

# CHESHIRE EAST COUNCIL

## Staffing Committee

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<b>Date of Meeting:</b>	23 October 2014
<b>Report of:</b>	Chief Operating Officer (Section 151 Officer)
<b>Subject/Title:</b>	2015/16 Pre-Budget Report

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### 1.0 Report Summary

- 1.1 Cheshire East Council is engaging stakeholders in the Budget Setting Process for 2015/16 at a much earlier stage than before. This enables the Council to develop a set of high level proposals to respond to the estimated levels of funding available in the medium term. The proposals were in the Pre-Budget Report 2015/16.
- 1.2. This report introduces the Pre-Budget Report 2015/16 to the Staffing Committee. The budget will be set by Council in February 2015, once the open and transparent process of consultation is complete. All stakeholders are invited to comment and offer alternative proposals on how the Council can continue to put residents first and target scarce resources to the areas of most need.
- 1.3. The Pre-Budget Report gives details of how the Council currently intends to vary existing budgets to continue to maintain viable and sustainable services to local people. Significantly the report sets out proposals to:
  - i. Freeze Council Tax for a fifth consecutive year.
  - ii. Enter in to no additional borrowing in 2015/16.
  - iii. Maintain appropriate reserves levels that protect against risks.
  - iv. React to changes in demand and existing budget proposals that can reduce net expenditure by £6.6m, including:
    - a. Increasing spending in Adult Services.
    - b. Forecasting income from growth in the tax base and increasing returns on investments.
    - c. Reducing overall spending in all other service areas by targeted interventions.
- 1.4. By engaging on the Pre-Budget Report from September 2014 the Council is demonstrating continuing improvements in financial planning, control and transparency. This early opportunity to comment on proposals is 3 months ahead of the process followed in 2013, and presentations have already been made to Members in July and August.
- 1.5. Comments received throughout the process will support Cabinet in developing the recommendations for a balanced budget to be agreed in February 2015. Stakeholders are therefore being provided with an opportunity to not only consider the proposals in the report but also to consider additional recommendations for consideration as potential budget variations.

- 1.6. Early responses to the Council's proposals support the strong process to achieve a balanced financial position and put residents first. This is important as Cheshire East is the third largest Council in the Northwest of England, responsible for over 500 services, supporting over 370,000 local people. Meeting the complexity of demand from local people requires annual spending in the region of £750m.
- 1.7. The Council's journey to becoming a strategic commissioning council is now well developed and 2015/16 will be the final year of the Council's 3 year plan. The Pre-Budget Report further demonstrates how the Council is continuing with its approach to dealing with the challenges of austerity. This approach provides a platform to redefine and reinvent the Council in a systematic way. The Council's focus is to deliver a high level of sustainable, quality, and cost effective services that are needed by Cheshire East residents and businesses.
- 1.8. This builds on the strong financial performance of the Council during 2013/14 as independently confirmed by the recent External Audit Report. The Council received an unqualified Value for Money conclusion on its arrangements to secure economy, efficiency and effectiveness in its use of resources and was praised for managing its finances effectively within its budget.
- 1.9. The attached report, **Annex 1**, is structured into these important sections:
- |                       |   |
|-----------------------|---|
| <b>Pages 1 to 9</b>   | <b>Introduction and Comments from the Finance Portfolio Holder and the Chief Finance Officer.</b>               |
| <b>Pages 10 to 24</b> | <b>Details on proposals to vary the Council's current budget.</b>   |
| <b>Pages 25 to 39</b> | <b>Information about important dates and financial estimates that inform the overall process for budgeting.</b> |

## **2.0 Recommendations**

- 2.1 Staffing Committee are asked to:
- a. note the contents of the Pre-Budget Report 2015/16 as provided at **Annex 1**, and:
  - b. Consider alternative areas that could require further analysis by Cabinet.

Notes from the meeting will be fed back to Cabinet in support of the overall process to provide a balanced 2015/16 budget.

## **3.0 Reasons for Recommendations**

- 3.1 The Council's annual budget forms part of the overall Medium Term Financial Strategy of the Council and is a key decision. The Pre-Budget Report 2015/16 provides an early indication of proposals to vary existing plans. Feedback on these proposals, from stakeholders, is requested to ensure a robust process is achieved.

- 3.2 Feedback from Members of the Staffing Committee provides insight and analysis that supports the overall legal requirement for the Council to set a balanced annual budget.

#### **4.0 Wards Affected**

- 4.1 All

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

- 5.1 All

#### **6.0 Policy Implications**

- 6.1 The report outlines proposals that may affect the medium term policies of the Council.

#### **7.0 Financial Implications (Authorised by the Chief Operating Officer)**

- 7.1 The current medium term financial forecast highlights a potential revenue deficit of £6.6m in 2015/16 and £15.4m in 2016/17. The report specifically includes financial proposals that are intended to lead to the balancing of the 2015/16 budget support a reduction in the deficit for 2016/17.
- 7.2 The Chief Operating Officer (as Section 151 Officer) has a responsibility to ensure the annual budget is balanced, includes robust estimates and is supported by adequate reserves.
- 7.3 The rolling three year Medium Term Financial Strategy of the Council has moved forward to consider the period 2015/16 to 2017/18. The Pre-Budget Report sets out proposals to address 2015/16, however, there is an identified funding gap for 2016/17 and the expectation of further austerity measures in 2017/18.
- 7.4 The on-going impact of the proposals in the Pre-Budget Report, including the revised estimates surrounding the taxbase, will help to reduce future financial deficits.

#### **8.0 Legal Implications (Authorised by the Head of Legal Services)**

- 8.1 The Council has legal responsibilities to provide local services that will be funded from Council resources.

#### **9.0 Risk Management**

- 9.1 Performance and risk management are part of the management processes of the Authority. Risks are captured both in terms of the risk of underperforming and risks to the Council in not delivering its objectives for its residents, businesses, partners and other stakeholders. Risks identified in this report will be used to inform the Corporate Risk Register.

## 10.0 Background

10.1 Each year the Council operates a rolling Business Planning Process to match resources with service needs by consideration of the Council's priorities, risks and targeted service changes. The process addresses these requirements through four stages:

- **Set parameters** ~ assess funding levels through reviewing corporate funding assumptions in relation to Council Tax etc and agree the Council's priorities going forward.
- **Gather Evidence** ~ develop proposals to manage the reduction in resources and additional growth pressures through changes to services, efficiency savings, increasing income etc.
- **Consult and Refine** ~ share the proposals with Members and interested parties for comment and an invitation for further suggestions for making savings. Further internal challenge will develop the detail behind the proposals.
- **Approve** ~ Finalise the funding position and proposals. Cabinet and Council set the Budget.

10.2 This year has seen a significant change to the process to develop proposals much earlier in the year. This provides an opportunity for the "**Consult and Refine**" stage to share those proposals with interested parties at a much earlier stage, and allow more time for engagement (including use of social media) and to consider the feedback.

10.3 The proposals have been released in the Council's Pre-Budget Report which is attached as **Annex 1** to this report.

10.4 Further details on the process to date and the timetable to approval are set out in the Pre-Budget Report at pages 25, 26 and 39 respectively.

10.5 The Council continues to face financial challenges in the medium term and the position for 2016/17 and 2017/18 will be refined as the full impact of the 2015/16 proposals is understood and further information on funding levels is released.

## 11.0 Access to Information

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

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