

CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting:	4 th February 2014
Report of:	Chief Operating Officer (Section 151 Officer)
Subject/Title:	The Council's Medium Term Financial Strategy 2014/2017
Portfolio Holders:	Councillor Jones / Councillor Raynes

1 Report Summary

- 1.1 Residents of Cheshire East Council are enjoying the best quality of life in the Northwest, and the Council, through this Medium Term Financial Strategy, is continuing to support economic growth, choice for service users and safeguarding of vulnerable people.
- 1.2 The 2013/2014 Budget is being achieved, even against a backdrop of reducing government grants, and this forms the solid base to manage expenditure in the medium term. The 2014/2015 Budget is balanced, including provision to freeze Council Tax for a fourth consecutive year. Medium term deficits, caused through on-going reductions in public sector spending, will be addressed through the continued focus on efficiency, local service delivery and a drive towards economic prosperity.
- 1.3 This report provides the two documents which make up the Medium Term Financial Strategy (MTFS) for the period 2014/2015 to 2016/2017. They are:
 - **Appendix A** – The Leader's Report 2014/2017 ~ which sets out the Council's approach to achieving community outcomes over the medium term. The report provides context, highlights achievements to date and gives details of the proposed changes to services.
 - **Appendix B** – The Budget Report 2014/2017 ~ which sets out, in detail, the robust spending plans and income targets that will provide financial support for the achievement of the Council's plans for the financial year starting 1st April 2014, as well as indicative estimates for 2015/2016 and 2016/2017. The report provides information on the balance of funding between central and local government as well as supporting information on requirements for capital expenditure and reserve levels.
- 1.4 Both documents are the result of the Business Planning Process led by the Council from July 2013 to February 2014. They are both being reported to Cabinet for recommendation to Council.
- 1.5 The business planning process will involve considerable engagement with local people and organisations and details of how this process is being managed is also included within **Appendix A**.

2 Decision Requested

That Cabinet recommends to Council that Members:

- 2.1 Note the on-going Budget Engagement exercise being undertaken by the Council, as set out in the attached **Appendix A (Annex 4)**;
- 2.2 Note the comments of the Council's Chief Operating Officer (Section 151 Officer), contained with the Budget Report, regarding the robustness of estimates and level of reserves held by the Council based on these budget proposals (**Appendix B**);
- 2.3 Approve the 2014/2017 Leader's Report (**Appendix A**) as part of the Medium Term Financial Strategy Report;
- 2.4 Approve the 2014/2017 Budget Report (**Appendix B**), which presents the overall financial estimates related to the Revenue & Capital service proposals in the Medium Term Financial Strategy;
- 2.5 Note the ambition and future spending plans of the capital programme, which is designed to flex as funding opportunities allow, whilst ensuring that prudential borrowing remains within affordable limits;
- 2.6 Approve a Band D Council Tax of £1,216.34 (no change from 2013/2014) (**Appendix B**);
- 2.7 Approve the recommended Reserves Strategy and the proposal to create an earmarked investment reserve for £5.3m to improve the financial sustainability of the Council in the medium term;
- 2.8 Note the 2014/2015 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; (**Appendix B, Annex 3**).
- 2.9 Agree the 2014/2015 Dedicated Schools Grant (DSG) of £184.8m and the associated policy proposals; (**Appendix B, Annex 6**).
- 2.10 Authorise the Children and Families Services and Rural Affairs 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 2013/2014;
- 2.11 Approve the recommended Prudential Indicators for Capital Financing to Council for approval; (**Appendix B, Annex 5**).
- 2.12 Note the risk assessment detailed in the Budget Report (**Appendix B, Section 4**);
- 2.13 Note the steps to become a commissioning council.

3.0 Reasons for Recommendations

- 3.1 In accordance with the Budget and Policy Framework Rules of Procedure, Cabinet on 4th February 2014, are asked to recommend to Council for approval the MTFS Report for 2014/2017, including the Leader's Report, Budget Report and the draft Capital Programme.
- 3.2 A copy of the Leader's Report is attached at **Appendix A**.
- 3.3 A copy of the Budget Report (which includes the Budget and draft Capital Programme) is attached at **Appendix B**.
- 3.4 The Council's Chief Operating Officer (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 £167,305,774 and he is satisfied with the adequacy of the financial reserves for the Council.
- 3.5 Further to the above statement it can be reported that the Medium Term Financial Strategy Report from the Leader of the Council (**Appendix A**) is based on sound financial principles and reflects sufficiently detailed plans that can maintain the financial resilience of the Council in the medium term.

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 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 2014/2015 onwards.
- 7.2 The Council will use its agreed Budget Principles to guide decision making. These are set out below:

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 three 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 in-house 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

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 mitigate the four main legal and financial risks to the Council's financial management:
- The Council must set a balanced Budget.
 - Setting the Council Tax for 2014/2015 must follow a legal 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.
- 9.2 A risk assessment of the significant proposals being put forward has been carried out by each service 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. Management of risk will need to be developed to ensure the Council can seize opportunities, introduce new, innovative models of service delivery, focus on funding and review its range of services while identifying and controlling any resulting risks. A revised approach to risk management will be further considered by Cabinet and Council as the Three Year Plan and budget are developed over the coming months.

10.0 Background and Options

Meeting the Council's Priorities

- 10.1 Cheshire East Council is responsible for delivering more than 500 local public services across an area of over 1,100km² for over 370,000 residents. The budget to deliver these services in the period April 2014 to March 2015 will be over £1bn (revenue and capital), which is raised from a combination of local taxes, national taxes (in the form of Government Grants) and payments direct from service users and other organisations that the Council works with.
- 10.2 The Council is continuing to change and adapt to the challenges facing the public sector, while continuing to provide effective services to the residents and businesses of Cheshire East. To continue to improve services and provide better outcomes for local people, within appropriate funding levels, requires constant challenge to the way services are provided. Planning good quality services that people need is achieved through consultation, analysis and prioritisation.
- 10.3 During 2013/2014, the Council developed a Three Year Council Plan for 2013/2016 which set a clear strategic direction for the Authority.
- 10.4 The Council Plan identified the core purpose for the Council, reflecting the changing role of local government, funding reductions, and policy changes at the national and local level. It also identified the key outcomes we are seeking to achieve to improve the quality of life of local people and, therefore, what our priorities are for action and investment over the three year period covered by the plan.

- 10.5 Adding to or amending the change programmes has been an important focus of the budget setting process, ensuring that the Council focuses its energy and resources on those areas of change which will help build a sustainable Council for the future.
- 10.6 Progress in terms of delivery of the proposals has been monitored and reported at regular intervals during 2013/2014 and this will continue during 2014/2015.
- 10.7 The MTFS 2014/2017 - Leader's Report is attached at **Appendix A**.

The Budget Setting Process 2014/2017

- 10.8 The Budget Setting Process 2014/2017 was agreed by Cabinet on 22nd July 2013.
- 10.9 This 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, etc.
- 10.10 Therefore, 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 Cabinet in June, July, November 2013 and February 2014. Members have been briefed on the 23rd July, 7th November and 17th December 2013.
- 10.11 This has been done against a background of continuing reductions in funding levels from central Government, a management restructure and the Authority moving to become a commissioning council.
- 10.12 The Budget Report provides financial background to the MTFS Report as well as setting out further details of the on-going approach to funding the Three Year Council Plan. It sets out, in detail, the spending plans and income targets for the financial year starting 1st April 2014, as well as indicative estimates for the 2015/2016 and 2016/2017 financial years.
- 10.13 The Budget Report is based on the Provisional Local Government Finance Settlement for 2014/2015. At the time of writing, the date of the final settlement, and necessary approval by Members of Parliament following a debate in the House of Commons, is not yet certain.
- 10.14 Any changes made as a result of the final settlement, engagement process and further debate will be reported to Members at the Council meeting on 27th February 2014.
- 10.15 The budget report continues to include estimated grant allocations in relation to Education Support Grant and these will be refined in due course. 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.
- 10.16 The Budget Report for 2014/2017 (including the Reserves Strategy for 2014/2017) is attached at **Appendix B**.

11.0 Wider Engagement in Setting the Budget

- 11.1 The Reports for 2014/2017 have been produced following engagement on the Pre-Budget Report during January and February 2014.

- 11.2 The Business Planning Process provides the best way for the Council to fulfil its statutory duty to consult on its Budget proposals, for example with certain local stakeholder groups, local schools and local businesses. The Council also chooses 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.
- 11.3 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. In some cases, proposals remain subject to feedback from further targeted consultation activity, before they will be finalised and implemented (with revised financial projections where necessary).
- 11.4 Details of our Business Planning engagement process are attached within **Appendix A (Annex 4)**.

12.0 Access to Information

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

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