

Cabinet Paper

Date of Meeting:	9th February 2016
Report of:	Peter Bates, Chief Operating Officer
Subject/Title:	The Council's Corporate Plan 2016/20 and Medium Term Financial Strategy 2016/19
Portfolio Holder:	Cllr Groves / Cllr Findlow

1. Report Summary

- 1.1 This report presents the Council's Corporate Plan for the years 2016/17 to 2019/20 and the Medium Term Financial Strategy for the years 2016/17 to 2018/19.
- 1.2 Cheshire East Council puts residents first and arranges delivery of over 500 local services. The Council's achievements in making Cheshire East such a great place to live are reflected in local indicators, such as:
- Unemployment is at its lowest rate at 0.7%¹ and economic growth is continuing with expansion at Bentley, development of the science hub at Alderley Park and important announcements about the HS2 route.
 - 92.1% of Cheshire East schools are ranked as good or excellent and overall this rates as the second best in England.
 - Fostering services have received national recognition in achieving outcomes for local children.
- 1.3 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 2016/17 with net spending of £263.7m and capital expenditure of £481.8m is planned in the medium term.
- 1.4 The provisional funding announcements of 17th December 2015 confirmed that local government spending will continue to reduce through to 2019/20. However, the Government approach has changed, and the reduction in grant has been greater than forecast in the Council's [Pre-Budget Report](#) (October 2015) as the potential income from Council Tax increases has been factored in to the settlement for the first time. This report is based on the Provisional Settlement, which therefore still requires parliamentary approval, and includes the following headlines:

¹ Individuals aged 16 to 64, actively seeking employment and in receipt of job seekers allowance.

- An additional £33m will be spent on improving our highways.
- Net Revenue spending on services is being reduced by £2.1m to deliver a balanced position in 2016/17.
- Capital spending on infrastructure and regeneration projects will increase by £60.5m from 2015/16 third quarter review budget.
- Value for money will continue to be supported through management of Council investments. This will include the reduction of external loans by a further £6m.
- Reliance on Central Government grants will reduce by £16.3m.
- Funding for essential local services will require a proposed Council tax increase of 3.75% from £1,216.34 to £1,261.95 for a Band D property.

- 1.5 The absence of Government funding information until 17th December 2015 means that this report is mainly focused on the 2016/17 Revenue Budget and a Medium Term Capital Programme. However, the report sets out how the Council will approach the financial challenges over the medium term and we are exploring the 'offer' of a longer term settlement to 2019/20 with Government officials.

Corporate Plan 2016/20

- 1.6 The report includes the refreshed Corporate Plan for the period 2016/17 to 2019/20. This has been developed during 2015 to replace the Council Plan which ends on 31st March 2016.
- 1.7 The Plan reflects that the 5 resident based outcomes in the current plan remain wholly appropriate and should remain in place. It also recognises the emerging importance of a 6th outcome that drives the continued improvement in efficiency and effectiveness of Council Services.
- 1.8 The new Corporate Plan has formed the basis for developing proposals within the Medium Term Financial Strategy. Progress against the Corporate Plan will be monitored through quarterly reporting to Cabinet. The quarterly reports will also identify up to date performance of the Council and show how the latest priorities are being managed to achieve the best outcomes for local residents.

Budget 2016/19

- 1.9 Following many months of development and consultation the 2016/17 proposals contained in this report are robust and provide a balanced "Residents First" Budget for consideration.
- 1.10 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 2016 and will be based on innovation and creativity with a continued focus on improving efficiency, productivity and more effective local service delivery.

- 1.11 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 as the Council's reliance on locally generated income increases.
- 1.12 This report summarises the resolutions that Cabinet are requested to recommend to Council at **Appendix A**.
- 1.13 This report provides the Corporate Plan for the period 2016/17 to 2019/20 at **Appendix B**, and the Medium Term Financial Strategy (MTFS) Report (containing the Budget) for the period 2016/17 to 2018/19 at **Appendix C**.
- 1.14 The document is the result of the Business Planning Process led by the Council from May 2015 to February 2016. The Corporate Plan and MTFS Reports are being submitted to Cabinet on 9th February 2016 for recommendation to Council for approval.
- 1.15 The business planning process involved engagement with local people and organisations and details of how this process was managed is included within **Appendix C, Annex 2**.

2. Recommendations

2.1. That Cabinet recommend to Council the items at **Appendix A**:

2.2. The Cabinet notes:

- a) The Budget Engagement exercise undertaken by the Council, as set out in the attached (**Appendix C, 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 C, Comment from the Chief Operating Officer**).
- c) The risk assessment detailed in the MTFS Report (**Appendix C, Annex 5**).
- d) That the estimates and profiling contained within the proposed Capital Programme 2016/17 to 2018/19 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 C, Annex 12**).
- 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 C, Annex 12**).

3. Other Options Considered

- 3.1. The Business Planning Process enables the Council to develop options, consider the best approach, produce Business Cases and share these options via the [Pre-Budget Report](#) 2016/17.
- 3.2. The engagement process and feedback on the [Pre-Budget Report](#) plus funding announcements and on-going refinement, informs the set of proposals in this report.

4. Reasons for Recommendation

- 4.1. The new Corporate Plan 2016/20 is a document that requires Council approval for it be embedded in all the Council's processes and reports.
- 4.2. A copy of the Corporate Plan 2016/20, is attached at **Appendix B**.
- 4.3. The Council's Budget (as contained in the MTFS Report) also requires Council approval. A copy of the MTFS Report is attached at **Appendix C**.
- 4.4. 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 2016/19.
- 4.5. 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 £179,432,775 (based on the Provisional Finance Settlement and subject to change from the Final Settlement) and he is satisfied with the adequacy of the financial reserves for the Council.
- 4.6. Further to the above statement it can be reported that the Medium Term Financial Strategy Report (**Appendix C**) is based on sound financial principles and reflects sufficiently detailed plans that can maintain the financial resilience of the Council in the medium term.

5. Background / Chronology

Meeting the Council's Priorities:

- 5.1. 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 2016 to March 2017 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.
- 5.2. 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.
- 5.3. During 2015, the Council has developed a refreshed Corporate Plan for 2016/20 which sets out a clear strategic direction for the Authority and maintains the established five Residents First Outcomes.
- 5.4. The Corporate Plan identifies 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 identifies 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 four year period covered by the plan.
- 5.5. The Corporate Plan 2016/20 is attached at **Appendix B**.

The Budget Setting Process 2016/19

- 5.6. The Budget Setting Process 2016/19 was developed and endorsed by the Management Group Board and Cabinet Members in May 2015 following the Council Elections.
- 5.7. 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.
- 5.8. 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 2015 and February 2016. Corporate Overview and Scrutiny Committee were briefed in July and November 2015, and February 2016. All Members were invited to finance briefings on 13th July, 15th December 2015 and 2nd February 2016.

- 5.9. This has been undertaken against a background of significant reductions in funding levels from Central Government, developing the new Corporate Plan and the Authority continuing to deliver against its commitment to become a commissioning council through the creation of alternative service delivery vehicles.
- 5.10. 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 Corporate Plan. It sets out the spending plans and income targets for the financial year starting 1st April 2016, as well as indicative estimates for the 2017/18 and 2018/19 financial years.
- 5.11. The MTFS Report is based on the Provisional Local Government Finance Settlement for 2016/17. This was released on 17th December 2015. The final settlement is expected in early February 2016 with a debate by Members of Parliament in the House of Commons expected in mid February (after the publication date of this report to Cabinet) to agree the position. The Settlement included some changes to national policies which the Council has responded to.
- 5.12. 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.
- 5.13. Progress in terms of delivery of the proposals has been monitored and reported at regular intervals during 2015/16 and this will continue during 2016/17.
- 5.14. The MTFS Report 2016/19 is attached at **Appendix C**.
- 5.15. The MTFS Report continues to include estimated grant allocations in relation to several Specific Grants (**Annex 8**). These will be refined in due course.
- 5.16. 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.
- 5.17. Any changes made as a result of the engagement process and further debate will be reported to Members at the Council meeting on 25th February 2016.

6. Wards Affected and Local Ward Members

- 6.1. Not applicable.

7. Implications of Recommendation

7.1. Policy Implications

- 7.1.1. The report outlines policy and budget proposals which will impact on service delivery arrangements.

7.2. Legal Implications

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

7.3. Financial Implications

- 7.3.1. Please see Sections 1 and 5 of this report.

7.4. Equality Implications

- 7.4.1. The Council has a statutory duty to understand the equality impacts of its decisions, policies, strategies and functions.
- 7.4.2. The Council needs to ensure that its budget decisions do not discriminate against any group and promote equality of opportunity and good community relations. The Council undertakes equality assessments where necessary, and continues to do so as projects develop across the lifetime of the Corporate Plan. This process helps us to understand if our budget proposals:
 - Have an adverse impact on any of the protected characteristics listed in the 2010 Equality Act.
 - Result in direct or indirect discrimination.
- 7.4.3. The process assists us to consider what actions could address or alleviate any adverse impact and help us to recognise where investment could alleviate an adverse impact from a saving.
- 7.4.4. Completed equality assessments form part of any detailed Business Cases.

7.5. Rural Community Implications

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

7.6. Human Resources Implications

7.6.1. Please see Workforce Development Section – **Appendix C, Annex 4.**

7.7. Public Health Implications

7.7.1. Please see Section 1, Outcome 5 part of **Appendix C.**

7.8. Other Implications (Please Specify)

7.8.1. The Council has a statutory duty to consult with certain groups on its Budget Proposals and as part of the implementation of certain items. Further details are provided in **Appendix C, Annex 2.**

8. Risk Management

8.1. 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 2016/17 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.

8.2. 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.

8.3. 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.

9. Access to Information / Bibliography

Please see the following financial reports:

[2014/15 Outturn Report](#)

[2015/16 First Quarter Review of Performance](#)

[2015/16 Mid-Year Review of Performance](#)

[2016/17 Pre-Budget Report](#) released 28th October 2015

[Corporate Overview and Scrutiny Committee 5th November 2015](#)

[Council 17th December 2015: Council Taxbase and Council Tax Support Scheme](#)

[2015/16 Third Quarter Review of Performance](#)

10. Contact Information

Contact details for this report are as follows:-

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Appendix A

Recommendations to Council from Cabinet - February 2016

That Council approve:

- 1 The new Corporate Plan 2016/20 as provided at **Appendix B**.
- 2 The Revenue estimates for the 2016/17 budget and the medium term Capital Programme estimates 2016/19, as detailed in the Medium Term Financial Strategy Report 2016/19 (**Appendix C**).
- 3 Band D Council Tax of £1,261.95 representing an increase of 3.75%. This arises from the provisional finance settlement allowing up to a 2% additional charge to fund Adult Social Care pressures (**Appendix C, Section 2**).
- 4 The 2016/17 non ring-fenced Specific Grants, and that any amendments to particular grants will be reported to Council if further information is received from Government Departments or other funding bodies (**Appendix C, Annex 8**).
- 5 The 2016/17 Capital Grants, and that any amendments to particular grants will be reported to Council if further information is received from Government Departments or other funding bodies (**Appendix C, Annex 9**).
- 6 The relevant Portfolio Holder to agree the use of additional Specific Grants received in conjunction with the Finance Portfolio Holder as further updates to the 2016/17 funding position are received.
- 7 The recommended Prudential Indicators for Capital Financing (**Appendix C, Annex 11**).
- 8 The Children and Families Portfolio Holder to agree any necessary amendment to the 2016/17 Dedicated Schools Grant (DSG) of £147m and the associated policy proposals, in the light of further information received from DfE, pupil number changes, further academy transfers and the actual balance brought forward from 2015/16 (**Appendix C, Annex 8**).
- 9 The recommended Reserves Strategy, and the proposal to contribute £1m from General Reserves to an Earmarked Reserve for the on-going costs of Planning Appeals (**Appendix C, Annex 13**).

That Council recognises that Cabinet has noted:

- 10 The Budget Engagement exercise undertaken by the Council, as set out in the attached (**Appendix C, Annex 2**).

- 11 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 C, Comment from the Chief Operating Officer**).
- 12 The risk assessment detailed in the MTFS Report (**Appendix C, Annex 5**).
- 13 That the estimates and profiling contained within the proposed Capital Programme 2016/17 to 2018/19 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 C, Annex 12**).
- 14 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 C, Annex 12**).