

# CHESHIRE EAST COUNCIL

## REPORT TO: CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

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<b>Date of Meeting:</b>	2 <sup>nd</sup> December 2014
<b>Report of:</b>	Chief Operating Officer (Section 151 Officer)
<b>Subject/Title:</b>	Engagement on the Council's Pre-Budget Report 2015/16
<b>Portfolio Holders:</b>	Cllr. Peter Raynes

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### 1.0 Report Summary

- 1.1. This report updates Corporate Overview and Scrutiny Committee on the engagement exercise on the Pre-Budget Report (**Annex 1**). Details are provided of the meetings supported and the feedback received to date (**Annex 2**). It also highlights the requirement for the Committee to provide feedback on the Pre-Budget Report to Cabinet on behalf of the overview and scrutiny function. An overview of the engagement process is also summarised (**Annex 3**).
- 1.2. Cheshire East is the third largest council in the Northwest of England, responsible for over 500 services, supporting over 370,000 local people. Annual spending is more than £750m, with a balanced net budget for 2014/15 of £253.8m. The complexity of customer demands and the size of the organisation make it very important to manage performance and control expenditure to ensure the best outcomes for residents and businesses.
- 1.3. The robust budget setting process forms part of the continued improvement in financial planning, control and transparency. The good work undertaken has resulted in the Council receiving an unqualified value for money judgement for 2013/14 and an improved audit letter by our independent external auditor, Grant Thornton.
- 1.4. The Budget Setting process for 2015/16 has followed a four stage process of:
  - i) Set Parameters.
  - ii) Gather Evidence and Develop Proposals.
  - iii) Consult and Refine.
  - iv) Approve.
- 1.5. The Council is currently in the “consult and refine” stage of the process. This commenced on 4<sup>th</sup> September 2014 with the release of the Pre-Budget Report 2015/16. A copy of the document (which provides further details on the four stages at page 25) is provided at **Annex 1**.
- 1.6. As part of “consult and refine” the Corporate Overview and Scrutiny Committee received a briefing on the 2015/16 proposals at their meeting on 21<sup>st</sup> July 2014 and the Pre-Budget Report was an item on the 11<sup>th</sup> September 2014 meeting. This was several months earlier than the process followed for the 2014/15 Budget development.

- 1.7. The Pre-Budget Report provides details of how the Council intends to vary existing budgets to continue to maintain viable and sustainable services to local people. Significantly the report set 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.
- 1.8. The report highlighted the request for feedback on the proposals and the opportunity to identify alternative ideas for budget variations from Members of the Committee. This response remains outstanding and Cabinet are encouraging the Committee at the earliest opportunity to respond with their views and certainly before the end of the calendar year. Comments received throughout the process will support Cabinet in developing the recommendations for a balanced budget to be agreed by Council in February 2015.
- 1.9. The “consult and refine” stage is also open to other stakeholders including residents and businesses, staff, Trade Unions, Schools Forum and town and parish councils. While the report to Council in February will provide further details on the outcomes of this process, this report provides Members with the details of the consultation meetings held to date and an insight into the feedback received. This is included within the timetable at **Annex 2**. A graphical illustration of the engagement process is provided at **Annex 3**.
- 1.10. A more detailed timetable is also provided as part of **Annex 2** showing key Budget Setting events through to the February 2015 Council meeting.
- 1.11. The next key stage in the process will be to report the draft Budget Report (including the latest proposals and the Draft Capital Programme) to a special meeting of Corporate Overview and Scrutiny Committee on 20<sup>th</sup> January 2015.

## **2.0 Recommendations**

Corporate Overview and Scrutiny Committee are asked to:

- 2.1 Agree a response to Cabinet in terms of comments on the proposals in the Pre-Budget Report and / or alternative budget variations that require further consideration in accordance with the request made at the September meeting of the Committee. Members should aim to provide such feedback before the end of the calendar year.
- 2.2 Note the budget setting timetable (**Annex 2**).
- 2.3 Note the feedback received to date from the ongoing engagement exercise on the Pre-Budget Report 2015/16 (**Annex 2**).

### **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, including Overview and Scrutiny, is requested to ensure a robust and transparent process is followed where Members feel they have had the opportunity to consider the proposals and provide feedback.
- 3.2 Feedback from Members of the Corporate Overview and Scrutiny 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 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. This was achieved for 2014/15, however, the current medium term financial forecast highlights a potential revenue deficit of £6.6m in 2015/16 and £15.4m in 2016/17
- 7.2 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 pressures in 2017/18.
- 7.3 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 Council's delivery and performance of its objectives for local 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 residents first outcome, risks and targeted service changes. The process addresses these requirements through four stages: (see **Annex 1** for further details)

- **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 and 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 Corporate Overview and Scrutiny Committee, Members and interested parties for comment and an invitation for further suggestions for making savings or changes. Further internal challenge will develop the detail behind the proposals.
- **Approve** ~ Finalise the funding position and proposals. Report to Cabinet and Council to 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 greater use of social media) and to consider the feedback.

- 10.3 This improvement builds on the success in 2012/13 and 2013/14 where the Council's financial and service performance has continued to improve. Further details on the Budget setting process are attached at **Annex 2**.

- 10.4 The proposals and supporting information have been brought together into the Pre-Budget Report for 2015/16. This was published on 4<sup>th</sup> September for all stakeholders and reported to Corporate Overview and Scrutiny on 11<sup>th</sup> September with a request to consider and comment on the proposals in the report and to consider additional recommendations for consideration as potential budget variations. A response is requested by Cabinet.

- 10.5 Comments received throughout the process will support Cabinet in developing the recommendations for a balanced budget to be agreed in February 2015. Details of the engagement exercise and the feedback to date are included in the schedule at **Annex 2**. A graphical representation is shown at **Annex 3**.

10.6 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.

### **Access to Information**

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

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