

CHESHIRE EAST COUNCIL

REPORT TO:

CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

Date of Meeting:	5 th November 2015
Report of:	Chief Operating Officer (Section 151 Officer)
Subject/Title:	2016/17 Pre-Budget Report
Portfolio Holders:	Cllr. Peter Groves

1.0 Report Summary

- 1.1. This report introduces the Council's Pre-Budget Report 2016/17. The actual budget will not be set until February 2016, but the Council is committed to open and transparent processes and is therefore providing stakeholders with early indications of proposals that put residents first and target scarce resources to the areas of most need.
- 1.2. The Pre-Budget Report gives details of how the Council intends to vary existing budgets to continue to maintain viable and sustainable services to local people. Significantly the report sets out proposals to:
 - i. Maintain appropriate reserves levels that protect against risks.
 - ii. Enter in to no additional borrowing in 2016/17.
 - iii. Achieving Net Revenue Budget savings in response to forecast reductions in Government Grants of £13m, additional service demands £5.3m and inflationary pressures of £5.4m, totalling £23.7m.
- 1.3. The Council's Pre-Budget Report is based on estimates and focused on the 2016/17 financial year. This acknowledges the lack of detailed funding information for the medium term and the need to balance later years when the position is clearer.
- 1.4. By providing this report in November 2015 the Council is maintaining continuing improvements in financial planning, control and transparency. This opportunity to comment on proposals is ahead of the standard process.
- 1.5. Comments received throughout the process will support Cabinet in developing the recommendations for a balanced budget to be agreed in February 2016. Corporate Overview and Scrutiny Committee Members 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 attached report, **Annex 1**, is structured into these important sections:

Pages 1 to 9	Introduction and Comments from the Finance Portfolio Holder and the Chief Finance Officer.
Pages 10 to 41	Details on proposals to vary the Council's current budget.
Pages 41 to 56	Details of efficiencies in the support services and additional funding opportunities together with the financial estimates that underpin budget setting
Pages 58 to 62	Information about important dates.

2.0 Recommendations

2.1 Corporate Overview and Scrutiny Committee are asked to:

- a. Note and respond to the invitation to make comments on the contents of the Pre-Budget Report 2016/17 as provided at **Annex 1**,
- b. Confirm any process for providing feedback to Cabinet in support of the overall process to provide a balanced 2016/17 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 2016/17 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 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 current medium term financial forecast highlights a potential revenue deficit of £13m in 2016/17 and £10.2m in 2017/18. The report includes financial proposals that are intended to lead to the balancing of the 2016/17 budget following further consideration of service and budgetary pressures.
- 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 2016/17 to 2018/19. The Pre-Budget Report sets out proposals to address 2016/17, however, there is an identified funding gap for 2017/18 and the expectation of further austerity measures in the medium term.
- 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 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.

Further details are shown on page 57 of the Pre-Budget Report.

- 10.2 This year has maintained 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 modern techniques) and to consider the feedback.
- 10.3 This improvement builds on the success in 2014/15 where the Council’s financial and service performance has continued to improve.
- 10.4 Comments received throughout the process will support Cabinet in developing the recommendations for a balanced budget to be agreed in February 2016. Corporate Overview and Scrutiny Committee Members 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.
- 10.5 Further details on the process to date and the timetable to approval are set out in the Pre-Budget Report at pages 57 and 58 respectively.
- 10.6 The Council continues to face financial challenges in the medium term and the position will be refined as the full impact of the 2016/17 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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