

# CHESHIRE EAST COUNCIL

## Cabinet

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<b>Date of Meeting:</b>	4 <sup>th</sup> February 2013
<b>Report of:</b>	Finance Manager and Deputy S151 Officer
<b>Subject/Title:</b>	3 Year Medium Term Financial Strategy 2013/2016 - Budget Report
<b>Portfolio Holder:</b>	Councillor Peter Raynes Portfolio Holder for Finance

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### 1.0 Report Summary

- 1.1 The Cheshire East Council Budget Report for 2013/2016 has been produced following engagement on the Business Planning Process during January and February 2013. The Budget Report provides financial background to the Medium Term Financial Strategy Report as well as setting out further details of the approach to funding the Three Year Council Plan.
- 1.2 The Budget Report sets out, in detail, the spending plans and income targets for the financial year starting 1<sup>st</sup> April 2013, as well as financial estimates for the 2014/2015 and 2015/2016 financial years.
- 1.3 The 2013/2016 Budget Report will be reported to Cabinet on 4<sup>th</sup> February 2013. Cabinet are asked to recommend the report to Council for approval. Any changes made as a result of the engagement process and further debate will be amended in the final report made available to Members ahead of the Council meeting in February 2013.
- 1.4 This report pre-dates final publication of the Local Government Finance Report for 2013/2014. The figures are not confirmed until approved by Members of Parliament following a debate in the House of Commons. Therefore, the Budget Report is based on the provisional settlement issued on 19<sup>th</sup> December 2012 and any subsequent updates received prior to this report being submitted.
- 1.5 One key piece of information relates to funding available to the Council for services that support schools. This is known as the Education Services Grant (formerly Local Authority Central Spend Equivalent Grant or LACSEG). For 2013/2014 this funding has been removed from general funding allocations and withheld centrally by the Government. It is expected this funding will be reallocated to local authorities or academy schools on a pupil number basis. This rationale has been generally accepted.

- 1.6 At this point in time the Council does not have a confirmed figure for its Education Services Grant allocation. Therefore, the Budget Report contains a prudent estimate of £4.7m being returned to the Council. Any update to this figure will be reported to Members.
- 1.7 Any resulting impact in terms of changes to funding will be managed through General Reserves. Therefore, a balanced budget position will be maintained. Should there be any changes they will be notified to Members at the earliest opportunity.

## **2.0 Decision Requested**

- 2.1 Note the comments of the Deputy S151 Officer, regarding the robustness of estimates and level of reserves held by the Council based on this budget (**Appendix A**, Comment from Finance Manager and Deputy S151 Officer).
- 2.2 Recommend the 2013/2016 Budget Report (**Appendix A**) to Council for approval as part of the Medium Term Financial Strategy Report.

## **3.0 Reasons for Recommendations**

- 3.1 In accordance with the Budget and Policy Framework Rules of Procedure, Cabinet on 4<sup>th</sup> February 2013, will recommend to Council for approval the Budget for 2013/2014, subject to any changes as a result of the final funding settlement (which is subject to approval by Members of Parliament) and the draft Capital Programme.
- 3.2 A copy of the Budget Report (which includes the Budget and draft Capital Programme) is attached at **Appendix A**.
- 3.3 The Deputy 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, she is satisfied with the robustness of the estimates making up the Council Tax Requirement of £166,787,205 and she is satisfied with the adequacy of the financial reserves for the Council.
- 3.4 Further to the above statement it can be reported that the Medium Term Financial Strategy Report from the Leader of the Council is based on sound financial principles and reflects sufficiently detailed plans that can maintain the financial resilience of the Council in the medium term.
- 3.5 It should be noted that the Council Tax requirement has reduced significantly on previous years as a result of the Council Tax Support being introduced to replace Council Tax benefit and treated as a discount to Council Tax bills.

#### **4.0 Wards Affected**

4.1 Not applicable.

#### **5.0 Local Ward Members**

5.1 Not applicable.

#### **6.0 Policy Implications including - Carbon reduction - Health**

6.1 The report outlines policy proposals which will impact on service delivery.

#### **7.0 Financial Implications (Authorised by the Deputy Section 151 Officer)**

7.1 The report includes details of policy proposals which will affect service budgets from 2013/2014 onwards.

#### **8.0 Legal Implications (Authorised by the Borough Solicitor)**

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

#### **9.0 Risk Management**

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

- The Council must set a balanced Budget.
- The Council must set a legal Council Tax for 2013/2014.
- 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.

9.2 A risk assessment of the significant proposals being put forward has been carried out by each directorate and included as part of the service planning process.

9.3 It is important to note that the Council faces significant financial challenges in achieving its desired outcomes. Appetite for risk will need to be developed for different courses of action, particularly in relation to seizing opportunities for introducing new, innovative models of service delivery, and a more locally focussed funding regime, as well as a different range of service providers. A revised approach to risk appetite and management will be further considered by Cabinet and Council as the 3 Year Plan and budget are developed over the coming months.

## 10.0 Background and Options

10.1 The Business Planning Process was agreed by Cabinet on 23<sup>rd</sup> July 2012. Following this stage, a number of national and local developments have influenced the process. These include:

- Confirmation that revised funding arrangements would be introduced from April 2013 in respect of Business Rates and Council Tax Support.
- A much greater reduction in funding levels for 2013/2014 than had originally been expected.
- Changes within the Council to Cabinet, the Committee Structure and Senior Officers.
- An enhanced quarterly performance monitoring process which has confirmed that significant base budget pressures were being experienced in the 2012/2013 financial year.

10.2 As a result there have been a series of distinct stages of the Business Planning Process with reports in relation to the Council's financial position being taken to Cabinet in October, November and December 2012. Members have been briefed on the 3<sup>rd</sup> October 2012 and a further session is scheduled for 29<sup>th</sup> January 2013.

10.3 This report includes a single appendix which provides all the detail behind the 2013/2014 budget:

- **Appendix A:** The Budget Report for 2013/2016 (including the Reserves Strategy for 2013/2016)

## 11.0 Access to Information

11.1 The background papers relating to this report can be inspected by contacting the report writer:

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