

CHESHIRE EAST COUNCIL

REPORT TO:

CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting:	20 th January 2015
Report of:	Chief Operating Officer (Section 151 Officer)
Subject/Title:	2015/16 Budget
Portfolio Holders:	Cllr. Peter Raynes

1 Summary

- 1.1 Cheshire East Council is a large Unitary Authority, responsible for the commissioning of around 500 different services to over 370,000 people and almost 18,000 businesses. The Council's ambition is to always put local residents and businesses first and to effectively target its scarce resources to achieve better outcomes for everyone in the Borough. The medium term financial strategy underpins this commitment and ambition for local economic growth and prosperity for all. There is a clear commitment and focus on early intervention to try and provide the best start and opportunities in life and also high quality targeted support for those who need it, such as the elderly and more vulnerable residents.
- 1.2 The Council will consider the 2015/16 budget at its meeting of 26th February 2015 following an open engagement process which began in July 2014. This report is the fourth report to Corporate Overview and Scrutiny Committee, during the engagement process, and includes additional information on the proposed budget estimates.
- 1.3 The strategy, presented to Council in February 2014, estimated a net revenue budget deficit for 2015/16. This forecast was based on the expectation of further reductions in government grant and consideration of significant changes to the calculation of the domestic and non-domestic tax bases. These challenges are replicated across the Local Government sector; with varying levels of budget deficits reported. Cheshire East began the task of dealing with this challenge as early as possible and had already pro-actively identified net savings of £2.1m, against the estimated deficit of £8.7m for 2015/16, but at February 2014 the budget gap stood at £6.6m
- 1.4 In response to this challenge a Pre-Budget Report was prepared and information presented to members in July. Corporate Overview and Scrutiny Committee reviewed the proposals in August, and the report, which included ideas for savings ranging from £5m to £8m was published for wider consultation in September. Indications were included in the Pre-Budget Report as to the areas where savings would be targeted and the initiatives that would lead to achievement of a balanced 2015/16 position.

- 1.5 During the wide and lengthy engagement process, feedback has been received from members and other external and internal stakeholders. The Council has also completed significant monitoring of performance against the 2014/15 budget and reviewed estimates in relation to government grants and other funding streams.
- 1.6 The provisional financial settlement was received from government on 18th December 2014 and confirmed a reduction in total government support of £9.1m (8.7%). This figure is influenced by the inclusion of inflation linked increases in business rates, council tax freeze grant and new homes bonus. It also reflects the relatively low levels of government grant received by Cheshire East Council. The net reduction is very close to the total savings requirement identified to Council in February 2014. This provides added confidence that strong financial planning and control is now embedded within the Organisation.
- 1.7 The Council tax base was approved by Council on 11th December, which identified additional income of £1.5m. This reflects improved economic conditions created in Cheshire East that allow increased estimates of local growth in housing numbers and a reduction in Council Tax Support requirements.
- 1.8 Following confirmation of the tax base (+£1.5m), publication of the provisional government settlement (-£9.1m), reductions in past service pension costs (+£1.1m) and increasing budgets for capital financing (-£1.5m) the Council is able to confirm that overall savings of £8.0m (3.2%) will be required by services to balance the 2015/16 budget when compared to the 2014/15 budget (as at end of third quarter).
- 1.9 The budget setting process has focused primarily on balancing the 2015/16 budget, but estimates have also been revised for 2016/17 and 2017/18. It is clear that potential further reductions in central government funding will influence the level of funding for services in future. The revision to the Council Plan 2013/2016, in summer 2015, will require challenging decisions around local outcomes.

Summary of Medium Term Revenue Budget (Table overleaf)

Summary of Medium Term Revenue Budget

	Budget Report 2015/16 £m	Estimated Net Budget 2016/17 £m	Estimated Net Budget 2017/18 £m
Commissioning			
Children and Families	43.0	43.7	44.4
Adult Social Care and Independent Living	95.4	95.8	99.0
Public Health and Leisure	2.0	2.2	2.2
Environmental	27.4	27.4	26.5
Highways	11.3	11.3	11.5
Communities	9.2	9.2	9.4
Economic Growth and Prosperity	22.1	22.3	23.3
Chief Operating Officer	39.4	39.5	40.0
<i>Additional Reductions to closing Funding Deficit Yr 2/3</i>		<i>0.0</i>	<i>-14.4</i>
Estimated Expenditure:	249.8	251.4	241.9
Estimated Funding	-249.8	-237.0	-231.8
Forecast deficit	0.0	14.4	10.1

1.10 The savings required are within the range of the previously reported Pre-Budget Report. Our engagement process has been carried out within the right financial context and parameters. The following budget principles were provided to Corporate Overview and Scrutiny Committee during the engagement process in 2014, and each point remains valid as part of the final stages of balancing the 2015/16 budget:

- i. Freeze Council Tax for a fifth consecutive year.
- ii. Enter into no additional external 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 achieve a balanced budget for 2015/16, 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.

- 1.11 The accuracy of estimates in the MTFs and Pre-Budget Report reflect the level of analysis carried out in preparing the financial forecasts. This is supported by strong in-year performance which is closer to budget estimates than has previously been delivered. Further evidence of the growing maturity and strong financial control and management that is now embedded within Cheshire East.
- 1.12 The Capital Budget, approved by Council in February 2014, included a three year programme of schemes, with indicative spending profiles which would be adjusted based on availability of associated funding. Governance of the schemes is significantly supported by the ownership and involvement of the Finance Portfolio Holder and the endorsement and oversight of the Executive Monitoring Board. Any 'in year revisions' to the programme have been included within the quarterly performance reports, and proposals for additional schemes were presented informally to Cabinet in December 2014.
- 1.13 Outline of the additional schemes to be proposed as part of the 2015/16 budget are now included in this report for consideration by members of the Corporate Overview and Scrutiny Committee. The phasing and timing of these schemes are still to be finalised.

Summary of Capital Programme

	Forecast Spend 2015/16 £000	Forecast Spend 2016/17 £000	Forecast Spend in future years £000
Children and Families	16,952	7,682	36,823
Adult Social Care	1,808	800	800
Public Health and Wellbeing	13,171	8,250	0
Highways & Environmental	34,893	28,238	17,837
Communities	782	1,014	0
Economic Growth and Prosperity	48,552	64,061	158,709
Chief Operating Officer	31,105	14,468	8,900
Total	147,263	124,513	223,069

- 1.14 The proposals contained in the annexes to this report identify specific initiatives that support the level of revenue savings required to balance the 2015/16 budget and deliver significant investment in the local area via an ambitious programme of capital investment.
- 1.15 Members of the Committee should note that proposals within the detailed schedules may vary slightly as the final Budget is prepared, sometimes due to review of accounting treatment, and management structure changes, late funding announcements or revised outturn forecasts.

2.0 Recommendations

1. Corporate Overview and Scrutiny Committee are asked to note, and provide comments as necessary on, the Summary and Background of this report.
2. Corporate Overview and Scrutiny Committee are asked to note, and provide any final comments as necessary on, the proposals contained within:
 - a. **Annex 1** – Revenue Budget Proposals
 - b. **Annex 2** – Capital programme proposals

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. This report provides additional information on proposals contained within the Pre-Budget Report. Feedback on these proposals, from all stakeholders, is requested to ensure a robust process is achieved.
- 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 and medium term financial strategy.

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 medium term financial forecast highlighted a potential revenue deficit of £6.6m in 2015/16. This report includes proposals that are intended to lead to the balancing of the 2015/16 budget.
- 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 on-going impact of the proposals in the Pre-Budget Report, including the revised estimates surrounding the tax base, 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 initiatives such as changes to services, efficiency savings, increasing income.
 - **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. 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 improvement to the process by developing ideas for change much earlier in the year. This has provided 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 modern techniques) 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.

- 10.4 The proposals and supporting information were brought together into the Pre-Budget Report for 2015/16 (see www.cheshireeast.gov.uk/Budget for details). This set out the Council's intentions to vary existing budgets.
- 10.5 Comments received throughout the process will support Cabinet in developing the recommendations for a balanced budget to be agreed in February 2015. Corporate Overview and Scrutiny Committee Members are therefore being provided with a further opportunity to consider the proposals in the report and provide feedback to Cabinet.
- 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 further information on funding levels in the future is released. This will clearly be after the national and local elections in May 2015.

11 Access to Information

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

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