

Cabinet Paper

Date of Meeting: 23 February 2016

Report of: Chief Operating Officer

Subject/Title: Local Government Finance Final Settlement 2016/17

Portfolio Holder: Cllr Peter Groves

1. Report Summary

- 1.1. The Council developed a robust package of Budget proposals based on the best information available during the summer of 2015. These proposals have been out for consultation since October 2015. Just prior to the Christmas Break the Council received its provisional financial settlement which included a shift in government policy that meant Local Authorities with strong tax bases, like Cheshire East, received significantly greater reductions in government grant than could have been forecast.
- 1.2. The 2016/17 Final Local Government Finance Settlement was received on Monday 8th February 2016. Following extensive lobbying through our respective political and professional networks this final settlement did contain some good news, if only in the form of temporary Transitional Grant Support. Less encouraging was the confirmation that by the start of 2019/20 financial year we will have lost all of our Revenue Support Grant completely. The current level of this grant support in 2015/16 is circa £40m.
- 1.3. The purpose of this report is to agree an appropriate financial strategy that will achieve the best overall impact from the additional temporary Transitional Grant that has now been confirmed.

2. Recommendations

- 2.1 Cabinet recommend to Council that the Medium Term Financial Strategy 2016/17 (due for approval at Council 25th February 2016) reflects the new Transition Grant funding as follows:
 - 2.1.1 Income from Government Grant is increased by £2.973m in 2016/17 and by £2.974m in 2017/18.
 - 2.1.2 Expenditure in Outcome 5 in 2016/17 is increased by £473,000 to reflect feedback received to proposals within the Pre-Budget Report and to support the transitioning and targeting of services.

2.1.3 A 'Transformation' earmarked reserve is established for £2.5m from 1st April 2016. The Portfolio Holder for Finance & Assets (in consultation with the Chief Operating Officer) is given responsibility for managing allocations of funding from the reserve on an 'Invest to Save' basis.

2.1.4 Transition Grant of £2.974, receivable in 2017/18 is allocated to the new Transformation Reserve.

3. Other Options Considered

- 3.1. Officers are actively exploring the 'offer' of a longer term financial settlement to 2019/20 with Government officials. It is clear that we will receive no Revenue Support Grant by 2019/20 but there is also still a lot of uncertainty around the impact of the Business Rates Retention Scheme and the outcome of the consultation of the New Homes Bonus initiative. Nationally the size of the New Homes Bonus 'pot' will be reduced by half from 2017/18, so it is not unreasonable to think that our current annual 'Bonus' of circa £9.6m, will be reduced accordingly, so in 2017/18 we could be a further £4.8m a year permanently worse off because of this change.
- 3.2. It is vital therefore that careful consideration is given to the use of the temporary additional funding that has been secured. The level of transitional funding (£2.973m in 2016/17 and £2.974m in 2017/18) could be used to respond to some of the issues raised via the consultation on the Pre Budget Report. Given the medium term financial challenge and uncertainty though, ideally the majority needs to be used to support initiatives that will minimise the impact on residents while the Council works to permanently reduce demand, re-design the service offer and reduce the overall cost of service delivery in the longer term.
- 3.3. Differing levels of using the transitional funding to respond to issues from the consultation and creating a Transformational 'Invest to Save' Reserve have been considered by Cabinet.

4. Reasons for Recommendation

- 4.1. The majority of concerns from the consultation have been expressed in connection with the Outcome 5 proposals. Cabinet have listened carefully to these issues and evaluated all responses from the consultation and are now proposing to allocate upto an additional £0.473m in 2016/17 to help to ease the transition to the new service arrangements. This will ensure that we continue to put Our Residents First and get good Value for Money for Local Taxpayers.
- 4.2. It is proposed that the balance of the transitional funding (£2.5m in 2016/17 and £2.974m in 2017/18) will be placed in an Earmarked Reserve for Transformation and accessed when compelling Business Cases are developed and presented to the Portfolio Holder for Finance & Assets. All cases will need to demonstrate VFM, a clear transformed service offer,

enhanced viability and support the transition to reduced delivery costs. This would also result in a far more strategic and measured response to future changes and overall service affordability.

5. Background/Chronology

- 5.1. In response to the feedback received following the consultation of the Pre Budget report under Outcome 5, Adult Social Care services have reviewed the proposals for 2016/17. As a result, some of the proposals will be amended to allow for further discussion and engagement with providers and customers. This will allow options to be explored and for the opportunity to further enhance and build new capacity within the Voluntary, Community and Faith Sector (VCF) to be maximised. Cabinet are proposing that upto £0.353m is used for this purpose.
- 5.2. It is acknowledged that in some service areas there may be the potential for providers to source alternate funding sources or to explore alternate ways of maintaining a service or presence in the community. We are committed to supporting communities to be more resilient and increase our already growing number of volunteers. Many of the voluntary sector services have already accessed a range of different funding options and the feedback received indicates that there may be scope to review further these opportunities by some of the providers affected by the original set of proposals.
- 5.3. In order to do this effectively and to engage further with customers, it is proposed that some of this allocation from the transitional grant support funding for 2016/17 is utilised to provide temporary extended contracts for some affected services. This will serve to provide a transitional period to ensure that all options have been fully explored.
- 5.4. In addition, the budget proposals include the ceasing of a number of services commissioned to provide advice and information. These services will be replaced with a new contract which will provide an enhanced level of service for all current customer groups and will include the requirement to provide an enhanced digital offer to customers. As a result of minor delays in the tender process and the need to have a seamless transition from the current arrangements to the new service, it is proposed that the transitional support grant be used to extend existing contracts for the affected groups by a period of 3 months to ensure a smooth transition.
- 5.5. With regards to the statutory consultation undertaken around Children's Centres, Cabinet have now carefully considered all the responses. A report summarising the outcome from the consultation is available for all Members to consider. There is also a need to reflect on national priorities to reconfigure how Early Help services are delivered to families with children 0-4yr old. The government's agenda around free childcare for working parents of 3 and 4 yr olds is going to have the implication that the majority of children will not be available to attend provision based in

Children's Centres. This will mean a greater emphasis on families with children under 3 yrs old and call for greater integration between Children's Centre services, Early Years settings and Community Health services. Frontline staff and resources will play a vital part in meeting this objective.

5.6. This new model is being brought about through the development of a universal Early Years pathway called the Parenting Journey jointly delivered by Children's Centre, Health Visitors and Early Years Staff which will be offered to all parents in Cheshire East but will be able to identify early any young people who may need additional support. The delivery of such a model need not be tied to specific venues and can be delivered in a wide range of community settings and could be an integral part of a community hub approach. Cabinet are proposing that upto £0.120m is used for the development of these new models of service delivery.

5.7. The key areas that Transitional funding would help in the accelerated roll out of this new universal service to parents in Cheshire East would be:

- Children's Centre staff to have shared access to the recording system used by the Health Visitor service
- The establishment of temporary capacity to project manage the roll out of the parenting journey
- Facilitation capacity to develop pathways leading from Parenting Journey assessments. Focus areas would probably be: Maternal Mental Health, Child Mental Health and Speech and Language difficulties
- A marketing budget to maximise parent awareness prior to new parents being invited to Parenting Journey appointments
- Temporary dedicated administrative support to free up practitioner time in the short term whilst the model is being established and new systems are being set up with Wirral Community Trust.

6. Wards Affected and Local Ward Members

6.1. Not Applicable.

7. Implications of Recommendation

7.1. All Policy, Legal, Financial, Equality, Rural Community, Human Resources and Public Health implications where appropriate are captured within the Council's Corporate Plan 2016/20 and Medium Term Financial Strategy 2016/19 report that considered by Cabinet on 9th February and is scheduled to be considered by Full Council on 25th February.

8. Risk Management

- 8.1. It is important to note that the Council faces significant challenges in achieving its desired outcomes within the financial resources available. 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.
- 8.2. The approaches described in this report will support mitigation of corporate risks related to safeguarding vulnerable people, maintaining financial control and managing change processes through informed decision making.
- 8.3. Careful consideration of the future funding landscape has been undertaken to help to determine the proposed use of the additional temporary transitional funding as outlined in this report.

9. Access to Information/Bibliography

- 9.1. Please see the following financial reports:

Corporate Plan 2016/20 and Medium Term Financial Strategy 2016/19

2014/15 Outturn Report

2015/16 First Quarter Review of Performance

2015/16 Mid-Review of Performance

2016/17 Pre-Budget Report

Corporate Overview & 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

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