

## Cabinet

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**Date of Meeting:** 1<sup>st</sup> December 2020

**Report Title:** Pre-Budget Consultation 2021/22 – 2024/25

**Portfolio Holder:** Cllr Amanda Stott Portfolio Holder for Finance, ICT and Communication

**Senior Officer:** Lorraine O'Donnell, Chief Executive and Alex Thompson – Director of Finance and Customer Services

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### 1. Report Summary

- 1.1. The impact of COVID-19 has created unprecedented levels of demand and financial uncertainty for all local authorities in England. The proposed Comprehensive Spending Review will now only focus on the 2021/22 financial year and an annual local government financial settlement is expected to be announced shortly.
- 1.2. Cheshire East Council is no different from other councils in dealing with the uncertainty and it is clear, that in presenting a set of proposals for consultation, that many underlying assumptions may be subject to change.
- 1.3. Nonetheless, the Council has developed proposed changes to the Council's budget which can significantly address the current projected financial pressures for 2021/22 to 2024/25.
- 1.4. The Council has a duty to consult on proposed changes to the budget and this report asks Cabinet to approve the consultation material for the 2021/22 to 2024/25 Medium Term Financial Strategy so that the survey can be launched on-line and allow the Council's stakeholders to provide feedback on the proposals being put forward.
- 1.5. The consultation document outlines that had it not been for the pandemic, the 2020/21 budget outturn would be balanced, and this presents a strong

baseline for the Council. It then goes on to outline how the Council has managed the financial challenges of COVID-19 to date and highlights that without taking action, the increased levels of demand for services and rising costs would present significant financial pressure for the Council over the medium term period.

- 1.6. This year, given the on-going pandemic, the consultation is being produced and will be hosted on the Council's Engagement Hub as an on-line survey which will contain the background to the financial situation the Council is currently facing. It will provide the facility to review and comment on the proposals being put forward.
- 1.7. Appendix A sets out the contents of the on-line survey and provides details of the proposals being put forward aligned to the Draft Corporate Plan.

## **2. Recommendation**

That Cabinet:

- 2.1. Approve the Pre-Budget Consultation survey provided at Appendix A which will be launched on-line on 2<sup>nd</sup> December.

## **3. Reasons for Recommendation**

- 3.1. The consultation process provides an important opportunity for interested parties to understand and comment on how the Council proposes to balance the Council's Budget in line with its commitment to be open and transparent in its decision making.
- 3.2. The proposals described in the consultation document are summarised under broad themes. The purpose of the consultation is to obtain feedback on these broad budget proposals. The Council will undertake detailed and specific consultation on individual proposals with people who would potentially be affected before they are implemented. This includes consultation with staff and trade unions. This means that some proposals may change, even during the financial year, and this will be recognised when the overall strategy is presented to Council in February.

## **4. Other Options Considered**

- 4.1. Delay publication of the consultation until after the local government finance settlement has been confirmed, which is usually late December, and adopt the minimum level of engagement. This is not desirable because it is not transparent.
- 4.2. Publish Consultation material in similar format to previous year, with detailed information for all changes to the Council's budget. This approach

has come under criticism in recent years for being too lengthy and not helpful to gaining feedback on the proposals that are most likely to affect residents.

## **5. Background**

- 5.1. The budget consultation reflects the priorities of the Council as outlined within the Draft Corporate Plan (See Appendix B).
- 5.2. Whilst the Council is committed to achieving its priorities, for example economic growth, safeguarding the vulnerable and providing services for residents who need support, there continues to be a requirement for the Council to achieve financial stability.
- 5.3. Therefore, the final draft of the Corporate Plan will be informed by this consultation and vice versa. Both the Medium Term Financial Strategy and Corporate Plan will be presented to Full Council for approval at the same time.
- 5.4. In developing proposals for the budget, the additional costs of services are balanced against income from local taxation, charges and appropriate use of one-off funding sources or grants. This approach is supported by a reserves strategy that recognises emerging risks.
- 5.5. In 2020 the COVID-19 pandemic has had an extraordinary impact on the Council's finances. Overall this impact is expected to be in excess of £240m, which includes increased expenditure, the administration of new government grants and significant losses of important income. The pandemic has created significant financial uncertainty for the Government and this has had a knock-on effect to local authority funding too. The financial implications of the pandemic will continue to affect the Council's budget for years to come. Further information is outlined on a separate report on the agenda of this meeting.
- 5.6. The pandemic has led to higher levels of demand for services such as Social Care Services (safeguarding, domestic abuse, social care support, mental health, poverty), and has also impacted on income such as council tax, business rates and car parking.
- 5.7. The Council is working with Government to get help where it is most needed, but there is still the potential that the Council's budget will be severely impacted, and this can affect services.
- 5.8. For 2021/22 the Government will delay the planned implementation of the Fairer Funding Review and revisions to the Business Rates Retention scheme meaning that there is a high likelihood that the one year settlement

will provide a repeat of current funding levels. This has been factored into the assumptions underlying the budget consultation and is likely to be confirmed as part of the Spending Review announcements on 25<sup>th</sup> November.

- 5.9. The Council agrees a rolling four-year Capital Programme each year consistent with the Capital Strategy and the resources available. A full review of the programme has been completed as part of the 2021-25 business planning process to ensure capital expenditure is priority based and is aligned with the Council's priorities.
- 5.10. In determining how much capital investment to undertake, the Council will consider the long-term impact of borrowing on the revenue budgets. During this four year period, new schemes will only enter the programme if they are fully funded from external sources or deliver a revenue return.
- 5.11. The current approved capital programme is £492.5m. The Addendum has a further £368.7m of proposed capital projects awaiting approval into the main programme, once the appropriate funding is identified. 63% of the Capital Programme is funded from external sources and 37% funded by council resources. The revenue cost of the capital programme for borrowing repayments over the next four years is estimated to be £69m. The current proposed capital programme is affordable within the current financial assumptions underlying the Council's budget.
- 5.12. Once the budget consultation has been published, consultation events will be undertaken with key stakeholders including:
  - Staff
  - Member
  - Businesses and business organisations
  - Schools
  - Trade Unions
  - Town and Parish Councils

5.13. The timetable to approval of the 2021/22 budget is set out below –

Date	Who?	What?
<b>2<sup>nd</sup> December</b>	Online survey	Launch Pre-Budget Consultation
<b>3<sup>rd</sup> December to mid January</b>	All Stakeholders	Respond to formal consultation via meetings or online survey
<b>Late December</b>	Central Government	Finance Settlement
<b>January</b>	CEC Officers	Collate survey responses
<b>January</b>	Cabinet / ELT	Analyse survey responses and finalise budget position
<b>2<sup>nd</sup> February</b>	Cabinet	Recommend MTFS to Council
<b>17<sup>th</sup> February</b>	Council	Approve 2021/22 budget, Council Tax and MTFS

5.14. Comments on the consultation are welcome until 8th January 2021. All comments will be considered by Cabinet. After this date, comments on the budget can still be submitted up to the Council meeting on Wednesday, 17<sup>th</sup> February 2021 when the Budget and the results of the consultation are considered by all Council Members, however, this may not be practical as proposals cannot be accepted without proper analysis as the budget must be based on robust estimates.

5.15. Feedback to this consultation, and further government announcements, will be important in developing a comprehensive Medium Term Financial Strategy that contains robust proposals, for approval in February 2021.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

6.1.1. The Council has a legal duty to set a balanced budget for each financial year, pre-budget consultation forms part of the budget setting process.

### **6.2. Finance Implications**

6.2.1. Appendix C provides the proposals being presented for consultation as part of the Council's requirement to set a balanced budget for the next financial year.

6.2.2. The consultation document highlights the following variations to the Council's current budget:

Summary position for 2021/22 to 2024/25	Estimated Net Budget 2021/22 £m	Estimated Net Budget 2022/23 £m	Estimated Net Budget 2023/24 £m	Estimated Net Budget 2024/25 £m
Service Budgets	288.9	293.6	296.8	303.0
<i>Including: Proposed changes as follows -</i>				
Open	0.7	1.2	3.9	4.2
Fair	3.7	1.9	2.1	4.0
Green	0.3	0.1	0.2	0.5
Total Service Budgets	293.6	296.8	303.0	311.7
Total Central Budgets (Net of Reserves)	11.0	13.2	14.9	16.9
TOTAL: SERVICE + CENTRAL BUDGETS	304.6	310.0	317.9	328.6
<i>FUNDED BY:</i>				
Council Tax	-235.9	-243.0	-250.2	-257.7
Business Rate Retention Scheme	-49.1	-49.1	-49.1	-49.1
Specific Grants	-21.6	-19.9	-18.5	-17.2
Collection Fund Deficit due to Covid-19	2.0	2.0	2.0	0.0
TOTAL: FUNDED BY	-304.6	-309.9	-315.8	-324.0
Funding Deficit / (Surplus)	0.0	0.0	2.1	4.6

6.2.3. The most significant assumptions behind the position presented in the consultation document are detailed below:

- All proposals will achieve the financial targets or be replaced with equal alternatives.
- Proposals to vary the Council's budget will be aligned to the Corporate Plan. The ongoing consultation on the content of the Corporate Plan may therefore impact on some of the financial proposals.
- Pay and pension inflation will see an overall increase in employee costs of c.2.5% pa.
- Council Tax levels will increase at 1.99% pa.
- The Tax Base will increase by c.1,800 properties per annum in line with the local plan.
- The Local Government Settlement will present a position whereby the Council will be 'no worse off' than 2020/21. This may mean

some grants are reduced but compensated by the expectation that Council Tax levels could be increased to compensate for this. In this scenario the Council would have to increase Council Tax levels accordingly to achieve the 'no worse off' position.

- The impact of COVID-19 does not exceed the current MTFS position. This means that costs deferred to 2021 and beyond will be managed through grants carried forward, the use of earmarked reserves or through risk allocations within the existing Capital Programme.
- General Reserves will remain unchanged in 2021/22 at £10.3m, which requires a balanced outturn from the 2020/21 budget (excluding the impact of COVID-19 in the above point).
- General Reserves are adequate to manage the normal level of risk associated with the overall management of a net budget of c.£300m as per the 2020 Reserves Strategy.
- Costs of changes, such as any requirement for redundancy payments will be funded from Central Budgets created as part of the balanced position for 2021/22 and 2022/23.

6.2.4. If these assumptions vary during the consultation period then the Council will have to take such variations in to account alongside the feedback from the consultation.

### **6.3. Policy Implications**

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

### **6.4. Equality Implications**

6.4.1. Equality Impact Assessments have been undertaken for every proposal put forward as part of this budget consultation.

### **6.5. Human Resources Implications**

6.5.1. Consultation on the proposals will include staff. Any changes involving staff will be managed in consultation with staff and Trade Unions.

### **6.6. Risk Management Implications**

6.6.1. Cheshire East recognises that in pursuit of its objectives and outcomes in this pre-budget consultation that it may choose to accept an increased degree of risk. Where the Council chooses to accept an increased level of risk it will do so, subject always to ensuring that the potential benefits and threats are fully understood before developments

are authorised, that it has sufficient risk capacity and that sensible measures to mitigate risk are established.

6.6.2. The Council also establishes a level of reserves that are adequate to protect the Council against financial risks, such as emergencies, which are not specifically budgeted for in individual years.

6.6.3. The Council will continue to be flexible about investing revenue funding in maintaining sustainable services and reflecting changes to the risks facing the Council. The full Budget Report will include a revised Reserves Strategy for 2021/22 to provide further detail on estimated balances and the application of reserves in the medium term.

#### **6.7. Rural Communities Implications**

6.7.1. There are no direct implications for rural communities.

#### **6.8. Implications for Children & Young People/Cared for Children**

6.8.1. Proposals affecting the Children's area of the budget have been set out as part of Appendix A and C.

#### **6.9. Public Health Implications**

6.9.1. There are no direct implications for public health.

#### **6.10. Climate Change Implications**

6.10.1. The draft Corporate Plan has a very strong environmental thread throughout with a specific aim for the Council to be 'Greener'.

6.10.2. A number of proposals are listed which will support the Council's commitment of being carbon neutral by 2025. These are included in the wider list of proposals within Appendix A and C

### **7. Ward Members Affected**

7.1. All Members will have the opportunity to be involved in the engagement process.

### **8. Consultation & Engagement**

8.1. This report sets out the Consultation process planned.

### **9. Access to Information**

9.1. Any supporting documents that help to explain or evidence the report and its recommendation should be included here in accessible formats. Authors



should take note of any confidentiality or cost of access issues in this section for reports that end up in the public domain.

## **10. Contact Information**

Any questions relating to this report should be directed to the following officer:

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