

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting: 11th February 2015
Report of: Chief Operating Officer (Section 151 Officer)
Subject/Title: The Council's Medium Term Financial Strategy 2015/18
Portfolio Holder: Councillor Jones / Councillor Raynes

1.0 Report Summary

- 1.1 This report presents the Council's Medium Term Financial Strategy for the years 2015/16 to 2017/18.
- 1.2 Cheshire East Council puts residents first and arranges delivery of over 500 local services. The Council's achievements are key to making Cheshire East the best place to live in the Northwest of England:
- Unemployment is at its lowest rate at 1%¹ and economic growth is continuing with expansion at Bentley, development of the science hub at Alderley Park and important announcements about HS2.
 - 93.6% of Cheshire East schools are ranked as good or excellent and overall this rates as the third best in England.
 - Fostering and adoption services have received national recognition in achieving outcomes for local children.
- 1.3 Public spending is being reduced nationally, a challenge the Council has responded to with innovation and creativity:
- An additional £6.5m will be spent on improving our highways.
 - Annual spending on Adult Social Care will be increased by over £1m.
 - Council tax is proposed to be frozen for a fifth consecutive year, saving local taxpayers £210 on average per year if inflationary increases had been applied.
 - Net Revenue spending is being reduced by £7.7m to deliver a balanced position in 2015/16.
 - External loans will be reduced by £8.5m.
- 1.4 Cheshire East is the third largest council in the Northwest of England, providing services for a population of over 370,000 local people. The revenue budget is balanced for 2015/16 with net spending of £264.7m and capital expenditure of £455.5m is planned in the medium term. 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 Individuals aged 16 to 64, actively seeking employment and in receipt of job seekers allowance.

- 1.5 Following many months of development and consultation the 2015/16 proposals contained in this report are robust and provide a balanced “Residents First” Budget for consideration. Like most authorities 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 2015 and will be based on innovation and creativity with a continued focus on improving efficiency, productivity and more effective local service delivery. Our ability to create the best conditions for private sector investment, economic growth and prosperity will be critical to the continued success of the Borough.
- 1.6 This report summarises the resolutions that Cabinet are requested to recommend to Council at **Appendix A**.
- 1.7 This report provides the Medium Term Financial Strategy (MTFS) Report for the period 2015/16 to 2017/18 at **Appendix B**.
- 1.8 The document is the result of the Business Planning Process led by the Council from April 2014 to February 2015. The MTFS Report is being submitted to Cabinet on 11th February 2015 for recommendation to Council for approval.
- 1.9 The business planning process involved an enhanced approach to engagement with local people and organisations and details of how this process was managed is included within **Appendix B, Annex 2**.

2.0 Recommendations

- 2.1 That Cabinet recommend to Council the items at **Appendix A**:
- 2.2 That Cabinet notes:
 - a. The Budget Engagement exercise undertaken by the Council, as set out in the attached (**Appendix B, Annex 2**).
 - b. The comments of the Council's Chief Operating Officer (Section 151 Officer), contained within the MTFS 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**).
 - c. The risk assessment detailed in the MTFS Report (**Appendix B, Annex 5**).
 - d. That the estimates and profiling contained within the proposed Capital Programme 2015/16 to 2017/18 reflect the scale of ambition and future investment plans of the Council. The programme may vary to take advantage of external funding opportunities, maximise private sector investment, prudential borrowing considerations, operational capacity and to ensure optimal delivery of the overall programme (**Appendix B, Annex 11**).
 - e. That projects will be robustly governed through the Executive Monitoring Board. The Council's Finance Procedure Rules will always apply should any changes in spending requirements be identified (**Appendix B, Annex 11**).

3.0 Reasons for Recommendations

- 3.1 In accordance with the Budget and Policy Framework Rules of Procedure, Cabinet is requested to recommend this report to Council to approve the MTFS Report for 2015/18.
- 3.2 A copy of the MTFS Report is attached at **Appendix B**.
- 3.3 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 £168,784,797 (based on the Provisional Finance Settlement) and he is satisfied with the adequacy of the financial reserves for the Council.
- 3.4 Further to the above statement it can be reported that the Medium Term Financial Strategy Report (**Appendix B**) 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 and budget proposals which will impact on service delivery arrangements.

7.0 Implications for Rural Communities

- 7.1 The report outlines policy and budget proposals which will impact on service delivery across the Borough.

8.0 Financial Implications

- 8.1 The report includes details of policy proposals which will affect service budgets from 2015/16 onwards.

9.0 Legal Implications

- 9.1 The Council should have robust processes so that it can meet statutory requirements and fulfil its fiduciary duty.

10.0 Risk Management

- 10.1 The steps outlined in this report mitigate the four main legal and financial risks to the Council's financial management arrangements:

- The Council must set a balanced Budget.
- Setting the Council Tax for 2015/16 must follow a compliant 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.

10.2 A risk assessment of the significant proposals being put forward has been carried out by each service and is included as part of the planning process.

10.3 It is important to note that the Council faces significant financial challenges in achieving its desired outcomes. Management of risk is embedded within the organisation 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 whilst identifying and controlling any resulting risks. The approach to risk management will continue to be assessed as the Council's plans and financial strategy are implemented.

11.0 Background and Options

Meeting the Council's Priorities

11.1 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 2015 to March 2016 will be over £750m (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.

11.2 The Council is continuing to change and adapt to the challenges facing the public sector, whilst 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.

11.3 During 2013/14, the Council developed a Three Year Council Plan for 2013/16 which set a clear strategic direction for the Authority and established the Five Residents First Outcomes.

11.4 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.

11.5 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 sustainable communities and a Council that is fit for the future.

11.6 Progress in terms of delivery of the proposals has been monitored and reported at regular intervals during 2014/15 and this will continue during 2015/16.

11.7 The MTFs Report 2015/18 is attached at **Appendix B**.

The Budget Setting Process 2015/18

11.8 The Budget Setting Process 2015/18 was developed and endorsed by the Corporate Leadership Board and Cabinet Members in April 2014.

11.9 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.

11.10 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, September, November, December 2014 and February 2015. Corporate Overview and Scrutiny Committee were briefed in July, September, December 2014 and January 2015. All Members were invited to briefings on 5th August and 16th December 2014.

11.11 This has been undertaken against a background of continuing reductions in funding levels from Central Government, the completion of the management restructure and the Authority continuing to deliver against its commitment to become a commissioning council through the creation of several alternative service delivery vehicles.

11.12 The MTFs Report provides financial background as well as setting out further details of the on-going approach to funding the Residents First Outcomes set out in the Three Year Council Plan. It sets out the spending plans and income targets for the financial year starting 1st April 2015, as well as indicative estimates for the 2016/17 and 2017/18 financial years.

11.13 The MTFs Report is based on the Provisional Local Government Finance Settlement for 2015/16. This was released on 18th December 2014. The final settlement is expected on 4th February 2015 with a debate by Members of Parliament in the House of Commons expected on 10th February (after the publication date of this report to Cabinet) to agree the position.

11.14 The MTFs Report continues to include estimated grant allocations in relation to several items such as Education Services Grant. These will be refined in due course.

11.15 Any resulting impact of these issues 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.

11.16 Any changes made as a result of the engagement process and further debate will be reported to Members at the Council meeting on 26th February 2015.

12.0 Wider Engagement in Setting the Budget

- 12.1 The MTFS Report for 2015/18 has been produced following engagement on the [Pre-Budget Report](#) from September 2014 to January 2015.
- 12.2 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 other groups, including our local partner public services, like Health and Fire and Rescue, as well as Town and Parish Councils, for example.
- 12.3 This process has been underway 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 also 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).
- 12.4 Details of the Council's Business Planning engagement process are attached within **Appendix B, Annex 2**.

13.0 Access to Information

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

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