

CHESHIRE EAST COUNCIL

REPORT TO: COUNCIL

Date of Meeting:	27 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

1.0 Report Summary

- 1.1 Residents of Cheshire East are enjoying the best quality of life in the Northwest, and the Council, through this Medium Term Financial Strategy, is continuing to put local residents and business first by supporting economic growth, providing choice, quality services and safeguarding vulnerable people.
- 1.2 The 2013/2014 financial outturn is on target against a backdrop of reducing government grants, and this forms the solid base to manage expenditure in the medium term. The 2014/2015 Budget Proposals contained within this report are balanced, including provision to freeze Council Tax for a fourth consecutive year. There are still identified budget deficits in the medium term caused through on-going reductions in public sector spending. Our response to these pressures will be developed in 2014 and will be based on innovation and creativity with a continued focus on improving efficiency, productivity and more effective local service delivery. Continuing to create the best conditions for private sector investment, economic growth and prosperity will be critical to the Borough.
- 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 its ambitions of delivering positive community outcomes and supporting businesses 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 the resources 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. The MTFS Report was considered by Cabinet on 4th February 2014 and is being recommended to Council for approval.
- 1.5 The business planning process involved considerable engagement with local people and organisations and details of how this process was managed is included within **Appendix A**.

2.0 Decision Requested

That Council approves:

- 2.1 The Revenue estimates of the 2014/2015 budget and the medium term Capital Programme estimates 2014/2017, as detailed in the Leader's Report (**Appendix A**) and Budget Report (**Appendix B**), which form the overall Medium Term Financial Strategy.
- 2.2 Band D Council Tax of £1,216.34 (no change from 2013/2014) (**Appendix B, Section 2**).
- 2.3 The 2014/2015 non ring-fenced Specific Grants, and that any amendments to particular grants will be reported to Council, if further information is received from Government Departments or other funding bodies (**Appendix B, Annex 3**).
- 2.4 The relevant Portfolio Holder to agree the use of additional Specific Grants received in conjunction with the Finance Portfolio Holder as further updates to the 2014/2015 funding position are received.
- 2.5 The recommended Prudential Indicators for Capital Financing (**Appendix B, Annex 5**).
- 2.6 The Children and Family Services and Rural Affairs Portfolio Holder to agree any necessary amendment to the 2014/2015 Dedicated Schools Grant (DSG) of £184.8m and the associated policy proposals, in the light of further information received from DfE, pupil number changes, further academy transfers and the actual balance brought forward from 2013/2014 (**Appendix B, Annex 6**).
- 2.7 The recommended Reserves Strategy and the proposal to create an earmarked investment reserve for £5.3m to be used to improve the financial sustainability of the Council in the medium term (**Appendix B, Annex 7**).

That Council notes:

- 2.8 The Budget Engagement exercise undertaken by the Council, as set out in the attached **Appendix A (Annex 4)**.
- 2.9 The comments of the Council's Chief Operating Officer (Section 151 Officer), contained within the Budget Report, regarding the robustness of estimates and level of reserves held by the Council based on these budget proposals (**Appendix B, Comment from the Chief Operating Officer**).
- 2.10 The risk assessment detailed in the Budget Report (**Appendix B, Section 4**).
- 2.11 That the estimates and profiling within the Capital Programme 2014/2017 reflect the ambition and future spending plans of the Council, which may vary as funding opportunities, prudential borrowing limits and operational capacity are confirmed (**Appendix B, Annex 6**).
- 2.12 That projects will be managed through the Executive Monitoring Board. The Council's Finance Procedure Rules will always apply should any additional spending requirements be identified (**Appendix B, Annex 6**).
- 2.13 The progress made to become a commissioning council.

3.0 Reasons for Recommendations

- 3.1 In accordance with the Budget and Policy Framework Rules of Procedure, Council is requested to approve the MTFS Report for 2014/2017, including the Leader's Report, Budget Report and the Capital Programme estimates, following recommendation by Cabinet.
- 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 Capital Programme estimates) 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 continually embedded 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 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 within the level of resources available.
- 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 Leader's Report 2014/2017 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 and priorities.
- 10.10 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 undertaken against a background of continuing reductions in funding levels from central Government, a comprehensive management restructure and the Authority commencing the journey 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 Final Local Government Finance Settlement for 2014/2015. This was released on 5th February and agreed by Members of Parliament following a debate in the House of Commons on 12th February 2014.
- 10.14 The budget report continues to include estimated grant allocations in relation to several items including Education Services Grant. 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.
- 10.15 The Budget papers have been updated for three grants confirmed after Cabinet met on 4th February. These include:
- SEN Reform Grant,
 - Adoption Reform Grant and,
 - Individual Electoral Registration Grant.

Funding has been confirmed for 2014/2015. The overall impact on the budget is net nil and the schedules at **Appendix B, Annex 2 and Annex 3** have been revised.

- 10.16 Based on the engagement process, some of the narrative within the report has been improved to assist clarity and to respond positively to comments received.
- 10.17 Any changes made as a result of the engagement process and further debate will be reported to Members at the Council meeting on 27th February 2014.
- 10.18 The Budget Report 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 made at Council when this report will be considered. 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 the Council's 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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