
Finance Sub-Committee

Date of Meeting:	1 July 2021
Report Title:	Aligning the Medium Term Financial Strategy (MTFS) to the Committee Structure
Report of:	Alex Thompson, Director of Finance & Customer Services
Report Reference No:	FSC/01/21-22
Ward(s) Affected:	All wards and all members will be affected and impacted by the content of the MTFS and Corporate Plan.

1. Executive Summary

- 1.1. The Corporate Plan and Medium Term Financial Strategy (MTFS) for Cheshire East Council for the four years 2021/22 to 2024/25 was approved by full Council on 17th February 2021.
- 1.2. This report will determine the allocation of the approved capital and revenue budgets to each of the service committees and review the MTFS assumptions and timelines.
- 1.3. Cheshire East Council provides in the region of 500 local services every day. During 2020/21 the Council drafted and consulted on a new Corporate Plan to articulate a vision of how these services will make Cheshire East an Open, Fairer and Greener Borough. The MTFS matches forecast resources to the costs associated with achieving the Council's vision.

2. Recommendations

That Finance Sub-Committee:

- 2.1. Approve allocation of the capital and revenue budgets, policy proposals and earmarked reserves to the following Committees in accordance with the MTFS approved in February 2021, as set out in Appendix A:
 - Adults & Health
 - Highways & Transport

- Children & Families
 - Economy & Growth
 - Environment & Communities
 - Corporate Policy
 - Finance Sub-Committee
- 2.2.** Note MTFS assumptions, set out in paragraph 5.10 and Appendix C.
- 2.3.** Note the MTFS timelines, as set out in paragraphs 5.11 – 5.14.
- 2.4.** Approve the formation of a task group, to work with the finance team in reviewing the assumptions and to report on the outcomes to the Finance Sub-Committee (see 3.3 below).
- 2.5.** Approve the supplementary estimates as set out in Appendix D and to notify the relevant committees.
- 2.6.** Recommend to Council to approve:
- fully funded supplementary estimates above £1,000,000 in accordance with Financial Procedure Rules as detailed in Appendix D - Table B.

3. Reasons for Recommendations

- 3.1.** In accordance with the Corporate Plan and the Policy Framework the Finance Sub-Committee has the responsibility to co-ordinate the management and oversight of the Council's finances, performance and risk management arrangements.
- 3.2.** The Committee is responsible for allocating budgets across the Service Committees. This responsibility includes the allocation of Revenue and Capital Budgets as well relevant Earmarked Reserves.
- 3.3.** The process to develop the Medium Term Financial Strategy was ratified at Council on 19th April, and is to be noted again here by the Committee to support communication to the other Committees. In addition to the process the Committee is asked to review the financial assumptions within the MTFS. As these assumptions are numerous it is recommended that a task group is established to work with the Finance Team to report back to the Committee in September. The Task Group should be made up of at least three members with the Chair or Vice Chair taking the responsibility to report back to the Committee.
- 3.4.** The Committee has responsibilities within the Constitution to approve, or recommend for approval, Virement and Supplementary Estimates that will amend the MTFS. Such requests are brought to the Committee as they arise.

4. Other Options Considered

- 4.1.** Not applicable.

5. Background

- 5.1.** All councils are legally required to set a balanced budget each year. The Budget Setting Process 2021-2025 was developed and endorsed by the Cabinet and Corporate Leadership Team in May 2020 and the MTFS was approved by full Council in February 2021.
- 5.2.** Page 17 of the MTFS includes a Report from the Chief Finance Officer in line with the Section 25(1) of the Local Government Finance Act 2003. This report confirms that the MTFS is balanced and that the Chief Finance Officer is satisfied with the robustness of the estimates and the adequacy of the financial reserves of the Council. The report also highlights the factors taken in to account in arriving at this judgement including relevant financial issues and risks facing the Council during the medium term.
- 5.3.** Finance Procedure Rules set limits and responsibilities for movement of funds, treating reserves as part of this overall balanced position. Any movement within this balanced position is treated as a virement. To increase the overall size of the MTFS requires a supplementary estimate, which must be backed with appropriate new funding and approved in line with the Procedure Rules.
- 5.4.** On 19th November 2020 the Council resolved to cease operating the existing Leader and Cabinet model of governance and implement a committee system model of governance to take effect from the Annual Council meeting on 4th May 2021.
- 5.5.** To support accountability and financial control under the new system the 2021/22 budget is being reported across the Committees based on their associated functions. This report sets out the allocation of the revenue and capital budgets and earmarked reserves to the relevant service committee in accordance with their functions.
- 5.6.** Each committee Function has been associated with a Director budget. Budget holders are responsible for budget management. Where a team supports multiple Directors (most notable in Corporate Services) the budget remains with the Director and is not split, for example, Governance and Democratic Services are aligned to the Corporate Policy Committee even though the activity of the team is split across all teams.
- 5.7.** The financial alignment of budgets to each Committee is set out in Table 1 with further details in Appendix A.

Table 1: Revenue and Capital Budgets allocated to service committees as per the approved MTFS

Committee	Expenditure £m	Income £m	Net Budget £m	Total Capital Budget £m	Total Rev + Cap £m
Adults and Health	178.348	-59.304	119.044	1.434	120.478
Highways and Transport	23.090	-11.849	11.241	90.996	102.237
Children and Families	74.100	-5.906	68.194	22.683	90.877
Economy and Growth	32.692	-10.866	21.826	31.459	53.285
Environment and Communities	52.512	-10.613	41.899	11.220	53.119
Corporate Policy	112.635	-76.421	36.214	6.451	42.665
Finance Sub Committee	19.340	-6.662	12.678	7.030	19.708
			-311.096	-171.274	-482.370
Original Budget (MTFS Feb 21)	492.717	-181.621	0.000	0.000	0.000

- 5.8.** The 2021-25 MTFS includes a net revenue budget of £311.1m and an approved capital programme of £171.3m for the financial year 2021/22. Further details on the schemes within the capital programme are provided in Appendix A.
- 5.9.** The Finance Sub-Committee has additional responsibility for the oversight, scrutiny and budget review of the following functions: Land and Property; Central Budgets; Pensions; Grants; Council Tax; Business Rates; Reserves; and Other Funding as set out in Appendix A.
- 5.10.** The estimated balance of general reserves as at 1st April 2021 is £10.3m and earmarked reserves totalling £67.2m, further details are provided in Appendix B.

MTFS Assumptions

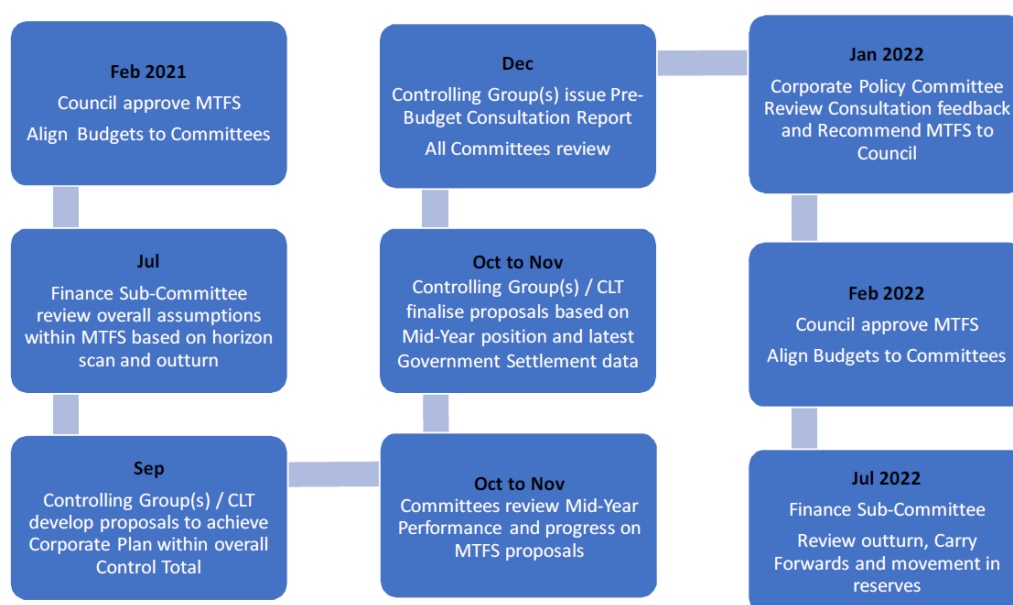
- 5.11.** The 2021-25 MTFS includes assumptions related to central budgets and future funding levels under the following headings:
- Capital financing
 - Cheshire Pension Fund valuations and contributions
 - Levels of General and Earmarked reserves
 - Council tax increases
 - Tax base - including discretionary elements
 - Local council tax support (CTS) scheme
 - BRRS (Business Rates Retention Scheme) - including discretionary elements
 - Government Grants

Further detail is provided in Appendix C. A review of these assumptions and the impact of revised calculations will be progressed during the financial year 2021/22.

MTFS Timelines

- 5.12.** Council wide budget control rests with the Corporate Policy Committee (and Finance Sub Committee) and Council. Budgets have been aligned with service committees to facilitate expenditure assurance but committees do not hold 'a budget'. Responsibility for budget management remains with officers but the Committee is responsible for assuring the budget is spent on delivering the objectives set out in the policy framework of the Corporate Plan.
- 5.13.** The new budget process will provide each committee with a review of the mid year position and the opportunity to comment on future proposals relating to their areas, by individual service area, which can be considered with the new budgetary consultation process and will be considered by Corporate Policy Committee for recommendation to Council.
- 5.14.** Sessions will be arranged for all members in advance of the wider consultation on proposals. This will increase opportunities for all members to engage with the process to review the Medium Term Financial Strategy. Members will be invited to attend sessions that will allow them to share ideas to support development of future proposals in an informal setting. This approach was well received when trialled in 2019, but, due to circumstances, could not be re-run in 2020.
- 5.15.** The budget setting process is set out below:

Indicative Budget Setting Process



6. Consultation and Engagement

- 6.1.** The annual business planning process involves engagement with local people and organisations. Local authorities have a statutory duty to consult on their Budget with certain stakeholder groups including the Schools Forum and businesses. In addition, the Council chooses to consult with other stakeholder groups. The Council continues to carry out stakeholder analysis to identify the different groups involved in the budget setting process, what information they need from us, the information we currently provide these groups with, and where we can improve our engagement process.
- 6.2.** Cheshire East Council conducted an engagement process on its Medium-Term Financial Plans through a number of stages running from December 2020 to Council in February 2021.
- 6.3.** The budget consultation launched on-line on the 2nd December 2020, included details of the proposals against each (draft) Corporate Plan aim. This consultation was made available to various stakeholder groups and through a number of forums.

7. Implications

7.1. Legal

- 7.1.1.** The legal implications surrounding the process of setting the 2021 to 2025 Medium Term Financial Strategy were dealt with in the reports relating to that process.

7.2. Finance

- 7.2.1.** Contained within the main body of the report.

7.3. Policy

- 7.3.1.** The Corporate Plan sets the policy context for the MTFS and the two documents are aligned. Any policy implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

7.4. Equality

- 7.4.1.** The Council needs to ensure that in taking decisions on the Medium Term Financial Strategy, the Budget and the Corporate Plan, the impacts on those with protected characteristics are considered. The Council undertakes equality impact assessments where necessary and continues to do so as proposals and projects develop across the lifetime of the Corporate Plan. The process assists us to consider what actions could mitigate any adverse impacts identified. Completed equality impact assessments form part of any detailed Business Cases.

- 7.4.2.** Any equality implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

7.5. Human Resources

- 7.5.1.** Any HR implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

7.6. Risk Management

- 7.6.1.** Financial risks are assessed and reported on a regular basis, and remedial action taken if and when required. Risks associated with the achievement of the 2021/22 budget and the level of general reserves were factored into the 2021/22 financial scenario, budget and reserves strategy.

7.7. Rural Communities

- 7.7.1.** The report provides details of service provision across the borough.

7.8. Children and Young People/Cared for Children

- 7.8.1.** The report provides details of service provision across the borough.

7.9. Public Health

- 7.9.1.** Public health implications that arise from activities that this report deals with will be dealt with as separate reports to Members or Officer Decision Records as required.

7.10. Climate Change

- 7.10.1.** Any climate change implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

Access to Information	
Contact Officer:	Alex Thompson Director of Finance and Customer Services (Section 151 Officer) alex.thompson@cheshireeast.gov.uk
Appendices:	A - Allocation of capital and revenue budgets, earmarked reserves and policy proposals to service committees B - Earmarked Reserves C - Financial Scenario Assumptions MTFS 2021-2025 D - Supplementary Estimates
Background Papers:	The following are links to key background documents: Medium Term Financial Strategy 2021-25