local people – and also build a sustainable Council for the future.
- 3.4 Our business planning process has helped us to group together all the change proposals that I intend to bring forward and put in place over the next 3 years. The appendices attached to my report set out how these proposals will deliver against our agreed priorities; show the major change programmes by Head of Service; and list the individual projects in detail (using the change programme numbering to assist the read across).
- 3.5 All the major change programmes are supported by thorough Business Cases and by Action Plans to put them in place in a planned way. These will, of course, be subject to review under our recently formed member-led Executive Monitoring Board, which is already doing excellent work and providing strong and healthy challenge to our managers and Cabinet Portfolio Holders.
- 3.6 The change programmes themselves are necessarily supported by a recommended service transformation investment budget. This is sufficient to

create the right pace to drive us forward quickly, so that we can reduce our costs further in the later years of our funding strategy. In other words, I will ensure that we invest to save – and to provide better value for money, whilst avoiding any increases in the tax burden on our local residents. By funding this essential investment from Government Council Tax freeze grants, I have avoided the need for deeper cuts in our spending.

- 3.7 The bold approach I and my Cabinet are recommending will involve some risk, given the scale and pace of changes involved. However, this will be well-managed and closely monitored, not least so that we can also take full advantage of the new opportunities the changes will present to do things better and more cheaply in future.
- 3.8 Our ambitious change programme will be supported also by my recommendation to maintain a prudent level of reserves. This will be reassessed each year, to determine the level of risk cover required. In other words, as our robust improvement plans are put in place, we should be able to reduce our reserves level, as we become more confident that our spending targets will be met, in an unparalleled period of turbulence and uncertainty over funding levels. Our reserves will also allow us to iron out any peaks or troughs in our spending over this period, to ensure that our Budget balances over the life of the Council's agreed 3 Year Plan.

4 The Main Headlines

- 4.1 To make it easier for people to understand what I am recommending in this 3 Year Financial Strategy, I have listed below the main elements of the sound thinking that has come out of the work that I and my Cabinet have done. The detail behind these is set out in the appendices to my report.
- 4.2 I will not try to disguise the fact that some difficult decisions, choices and trade-offs have been unavoidable. But, we have stuck to our principles and priorities, and we have protected both the scope and quality of essential frontline services, as well as our commitment to those local people who are vulnerable or most in need. Have no doubt though that this is possible only because of the major changes we intend to make in the way we do things in the future.

Lifting the burden of taxation

- 4.3 There will be no increase in Council Tax this year. This is the third year that local tax levels have not risen and Council Tax will remain frozen next year and the year after that also. This means that by 2015, we will have saved the average local Council Tax Payer over £470.

The added benefit of this approach is that we have gained additional Government funding which we have applied to improving the way we work in ways which will reduce our costs in the future.

Giving better value for money

- 4.4 We will be cutting out millions of pounds of unnecessary costs, by being more efficient in the way we work, without affecting essential frontline services. Indeed, the bulk of our savings comes from elected Members insisting on good management of our limited resources. Cutting out waste, bureaucracy and duplication means we will give local people even better value for money in future.

Reducing management overheads and improving productivity

- 4.5 By changing the way the Council is structured, we will reduce the tiers and numbers of managers, cutting these overheads by a quarter, saving £5 million a year by 2015. This will remove unhelpful internal barriers and service silos, to make the whole organisation more effective and easier for local people and businesses to get what they need from us.
- 4.6 By changing the way our staff do things, we will do more with less in future. Over the next few years our wages and salaries bill will reduce by at least 20%, as we change to operate with a thousand fewer posts, and move a similar number of our staff into new local service delivery businesses.
- 4.7 By careful management of staff turnover as posts become vacant, we will keep the number and cost of staff redundancies to a minimum, so that we don't put local people on the dole. At the same time, we will keep the best of our experienced and committed staff, and we will update their skills to keep service standards high, as well as give them modern tools to do their jobs better.

Sweating our assets

- 4.8 We will introduce more flexible working arrangements and share more with our partners, (such as Health, the Police, and Fire and Rescue Services). This will cut the number (and cost) of the buildings, depots and facilities we operate, while offering more convenient, joined up local services to our residents.
- 4.9 We will dispose of unwanted land and property, and invest this income (our ambition is that this should be over £12 million a year) to improve our local economy and create local jobs. Where we own sites which are ripe for development, we will use these to attract investment for the building of new houses, workplaces and roads, to make our local communities more vibrant and flourishing.

Growing our economy

- 4.10 We have committed to growth and to making Cheshire East a more prosperous place. Our ambitious plan will put in place the new infrastructure to do this, creating 27,000 new homes to deal with the shortage for both existing and new residents, and at least 20,000 jobs by 2030. In the next three years the Council's Capital Programme is in excess of £220 million. By managing assets

and linking with national and regional funding, it is expected that less than half of this programme will require local financing.

- 4.11 Over the next three years, we will invest £25 million in our road network, to make major improvements in the condition of over 200kms of the Borough's worst roads. This will include filling over 50,000 potholes every year.
- 4.12 Additional investment will be made also in new infrastructure to improve key transport routes, such as the Congleton Relief Road and Poynton Relief Road. At the same time, we will continue to make progress on the Crewe Green Link Road and Crewe Rail Exchange, as well as major projects like the Manchester Airport to A6 Relief Road (with benefits for Handforth, Poynton and Disley) and the A556 motorway project.
- 4.13 We will enter into a Joint Venture with AstraZeneca, one of our many international corporations based in East Cheshire, to develop a new Science Incubator Park in Alderley alongside a world class R & D facility. This will attract leading talent from around the world to Cheshire to set up their science businesses. This is just one example of how the Council will use our assets or funding to invest to generate jobs and create the right conditions for local companies to grow.
- 4.14 We will set up a new Development Company to drive forward our programme of major infrastructure improvements efficiently, effectively, and quickly. This will also ensure that our substantial portfolio of land and property assets is used to generate substantial external investment and realise the benefits of a revitalised local economy. To assist with this, we have reshaped our extensive Capital Programme to make a bigger investment of £200 million over the next few years in supporting economic growth, and in providing income to the Council to sustain the good quality of our services.
- 4.15 At the same time, we will provide expertise and staffing support to the Local Enterprise Partnership for Cheshire and Warrington, to promote Cheshire East as a great place to do business. This will ensure that we capture the maximum benefit for our towns and villages from Government funding and private sector investment in economic growth to make Cheshire East a more prosperous place.

Getting a better deal

- 4.16 We will enter into new and better contracts for a wide range of goods and services – such as building and property services, facilities management and cleaning, waste services and car parking, as well as social care services – from good quality suppliers and providers. This will reduce our costs, improve choice for local people, and maintain good quality.
- 4.17 Where it makes sense, we will also set up our own businesses, including arms-length companies, social enterprises, and staff mutuals. These will also be commissioned by us to find innovative solutions, to make quick improvements in our services, and to reduce costs – for example, in bereavement services, and

in leisure, culture and recreational services, as well as in some social care services for both children and adults.

- 4.18 This more commercial and entrepreneurial approach will make “public profit” – money that can be invested in better services and more secure local jobs, without increasing taxes to pay for the improvements.

Retaining facilities at the heart of our communities

- 4.19 We will set up new arrangements for the running of our 14 leisure facilities, which will reduce costs by almost £1 million a year, and provide investment to enhance these valuable assets and keep them up to date. This is an important part of our move to promote healthier lifestyles and reduce future costs for us and for the NHS.
- 4.20 By investing £300,000 in developing a new model for sustainable local library services and community hubs, we will change how this important service is delivered. But, this means we can continue to provide libraries in 16 towns across Cheshire East, as we do today, while cutting out £1 million of unnecessary costs.
- 4.21 Working with important local partners, like our Town and Parish Councils, as well as directly with local communities, we will devolve more of our services and community assets to local level. This will help us harness energy and ideas, encourage volunteers to get involved directly, and tailor what we do to local tastes and preferences.
- 4.22 Through a new emphasis on our enforcement powers, we will work with local community groups and businesses to change the behaviour of those who undermine our quality of life or threaten our environment.

Protecting the vulnerable and the elderly

- 4.23 We will reshape the market locally for the provision of social care. This will reduce our reliance on costly specialist placements outside the Borough, to keep local people close to their families, friends and communities.
- 4.24 For example, we will grow our fostering and adoption options, increase supported and sheltered housing, and adapt people’s homes to help them live independently as long as possible. This will reduce the cost of expensive alternatives, like residential care homes.
- 4.25 Working more closely with our partners – like Health and the Police – we will change the way that we provide reablement, respite and intermediate care for adults. This will involve, for example, investing in more or better facilities, such as the expansion and redesign of Hollins View in Macclesfield, along with building alternative and better accommodation for care support.

Showing that “prevention is better (and cheaper) than cure”

- 4.26 Whilst cutting out unnecessary costs and inefficiencies, we will invest more in improving early intervention and prevention for both children and adults in need. This will also reduce demand for more costly “acute” services at a later stage, as well as promoting greater independence and self-reliance for those involved – for example, by reducing the number of local children needing to be taken into care.
- 4.27 We will target our services to where they are needed most, reducing them where levels of deprivation and social need are low, and we will look for the best value, high quality, reliable local providers, as well as encouraging new, more effective approaches.

Protecting the rights and entitlements of learners

- 4.28 We will continue to reshape the Council’s relationship with increasingly autonomous local schools. This will involve offering them good, value for money support services, to be paid for from their own locally managed resources.
- 4.29 We will act as “guardian” of the interests of pupils, students and parents – protecting those who are vulnerable or who have special needs, and ensuring that school standards are closely monitored.
- 4.30 We will be proactive in pursuing opportunities to develop the skills for work of our young people – this will include pursuing the development of a new University Technical College with key business partners in Crewe, focussed on the growth of engineering opportunities in the town and the surrounding area.
- 4.31 Additionally, we will take steps to secure investment in better special school provision with Free School Partners – we expect to see the proposed new special school in Alsager for children with autism come to fruition, subject to the release of capital funds by the Government for this important development for local children and young people.

5 Wider Engagement in Setting the Budget

- 5.1 Our Business Planning process provides the best way for us to fulfil our statutory duty to consult on our Budget proposals, for example with certain local stakeholder groups, local schools and local businesses. Of course, we also choose to consult more widely with others, including our local partner public services, like Health and Fire and Rescue, as well as Town and Parish Councils, for example.
- 5.2 This process has been under way for some time, as our thinking has advanced, and will continue in its later stages up to (and beyond, where necessary) the final decision making at Council later this month. The major uncertainties over funding levels being faced by local councils currently have made it challenging to produce the Budget proposals recommended here, and so full engagement

with the public on them is being undertaken at a later stage than normal. That is why, in some cases, they remain subject to feedback from further targeted consultation activity, before they will be finalised and implemented (with revised financial projections where necessary).

5.3 Details of our Business Planning engagement process are attached to my report.

6 **Summary**

6.1 In difficult times, when the going gets tough, the tough get going! The financial strategy set out here by me and my Cabinet is based on taking some tough decisions. But, with skill and careful choices, we have created new opportunities to invest in the future of Cheshire East, whilst protecting the quality of our essential frontline services.

6.2 This is the ideal combination of sound financial management and bold creative thinking that people are coming to expect from my administration.