

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting: 22nd July 2013
Report of: Interim Chief Operating Officer
Subject/Title: Budget Setting Process 2014/2017
Portfolio Holder: Councillor P Raynes, Finance

1.0 Report Summary

- 1.1 This report seeks approval of the Council's Budget Setting Process for 2014/2017 onwards.
- 1.2 In February 2013 the Council approved:
- The Medium Term Financial Strategy Report from the Leader of the Council setting out the Council's priorities.
 - The Council's Budget Report 2013/2016 setting out how the priorities would be funded.
- 1.3 The Budget Report will be subject to annual update as further information over funding levels becomes available and the Council develops more detailed plans for later years.
- 1.4 The outcome of the update process will be the production of a revised Budget Report in February 2014 to set the Budget, Capital Programme and Council Tax.
- 1.5 A comprehensive process is required to achieve that outcome and this report sets out the framework for Members and officers to follow.

2.0 Recommendation

- 2.1 Cabinet is recommended to agree the Budget Setting Process to develop a Budget Report for 2014/2017.

3.0 Reasons for Recommendation

- 3.1 The Council requires an agreed process to set a budget for 2014/2017. However, the Council needs to consider the approach to delivering the Sustainable Community Strategy and Council Plan Priorities and link those ambitions with resource allocation in a managed way.

4.0 Wards Affected

4.1 Not applicable.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications

6.1 The report outlines the need to generate policy proposals which will impact on service delivery.

7.0 Financial Implications

7.1 The report includes details of policy proposals which will affect service budgets from 2014/2017 onwards.

8.0 Legal Implications

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 will 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 2014/2015.
- The Council should provide high quality evidence to support submissions for external assessment.
- Council borrowing will comply with the Treasury Management Strategy which is underpinned by the Prudential Code.

9.2 A risk and equality assessment will be carried out by the proposing directorate for all key proposals as part of their development. This will be in line with the approach to Corporate Risk Management and enhanced through the Council's project management framework.

9.3 The Budget Setting Process itself has been reviewed in terms of equality impact. The conclusion is that the process does not disadvantage any of the groups with protected characteristics. Setting and approving the Budget is a democratic process which involves all elected Members (representing all communities within Cheshire East). The Council also places information on its website to inform and engage with all service users.

10.0 Background and Options

- 10.1 Significant internal changes are taking place within the Council as it moves on from successfully delivering to budget in 2012/2013, to implementing the 2013/2014 Budget and Capital Programme and considering the requirements for the next three year period 2014/2015 to 2016/2017.
- 10.2 These changes include:
- A new senior management team and on-going review of all management posts as the Council is restructured.
 - The move to a Strategic Commissioning model.
- 10.3 There are major challenges in managing these changes while continuing to deliver the Council's ambitions and deal with reducing levels of funding. A strong Budget Setting framework is required to enable this to happen and this report puts that framework before Cabinet for agreement.
- 10.4 Several key assumptions are being made:
- The Council Plan and budget principles continue to form the basis for decisions over service levels.
 - The Council is facing a challenging financial environment with a potential funding shortfall of £35m forecast over the next three years (see table 1 below). Much work remains to be done to inform this funding shortfall as a result of the new Business Rates Retention Scheme, recently announced Comprehensive Spending Review 2013 and the need to review all financial planning assumptions. These actions will be picked up through the process.
 - The Council's Major Change Programme will be examined to see if the individual schemes can be expanded to assist with addressing the funding shortfalls or new schemes are required.

Table 1 – Estimated Funding Gap

	2014/2015 £m	2015/2016 £m	2016/2017 £m	Total £m
Funding Gap	8.3	14.1	12.0	34.4

Source: Appendix 3

- 10.5 It should be noted that steps to balance years 2 and 3 were factored into the Budget Report agreed in February 2013. These are considered later in the report.
- 10.6 The 2013/2016 process introduced a number of improvements including:

- Fewer meetings involving the whole of Cabinet and senior management team to develop and review proposals.
- Greater involvement of wider Members.
- Use of the new Project Management framework.
- Increased transparency and availability of information.

The new process will build on these and continue the theme of continual improvement.

10.7 The intention is to produce a fully updated Budget Report and Medium Term Financial Strategy for Cabinet and Council in February 2014. This report sets out the key steps and includes the following appendices:

- Appendix 1 – Overview and Budget Setting Assumptions.
- Appendix 2 – The Council's Priorities.
- Appendix 3 – Financial Stability.
- Appendix 4 – Measures to Balance the Budget.
- Appendix 5 – The Budget Setting Process.
- Appendix 6 – Engagement.

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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