Medium Term Financial Strategy

2016/19

Executive Summary

February 2016

This document is available to download on the Cheshire East Council website. It formed part of the 9th February 2016 Cabinet Agenda and the recommended version was distributed to all Members as part of the 25th February 2016 Council Agenda.

This version incorporates changes made at Council and is therefore the final version of the Budget Report.

You can continue to provide feedback on the proposals in this report by speaking to your local Councillor – visit Find Your Local Councillor on the Cheshire East Council website for contact details.

If you have any comments or queries please e-mail:

shapingourservices@cheshireeast.gov.uk

Executive Summary – Delivering Our Corporate Plan

One of the Best Places to Live in the Northwest

Cheshire East is the third largest council in the Northwest of England, responsible for over 500 services, supporting over 370,000 local people. Annual spending is more than £750m, with a balanced budget for 2016/17 of £266.7m.

The Council puts residents first in promoting a sustainable growth local economy and delivering services that are appropriate and right first time. The complexity of customer demands whether related to social care, employment opportunities or environmental services means it is vital to effectively manage performance and control expenditure. Austerity measures have put the public sector under increasing financial pressure and innovation and creativity are essential to maintaining good quality services from reducing income levels.

Cheshire East Council froze Council Tax levels for five consecutive years with government support and continued to invest in appropriate services to meet local residents' needs. Growth in the local tax bases (for houses and businesses) supports economic independence from government grant. Within four years it is expected that there will be no government grant support to the revenue budget of Cheshire East Council. This is a major challenge and when increases in demand and inflation in costs related to protecting vulnerable people are also taken into account then this will require careful review of future Council Tax levels.

The Council has confirmed its five local outcomes which put residents first and have already led to the area being recognised as having a good quality of life. There is a wealth of evidence to support this claim, such as unemployment being at its lowest level for 10 years and the fact that 92% of local schools in Cheshire East are good or excellent.

Financial stability

This Council is proud of its financial achievements to date.

In 2016/17 the headlines of the financial strategy are:

- Targeting cost effective service provision for residents whilst responding to the change in strategy for local authority funding. Council Tax will increase by 3.75% to provide additional investment in Social Care for Adults and Children, Skills and Regeneration and thereby helping to offset in part the severity of the reductions in government grant.
- No increase in external borrowing.
- Reduction in the reliance on resources from Central Government.
- Managing inflation pressures whilst actually reducing net expenditure overall, but:
- Maintaining value for money by cutting bureaucracy, waste and minimising non essential spending throughout the Council.
- Boosting local economic prosperity through increasing investment on capital projects, such as roads maintenance, infrastructure and regeneration.

This will be achieved by carefully managing change, focusing on what matters – reviewing the best fit of service providers that put our residents first and make every £ work harder.

Table 1: Running costs (Revenue) are being managed down. Investment in assets (Capital) is increasing

Table 1	2015/16*	2016/17 Budget	Change
Revenue Budget	£265.8m	£266.7m	£0.9m
Capital Budget	£123.2m	£183.7m	£60.5m

* Approved Budget as at Quarter 3

Net Revenue Budget 2016/17

- Income is estimated to vary from 2015/16 as follows:
  - Revenue Support Grant (-£12.9m)
  - Other specific grants (-£2.9m)
  - Growth in Council Tax Base (+£4.2m)
  - Increase in Council Tax levels (+£6.4m)
  - Council Tax Collection Fund Surplus (+£2.5m)
  - Additional New Homes Bonus (+£2.5m)
  - Business Rates Retained (+£1.1m)

- Expenditure is estimated to increase by £0.9m from 2015/16 as set out in **Table 2**:

Table 2 : Outcome	Removal of Temporary Items £m	2016/17 Proposals £m	Total Change £m
1	-0.7	**0.0**	-0.7
2	-1.2	**1.0**	-0.2
3	0.1	**-0.4**	-0.3
4	0.3	**-0.1**	0.2
5	0.7	**0.9**	1.6
6	-0.3	**-2.2**	-2.5
Contribution to Earmarked Reserves	0.0	**2.8**	2.8
Total	**-1.1**	**2.0**	**0.9**

Note: Gross service expenditure and income is estimated to change from £265.8m to £243.7m over the medium term (see MTFS Exec Summary page 7).

Annex 1 to the Executive Summary provides a further breakdown of the Council's revenue budget.

Capital Budget 2016/17 to 2018/19

The three year capital programme includes investment plans of almost £0.5bn. 51% of the funding for this ambitious programme will come from government grants or contributions from other external partners. In addition, 21% will come from the Council's work to maximise the value of assets sales to support development in the local area.

- The main forecasted income sources are:
  - Government Grants (£197m / 41%)
  - Other external contributions (£48m / 10%)
  - Receipts from Council Assets (£102m / 21%)

- Expenditure is estimated in the following areas:
  - Highways (£224m)
  - Economic Growth & Visitor Economy (£129m)
  - Education Support (£49m)
  - Other schemes, such as health & wellbeing, environmental, estate management and IT (£79m)

The potential impact of the schemes in the capital programme is to also generate a net reduction in revenue costs in the region of £5m per year by the end of 2018/19.

Reserves

Reserves are focused on the Council's ability to invest in opportunities and to manage exposure to financial risk. Where something has been identified as a specific risk or investment opportunity, then an amount will be earmarked for that purpose.

Reserves are not being utilised to support annual spending in the net revenue budget for 2016/17. This shows that, despite reductions in funding, the Council is again managing to provide local services within its means.

Table 3: Good financial management reduces the overall need for reserves

Table 3	Forecast Closing Balance 2015/16	2016/17	Change
General Reserves	£12.8m	£11.8m	(£1.0m)
Earmarked Reserves*	£37.3m	£26.7m	(£10.6m)
Total Revenue Reserves	**£50.1m**	**£38.5m**	**(£11.6m)**

* earmarked reserves are spent in accordance with planned timescales and will increase or reduce accordingly

The Council's Reserves Strategy (**Annex 13**) provides the reasons for holding General or Earmarked Reserves at current levels.

Achieving Outcomes for Residents

Outcome 1

The Council will deliver a net reduction of £0.7m for services to local communities including:

- Additional funding for the licensing service and gypsy and traveller transit sites
- Additional Enforcement capacity for flytipping
- Savings in fair trading and advice.

Outcome 2

- Cheshire East Council will reduce budgets by £0.2m and continue to help ensure it has a strong and resilient economy through:
  - Providing additional capacity to match the Council's priorities for investing to generate economic growth
  - Additional funding to revise car parking fees
  - Investing £0.5m on activities for the skills and growth company
  - Providing a further £1m to support the Local Plan and planning appeals.

Outcome 3

- Reducing budgets by £0.3m and ensuring people have the life skills and education they need to thrive through:
  - Recognising increases in childcare placements
  - Investing in early intervention
  - Savings from staffing, management and traded services.

Outcome 4

- Additional investment of £0.2m to help ensure Cheshire East is a green and sustainable place through:
  - Maximising efficiency in the management fees payable to the Council's wholly owned companies
  - Meeting inflationary costs.

Outcome 5

- Redesigning services to ensure People live well and for longer and investing an extra £1.6m through:
  - Managing increases in care provider fees of £3.9m, which includes achieving minimum wage standards for care professionals.
  - Review of the legacy housing and supported living arrangements
  - Review of Commissioning services
  - Reviewing care packages and maximising independence
  - Reviewing community alarms.

The Council also has a sixth underpinning internal outcome to ensure we continue to improve and be a responsible, effective and efficient organisation. Savings of over £5m have already been achieved by reducing management costs, and further cost reductions of £2.5m will be delivered by enhancing returns from investments, streamlining processes and rationalising assets in order to focus as much investment as possible towards front line services.

A net contribution to earmarked reserves of £2.8m will be made as a result of £0.5m Collection Fund Surplus and £2.5m Transitional Funding.

A listening Council

The budget report highlights the Council's on-going commitment to transparency, engagement and consultation. The process of budget development has been open and clear from the outset and demonstrates that we listen to residents and stakeholders.

Stakeholder engagement included:

- Maintaining the longer timescale that supported the development and sharing of draft Budget ideas.
- Greater elected Member involvement through scrutiny, briefings and planning and licensing processes.
- Extended stakeholder engagement via open meetings and consultation.
- On-going development of effective internal challenge processes.
- Continued improvement of financial and performance reporting.
- Listening to stakeholders in important considerations such as payments to Town & Parish councils.

The Council held elections in May 2015; this coincided with the initiative to revise the Council's Three Year Plan which ends in March 2016. This has allowed the opportunity to review the current outcomes and consider again how best to meet the needs of local people in the medium term from within the available level of resources. The Corporate Plan 2016/20 is being provided to Members for approval as part of the Medium Term Financial Strategy process.
During the consultation process changes have been proposed to increase expenditure in a number of areas compared to the Pre-Budget Report. In addition the local government finance settlement was confirmed by government which put increasing pressure on the income available for the Council.

Where proposals have been amended based on feedback these are noted within **Section 1** of the MTFS. **Annex 2** of the MTFS also describes the engagement activities carried out by the Council. The overall financial impact of that process is captured in **Table 4** below.

Table 4 Summary of changes based on feedback to the Pre-Budget Report	£m
Outcome 1 - Our Local Communities are strong and supportive	0.3
Protecting Trading Standards and Licensing Services	
Re-phasing Council Tax Support to Towns & Parishes	
Additional resources for Flytipping Enforcement	
Outcome 2 - Cheshire East has a strong and resilient economy	0.8
Additional investment in skills and growth	
Increasing capacity in strategic infrastructure	
Outcome 3 - People have the life skills and education they need in order to thrive	-1.0
Re-allocation of consumable savings	
Transfer of £0.9m Pay and Pensions allocation to Outcome 5	
Outcome 4 - Cheshire East is a green and sustainable place	0.6
Revising medium term efficiency plans with service providers	
Outcome 5 - People live well and for longer	3.3
Increased base budget for Child placements	
Continued support for prevention of Domestic Abuse	
Re-phasing savings proposals in Adult Social Care	
Transfer of £0.9m Pay and Pensions allocation from Outcome 3	
Transitional funding for outcome 5	
Outcome 6 - Efficiency	1.2
Re-phasing savings relating to consumables	
Re-profiling implementation of the new digital services offer for residents	
Total	**5.2**

Changing the way we work

Cheshire East has established itself as a commissioning council. This means we provide the service options that best fit the needs of our residents, regardless of historical approaches to service delivery. Since 2009 over £70m of savings have been achieved through adopting efficient and effective ways of working. The number of staff employed directly by the Council has also been reduced by 48%. Front-line staff have been protected though, and since 2012 the number of senior managers has been reduced by a third.

The current structure of service providers allows the Council to commission (or 'buy') the right services for the right people at the right price.

A sample of the main providers of services to Cheshire East is shown below:

Privately owned contractors:

- Ringway Jacobs (Highways)
- Oracle (Core financial systems)
- BT (Superfast Broadband projects)

Delivery vehicles wholly owned by the Council:

- Cheshire East Residents First (CERF)
- Ansa (Waste Services)
- Orbitas (Bereavement services)
- Tatton Park Enterprises
- Transport Service Solutions Ltd
- Civicance (Building Control and Planning Support)
- Skills and Growth Co (planned for 2016)

Charitable organisations:

- Everybody Sport and Recreation Trust (Leisure Services)
- 37 Academies

In-House Council Services:

- Care4CE
- Four4adoption
- Cheshire East libraries
- Local Authority maintained schools
- Assessment and case management services for children and adults

The effective management of service providers allowed the Council to set a balanced budget in 2015/16 and established a strong base for 2016/17. Vital services have been protected and opportunities for further efficiencies and commercialism have been created.

We have a strong management team in place to take this Council into 2016 and beyond.

Mike Suarez – Chief Executive

Kath O'Dwyer – Director of Children Services and Deputy Chief Executive

Peter Bates – Chief Operating Officer

Caroline Simpson **(leaving March 2016)** - Executive Director of Economic Growth and Prosperity

Other, statutory posts include Heather Grimbaldeston (Director of Public Health), Brenda Smith (Director of Adult Social Care and Independent Living), Bill Norman (Director of Legal Services and Monitoring Officer).

The Council has been given a clean bill of health by the external auditors, Grant Thornton, and the financial statements and value for money opinions are unqualified. This provides confidence that the leadership team of the Council understand the costs associated with local needs and is matching resources to the stated priorities of the Council.

This year the Council has aligned its corporate business case format to public sector best practice in the form of the HM Treasury Five Case Model, and revised and strengthened its processes for monitoring the delivery of these proposals overseen by the Executive Monitoring Board.

The Medium Term Financial Strategy (Full Report)

As the Finance Portfolio Holder, I have developed the medium term strategy, with the professional support of Peter Bates (Chief Operating Officer) and his team.

This comprehensive report provides further information on the issues facing the Council in the medium term and shows how these are being addressed to present a balanced financial position for the 2016/17 financial year. The report also includes medium term estimates showing that the Council faces further financial challenges from 2017 onwards.

Additional detailed analysis of appropriate trends and demonstration of the effective deployment of resources is contained within the Council's Value for Money publication. This illustrates the strong financial position of the Council and provides clear evidence of delivering more with less.

The effective management of the budget within the annual estimates for the last two years has provided a solid financial platform to enable the Council to maintain a positive outlook for the future. The medium term forecasts shows the extent of the financial challenge ahead but I am confident and determined to deliver for local residents by always putting them first and to do everything I can to maintain Cheshire East as one of the best places to live in the Northwest.

Cllr Peter Groves

Portfolio Holder for Finance & Assets,
Cheshire East Council
February 2016

Annex 1

Total budget and total funding for Cheshire East Council (excluding ring-fenced grants)

	Budget Book 2015/16 (revised at TQR)	Estimated Net Budget 2016/17	Estimated Net Budget 2017/18	Estimated Net Budget 2018/19	Estimated Net Budget 2019/20
	£m	£m	£m	£m	£m
Outcome 1 - Our Local Communities are strong and supportive	26.3	**25.6**	**25.5**	**25.9**	**26.3**
Outcome 2 - Cheshire East has a strong and resilient economy	33.0	**32.8**	**32.8**	**33.1**	**33.5**
Outcome 3 - People have the life skills and education they need in order to thrive	12.3	**12.1**	**12.3**	**12.6**	**12.9**
Outcome 4 - Cheshire East is a green and sustainable place	31.2	**31.4**	**30.4**	**30.1**	**30.4**
Outcome 5 - People live well and for longer	110.3	**111.9**	**112.1**	**111.7**	**113.3**
Outcome 6 - Efficiency	37.6	**35.0**	**33.5**	**34.1**	**34.7**
Total Outcomes	**250.7**	**248.8**	**246.6**	**247.5**	**251.1**
Corporate Contributions and Adjustments	1.1	**1.1**	**1.1**	**1.1**	**1.1**
Capital Financing	14.0	**14.0**	**14.0**	**14.0**	**14.0**
Use of / Contribution to Earmarked Reserve		**2.8**	**-0.1**	**-0.1**	**-0.1**
Additional Reductions to closing Funding Deficit Yr 2/3			***0.0***	***-8.9***	***-22.4***
TOTAL:	**265.8**	**266.7**	**261.6**	**253.6**	**243.7**
CENTRAL BUDGETS					
Business Rate Retention Scheme	-38.6	**-39.7**	**-40.4**	**-41.6**	**-40.3**
Revenue Support Grant	-39.2	**-26.3**	**-13.4**	**-5.4**	**0.0**
Specific Grants	-19.2	**-18.8**	**-18.2**	**-11.2**	**-10.6**
Council Tax	-168.8	**-179.4**	**-180.7**	**-181.9**	**-183.2**
Collection Fund Surplus	0.0	**-2.5**	**0.0**	**0.0**	**0.0**
TOTAL: Central Budgets	**-265.8**	**-266.7**	**-252.7**	**-240.1**	**-234.1**
Funding Deficit	**0.0**	**0.0**	**8.9**	**13.5**	**9.6**

Notes:
Including assumption that the Funding (Surplus) / Deficit from previous years is closed and that General Reserves are not used.

Medium Term Financial Strategy 2016/19

February 2016

Foreword from the Finance Portfolio Holder

Cheshire East Council is a local authority with national ambition. We put our residents first and Cheshire East is a great place to live, work and play.

Since the elections in May 2015 we have been working hard, reflecting on our ambitions and prioritising our resources. Value for money is essential and Cheshire East is a Council that delivers. The 2014/15 Financial Year delivered another small financial surplus, good service performance and Cheshire East earning its place as one of the Best Places to Live in the Northwest.

The Council has started well in 2015/16, budgets are balanced, general satisfaction with services is high and the local economy continues to improve. 2016/17 presents a difficult challenge as the country continues to reduce the costs of public services.

The 2016/17 Budget provides a refresh of the Council's Outcomes. The Council's 3 year plan 2013 to 2016 introduced Residents First outcomes, and the plan provided an excellent focus for our activities. So, looking ahead, these headline outcomes will remain and have been taken into our new Corporate Plan. The Council can achieve what it needs to, within the resources available, by working in new ways.

The Provisional Local Government Finance Settlement, issued on 17th December 2015, confirmed the challenge facing the sector around reductions in funding but the pace of change was faster than expected.

The Council has been given flexibility around Council Tax levels, with scope for an increase of up to 2% to specifically fund Adult Social Care, on top of the continuing 1.99% referendum threshold that has been in place during the previous Government.

As Cheshire East has protected taxpayers from Council Tax rises for the last five years then a decision to raise taxes is extremely difficult. But the ever increasing demands on the Council coupled with a change in approach nationally, means an increase of 3.75% for 2016/17 is required to maintain service levels. I am still determined that the focus on increased productivity and efficiency will continue, which is why the Council tax proposal is not higher, which many may have been expecting.

The Council has worked towards a 4 Year Plan 2016 to 2020 to focus on:

Communities ~ helping residents to help themselves and each other. Supporting volunteering, and minimising anti-social behaviour.
Economy ~ encouraging and supporting businesses to create high employment and creating opportunities for all.
Education ~ intervening early to provide a great start in life.
Environment ~ supporting energy saving initiatives and making sure our green spaces make Cheshire East a great place to live.
Health ~ safeguarding the vulnerable and providing appropriate care that helps people live well and for longer.

We will continue to tackle the issues that concern our local residents. We will work with our partners and plan to invest more in new targeted early intervention activities.

Cheshire East is a strong player in the regional economy and we will continue to extend opportunities that create a diverse workforce. With opportunities for all there will be no barriers to aspiration. Helping our residents to be ready for work is a key priority and we will work with local business to reduce the number of people not in education, employment or training (NEETs) even further and increase skills through training and apprenticeships.

Council Tax and business rates that are paid locally already provide the majority of funding for Council Services. Cheshire East is gradually becoming a self financing authority (and is looking at options) where residents and businesses provide all the necessary funding to meet our ambitions. Local growth is a key factor to continuing this trend, and this will be managed properly in the interests of local residents to continue to make Cheshire East such a great place to live, work and play.

Comment from the Chief Operating Officer (Section 151 Officer)

Cheshire East Council continues to arrange delivery of over 500 services every day that meet the needs of local people. The Chancellor's recent announcements about additional flexibility over Council Tax (with less government grant support) and increasing the local retention of business rates pushes the Council more quickly towards our ambition to be self-financing. Cheshire East has a large domestic taxbase which provides 26% of gross income and a large number of businesses. It collects more business rates than it currently gets to spend, so we will work hard with central government to ensure the best local deal from any changes to these arrangements.

The Government has also outlined the scope for a four year funding deal through to 2019/20. While further information is awaited this is also an opportunity that we will explore. Greater certainty for financial planning purposes is attractive but we need to evaluate the risk and reward, particularly, the lack of clarity around the business rates retention scheme.

Putting residents first and providing value for money remain the Council's key priorities. This Budget Report provides further evidence of how Cheshire East Council is dealing with austerity and continuing to provide sustainable and affordable services. The Cabinet are using the flexibility they have to propose an increase in Council Tax. An increase of 3.75% is proposed, which is the first increase for 5 years and takes advantage of the additional 2% increase identified as an option by government to specifically fund costs in adult social care.

The financial planning arrangements in recent years have provided a solid foundation for the future. We continued to build on best practice during the development of the Budget for 2016/17, providing increased confidence and assurance over the strong financial management of the organisation. This was clearly demonstrated in the independent Audit Report on the 2014/15 accounts.

The current financial performance of the organisation is impressive but difficult choices lie ahead. Initial budget deficits of £13m and £10m for 2016/17 and 2017/18 were forecast in February 2015. This report updates these estimates with the latest intelligence and current assumptions. This has increased the size of the financial challenge and this report explains how the gap for 2016/17 will be closed through changing the relationships with partners, suppliers and residents and through continuing to drive local sustainable growth in housing, businesses and jobs. However, deficits remain in the medium term and work will begin in April 2016 to close these gaps.

The Council is committed to exploiting opportunities to revolutionise service delivery arrangements. This is based on the belief that we can find or even create the right arrangements and the right providers that will get closer to the resident and better understand their local needs and therefore deliver a better service at a better price.

Change is constant and we will constantly monitor and compare our service levels and performance against best practice to continue to challenge, innovate and improve within the financial resources we have available. We will also balance risk against our financial resilience, and the Reserves Strategy. The strategy, contained within this report provides a clear indication of how reserves are being maintained at adequate levels in line with our assessed risk levels.

PJ Bates

Peter Bates CPFA CIPD MBA
Chief Operating Officer (Section 151 Officer)

February 2016

Table 1 - Three Year Summary Position

	Budget Book 2015/16 (revised at TQR)	Estimated Net Budget 2016/17	Estimated Net Budget 2017/18	Estimated Net Budget 2018/19
	£m	£m	£m	£m
Outcome 1 - Our Local Communities are strong and supportive	26.3	**25.6**	**25.5**	**25.9**
Outcome 2 - Cheshire East has a strong and resilient economy	33.0	**32.8**	**32.8**	**33.1**
Outcome 3 - People have the life skills and education they need in order to thrive	12.3	**12.1**	**12.3**	**12.6**
Outcome 4 - Cheshire East is a green and sustainable place	31.2	**31.4**	**30.4**	**30.1**
Outcome 5 - People live well and for longer	110.3	**111.9**	**112.1**	**111.7**
Outcome 6 - Efficiency	37.6	**35.0**	**33.5**	**34.1**
Total Outcomes	**250.7**	**248.8**	**246.6**	**247.5**
Corporate Contributions and Adjustments	1.1	**1.1**	**1.1**	**1.1**
Capital Financing	14.0	**14.0**	**14.0**	**14.0**
Use of / Contribution to Earmarked Reserve		**2.8**	**-0.1**	**-0.1**
Additional Reductions to closing Funding Deficit Yr 2/3			***0.0***	***-8.9***
TOTAL:	**265.8**	**266.7**	**261.6**	**253.6**
CENTRAL BUDGETS				
Business Rate Retention Scheme	-38.6	**-39.7**	**-40.4**	**-41.6**
Revenue Support Grant	-39.2	**-26.3**	**-13.4**	**-5.4**
Specific Grants	-19.2	**-18.8**	**-18.2**	**-11.2**
Council Tax	-168.8	**-179.4**	**-180.7**	**-181.9**
Collection Fund Surplus	0.0	**-2.5**	**0.0**	**0.0**
TOTAL: Central Budgets	**-265.8**	**-266.7**	**-252.7**	**-240.1**
Funding Deficit	**0.0**	**0.0**	**8.9**	**13.5**

Notes:
Including assumption that the Funding (Surplus) / Deficit from previous years is closed and that General Reserves are not used.

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1. Achieving Outcomes

Cheshire East Council is responsible for providing more than 500 local public services across an area of over 1,100km^2 for over 370,000 residents. The budget to deliver these services in the period April 2016 to March 2017 will be in the region of £750m, 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.

Maintaining excellent services requires the constant review of what is needed and how this can best be provided. During the summer of 2015 the Council's Cabinet Members have re-considered the outcomes contained within the current Three-Year Plan (2013-16). The review concluded that the outcomes remain hugely relevant to the way the Council can meet the needs of local residents and businesses. However, it is inevitable that local needs and priorities in Cheshire East change over time and the Council must therefore be flexible. This section provides details on how the Council aims to continue achieving its outcomes through changes to the existing budget that are focused on clear priorities.

Each of the Council's updated Resident First Outcomes is set out on the following pages along with the current strategy and the proposed budget changes that will achieve a balanced position in 2016/17.

The Council Plan details the "Residents First Outcomes" which form the guide for development of any proposals. The proposals in this report reflect the Council's ambition to achieve these outcomes.

The following pages set out:

- Some of Cheshire East Council's achievements over the last year.
- The engagement activity for the current budget setting process. This identifies who is being consulted with as part of this budget development process.
- Revised budget proposals that include the Council's response to stakeholder feedback.

The uncertainty over medium term funding levels until mid December 2015 has led to this document being primarily focused on 2016/17.

Talking about Cheshire East

New companies set up in transport and planning

Award-winning roadworks communication App, and new online 'Report It / Track It' highways reporting tool launched.

No Council Tax increase for the last five years

92% Good or Outstanding Schools

Adults with NVQ3 or above up to 57.3%

Cheshire East Council shortlisted for the Municipal Journal Achievement Award for Adoption Services

For the fifth year running pupils outperformed the North West and National averages in obtaining 5 A*-C GCSE's in English and Maths

One of only three new business hotspots outside London

Fairerpower new energy supplier signs 4,000 customers within the first 10 months, saving households more than £1m

'Connecting Cheshire' fibre broadband coverage 96% in over 80,000 homes and businesses

Only 0.9% benefits claimant count

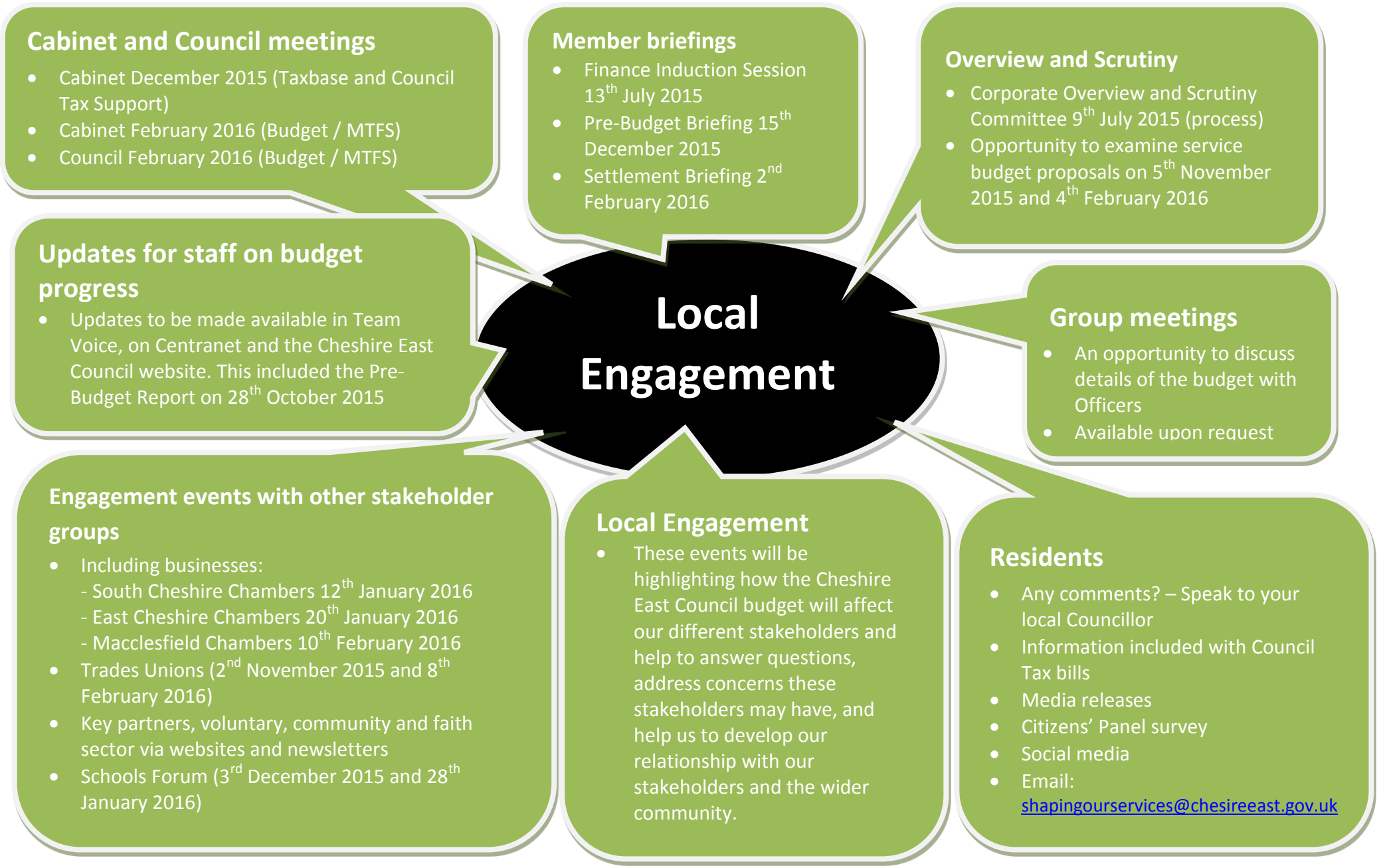
2.7% of 16-18 year olds are Not in Education, Employment or Training

1,540,000 library visitors and no closures

Household Waste Recycling Centres have reused and recycled 79.7% of items deposited

Increase in waste used for energy production resulting in a drop of 35% in waste sent to landfill

Over 5.2 million website hits per year


Cabinet and Council meetings
• Cabinet December 2015 (Taxbase and Council Tax Support)
• Cabinet February 2016 (Budget / MTFS)
• Council February 2016 (Budget / MTFS)
Member briefings
• Finance Induction Session 13th July 2015
• Pre-Budget Briefing 15th December 2015
• Settlement Briefing 2nd February 2016
Overview and Scrutiny
• Corporate Overview and Scrutiny Committee 9th July 2015 (process)
• Opportunity to examine service budget proposals on 5th November 2015 and 4th February 2016
Updates for staff on budget progress
• Updates to be made available in Team Voice, on Centranet and the Cheshire East Council website. This included the Pre-Budget Report on 28th October 2015
Local Engagement
Group meetings
• An opportunity to discuss details of the budget with Officers
• Available upon request
Engagement events with other stakeholder groups
• Including businesses:
- South Cheshire Chambers 12th January 2016
- East Cheshire Chambers 20th January 2016
- Macclesfield Chambers 10th February 2016
• Trades Unions (2nd November 2015 and 8th February 2016)
• Key partners, voluntary, community and faith sector via websites and newsletters
• Schools Forum (3rd December 2015 and 28th January 2016)
Local Engagement
• These events will be highlighting how the Cheshire East Council budget will affect our different stakeholders and help to answer questions, address concerns these stakeholders may have, and help us to develop our relationship with our stakeholders and the wider community.
Residents
• Any comments? – Speak to your local Councillor
• Information included with Council Tax bills
• Media releases
• Citizens' Panel survey
• Social media
• Email: shapingourservices@chesireeast.gov.uk

Outcome 1 - Our local communities are strong and supportive

What this means:	**Individuals and families are self-reliant and take personal responsibility for their quality of life.** **Communities are cohesive, with a strong sense of neighbourliness. There is genuine civic pride and mutual respect.**	
What the Council will focus on:	**1. Active, Resilient and Connected Communities where people want to live**	**2. Communities where you are - and feel - Safe**
What this will look like:	People work together to help each other, take action and take pride in where they live. We enable and support all of our communities to be independent, and develop effective Community Hubs. We lead by example as a proactive and enforcing Council.	People feel safer in their own homes and in their communities. We work with partners to target a reduction in anti-social behaviour and improve public and road safety.

Strategic Overview

Outcome 1 is focused on the role that the Council will play in leading communities, shaping local areas and bringing public services together. Strong communities have a sense of independence, and the ability to influence what services we commission in the future. This outcome brings together a diverse range of services that impact on individual localities such as customer services, communities and partnerships, libraries, revenue and benefits, community safety, and enforcement.

The Council cannot work alone in delivering on Outcome 1. This requires the continued support and commitment from our partners and the communities themselves to truly make a difference and deliver the change needed.

The Council has significant ambitions in 2016/17:

- We will review how we currently commission services to ensure that they continue to meet the needs of our residents and deliver on the Council's priorities and future plans. We will look to implement a fair and equitable commissioning process with a focus upon achieving the best quality of services within our available resources.
- Empower our staff through strong leadership and opportunities for continued learning and development to ensure that we deliver a first class service with our residents at the heart of everything we do.
- Continue to drive innovation across all of our services, using new technologies to engage and deliver operational and financial efficiencies whilst improving the quality and experience of our residents and local businesses.
- Reinforce the commitment to be an enforcing Council across all of our services.
- Be proactive and responsive in welcoming and supporting vulnerable communities.
- Strengthen our community hubs to develop and deliver a shared vision and plan, which is designed and led by the community.
- Support our residents through the impact of the welfare reform, engaging with partners and other agencies to deliver a whole system response.

2016/17 Proposals

There continues to be a considerable amount of development work across all of our service areas. We want to be leading the way and continually improving the services that are important to our residents. This includes, for example, a review of our community warden service, development of a speed management strategy, continued support to our community and faith sector via the community grants scheme, strengthened community engagement work to include asset based community development and a review of our approach to parking enforcement. Building on and delivering on the ambitions articulated in 2015/16 we have committed to a number of areas for priority action. These include:

- **Communities and Partnerships Restructure (-£0.13m)**
    - With changing operational and financial pressures we have sought the opportunity to refresh how we deliver our support to communities and partnerships.
    - As a "Resident First" Council, both teams provide support to our communities who are the key stakeholders in shaping and developing Cheshire East. We will maximise the resource capacity of the team to deliver the Council's new approach to deliver services locally and support the development of strong communities. By pooling intelligence, resources and standardising roles and responsibilities we aim to provide a robust approach, targeting our resources to our most vulnerable residents.

- **Reducing welfare demand (-£0.28m)**
    - The Government's programme of Welfare Reform is likely to result in further reductions in the funding provided to local authorities for Housing and Council Tax benefit administration. The continued roll out of Universal Credit will see more of our caseloads transfer from local government to the Department of Work and Pensions. As we see our caseloads reduce we will manage the reduction in our staffing accordingly. It is important to stress that there will be no reduction in service to residents that continue to claim benefits from the Council, which includes support provided to pensioners.

- **Reducing Council Tax Support Compensation Grant (-£0.15m)**
    - The falling caseload in welfare demand has reduced the impact on the amount of council tax collected by Town and Parish Councils. As a result it has been agreed that the Council will no longer provide compensation to each eligible Town and Parish Council for the reduction in tax base as a result of the council tax support scheme. To minimise the impact on Town and Parish Councils a reduced level of payment will be made in 2016/17 and no payment in 2017/18. This has changed from the Pre-Budget Report as a result of feedback on the original proposal to remove the grant entirely in 2016/17.

- **Emergency Planning (-£0.009m)**
    - Our Emergency Planning Service is shared with Cheshire West and Chester Council. The service has a role to ensure that both organisations have the capability to respond effectively and efficiently to any major emergency in support of their communities, and their multi-agency response. This is an area which was tested in 2015/16 with great success in response to the unfortunate Bosley Wood Flour Mill major incident in July 2015. In 2016/17 we will look to increase annual income from our statutory industrial work and reduce our non-salary elements of the service. This will provide a £9,000 saving for both authorities, with no impact on the team's ability to respond to any future Major Incidents.

- **Providing appropriate levels of service in regulatory services (-£0.1m)**
    - As a Council with a strong focus on putting residents and businesses first we have been reviewing the work of our key enforcement services to ensure that they are focused on the right issues. This has meant that there are elements within the services that can be delivered differently on a more commercial footing and also pulling back on our work on national projects that may not necessarily benefit our most vulnerable residents who are being targeted by scams and rogue traders.
    - In 2016/17 the Council will cease to offer the full Fair Trading / Consumer Advice Service. This is a non statutory function which provides civil advice to consumers who have issues with goods or supplies that they have purchased. In recent years many local authorities have reduced this service or removed it completely. We are confident that the development of the national Citizens Advice Consumer Service will help to fill this gap. The Citizens Advice Consumer Service provides front line information to consumers, complete with a dedicated website and information resources.
    - Proceeds of Crime Act (POCA) monies are a legitimate income stream for our Council, and are awarded as a result of successful financial investigations work. The use of this money is subject to specific criteria and more recently has been used to support specific projects. In 2016/17 we will utilise the POCA monies to support the costs of a Financial Investigator role and the wider service as a whole.

- **Alignment of Licensing Budgets (+£0.17m)**
    - Licensing is an area of our service which has seen significant growth. We have invested £174,000 to reflect the increasing workload and provide not only stability but opportunities to allow further growth and policy development to happen. This is a new proposal.

- **Gypsy and Traveller Transit (+£0.06m)**
    - As a Council we tackle head on the issue of unauthorised encampments across the Borough, which can have a negative impact on local residents and businesses. A proactive approach has been taken by approving the development of a ten pitch transit site in Middlewich which is due for completion at the end of 2016. It is important that there is robust site management and maintenance in place to ensure that the site is a safe and clean environment on which travellers can reside for a short period of time. We have allocated £62,000 for the delivery of site management and maintenance with further work required to establish the exact model to be implemented. This work will be completed in year and in advance of the site opening. This is a new proposal arising from the Capital Programme.

- **Additional enforcement capacity for fly tipping (+£0.08m)**
    - Provision of additional capacity to tackle a rising level of reported fly tipping and side waste incidents. This is a new proposal based on consultation feedback.

- **Agreed reduction in grant payment to Citizens Advice Bureau (-£0.001m)**
    - Agreed temporary reduction of funding for three years.

- **Allocation of cross-service savings relating to staff travel and supplies / services (-£0.02m)**
    - Efficiency savings from using technology to reduce travel and reducing supplies expenditure such as spending on paper. This has been allocated from the Chief Operating Officer page to each service.

- **Pay and Pensions Allocations including Living Wage and National Insurance (+£0.39m)**
    - To uplift the budget for best estimates around a 1% pay award, the impact of introducing the living wage and the change to single tier pensions. No change in overall allocation from Pre-Budget Report.

Outcome 1 - Capital Investment is focused on:

New schemes and Option Developments:

- **Next Generation Libraries Self- Service (£0.25m)**
    - Continued capital investment into the Library system replacement programme.

Outcome 2 - Cheshire East has a strong and resilient economy

What this means:	Cheshire East is the place where people mean business – investing in the building blocks that will allow business to grow, ensuring we have the right skills and promoting opportunities for investment. Working together we will create prosperity for all!			
What the Council will focus on:	**1. Business Growth and Tourism**	**2. Jobs and Skills**	**3. Inward Investment**	**4. Infrastructure**
What this will look like:	Businesses will grow and thrive in Cheshire East. Town centres will be busy and more visitors will be attracted to Cheshire East.	The Cheshire East workforce will be well educated and skilled. Unemployment will be kept low, new jobs will be created and people will be ready for work as soon as they leave education or training.	Sites will be available to support new business and allow existing businesses to grow.	Cheshire East will be well connected. Travel will be safe and efficient.

Strategic Overview

Already known as one of the Best Places to Live in the North West, Cheshire East is also known for its economic prosperity. We are an area with particularly strong science and industrial heritage. Amongst the beautiful landscape and successful towns, we have a very strong business base with higher than average proportion of research development, technology and manufacturing businesses. We have strong links to our City Region of Manchester to the north and the Potteries in the South, and our transport connections via the M6, West Coast Mainline and to Manchester International Airport, make the area both attractive as an area in which to locate a business or come to live.

Building on these solid foundations we have big ambitions – delivering growth, balanced with quality of place. We have developed 3 key priority areas to enable us to delivery our vision:

High Growth City - Crewe – transport infrastructure and connectivity is key to realising our ambition to make Cheshire East the best place to live and work in the UK. We will continue to deliver transport schemes to unlock growth, enhance connectivity and drive productivity of new and existing business and industry. With the announcement that HS2 will be built via Crewe and that the completion of the new high speed railway is being brought forward, it really is a game changer for our future economic growth and prosperity. Cheshire East Council is also part of an exciting new Northern Gateway Partnership which is the collaboration of 7 local authorities and two Local Enterprise Partnerships, working with the Government to create a constellation new city through the expansion and linkage of the cluster towns and villages in mid-Cheshire and Staffordshire and our ambition for a new HS2 Hub Station.

High Growth Sectors – with over 19,000 businesses Cheshire East is one of the strongest performing economies in the North West. Our aspiration for growth across Cheshire East is supported by its strategic location and assets, including a skilled workforce. There is clear opportunity to deliver a step-change in attracting new investment. We are already implementing a Superfast Broadband roll-out programme to increase the competitive edge of businesses and maximise the opportunities from faster broadband connections, and the creation of a Skills & Growth Company will ensure that all residents have the opportunity to work and all businesses have the opportunity to thrive.

The Life Sciences continues to be a priority sector for the Council, employing over 7,000 people in the Borough at present. The Council continues to work with public sector and industry stakeholders across the Borough to support the growth of the sector, and has successfully launched the £30m Greater Manchester and Cheshire Investment Fund in partnership with key stakeholders across the sub-region to provide essential venture capital for life science Small and Medium-sized Enterprises. The growth of the life sciences hub and AstraZeneca's manufacturing facility in Macclesfield continue to be priorities and the Council will continue to work with sub-regional partners to launch the Cheshire Science Corridor Enterprise Zone at Alderley Park.

High Quality Places - the combination of strong economic performance with its strong towns, distinctive villages and a network of market and mill towns are the backbone of Cheshire East. We also have a thriving cultural and heritage presence together with sport and leisure offer that is underpinned by a rural economy and a countryside that is second to none. Balancing our growth aspirations with maintaining and improving our quality of place is a crucial task for Cheshire East.

2016/17 Proposals

The following budget changes are being targeted:

- **Silk Heritage Trust (-£0.02m)**
  - Realign the Silk Heritage Trust contribution to achieve a revenue reduction over time and replace with Capital allocation of £20,000 for 2016/17 only.

- **Review of Charging across Economic Growth and Prosperity (-£0.2m)**
  - This will include reviewing charges in Assets, Culture and Tatton Park.

- **Increase Management and Staffing Capacity in Economic Growth and Prosperity (+£0.38m)**
  - Net increase in capacity to deliver the increased capital investment being proposed by the Service and handle additional demands. An additional £0.2m has been included after the Pre-Budget Report to reflect the scale of the Capital Programme.

- **One-off investment in skills and growth (+£0.5m)**
  - Investment in skills to support the needs of businesses and the local growth agenda. This is a new proposal following the development of a new wholly owned company of the Council (The Skills & Growth Company).

- **Town Centre Management (-£0.08m)**
  - Transfer Macclesfield town centre management to Macclesfield Town Council.

- **Reduction in Ground Rent (+£0.06m)**
  - Reduce income from ground rent to facilitate growth of the Royal Horticultural Society Tatton Show.

- **Reduce Business Rates and Holding Costs (-£0.32m)**
  - Reduce business rates and holding costs of Council buildings by completing planned asset disposals.

- **Capitalise current revenue costs (-£0.25m)**
  - Apply costs of the Property Management Team and Strategic Infrastructure & Transport Team to Capital schemes where appropriate.

- **Roe Street Hostel (-£0.023m)**
    - Additional income. This is a new item arising from the Capital Programme.

- **Adult and Community Learning impact of additional grant (+£0.12m)**
    - To reflect an increase in the grant from the Skills Funding Agency on a reward basis. This is a new item to reflect the provisional settlement announcements.

- **Provision of additional Housing Services (+£0.2m)**
    - This is a new item reflecting a transfer of responsibilities from Adults.

- **Highways Winter Service (-£0.22m)**
    - Reduce costs from a Winter Service Review into routes treated and provision of salt bins, in accordance with the Councils Policy and stop further payments to reserves as balances are already adequate.

- **Car Parking (+£0.37m)**
    - Our emerging strategy will reflect our ambition around economic prosperity in town centres and effective traffic management. This may mean, after a period of consultation, possible alterations to pricing. It also takes into account the impact of Crewe Lifestyle Centre and the refund of car parking charges for users.

- **Pay and Pensions Allocations including Living Wage and National Insurance (+£0.45m)**
    - To uplift the budget for best estimates around a 1% pay award, the impact of introducing the living wage and the change to single tier pensions. No change in overall allocation.

- **Allocation of cross service savings relating to staff travel and supplies / services (incl. paper consumption) (-£0.03m)**
    - Efficiency savings from using technology to reduce travel and reducing supplies expenditure such as spending on paper. This has been allocated from the Chief Operating Officer page to each service.

Outcome 2 – Capital Investment is focused on:

Committed Schemes

- **Preparing and delivering the new strategic infrastructure such as roads and broadband coverage including:**
  - Congleton Public Realm (£1.0m)
  - Connecting Cheshire - Phase 1 (£1.0m)
  - Connecting Cheshire - Phase 2 (£5.7m)
  - Crewe Green Link Road - Phase 2 (£1.8m)
  - Crewe Green Roundabout (£4.9m)
  - Elworth Section 106 Footpath Works (£0.1m)
  - Leighton West Spine Road (£1.9m)

- **In addition to:**
  - Crewe Town Centre Regeneration (£16.7m)
  - Development Programme for Housing and Jobs (£20m)

New Schemes and Option Developments

- **A34 Corridor Improvements (£0.5m)**
  - Enabling infrastructure for Local Plan development site.

- **A51/500 Corridor – Nantwich (£0.2m)**
  - Delivery of highway improvements, including Burford Cross-roads and Alvaston roundabout.

- **Archives incl. Option Development (£0.3m)**
  - Option appraisal to assess the most appropriate facilities for the future requirements of the service.

- **Astbury Marsh Caravan Site (£0.20m)**
  - Improving facilities.

- **Connecting Cheshire Digital 2020 (£15.7m)**
  - Ensuring access to high capacity and high quality broadband.

- **Investment in heritage buildings (£4.8m)**
  - Various improvements across the Borough.

- **Macclesfield Movement Strategy Option Development (£0.2m)**
  - Commencement of detailed design and procurement of key junction improvements; linked to the delivery of town centre redevelopment proposals and the South Macclesfield Development Area (SMDA) site.

- **Middlewich Eastern Bypass (£0.5m)**
  - Route improvements in relation to maximising job and development opportunities associated with the Midpoint 18 site.

- **Roe Street Homeless Hostel Re-configuration (£0.1m)**
  - To complete a refurbishment, to increase capacity and to improve security.

- **Supplier Park (£0.04m)**
  - To develop a detailed feasibility study and economic impact assessment for a new supplier park linked to high growth engineering companies wishing to relocate as part of the HS2 development in Crewe.

- **Volumetric Construction of Houses on Council owned Land (£1.78m)**
  - Exploring opportunities to accelerate delivery of housing through modern methods of construction.

Recurring Programmes

- **Disabled Facilities Grant (£4.5m)**
  - Statutory grants for home adaptations enabling independence for people in their own homes delaying the need for people to enter residential care.

- **Private Sector Assistance (£0.5m)**
    - To provide grant and loan support to vulnerable homeowners to repair and maintain their home, and to provide loans to owners of empty homes to return them to economic use.

- **Regeneration & Development Programme (£2.1m)**
    - Facilitating investment, improving vital infrastructure and creating an environment for investment within the towns of Cheshire East.

- **Tatton Park Investment Phase 2 (£3.8m)**
    - Investment programme to be developed for Tatton Vision projects including top yard, stable yard, park infrastructure, parkland restoration and accommodation.

- **Replacement Programme Of Vehicles & Plant (£0.48m)**
    - Economic Growth and Prosperity directorate rolling programme to replace vehicles and plant.

Longer Term Proposals

- **A34 Corridor Improvements (£15.5m)**
    - Enabling infrastructure for Local Plan development site.

- **A51/500 Corridor - Nantwich (£3.75m)**
    - Delivery of highway improvements, including Burford Cross-roads and Alvaston roundabout.

- **Science Based Investment Opportunities (£5m)**
    - Development of key sites in the borough.

- **Archives (£13m)**
    - Investment in appropriate facilities with partners for the future requirements of the service across Cheshire.

- **Congleton Relief Road (£74.2m)**
    - To deliver the outcome of the Congleton relief road Option Development scheme.

- **Crewe Transformation Phase 3 (£16.3m)**
    - Infrastructure improvement works associated with Network Rail and HS2 proposals at Crewe Station, including A500 widening.

- **Energy projects (£4.6m)**
    - A programme of projects to enhance the energy performance of key Cheshire East Council and community assets.

- **Enhanced Disley Mitigation (£0.6m)**
    - An enhanced package of mitigation measures in Handforth / Disley to address areas which are forecast to experience changes to traffic flows as a result of the SEMMMS A6 to Manchester Airport Relief Road scheme.

- **King Street Enhancement Scheme (£2.0m)**
    - Improved pedestrian facilities, reduced congestion. Key to improving the retail environment of Knutsford.

- **Macclesfield Movement Strategy (£6.1m)**
    - Commencement of detailed design and procurement of key junction improvements; linked to the delivery of Town centre redevelopment proposals and the South Macclesfield Development Area site.

- **Crewe Town Centre Regeneration (£8m)**
    - A number of improvement projects for the town centre.

- **Poynton Relief Road (Includes Prior Years Option Development Costs) (£30m)**
    - To deliver the outcome of the Poynton relief road Option Development scheme.

- **Road Network and Linked Key Infrastructure Projects (£10.0m)**
    - Borough wide programme of road network improvements and traffic / parking management projects to improve the operational performance of Cheshire East's local road network.

- **Strategic Acquisitions (£7.5m)**
    - Investing in a programme of strategic acquisitions to ensure that it has the right sites and assets to attract new investment.

- **Sydney Road Bridge (£8.3m)**
    - Improvements to the railway bridge on Sydney Road, Crewe.

Highways

Committed

- **Highway Investment Programme (£10m)**
    - A continuing programme of re-surfacing and improvements to assist in the maintenance of the carriageway in Cheshire East.

New Schemes and Option Developments

- **Expanding services whilst creating efficiencies (£0.06m)**
    - Extend service delivery to residents while generating efficiencies by combining the activities of key service areas.
- **Highways Asset Management - Maximising DFT Maintenance Funding (£0.48m)**
    - Formalise Asset Management techniques and principles for the future management and maintenance of its adopted Highway Infrastructure over the next 3 years.
- **Parking and Enforcement - Digital Solution (£0.20m)**
    - Investment in new technologies will align with the Council's digital vision by allowing users easier online transactions with the service.

Recurring Programmes

- **Residents First LED Street Lighting Upgrade - Residential Areas (£6.77m)**
    - 3 year programme to upgrade street lighting.

Outcome 3 ~ People have the life skills and education they need in order to thrive

What this means:	Children and young people get a good start in life, and are prepared for the world of work. Everyone is equipped to live independent, self-sufficient lives, and to realise their particular talents and abilities.		
What the Council will focus on:	**1. Securing the Best Start in Life**	**2. Highest Achievement for All Learners**	**3. Inclusion**
What this will look like:	Pupils will be school ready and have a firm foundation for a good education at the end of the Early Years Foundation stage.	Academic achievement and employability will be outstanding in Cheshire East.	Vulnerable children and young people will be supported to achieve their potential and increase their aspirations.

These outcomes align with existing partnership plans and strategies, including the Children and Young People's Plan where Priority 5 is to ensure that children and young people leave school with the best skills and qualifications they can achieve and the life skills they need to thrive into adulthood.

Strategic Overview

In Cheshire East we believe in delivering the best education to give our young people the best chance of succeeding in later life. The majority of children and young people in the borough make good educational progress in schools but we know that differences exist across Cheshire and our positive achievement figures overall mask differences across the borough, which extend into adulthood. Addressing this gap in achievement needs to start in the early years and extend to after young people leave school. This outcome focuses on providing children with a good start in life in their early years, ensuring resilience and aspiration, raising achievement across primary and secondary education, and working closely with partners to protect vulnerable children including those placed in the care of the Council.

Achievements within the Children's and Families Service will be measured through improvements in areas such as increased numbers of recognised qualifications, an increase in the number of young people in education, employment and training and the improved attainment of vulnerable children. In addition, there will be an increased focus on the life skills of young people in preparing them for the world of work as well as supporting the emotional health and wellbeing of children from a young age.

Cheshire East was inspected for the first time under the single inspection framework in July 2015 and the inspection report was published on the Ofsted website on 15th September 2015. The Inspection, which was carried out by ten Ofsted Inspectors, took place over a four week period and inspected the following key areas:

- The experiences and progress of children who need help and protection;
- The experiences and progress of children looked after and achieving; permanence including graded judgements on i) Adoption performance; and ii) Care leavers;
- Leadership, management and governance; and
- A review of the Local Safeguarding Children Board.

Ofsted's judgement was that Cheshire East Council requires improvement to ensure it is providing good services in the above areas; however, Inspectors were impressed with the Council's adoption services, which they judged to be 'good'. Inspectors found that planning for permanence is improving with a good focus on adoption and children are well supported in their new families. They also stated that support for adopters is a strength.

The following strengths of the local authority were identified by Inspectors:

- Plans, resources and Political commitment is in place
- There is active involvement of young people in strategic decisions and plans
- The local authority knows itself well and uses external scrutiny and challenge to inform improvement
- The strategic response to children who go missing or are at risk of child sexual exploitation is strong

- The identification and referral to Children's Services for assessment, intervention and support is swift
- There is improved stability and reduced caseloads for most social workers which has led to greater continuity for children
- Planning for permanence is improving with a good focus on adoption
- Support for adopters is a strength.

2016/17 Proposals

The following changes are being targeted:

- **Trading Services (-£0.4m)**
  - The proposal is to maximise the business trading models for the School Meals service and Adoption service to deliver increased income so there is a reduced need for base budget funding for these services. Both services already generate a level of income, but this can be further realised by increasing efficiency and growing the businesses.

- **Reduction in Legacy Pension Liabilities (-£0.1m)**
  - The Council periodically reviews the pensions liabilities it has from before re-organisation in 2009. A further such review is expected to generate savings. This is a new item.

- **Allocation of cross-service savings relating to staff travel and supplies / services (-£0.19m)**

  Efficiency savings from using technology to reduce travel and reducing supplies expenditure such as spending on paper. This has been allocated from the Chief Operating Officer page to each service.

- **Pay and Pensions Allocations including Living Wage and National Insurance (+£0.28m)**
  - To uplift the budget for best estimates around a 1% pay award, the impact of introducing the living wage and the change to single tier pensions. No change in overall allocation.

Outcome 3 – Capital Investment is focused on:

New schemes and Option Developments:

- **Expanding 'in borough' SEN placement capacity (£0.1m)**
  - Option development on increasing the numbers of Special Educational Needs places across the borough.

Recurring Programmes:

- **Basic Need programme (£16.6m)**
  - To provide additional school places where needed to meet our statutory requirements.

- **Capital Maintenance programme (£9.8m)**
  - Funding from the Department of Education for capital maintenance, condition and suitability work on the schools asset portfolio.

Longer Term Proposals:

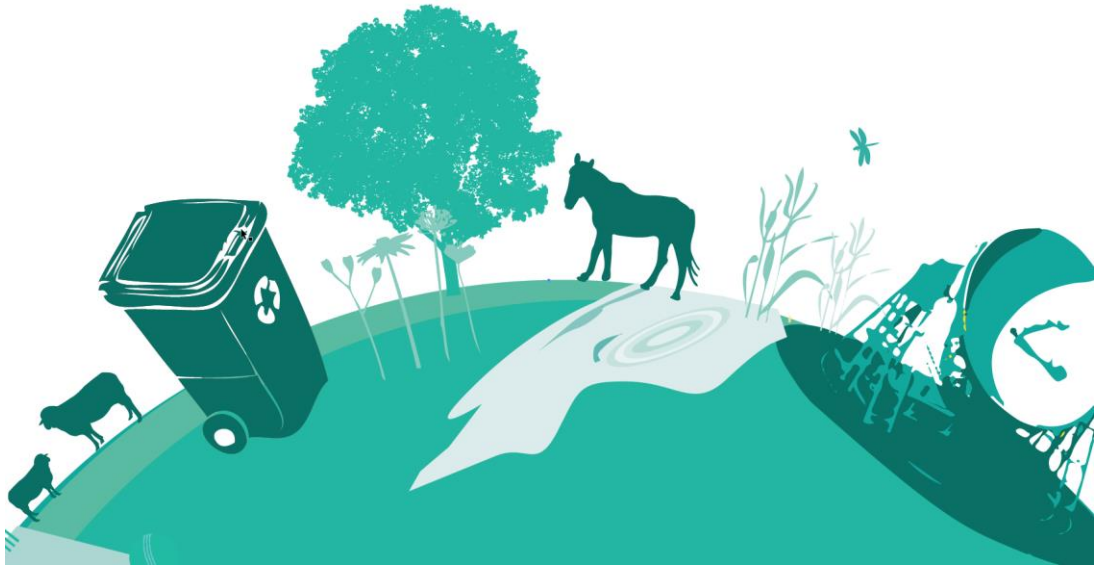
- **Knutsford Achievement (£9.80m)**
  - Co-location of Egerton Primary and Knutsford Academy to develop a world-class education institution.

- **Re-development of Hurdsfield Family Facilities (£1.0m)**
  - To develop new family and children's centre facilities serving the Hurdsfield community which are flexible to further the goals of the community hub programme.

- **Supporting Special Educational Needs (£3.19m)**
  - Expansion of facilities and capacity to relieve pressure from increasing pupil numbers.

Outcome 4 - Cheshire East is a green and sustainable place

What this means:	Cheshire East's rural and urban character is protected and enhanced through sensitive development, environmental management, transport and waste disposal policies.			
What the Council will focus on:	**1. Planning and Sustainable Development**	**2. Waste Management**	**3. Environment**	**4. Affordable Energy Growing Energy Businesses Independent Energy**
What this will look like:	New development will be controlled through the planning process to ensure that it will fit within its local setting, help create a better place for residents to live and work in, and protect the area's urban and rural character.	Cheshire East Council and its residents will produce less waste and keep the borough clean.	Outdoor spaces will be pleasant and appreciated. Harmful emissions will be minimised.	Providing affordable energy for our residents (e.g. Fairerpower) Developing a local energy economy.



Strategic Overview

1. Planning and Sustainable Development

Development Management provides a customer facing service that deals with a wide range of operations including planning applications, appeals and enforcement for residents across Cheshire East. Since 2015/16 the Council's planning support services have been provided through an alternative service delivery vehicle (ASDV), Civicance, which also deals with street naming and numbering, land charges and Building Regulations.

Spatial planning provides the policy basis through the Local Plan and associated guidance to guide and control growth across the district. It ensures the delivery of plan led growth and provides the control mechanisms to deliver good quality and sustainable development.

With the Local Plan on track, planning performance meeting national standards and a plan to address housing land supply, we are in a good position to build on our successes and continue to provide an excellent service to our customers. Performance and Complaints system improvements have been put in place to ensure effective responses to customer needs are met and we learn from our customers as we go forward. Civicance continues to maintain improved registration of applications and the improvements are being welcomed by customers. The Priority Application Team has been put in place and is proving a success in dealing with schemes with the first Planning Performance Agreements being completed.

2. Waste and Environmental Services

In Waste and Environmental Services Cheshire East is working to provide a more suitable approach to waste management, reducing waste, promoting reuse, recycling more and treating the waste remaining as a resource for energy production.

Efficient waste collection and disposal arrangements are vital to delivery of a sustainable Waste service. The Council provides such services through an ASDV, Ansa Environmental Services Ltd. The business plan for the company includes targets to continue to make efficiency improvements and reconfigure services in line with major capital investment in facilities to support implementation of the Waste Strategy.

£14m of capital funding is being invested in continuing to deliver high quality environmental and waste services by developing a single Environmental Hub in Middlewich. Building this hub to the required high environmental standards will allow the Authority to end the landfilling of kerbside waste and facilitate its transport to more sustainable waste to energy plants outside the Borough.

The Council is working to procure a more sustainable solution for food waste though investigating Dry Anaerobic digestion for the processing of combined food and garden waste. The process would allow the addition of household food waste to the garden waste bin creating energy in the form of heat and gas together with a high quality compost product.

Environmental Services also cover the running of our cemeteries and crematoria through our second ASDV in this area, Orbitas Bereavement Services. Orbitas provides burial, cremation, memorial and bereavement support services, maintaining a number of our cemeteries across the Borough.

3. Environment – focused on Carbon management

Cheshire East Council is progressing major investment in renewable technologies to complement heating plant upgrades in its high usage operational buildings.

The trend of reducing the Council's CO^2 emissions through its programme of energy efficiency measures in its operational buildings has continued in 2015/16 and will continue to do so in future years. CO^2 emissions have been reduced by 41% since the inception of Cheshire East Council in 2009, and continue to fall.

4. Affordable Energy - Growing Energy Businesses and Independent Energy

Local authorities have traditionally provided the planning context to ensure sustainable development but the collective global drive to address climate change and the national push to improve competition and security in the UK's energy market means that councils are increasingly at the forefront of this agenda. Councils are increasingly becoming involved in low carbon and energy-related projects, delivering savings to help reduce the cost of local government and new income streams to support local investment priorities and stimulate growth and resilience in the local economy.

Cheshire East's *Energy Vision,* adopted in January 2015, is a bold but achievable statement of what needs to be done to ensure these goals are reached locally in terms of:

- ***Affordable Energy*** – Putting Residents First - The Council actively supports measures to make energy more affordable, reduce energy use, and improve energy efficiency. We will continue to support Energy initiatives such as Fairerpower which, as it approaches its first birthday, has already secured savings of more than £1m for residents in the Borough.
- ***Growing Energy Businesses*** – Developing a local energy economy - the Council wants to encourage local energy supply companies and demonstrate that it is open to business for new and ambitious energy and low carbon companies to base themselves and expand in Cheshire East. We have already secured £160,000 Heat Networks Funding from Department of Energy and Climate Change to undertake feasibility studies into opportunities for district heating networks in Crewe, Macclesfield, and rural areas.
- ***Independent Energy*** – Secure, decentralised and locally managed energy services - virtually all of the electricity and heating used in the Borough originates from elsewhere. The majority needs to be generated, distributed and supplied locally to create a more decentralised and resilient energy economy. Key to this will be the creation of local district heating networks fuelled by renewable energy sources.

2016/17 Proposals

The following budget changes are being targeted:

- **Working with ASDVs to achieve efficiencies and productivity gains that can be recognised in management fees: (-£0.5m) across**
    - Building Control, Land Charges and Planning Support
    - Environmental Operations
    - Bereavement Services
    - Transport

  This saving has reduced since the Pre-Budget Report as a result of further work with the providers to agree appropriate management fees.

- **Fairerpower: (+£0.14m)**
    - Temporary investment in Fairerpower Scheme. New item to assist scheme.

- **Pay and Pensions Allocations including Living Wage and National Insurance (+£0.3m)**
    - To uplift the budget for best estimates around a 1% pay award, the impact of introducing the living wage and the change to single tier pensions. No change in overall allocation.

Outcome 4 – Capital Investment is focused on:

Committed Schemes

- **Environmental S106 Funded Schemes (£0.05m)**
- **Highways Section 106 & 278 Schemes (£0.1m)**
- **Household Bin Replacement (£0.3m)**
- **King George V Pavilion Project (£0.2m)**
- **Local Area Programme (£0.05m)**
- **Restoration of South Park Lake (£0.13m)**
- **Structural Replacement Lighting (£1.2m)**
- **Environmental Hub (£16.3m)**
    - Certainty of construction costs now established, securing business continuity and creation of a waste transfer facility

New Schemes and Option Development

- **Expanding Services Whilst Creating Efficiencies (Litter Bin Monitors) (£0.06m)**
    - Generating efficiencies by combining the activities of key service areas.

- **School 20 Mile Per Hour Zones (£0.7m)**
    - Implementation of 20mph zones outside all Cheshire East schools.

Recurring Programmes

- **Household Bin Replacement (£0.2m)**
    - Annual bin replacement programme to recognise and address the problem of ageing and failing household bins.

- **Maintenance Block (£18.6m)**
    - Department for Transport funding to support the local transport plan to maintain and improve transport in the area.

- **Park Development Fund (£0.09m)**
    - The establishment of a Park Development Fund to halt the decline and manage a sustained improvement to our parks and open spaces within the Borough.

- **Replacement Litter Bins (£0.05m)**
    - The delivery of replacement litter bins over a three year period across the Borough.

- **Residents First LED Lighting Upgrade - Residential Areas (£6.8m)**
    - 3 year programme to upgrade street lighting.

- **Structural Replacement Lighting (£1.4m)**
    - Replacement of structurally defective streetlight columns.

Longer Term Proposals

- **Anaerobic Digestion Project (£12.4m)**
    - Procurement of a Joint Venture Agreement partner to deliver a Dry Anaerobic Digestion Plant.

Outcome 5 - People live well and for longer

What this means:	Local people have healthy lifestyles and access to good cultural, leisure and recreational facilities. Care services focus on prevention, early intervention and physical and mental wellbeing.			
What the Council will focus on:	**1. Empowering people to live independent, healthier and more fulfilled lives**	**2. Information, Advice and Guidance, Prevention and Early Intervention**	**3. Accessible high quality services, Information & Advice**	**4. Public Protection, Health Protection and Safeguarding**
What this will look like:	Our residents are supported to live independently with a high quality of life. Our residents take responsibility for their own health and well-being. They have a positive experience in all interactions with the health and care system.	The Council commissions and delivers proactive services which help to support physical and mental wellbeing. Facilitating the identification, at an early stage, of individuals who can benefit from preventative services and interventions which help improve physical and mental health and wellbeing.	Residents and customers find it easy to access local services and get the information they need. Our residents have choice when accessing our high quality services. Our residents achieve excellent outcomes through engagement with our local services.	There are strong, multi-agency arrangements in place to ensure residents are safeguarded and protected.

Strategic Overview

Responsibility for Public Health functions transferred to local authorities in April 2013 from the National Health Service. This means Cheshire East Council is required to "take appropriate steps to improve the health of the people who live in their area". We do this by commissioning a wide range of services for residents such as sexual health, drugs and alcohol services, smoking cessation services and the NHS health checks programme. We also ensure that there are effective and tested emergency response arrangements for major incidents and the public is protected from the outbreak of communicable diseases and other significant threats including extreme weather events. Finally, we continue to support the NHS by offering specialist public health advice to ensure the public have access to evidence based services that will not only improve health but will reduce health inequalities.

These new responsibilities for the Local Authority came with a ring-fenced grant from the NHS to ensure the Council can invest in the delivery of these new functions. This has been in place within Cheshire East Council since April 2013 and has been used to support improvements in health and wellbeing for all residents. The changes we have implemented include:

- A new Drug and Alcohol service for adults and young people focused on preventing drug use, ensuring people who need treatment and care have the best possible support and opportunities to move on from substance misuse. We also provide opportunities for those in need to get the right help with housing and employment to aid their individual journey towards recovery which will benefit individuals, families and communities.
- A new Sexual Health service in Cheshire East which will offer residents more opportunities to access contraceptive advice and support locally together with the security of specialist sexual health services to identify and treat sexually transmitted infections. We will continue to invest in ways to help residents to access support and advice on sexual health issues and continue to reduce numbers of sexually transmitted infections in Cheshire East.
- A new integrated Health Visiting and School Nursing service offering support for new parents, children, young people and families from birth right through to leaving school. We will support families through dedicated teams of health visitors and school nurses providing advice and at times intensive support combined with the Council's existing dedicated children's workforce.

Early next year we will also:

- Launch a new integrated health and wellbeing service, offering lifestyle advice and support to residents in an integrated way for the first time. This will include new services to create more support for residents who want to be more active and for those who want help to lose weight together with existing services offering support for people who want to stop smoking or need to access sexual health services urgently. We will bring all of these services together with a re-invigorated NHS health checks programme to ensure we can support residents to stay healthy for longer.
- Launch a programme to focus on improving mental health and wellbeing including investing in young people in a way that has not been realised before. This will include support and assistance to identify the priority needs of school age children and help them with support to deal with the challenges of growing up in a changing world.

- Deliver a new programme to empower residents to both take responsibility for their own health and well-being, and ensure a positive experience in all interactions with the health and care system. This joint programme with the Health service has the potential to improve quality and length of life and also to reduce demand for health and social care services.

Ultimately, Public Health priorities will focus on helping people to stay healthy. This includes helping people to reduce their risk of illness, decreasing the effects that illness can have on residents and controlling the spread of disease. Services and activities are being refreshed to provide a greater focus on prevention and early intervention and supporting people in taking ownership of their health lifestyle choices. All services will continue to develop collaborative relationships across the Council and with local partners to achieve health and wellbeing improvements for all residents.

Adult Social Care and Independent Living is the single biggest spending directorate, accounting for one in every three pounds spent by the Council. Adult Social Care is facing unprecedented challenges in the numbers of people needing social care support. As the demographic picture changes and many residents are living longer, there are the associated problems of aging and ill health with many people having multiple health conditions and frailty, resulting in the need for additional care and support. As a result, many more people find themselves as carers of their loved ones and they themselves need to be supported in their caring role. In addition, the Council has to respond to the implementation of the Care Act 2014 and the new duties placed on the Council have had to be incorporated into the work we do. Financial pressures have been further impacted with the introduction of the national living wage which has had to be factored into the care services contracts as we move forward.

As this is taking place at a time of financial challenge the service area has had to review its priorities to ensure that we meet the needs of residents, but in doing so we have had to review how we can best do this within the available resources. In order to do this Adult Social Care has adopted a priority based budgeting approach for 2016/17 to ensure that every pound spent helps people live well and for longer.

The approach requires us to identify the priority outcomes we need to achieve and allocate our resources accordingly to ensure that the care and support is targeted so we can meet need and improve outcomes for our residents. In completing this approach we have had to make difficult decisions as to how best we can deliver quality services to those who need them, meet the growing demand and achieve value for money in what we do.

We have, together with our health partners, had the opportunity to engage with service users, carers and the public in the last two years focusing on a number of topics. This has given us rich information and allowed us to hear the views of people relating to the services available to them and what they would like to see going forward. This has informed and influenced our review of the priority areas and what types of services we need to make available.

The implementation of the new Care Act 2014 has led to new entitlements for service users and their carers. We know that we need to focus on wellbeing, on the provision of information and advice in a variety of formats that means our residents can be part of vibrant, connected and supportive communities, where social isolation is actively reduced and support isn't something done to you, it's something we all do together. The focus is on how we can support people to support themselves wherever possible and take responsibility for their own health and well being. We are embarking on an assets based approach where our communities are recognised as one of most important assets.

We are embarking on a new phase of integration with health partners where frontline assessment services will be part of integrated health and social care community services. The residents of Cheshire East will be able to have a single point of access to have the health and care needs assessed and a plan of support arranged for them without the need to be assessed by multiple professionals in different teams and locations.

We are being transparent with where we currently spend our money and it is the intention that this approach prompts reflection both within Cheshire East Council and with our health and wellbeing partners. That will let us identify where we may be duplicating resources, both in effort and spend. In 2016 we will achieve the required savings target by putting in place more efficient and lean methods of carrying out professional practice. Associated processes have been identified to deliver savings without adversely impacting on meeting residents' needs. At the same time we will implement the findings of service reviews in line with our priority outcomes and legislative requirements.

In all of this we will continue to protect our residents. This includes ensuring everyone enjoys physical safety and feels secure. Through our safeguarding activities we will work to protect our residents from physical and emotional abuse, harassment, neglect and self-injury.

2016/17 Proposals

The following budget changes are being targeted:

Children's Social Care

- **Commissioning Efficiencies (-£0.66m)**
  - Efficiencies will be achieved through improvements in the effectiveness of commissioning to meet greatest need and a focus on value for money. This will mean a reduction in the value of some contracts and this will be done as some contracts come to the end and upon re-commissioning. We will also look at better commissioning of short break provisions.

- **Reduction in management and agency staff costs (-£0.3m)**
  - Through continued proactive recruitment, service redesign and restructuring we will reduce our use of agency staff, consultants and additional posts.

- **Restructure and Redesign (-£0.16m)**
  - A reduction in posts and greater efficiencies across the children's workforce will realise savings in staffing budgets and supplies and services. A full consultation will take place with any permanent staff affected by this review.

- **Incentives for Foster Carers (-£0.09m)**
  - The current 100% council tax support provided to all Cheshire East Foster Carers will be targeted to support lower income foster carer households and those households with exceptional circumstances whilst retaining a generous 50% reduction for all Cheshire East foster carers.

- **Reduction in Supplies & Services including allowances (-£0.1m)**
  - A review of expenditure on supplies and services, and allowances, to ensure value for money and a consistent and fair application of policy. This will generate savings whilst ensuring we are continuing to meet statutory obligations.

- **Additional growth to reflect higher numbers of Children in Care (+£1.3m)**
  - To address the permanent pressures resulting from both a local and national increase in the number of cared for children. The predicted reduction in demand has not been realised and Cheshire East has experienced, as all other local authorities have, a significant rise in demand and therefore expenditure linked to placement costs.

- **Rationalisation of Children's Centre provision (-£0.5m)**
    - Children's Centres deliver both universal and targeted services, some of which serve geographical areas where the number of vulnerable children is very low. Delivery will be focused upon those areas of greatest need with the development of a flexible offer, taking the support to the heart of the community via a mobile service delivery approach. Any decision to de-designate a small number of Children's Centres will be the subject of public consultation, including consultation with any affected staff.

- **Youth Engagement Service (-£0.04m)**
    - The Youth Engagement Service will delete a vacant post, realising efficiencies of £40,000. The work undertaken by the post is now managed by the Public Health team.

- **Early Intervention (+£2.0m)**
    - To address the Council's priority of intervening early to reduce future costs through targeting prevention and early intervention initiatives to reduce need and future demand on the public.

- **Tackling Domestic Abuse / Sexual Violence (+£0.05m)**
    - Additional investment to address this issue. This is a new item based on consultation feedback.

- **To manage the impact of savings with transitional funding (+£0.12m)**
    - Explore new models of service delivery in Children & Families.

– **Complex Dependencies Programme (-£0.1m)**
    - Efficiency savings from this programme.

Commissioning Efficiencies in Adults Social Care

– **Housing Related Support (-£1m)**
    - This is non statutory support for certain client groups who need help to access, retain and maintain their tenancy. It is planned to reduce the spend on housing related support services by renegotiating contract values and looking for greater efficiencies by new ways of working and eligibility criteria. Other support services can deliver this type of support as part of a comprehensive set of interventions. More efficient use of the full range of support services to deliver multiple types of intervention will reduce the need for specialist housing related support for some client groups.

- **Care Fund Calculator (-£0.4m)**
  - For people who live in externally provided supported tenancy schemes, it is intended to continue the review of their care and support packages by using the Care Fund Calculator tool. This tool is designed to focus on the needs of individuals to complete a personalised assessment which will allow for the needs to be considered in terms of new ways of meeting needs and to identify how the allocated budget can be spent differently. The focus of assessments is to move to using the community assets available to a person, assistive technology solutions and move away from a care dependency model.

- **Care Act Compliance and Care Provision (-£0.6m)**
  - A review of in-house service provision to comply with the requirements of the Care Act 2014. Services need to be accessible to those who need them in terms of being able to exercise choice of provision and control over what services they access and how they are delivered. The responsibility of the Local Authority in complying with the legislation requires a review of how in-house services can be delivered to enable those who need and wish to access them can purchase them. Alternate models of care and how they are delivered will be co-designed and co-produced with service users, carers and care providers. This proposal has been refined over the last few months and phased over two years – reducing the saving in 2016/17.

- **Alternate funding of Community Alarm Provision (-£1m)**
  - For people living in sheltered and extra care accommodation the community alarm service is often included as part of the tenancy arrangement. The options for funding this type of service will be reviewed to ensure maximum use of alternate funding sources and choice for the tenant is maximised. The Adult Social Care service heavily subsidises this provision irrespective of the financial status of the tenants. The subsidy, if required, can be covered by housing benefits or private funding dependent on the financial status of our residents.

- **Digital advice and support (-£0.25m)**
  - The intention is to review existing contracts to reduce the overall cost of information and advice, allowing residents, their families and carers to self-serve via the marketplace and service directory. Work with Public Health, GPs and other partners is underway to promote a wellbeing culture and network of resources. The focus will be to review commissioned traditional information and advice services by implementing online and digital solutions to complement telephone and face to face contact.

- **Early Help (-£0.2m)**
  - Review the performance and value for money of commissioned early help services reducing spend by £0.2m. Some services within this category have been identified as not delivering on intended outcomes or of being under-utilised. Contracts will be reviewed and either renegotiated or terminated.

Professional Practice and Process

- **Maximising independence (-£0.2m)**
  - Some people have been assessed to require two carers to support them in mobilising safely. At times this has been at the point of discharge from hospital or when their mobility was at a particularly problematic stage. Mobility can fluctuate and at times two carers to assist can reduce the opportunity for the individual to maximise their independence. Intensive reviews by an occupational therapist will assist in ensuring the most appropriate support is provided to ensure safety and maximise independence.

- **Mental health domiciliary support (-£0.5m)**
  - Mental health services operate within a recovery model of care and utilise the principle of social inclusion to enable people to maintain or regain access to engaging with their local communities, access employment opportunities, access daytime occupation and leisure activities and secure stable appropriate accommodation. The recovery model focuses on the person taking control of their own lives with short tem support to facilitate recovery and independence. A review of spend in this area has revealed a longer term dependency on support services has developed for some people. Reviews of this type of service provision with targeted support is planned to enable people to achieve their aspirations.

- **Review care packages (-£0.44m)**
  - Review the top 100 high cost care packages to assure ourselves that the needs, expectations and wellbeing of those residents are being served and that care is appropriate and promote independence. Our responsibility to meeting eligible needs that cannot be met by other support systems will not be affected by these reviews.

- **Low level interventions (-£0.07m)**
  - Review the effectiveness of low level commissioned interventions for individuals and identify alternate solutions to provide the support required by using where appropriate community assets and a greater enabling and socially inclusive approach. The focus of the reviews of care being provided will focus on a strengths based assessment.

- **Introduction of a self directed support approach – underpinned by a transparent Resource Allocation System (-£1.5m)**
  - There is a strong evidence base to demonstrate that appropriate practice and excellent social care both improve outcomes for residents and improve value for money. The introduction of a revised Resource Allocation system will support the process to deliver a fair and equitable system to ensure allocation of Council resources reflect the levels of need and risk experienced by the service user. This moves the allocation of the personal budget away from a subjective view on an individual professional. The new system will reduce overall care and support costs by using a system underpinning strengths-based assessments, which lead to person-centred support plans. These support plans will utilise community and social assets with Council funded services filling the gap.

- **Increase Income (-£0.7m)**
  - Annual uplift in fees, charges and benefit rates together with revision of the Charging Policy will increase income levels in 2016/17. The Charging Policy proposals have been formally consulted on and recommendations due to be approved by Cabinet. The impact of this change reduces the requirement to support service costs from other general funding. This has been reduced by £0.3m following further refinement.

- **Supporting investment in Public Health (+£1.2m)**
  - Public Health focuses on helping people to stay healthy. This includes helping people to reduce their risk of illness, decreasing the effects that illness can have on an individual and controlling the spread of disease. Services and activities are being refreshed to provide a greater focus on prevention and early intervention and supporting people in taking ownership of their health lifestyle choices. These services are continuing to develop collaborative relationships across the Council and with local partners to develop health and wellbeing services and the wider determinants that affect the health and wellbeing of the local population. Significant levels of efficiency savings are increasing the amount available for direct service provision.

- **Fall out of Grant (-£0.3m)**
  - To recognise reductions in grant funding for new burdens and the Independent Living Fund. Note that most specific grants remain subject to confirmation in the final settlement expected in early February 2016.

Other

- **Systems integration for Direct Payments and review of Money Management Services (-£0.3m)**
  - Make savings in staffing costs (by removing temporary posts etc) in social care business and Finance support.

- **Review advocacy to maximise value for money (-£0.2m)**
  - We are working with Cheshire West and Chester Council to review our advocacy services and jointly commission them next year to maximise efficiency in this area, continue to meet the demands of the Care Act and maintain capacity.

- **Growth Pressures (£3.9m)**
  - This includes a review of provider fees and learning disability cases.

- **Working with ASDVs to achieve efficiencies and productivity gains that can be recognised in management fees: (-£0.05m)**

- Including Leisure

– **Allocation of cross service savings relating to staff travel and supplies / services (-£0.1m)**
  - Efficiency savings from using technology to reduce travel and reducing supplies expenditure such as spending on paper. This has been allocated from the Chief Operating Officer page to each service.

– **Pay and Pensions Allocations including Living Wage and National Insurance (+£1.7m)**
  - To uplift the budget for best estimates around a 1% pay award, the impact of introducing the living wage and the change to single tier pensions.

– **To manage the impact of savings with transitional funding: (+£0.35m)**
  - Explore options in Adults Social Care.

Outcome 5 – Capital Investment is focused on:

New schemes and Option Developments:

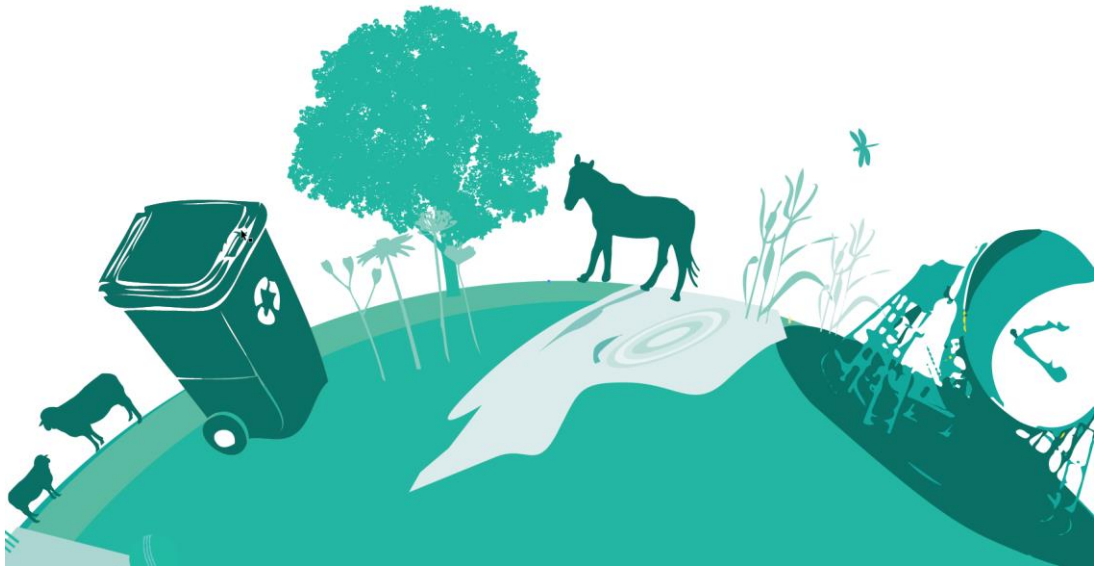
– **Redesign of Children's Residential Social Care (£0.81m)**
  - Improve delivery of residential social care for young people.

Recurring Programmes:

– **Community Capacity Grant**
  - Capital Funding provided by the Department of Health to enable local authorities to support development in adults social services in three key areas:
    - Personalisation
    - Reform
    - Efficiency

Outcome 6 – A Responsible, Effective and Efficient Organisation

What this means:	The Council serves the people of Cheshire East through: Ensuring quality and best value for local people, striving to get it right first time, and acting with integrity, being open, honest and accountable and delivering on our promises				
What the Council will focus on:	**1. Best Use of Assets**	**2. Effective Processes**	**3. Engaging Our Staff**	**4. Enhance Leadership and Governance**	**5. Strong Financial Management**
What this will look like:	Property, Plant, Equipment and Information assets will be appropriate and add value to service delivery.	Strong Governance and appropriate internal controls will be in place.	Staff will be engaged and their welfare and development will be managed well.	External & internal assessment will show how the Council is performing.	Financial control will be effective. Budgets will be well prepared. Financial information will be accurate and appropriate.



Strategic Overview

Chief Operating Officer Services focus on providing high quality professional advice in areas, such as legal and accountancy, supporting all Council services. They are also responsible for providing appropriate buildings, facilities and technology that enable front-line services to operate effectively. These Services have a vital role in ensuring compliance, providing legal and procurement advice and project management skills, supporting elected Members and managing the governance and stewardship arrangements that promote transparency and accountability.

The services are focused on driving efficiencies and improved productivity through the better use of systems, automated processes and challenging the value for money of all initiatives to ensure activities add value, achieve priorities and contribute to the Council's stated outcomes. It is crucial that these services are lean and 'fit for purpose' to support and enable front line services delivery that meet residents' needs.

For 2016/17 the Chief Operating Officer has developed a range of savings options or proposed corporate financial changes that significantly address the overall level of savings required.

Achievements within Chief Operating Officer Services will be measured by such things as promoting local democracy; unqualified 'true and fair' opinions from the external auditors; the acknowledgement of added value from professional staff; the level of income collection; how the costs of support compare with national comparisons; and achieving the best rate of returns on investment and the effective running of the Council's estate.

It is a difficult challenge to balance financial stability with sustainable services that meet residents' needs. The proposals contained within this document are achievable, but in some cases will depend on changing behaviours of residents and staff and moving arrangements to more modern self-service options.

Outcome 6 - Savings from Chief Operating Officer Services

The following changes are being targeted -

- **Reductions in employee or employee related costs in Chief Operating Officer (-£1.34m)**

  (Changed from the Pre-Budget Report as a result of refinement and allocation of costs / savings that cut across all services areas).

  This will be achieved across the range of Chief Operating Officer Services through a mix of:

  - Freezing recruitment and deletion of vacant posts that have been created by reshaping services.
  - Reviewing and reducing staffing levels to focus on priorities and a smaller Council. This will include savings in:
    - Commissioning;
    - Communications;
    - Changing support to Members and senior officers.
  - Reductions in training and organisational development in line with comparator authorities.
  - Targeted reductions in professional services such as Legal, HR, Finance and ICT in line with comparator authorities;
    - These savings will be challenging to deliver but services have been re-designed and core priorities will be maintained.

- **Facilities Management running costs (-£1.25m)**

  - Efficiencies in the running of the Council's property portfolio are proposed to increase even further in 2016/17 through better use of office space and reducing expenditure on things such as maintenance, utilities and business rates.

- **Unallocated Procurement Saving (+£0.3m)**

  - This adjustment removes savings that cannot be delivered as part of a central services budget, as front line services have made the changes that have embedded appropriate cost reductions within their base budgets.

- **Additional cost recovery in frontline services (-£0.04m)**

  - Introducing charges to customers that recover the additional costs arising from credit card payments. This does not affect other card payments or other payment methods.

- **Allocation of cross-service savings relating to staff travel and supplies / services (-£0.02m)**

  Efficiency savings from using technology to reduce travel and reducing supplies expenditure such as spending on paper. This has been allocated from the Chief Operating Officer page to each service.

- **Pay and Pensions Allocations including Living Wage and National Insurance (+£0.68m)**
  - To uplift the budget for best estimates around a 1% pay award, the impact of introducing the living wage and the change to single tier pensions. No change in overall allocation.

Corporate Unallocated

- **Digital Customer Services project (-£0.55m)**
  - Better services will be provided through the internet where it works best for residents and keeps costs down. This is part of a multi year programme to increase uptake of digital service options given that 36% of residents prefer digital channels, with potential for up to 70% to shift to digital. A Customer Portal will provide a single route into digital services, with information tailored around the individual's specific needs. Reductions in overall staffing levels will result from shifting to digital services. Savings in 2016/17 have been reduced as the Business Case has been refined.

- **Unallocated Pay & Pensions (+£0.22m)**
  - To uplift the budget for best estimates around a 1% pay award, the impact of introducing the living wage and the change to single tier pensions. No change in overall allocation.

Outcome 6 – Capital Investment is focused on:

New Schemes and Options Development:

- **Financial computer system replacement programme (Enterprise Resource Planning) (£5.5m)**
  - To procure and implement a new ERP solution, focusing on value for money, agreed Strategic ERP principles and strategic goals developed as part of the ERP service review.

Recurring Programmes:

- **Asset Management Maintenance Programme (£6.0m)**
  - Planned maintenance of the Council's assets to prolong and enhance the operational life of the properties.

- **Core Financials, HR Services (£1.65m)**
  - Deliver developments and security to the Council and Alternative Service Delivery Vehicle core financial and HR systems.

- **Corporate Landlord Model - Operational (£0.3m)**
  - To undertake a rationalisation of current Council operational asset portfolio to consolidate delivery of services into fewer buildings, releasing efficiencies in overheads, reducing carbon emissions and generating capital receipts as sites are released.

- **ICT Infrastructure Investment Programme (Essential Replacement & Enhancement) (£2.8m)**
  - Maintain business levels of service availability ensuring compliance with mandatory standards. Investment to achieve business agility, efficiency, value and customer satisfaction.

- **Information Assurance and Data Management (£2.8m)**
  - Enables information Assurance (incl. Compliance, Data Management and Transparency).

- **Minor Works Programme (£1.0m)**
  - Minor improvement and alterations to the corporate property assets to facilitate ongoing efficient operation of the client services.

Longer Term Proposals:

- **Supporting Strategic Capital Projects (£5.0m)**
    - A budget provision available to fund strategic acquisitions and investment opportunities.

2. Financial Stability

Introduction

1. Local residents and businesses contribute to sustainable Council services through local taxation, contributions and charges; and Central Government provides grants funded mainly from national taxation. The Council manages these resources to achieve maximum efficiency and diverts as much funding as possible to front line services.

2. The Government's Autumn Statement for 2015 highlighted the continuing need to reduce the public sector deficit and debt to secure economic recovery. Cheshire East Council is proposing to continue supporting this approach in a number of ways:

   - No additional external borrowing in 2016/17.
   - Maintain appropriate reserves levels that protect against risks.
   - React to changes in demand and develop budget proposals that can reduce net expenditure.
   - Focusing on economic wellbeing for local residents by investing in local development and infrastructure.

3. The key areas being covered in this section include:

Source of Funding	**Paragraphs**
Balance of National vs Local Funding	4 to 11
Government Grant Funding of Local Expenditure	12 to 40
Collecting Local Taxes for Local Expenditure	41 to 65
Charges to Local Service Users	66 to 70
Income and expenditure are also influenced by decisions and estimates of the Council in relation to:	
Investment, Borrowing and the Capital Programme	71 to 102
Other Economic Factors	103 to 106
Managing the Reserves Position	107 to 111

Balance of National vs Local Funding

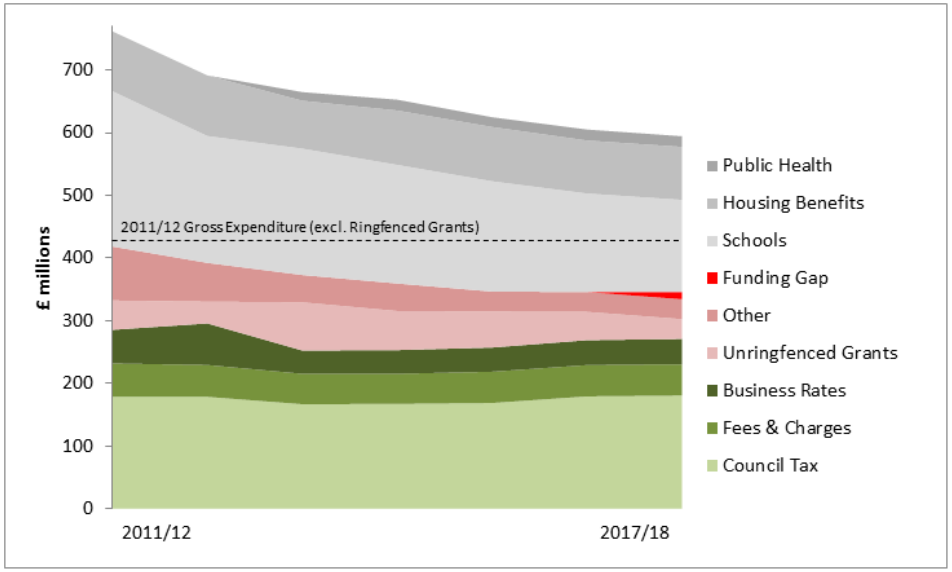
4. Cheshire East Council is becoming more reliant on local funding and less reliant on Central Government grant. The Provisional Local Government Settlement 2016/17 provided a shift in approach, where government used potential Council Tax income to determine levels of Local Authority spending. Compared to the Council's October Pre-Budget Report government grant has been reduced by £5.2m. Pressure from local demand for services, especially in social care for children and adults is increasing so the Council is only able to maintain spending levels if Council Tax levels are increased. This is reflected in the fact that funding for Council Services from Council Tax and Business Rates will have increased to over 83% of the total net funding for 2016/17.

5. The financial stability of the Council, which determines the amount of money available for service expenditure, should be exposed to less risk from further Government funding shortfalls in the medium term. But financial planning for the Council must now reflect the potential for year on year increases in demand to fall on local funding sources such as council tax, business rates and fees and charges.

6. **Chart 1** illustrates how the balance between funding sources is changing over time placing emphasis on support from local funding sources.

7. The Budget Report is based on the Provisional Local Government Finance Settlement released on 17th December 2015. The final settlement was released on 8th February 2016 and agreed at a debate in the House of Commons on 10th February 2016. Any further information on funding will be reported to Members and may be managed through reserves.

Chart 1: The Council is becoming more reliant on local funding sources



Source: Cheshire East Finance

8. **Table 2** sets out the revised funding forecast for Cheshire East Council for the period 2015/16 and 2016/17. This updates the information previously published in the Council's Pre-Budget Report in October 2015.

Table 2 - Funding available to services has reduced	2015/16 £m	2016/17 £m	Change £m	Change %
Government Grants	-58.4	-45.2	-13.2	**-22.6%**
Business Rates Retention	-38.6	-39.7	1.1	**2.8%**
Council Tax	-168.8	-179.4	10.6	**6.3%**
Funding Available to Services	**-265.8**	**-264.3**	**-1.5**	**-0.6%**

Source: Cheshire East Finance

9. The Business Rates Retention funding system and control over Council Tax levels are placing greater responsibility on all councils to determine their own funding levels.

10. In Cheshire East the Council is meeting this challenge in a number of ways and focusing on longer term financial stability through its actions.

11. Cheshire East Council is putting residents first:

Growing the domestic tax base - each new home brings additional Council Tax revenue, New Homes Bonus and potentially Community Infrastructure Levy together with additional costs, such as education, waste collection and highways. The Council ensures that any subsidy from its general funding sources is carefully examined to achieve maximum value. Through such actions the Council can protect families from Council Tax increases but still increase income from Council Tax overall.

Promoting Economic Growth - business growth can result in additional income being retained for local investment, subject to certain thresholds. Therefore, the Council is investing heavily in economic growth through unlocking development land and supporting inward investment.

Increasing employment opportunities - through economic growth resulting in fewer people relying on welfare benefits from the Council which releases funding for further improvements.

Maintaining strong collection rates and challenge of tax bases - to ensure fairness to all involved and ensure the Council maximises local income for local use.

This approach is very important and is embedded in the Council's actions.

Government Grant Funding of Local Expenditure

12. The detailed funding settlement from Government impacts on longer term financial planning. Issues for 2016/17 include:

- The release of the Autumn Statement on 25th November.
- The release of the Provisional Settlement on 17th December 2015 and Final Settlement on 8th February 2016.
- Late confirmation of approach to grants, Council Tax and calculation of business rates estimates.
- Late announcement of Specific Grants.

These have set out changes to:

- General funding levels – confirming a 32.8% reduction in Revenue Support Grant.
- Funding from Business Rates – use of RPI to increase the multiplier.

13. Funding for local government is forecast to continue reducing over the next five years, and is likely to continue to reduce beyond this timeframe. In the medium term this presents itself as funding deficits which need to be addressed through further financial planning. Delays in figures from government cause this issue, which is common amongst local authorities in England.

14. The Council receives grant funding from the Government under several main headings:

- Revenue Support Grant
- Specific Grants (unring-fenced)
- Specific Grants (ring-fenced)

More detail is provided on each of these funding elements below.

Revenue Support Grant (RSG)

15. In addition to retained business rates the Government provides RSG which is not ring-fenced for specific purposes. Historically, RSG and retained business rates were allocated based on a complicated formula that reflected local characteristics such as deprivation, age profiles and road lengths. Links to this complex approach have been dropped in favour of promoting economic growth through named grants. The provisional settlement has confirmed previous indications that RSG will be phased out by 2019/20.

16. The substantial reduction in RSG has been offset in later years by a small decrease in the Business Rate tariff. However, this remains a significant challenge and means that all grants rolled into RSG, including Social Care new burdens, and previous Council Tax Freeze Grants, will be removed. Any further changes to the amount of Business Rates retained are expected to come with additional responsibilities.

17. Transitional grants to town and parish councils for the implementation of the local Council Tax support scheme have been considered as part of the Budget Setting Process and a proposal to remove the grant entirely has been replaced by a 50% reduction in 2016/17 (£149,000) (followed by a complete removal in 2017/18) as a result of engagement feedback. The Council has communicated this message to all Town and Parish Councils so that they can plan for this reduction.

Unring-fenced Specific Grants

18. A number of separately identified but unring-fenced Specific Grants have been retained. The detailed list is shown in **Annex 8** and summarised in **Table 3**.

19. Other than RSG, the list of Specific Grants mainly relates to funding for the New Homes Bonus and Education Services Grant. Together they equate to 64% of the total expected in 2016/17 excluding RSG.

Table 3 - Specific grants and RSG have decreased by 22.6%	2015/16 £m	2016/17 £m	Change £m	Change %
Revenue Support Grant	-39.2	-26.4		
New Homes Bonus	-6.7	-9.2		
Transitional Funding	0.0	-3.0		
Education Services Grant	-3.0	-2.9		
Council Tax Freeze Grant	-1.8	0		
Social Care Grants	-3.3	-0.9		
Independent Living Fund	-0.7	-0.9		
Other Grants	-3.7	-1.9		
Total Specific Grants	**-58.4**	**-45.2**	**-13.2**	**-22.6%**

Source: Cheshire East Finance

20. Cheshire East Council was allocated £2.3m from DCLG to support the delivery of additional responsibilities under the Social Care Act in 2015/16. The changes were to financial thresholds and the introduction of the care cap to be introduced from April 2016. For 2016/17, this funding allocation has been rolled into RSG at a level of £2m.

21. From 1st July 2015, the responsibility for the Independent Living Fund (ILF) transferred from the Department of Work and Pensions to local authorities. Cheshire East Council will receive associated funding of £0.9m to provide ILF care and support to people already in receipt of ILF. The funding will transfer to the Council via a s31 grant. The ILF is not open to new entrants.

22. New Homes Bonus funding is provided to the Council based on the net increase in properties and affordable homes. The scheme is now coming into the final year of a six year rolling programme with unring-fenced funding of £9.2m expected for 2016/17. Beyond 2016/17, the Government has launched a review of the scheme and a significant reduction in allocation is expected from 2018/19.

23. The 2016/17 Final Local Government Finance Settlement was received on Monday 8th February 2016. This confirmed that Cheshire East Council would be receiving two years of temporary Transitional Grant Support funding totalling £3.0m for 2016/17 and the same again in 2017/18.

Education Services Grant (ESG)

24. The Department for Education (DfE) continue to administer and distribute the ESG, which remains unring-fenced, to local authorities and to academies proportionate to the number of pupils for which they are responsible.

25. The final allocation for local authorities was made on 8th February 2016 and set a figure of £2.9m for Cheshire East.

26. Beyond March 2017 the position is less clear and prudent estimates of reductions of 15% per annum have been factored in. This reflects the receipt of some element of funding or subsequent service reductions, or increased income, to the wider Council and the latest risk assessment.

Ring-fenced Grants

Dedicated Schools Grant (DSG)

27. The Government has announced the indicative allocations of DSG for 2016/17 which is ring-fenced. Following extensive educational funding reforms by the DfE, the grant is now allocated in notional funding blocks, namely the High Needs Block, the Schools Block and the Early Years Block. The additional £6.8m received in the schools block in 2015/16, as a result of a national increase in available funding, has been baselined in the 2016/17 settlement.

28. The Pupil numbers used in the calculation are based on the October 2015 Pupil Level from Schools Census information. Funding is based on a Guaranteed Unit of Funding (GUF) per pupil for the latter two blocks. The value of the High Needs Block is determined by identified 2015/16 local authority budgets to which adjustments have then been made.

29. Final allocations of the 2016/17 DSG will include an adjustment to the Early Years block for pupils reflected in the January 2016 Early Years Census.

30. **Table 4** shows the actual DSG received for 2015/16, the indicative DSG for 2016/17, the actual GUF (Amount per Pupil) received for 2015/16 and the Block GUFs to be received for 2016/17 (excluding the adjustment for Academy recoupment).

Table 4 - Dedicated Schools Grant are allocated in three notional blocks from 2015/16	Actual 2015/16 £m	Estimated 2016/17 £m	Change £m	Change %
Total Dedicated Schools Grant	245.5	247.6	2.1	0.87%
Comprising:				
Schools Block (notional)	194.0	195.8	1.8	0.93%
Early Years Block (notional)	16.3	16.3	0.0	0.00%
High Needs Block (notional)	35.2	35.5	0.3	0.94%
New responsibilities	0.1	0.1	0.0	-2.34%
Per Pupil Funding	**£ / pupil 2015/16**	**£ / pupil 2016/17**		
Dedicated Schools Grant:				
Schools Block (notional)	4,201	4,206		
Early Years Block (notional)	4,048	4,048		
Figures quoted are before the Academy recoupment				

Source: Cheshire East Finance

31. 92% of Dedicated Schools Grant (DSG) is passported directly through to schools and this is one of the highest levels nationally.

Dedicated Schools Grant (DSG) ~ Academy Funding

32. The DfE are clear that becoming an Academy should not bring about a financial advantage or disadvantage to a school but rather, enable Academies to have greater freedom over how they use their budgets.

33. The Individual Schools Budget (ISB) receivable for the 51 academies which opened before or during 2015/16 has not been removed from the total DSG award to be received (as reflected in **Table 4**). The funding for these academies of approximately £100m will be recouped from the Authority's DSG as part of the academy recoupment process.

Sixth Form Funding

34. Total sixth form funding of £16.1m is receivable for schools (this is an estimated figure to be confirmed when actual sixth form pupil numbers are known) of which £4.1m is provided directly to maintained schools with the balance of £12m being allocated directly to Academies by the Education Funding Agency.

Pupil Premium Grant

35. Grant allocations are based on January 2016 census figures for deprived pupils in years from Reception to Year 11.

36. The indicator for eligibility will be Free School Meals received in any of the prior six years by any pupil. The allocations for 2016/17 are estimated to be the same as in 2015/16 at £1,320 for primary-aged pupils and £935 for secondary-aged pupils for every eligible child in both maintained schools and academies. All looked after children, adopted children and children with guardians will attract funding of £1,900 and children whose parents are in the armed forces continue to attract £300 per annum. It is estimated that Cheshire East Council will receive £6.2m in relation to the Pupil Premium for 2016/17.

Public Health Grant

37. Central Government transferred the responsibility of commissioning and delivering public health services from Health to Local Authorities from April 2013.

38. Public Health responsibilities cover a wide range of services including: sexual health services; NHS Health Check programmes; Drug Misuse; Alcohol Misuse and Obesity.

39. Public Health grant will remain ring-fenced for the first five years as a minimum, so expenditure is incurred in line with the definition of public health.

    Funding from Public Health England for the first five years is shown below:

    - 2013/14 – originally £12.7m subsequently revised to £13.8m.
    - 2014/15 - £14.3m.
    - 2015/16 – originally £14.3m then increased by £2.4m for 0-5 year olds new responsibility (half year funding) and reduced by £1.1m in year. Total £15.6m.
    - 2016/17 – anticipated funding £15.6m then increased by £2.4m for the remaining six months of 0-5 year old funding and reduced via the settlement, meaning a total of £17.3m.
    - 2017/18 - anticipated original funding £17.6m then reduced via the settlement. Total £16.8m.
    - During 2018/19 and 2019/20 there is anticipated to be an in year reduction of funding by 2.6% each year.

40. For 2016/17, confirmation of the grant is expected before the end of March 2016 and the grant is expected to be ring-fenced until 2017/18.

Collecting Local Taxes for Local Expenditure

Business Rate Retention Scheme (BRRS)

41. The Council anticipates collection of approximately £140.5m in business rates in 2016/17 (based on the Council's NNDR1 return to the DCLG 31st January 2016). Under the BRRS arrangements 50% of this funding is paid to Government with 49% being retained specifically to support Cheshire East Council services. 1% is paid to Fire. In addition to this reduction a tariff of £29.1m must be paid to government which is used to top-up funding allocations to other local authorities.

42. The Council is continuing to use the DCLG Business Rates baseline figures, plus levy savings as a result of being in the Greater Manchester Pool, for budget setting purposes of £39.7m. This is slightly below the NNDR 1 reflecting a prudent approach to business rates growth. This will be kept under review. (see **Table 5**).

Table 5 - Business Rates Retention	2015/16 £m	2016/17 £m	Change £m	Change %
Business Rate Retention Scheme	-38.6	-39.7	**1.1**	**2.8%**

Source: Cheshire East Finance

43. Growth in business rates can increase local funding, but this does take time and recent trends in rateable values have remained at a constant level. The Council's reaction is to promote inward investment to the area. There are positive signs of investment already, with developments in the south of the borough at Bentley and in the north of the borough at Alderley Science Park. There is also significant capital investment in infrastructure in the middle of the borough with progress towards a Congleton link road.

44. During 2015/16, the Council was part of a BRRS Pool with Greater Manchester authorities. This allows the authorities included within the pool to be treated as one entity for the purposes of tariff / top up and levy / safety net payments potentially reducing the amounts to be paid over to Central Government. For 2016/17, the Pool is expected to also include Cheshire West and Chester Council. The new Pool was included in the Provisional Settlement announcement and subject to approval, will become operational for 2016/17.

45. The Pool has been selected as a pilot for a 100% growth retention scheme. This will allow growth above 0.5% to be retained in full if achieved. The current estimates include an additional £0.7m as being levy returned to Cheshire East Council from the Pool – rather than being paid to Central Government. Further information on business rates growth is set out in **Annex 6**.

Council Tax

46. The Council has frozen Council Tax for five years, supported by Government policy. During that time the Council has made efficiencies and transformed service levels to assist this policy. However, with the increase in demand for services, such as Social Care and Waste Collection, spending on local services is expected to remain consistent. But provisional grant reductions over the four year period take into account the Council's ability to raise Council Tax levels, which is a significant shift in policy. As such it is recommended that Council Tax is increased by 3.75% to give a Band D charge of £1,261.95.

The calculation of the Council Tax is shown in **Table 6**.

Table 6 - The calculation of the Cheshire East Council Band D Council Tax		2016/17 £m	2016/17 £m
Total Net Revenue Budget 2016/17			266.7
Specific Grants			18.8
Revenue Budget recommended to Council on 25th February 2016			247.9
Less:			
Business Rates Retention Scheme	16.0% [1]	39.7	
Revenue Support Grant	10.6% [1]	26.3	66.0
Surplus on Council Tax	1.0% [1]		2.5
Amount to be Raised from Council Tax	**72.4%** [1]		**179.4**
No. of Band D Equivalent Properties			142,186.60
Band D Council Tax			**£1,261.95**

[1] Percentage of Cheshire East net budget

Source: Cheshire East Finance

The impact on each Council Tax Band and the number of dwellings in each band is shown in **Table 7**.

Table 7 - Impact of Council Tax on each Band				
Band	**A**	**B**	**C**	**D**
Council Tax £	841.30	981.51	1,121.73	1,261.95
No of Dwellings	29,891	35,186	33,267	24,802
Band	**E**	**F**	**G**	**H**
Council Tax £	1,542.39	1,822.81	2,103.25	2,523.90
No of Dwellings	19,208	13,161	11,893	1,781

Source: Cheshire East Finance

Council Tax Freeze Grant

47. By freezing Council Tax in previous years, local residents have benefitted from grant payments equal to the amount that could have been raised by a 1% increase (before adjusting for Council Tax Support). As a result of past decisions to freeze Council Tax, the Council received £9.9m of freeze grant in 2015/16 as set out in **Table 8**.

Table 8 - Council Tax Freeze Grant Equals 12.0% of Cheshire East Council's Government Funding in 2016/17	2016/17 £m
Allocation for:	
2011/12 (now rolled into BRRS)	4.5
2013/14 (now rolled into BRRS)	1.8
2014/15 (now rolled into BRRS)	1.8
2015/16 (now rolled into BRRS)	1.8
Total Freeze Grant to be Received	**9.9**

Source: Cheshire East Finance

48. As Revenue Support Grant is removed then the impact of these grants will also be reduced.

49. Beyond 2016/17 the Council's medium term financial planning assumptions continue to assume a freeze in Council Tax levels. This partly reflects the fact that changes in government policy were only announced in November and December of 2015. For 2016/17, the Government has not offered a Freeze Grant and is unlikely to do so again based on the recent change in approach. Therefore, no freeze grants have been built into the medium term plans, but equally neither have changes in Council Tax levels at present.

Council Tax Base

50. The Council Tax Base quantifies the number of properties from which the Council is able to collect Council Tax. The tax base is presented as an equivalent number of domestic properties in Council Tax Band D terms after adjusting for relevant discounts and exemptions (for example a Band H property counts as two Band D properties, whereas a Band A property counts as two thirds of a Band D). The level of Council Tax multiplied by the tax base equals the expected income from local taxation.

51. The gross tax base for 2016/17 (before making an allowance for non-collection) is calculated as 143,986.43. After taking into account current collection rates, the non-collection rate was maintained at 1.25%. This results in a final tax base of **142,186.60** Band D equivalent domestic properties.

52. The tax base for 2016/17 reflects an increase of 2.5% on the 2015/16 equivalent position. This reflects the overall increase in properties in Cheshire East after allowing for the impact of Council Tax Support. The Council Tax Base was approved by Council on 17th December 2015.

53. Cheshire East has a relatively high Council Tax Base compared to its nearest neighbours. This is partly due to the much higher proportion of properties in Bands F to H in the Cheshire East area (16% in Cheshire East compared to the England average of 9% based on 2013/14 data).

The impact of the Council Tax Support Scheme

54. From 1st April 2013 the Council Tax Benefit system was replaced by a locally designed Council Tax Support Scheme. Claimants under this scheme receive appropriate discounts to their bills depending

on their circumstances. It is important to note that pensioner claimants remain unaffected by this change.

55. The impact of Council Tax Support reductions is decreasing in Cheshire East, reflecting a positive trend away from a dependence on support from the local authority. The local Council Tax Support Scheme was reviewed and consulted on during 2015. The results and way forward were considered in a report to Council on 17th December 2015 and factored into the Tax Base Report. Further details are provided in the Tax Base Report to Council on 17th December 2015.

56. Cheshire East will continue to compensate local town and parish councils for reductions in tax base as a result of the Council Tax Support Scheme. Although this compensation grant will be reduced by 50% in 2016/17 and removed in 2017/18.

Collection Fund

57. Receipts from Council Tax payers are paid into the Collection Fund which is then distributed to all precepting organisations (Cheshire East Council, Fire & Police and local Town & Parish Councils).

58. A predicted deficit in the Collection Fund reduces revenue funding for the following annual budget and vice versa in the case of a surplus. This can happen if actual changes in the tax base vary from the predicted changes.

59. The estimated balance on the Collection Fund has been forecast to be a £2.9m surplus at 31st March 2016. £2.5m of this surplus is retained by the Council and is factored in to the 2016/17 budget.

60. The year-end balance on the Business Rates Collection Fund is estimated to be a deficit position of £7.6m. This is derived from the carried forward deficit from 2014/15 of £7.8m, less the in-year repayment of £2.1m plus the 2015/16 predicted in-year deficit of £1.9m. The main reason for the position on the fund has been due to much larger than anticipated appeals for rateable valuation reductions being successful. This will be managed through the earmarked reserve at this stage.

Council Tax on Second Homes

61. During 2006 the Cheshire Local Government Association (LGA) agreed to reduce the level of discount on Second Homes across Cheshire from 50% to 25% on the basis that the additional funds would be utilised as follows:-

    - 50% to be retained by local authorities.
    - The balance to be paid over to Local Crime and Disorder Reduction Partnerships (CDRPs) for local activities including the appointment of Community Support Officers.

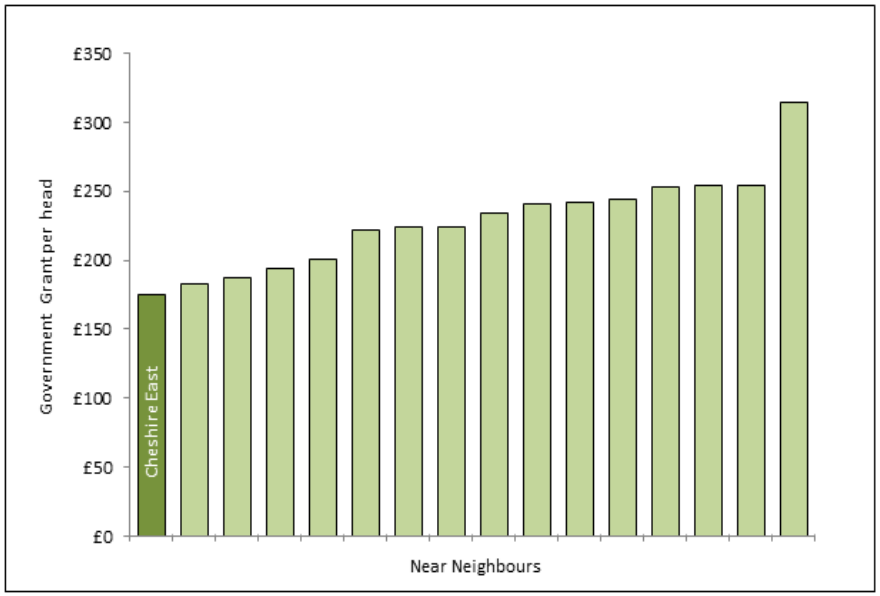
62. The final figures cannot be calculated until each authority has set its 2016/17 Council Tax. Contributions under the Second Homes agreement to the CDRP from the Police and Crime Commissioner and Cheshire Fire and Rescue Authority will be made during 2016/17 by adjusting the precept payments to those authorities. The provisional contribution from Cheshire East Council is £171,000.

63. Any further changes to Second Homes discounts are not part of the local agreement and therefore the additional income from any change is not included in the figure shown.

Funding Comparisons to similar Councils

64. Comparisons, based on available data, add context to Cheshire East's funding position. For further analysis of the Council's financial position please refer to the Council's Value for Money document.

Chart 2
Cheshire East Council receives the lowest level of Government Grant per head compared to its Near Neighbours.



Source: Cheshire East Finance

What is the Council doing about it?

65. There are several areas where the Council is attempting to ensure its voice is heard. These are:

Responding to Key Consultations

2015/16 has seen several consultations on changes to local government finance. The Council has had the opportunity to input into the relevant responses collated by the Society of County Treasurers and the Local Government Association (Cheshire East Council is a member of both) and therefore, in some cases, relied on their collective responses to make any relevant comments. The Council has also joined the Society of Unitary Treasurers in 2015 to assist with influencing collective messages. The consultations that have taken place so far in 2015/16 are as follows:

- Health and Social Care
  - Public Health Allocations 2015/16 (closed August 2015)
  - Public Health Grant: Proposed Target Allocation Formula for 2016/17 (closed November 2015)
- Council Tax and Business Rates
  - Business Rates Review: Terms of Reference and Discussion Paper (closed June 2015)
  - Check, Challenge, Appeal: Reforming Business Rates Appeals (closed January 2015)
  - Independent Review of Local Council Tax Support Schemes (closed January 2016)
  - Council Tax Setting in 2016/17: Offer to Social Care Authorities (closed January 2016)
- Pensions
  - Revoking and Replacing the LGPS (Management and Investment of Funds) Regulations 2009 (closes February 2016)
- Accounting and Audit
  - Auditors' Work on Value for Money Arrangements (closed September 2015)
- General
  - Spending Review 2015 (closed September 2015)
  - New Homes Bonus (closes March 2016)
- Schools Funding
  - The Local Authority consulted with all schools and governing bodies over the potential changes to the funding formula, with the results of the consultation being considered by the Schools Forum and the Local Authority

in producing the Funding Formula for 2016/17. The DfE is still intending to implement a National Fair Funding Formula. A consultation on any proposed changes to the schools funding formula for 2017/18 is expected in 2016.

- Provisional Settlement
  - The Council has responded to the settlement through the Society of County Treasurers' response. This collective response raised the key issues of:
    - Late release of information.
    - Significant concerns over the profile and severity of grant reductions for councils with Adult Social Care responsibilities.
    - The lack of any links to needs.
    - The timing of the Settlement in terms of no information to base budgets on prior to 17th December, and a lack of time to respond to the consultation and to set the 2016/17 budget.
    - Rising population pressures in Adults not being reflected in grant calculations.
    - The additional reporting requirement for the Adult Social Care precept in 2016/17 and later years.
    - The proposal for the Better Care Fund.

Membership of Collective Groups

The Council has membership of several collective groups which provide a stronger voice at a national level. They are:

- The Local Government Association
- The Society of County Treasurers
- The Society of Unitary Treasurers
- The Sparse Rural Network
- The F40 Group

The Council is also making use of the CIPFA / Pixel Financial Management Service to assist with Financial Planning.

Monitoring Developments

The Council is monitoring news alerts and public sector journals for any developments with Business Rates and grant funding arrangements. One notable issue relates to other local authorities seeing greater control over their business rates in return for losing other grants.

On-going briefing with Members of Parliament

The Council provides an update on key issues to local MPs on a regular basis, or when special updates are required. At certain times these focus on the Budget and funding issues.

Charges to Local Service Users

66. In some key service areas the Council makes a charge directly to the service user. The prices charged will sometimes be set nationally, but should always be related to recovering some or preferably all of the Council's costs in delivering discretionary services.

67. Approximately 7.9% of the Council's gross income is received through Fees & Charges and the prices are reviewed at least annually.

68. The Cheshire East Council pricing structure has over 1,500 different charges. With the overall objective to reduce subsidy in charged for services some prices rises may exceed inflation in the medium term. In such cases users are consulted and alternative service options are discussed.

69. To assist officers and Members to recover full cost, the Council has produced a Charging and Trading Strategy to provide the relevant guidance to be applied. This document is available on request.

70. The fees and charges list is subject to review given the change in commissioning arrangements in some areas. A revised version will be available in due course.

Investment, Borrowing and the Capital Programme

71. The capital programme is intentionally aspirational, reflecting the Council's priority to put Residents First and to promote local growth. To support this ambition the Council actively pursues funding from private sector organisations and government as well as attempting to maximise receipts from asset sales. Resources will be utilised accordingly to allow flexibility within the overall programme. Major highway infrastructure projects, for example, may require Council resources before capital receipts and developer contributions can be realised and therefore the funding requirement for future years will be updated as plans and funding streams are secured.

72. The Council has continued its policy of utilising investment balances instead of taking out new external borrowing in order to finance capital expenditure. This has allowed external loans amounting to £26m to be repaid since 2009. Together with debt restructuring this has reduced external interest costs by £2m per year.

73. The Treasury Management Strategy aims to hold capital financing requirements at £14m per year in the medium term. Over time the percentage of the net revenue budget required for capital financing will show as an increase, but this reflects the Council's significant capital ambitions for local investment and the fact the actual net budget is reducing. This is acceptable as the Council targets investment in infrastructure that can support the local economy and provide future revenue savings or additional income.

74. The capital financing budget for 2016/17 is shown in **Table 9**. This includes repayment of debt and interest payable on the Council's long-term loans. Costs are partly offset by the interest earned on the Councils investments.

Table 9 - Capital Financing Budget	2016/17 £m
Repayment of Outstanding Debt	10.8
Contribution re: Schools Transforming Learning Communities Schemes	-0.9
Direct Revenue Funding	0.4
Interest on Long Term Loans	4.1
Less: Interest Receivable on Cash Balances	-0.4
Net Capital Financing Budget	**14.0**

Source: Cheshire East Finance

75. Charges for the amount borrowed are made to the Council's income and expenditure account and, for 2016/17, comprise of the following elements:

- **For borrowing incurred prior to April 2008:** Cost is calculated as 4% of the outstanding balance at 31st March 2015.
- **For borrowing incurred after April 2008:** Cost is calculated as equal instalments over the anticipated life of the asset. These periods vary from five years to 50 years depending on the type of expenditure funded from the borrowing.

76. Details of the Council's Minimum Revenue Provision Policy are shown at **Annex 10**.

77. The amount of interest paid on the Council's portfolio of long-term loans is mainly at a fixed rate of interest (circa 3.83%). This provides a degree of certainty to the capital financing budget.

78. Currently, long-term fixed interest rates are around 3.3%.

79. The rate of interest to be earned from temporary investment of the Council's cash balances (c.£40m) is estimated to be 1% during 2016/17.

80. The Council will continue to use its own cash balances to fund capital expenditure. This strategy is sound, particularly with the 1% margin on Public Work Loan Board rates, low-investment yields and on-going concerns regarding credit risk.

81. The Council sets out the approach to these issues in its Treasury Management Strategy which is also being reported to Cabinet and Council in February 2016.

Capital Programme Planning

82. The 2015/18 capital programme was approved by Council on 26th February 2015. Updates have been provided via quarterly reports to Cabinet during 2015/16.

83. The Third Quarter Review of Performance and the revised profile of spend for 2016/17 onwards forms the base for the 2016/19 programme, which is detailed in **Annex 12**.

84. Capital commitments have been reviewed to identify the profile of expenditure. There is recognition that the complexities around planning applications, public consultation and dependencies on third parties for external funding can mean that projects will be delayed from one year to the next.

85. Since 2012/13, the inclusion of a project in the capital programme is subject to the Council's governance arrangements. Schemes are assessed for technical viability by the Technical Enabler Group (TEG) and then reviewed and challenged by a member led Executive Monitoring Board (EMB).

86. Services are required to provide business cases in accordance with the HM Treasury five case model. EMB may reject proposals if they are unconvinced of the viability of the business case and any other aspect of the delivery plan including the fit with corporate priorities. This may result in the recommendation to stop the project or a request for a revised proposal.

87. Proposals are at various stages of this process during the year and are included in the programme for planning purposes. Where costings are not yet available indicative estimates are included.

88. Spending plans are subject to scrutiny to ensure a robust quality assurance framework is followed for each project. The governance arrangements safeguard against projects proceeding where costs may escalate beyond budgets. Potential variances from approved budgets may become subject to supplementary approval in accordance with financial regulations.

Capital Programme Financing

89. The level of resources available for capital investment is set out in **Table 10** and is based on the level of borrowing that the Council can undertake on a prudential basis, the level of Government grant, the level of capital receipts and external contributions that can be generated over the period.

Table 10 - Capital Programme Summary	2016/17	2017/18	2018/19	Total 2016/19
	£m	£m	£m	£m
Committed Schemes	90.8	34.3	1.8	126.8
New Schemes	18.3	9.2	4.9	32.4
Recurring Programmes	32.7	36.4	14.7	83.8
Long Term Proposals	41.9	68.1	128.7	238.8
Total Capital Programme	**183.6**	**148.0**	**150.2**	**481.8**
Financing				
Prudential Borrowing	83.4	50.8	0.0	134.1
Government Grants	51.9	63.2	81.8	196.9
Capital Receipts	41.1	20.9	39.6	101.6
External Contributions	6.7	13.0	28.8	48.4
Other Revenue Contributions	0.7	0.0	0.0	0.7
Total Sources of Funding	**183.6**	**148.0**	**150.2**	**481.8**

Source: Cheshire East Finance

Borrowing

90. The Council's capital investment complies with the "Prudential Code for Capital Finance in Local Authorities". Under the Code, local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital programmes.

91. The level of Prudential Borrowing required in 2016/17 and in future years is detailed in **Annex 11** – Prudential Borrowing Indicators. The revenue consequences have been considered as part of the medium term strategy to ensure they can be afforded in future years.

92. If at any point there is potential for schemes to remain unfunded then work will be prioritised on all schemes to prevent any unnecessary financing costs.

Government Grants

93. Government grants are generally allocated by specific Government departments to fund projects either as part of a block allocation or following a specific application process. The Council must therefore allocate such funding to support the spending programmes for which they are specifically approved.

94. The Council seeks to maximise allocations of grant, developing appropriate projects and programmes which reflect Government-led initiatives and agendas but address priority needs for local residents. Overall Government funding has reduced in recent years but the Council still receives external support towards a number of projects such as school improvements and major highways infrastructure. Over the medium term these resources equate to £197m, which is 41% of the total Capital Programme. **Annex 9** provides a list of Government Grants that are supporting the Cheshire East capital programme.

Capital Receipts

95. A capital receipt is an amount of money which is generated from the sale of an asset. The asset rationalisation process continues to explore opportunities to generate capital receipts by disposing of surplus property assets after considering potential development opportunities to maximise benefits for local residents. This will also have revenue benefits by reducing costs relating to those assets.

96. Capital receipts are pooled in the Council's capital reserve and are allocated in line with corporate priorities. An asset disposal schedule is maintained which indicates the timing and estimated values of future receipts.

97. Where a scheme is expected to be funded from capital receipts, the start times may be brought forward or delayed depending on the timing of the receipt. The status of the land and property market is kept under review by the Asset Management Service. The programme is reviewed if the resource position changes.

98. New guidance, issued by government to coincide with the local government finance settlement, allows the Council to fund certain costs of efficiency from Capital Receipts. The Council's 2016/17 budget does not rely on this flexibility to balance the revenue budget and this opportunity will only by taken-up with the approval of Council. Quarterly reporting will be used to raise any potential requirement to use capital receipts to fund revenue expenditure and this will consider the value for money associated with the approach.

External Contributions

99. The Council also receives contributions from developers towards the provision of public assets or facilities, such as Section 106 contributions to mitigate the impact of their developments.

100. Section 106 agreements are drawn up during the planning process which identifies and addresses the local needs of the community in relation to new developments. The agreement obligates the developer to provide a sum of money to enable the provision of facilities such as play areas and open spaces, increased education placements and road improvements.

101. As at 31st March 2015 the authority held Section 106 balances totalling £10m. The use of the funding is restricted by the terms of the original agreement and the timing of developer contributions is less predictable than other sources.

Other Revenue Contributions

102. Capital expenditure may be funded directly from revenue, but not vice-versa. Whilst overall funding reductions continue pressure on the Council's revenue budget limits the extent to which this may be used.

Other Economic Factors

103. The Council makes an assessment of its financial position over the next three years by using a model known as the financial scenario. It is based on a series of planning assumptions (for example: estimated inflation rates). The planning assumptions were published in the Pre-Budget Report 2016/17 issued in October 2015, and updated through the year via Central Finance Group. Allowance will be made in the 2016/17 budget for other economic factors, largely inflation and pension costs; totalling **£3.8m**.

104. The Budget Report for 2016/17 continues the theme of not including any central allowance for non-pay inflationary pressures on the basis this is being mitigated by service efficiency proposals,

increased charges or specifically bid for as a separate policy proposal.

105. For 2016/17, the Council has allocated budget for the introduction of the Living Wage and the removal of the Second State Pension, in terms of the impact on employers' national insurance contributions.

Employer Pensions Contributions

106. The Workforce Planning section (**Annex 4)** provides further details on the Pensions provision.

Managing the Reserves Position

107. The Council Reserves Strategy 2016/17 states that the Council will maintain reserves to protect against risk and support investment. The strategy is updated each year and latest update is provided in the MTFS 2016/19 Report at **Annex 13.**

108. The Strategy identifies two types of reserves:

General Reserves

109. Balances in this category are not identified for specific purposes, but will be used to cushion against the impact of emerging events or genuine emergencies.

Earmarked Reserves

110. Balances in this category have been set aside for a specific purpose and will either be spent on that purpose or otherwise returned to General Reserves.

111. Further details, such as opening and closing balances and protection against financial risks, are contained within the strategy.

Summary of Financial Stability

112. **Table 11** summarises the position for 2016/17 to 2018/19.

	Estimated Net Budget 2016/17	Estimated Net Budget 2017/18	Estimated Net Budget 2018/19
	£m	£m	£m
Outcome 1 - Our Local Communities are strong and supportive	25.6	25.5	25.9
Outcome 2 - Cheshire East has a strong and resilient economy	32.8	32.8	33.1
Outcome 3 - People have the life skills and education they need in order to thrive	12.1	12.3	12.6
Outcome 4 - Cheshire East is a green and sustainable place	31.4	30.4	30.1
Outcome 5 - People live well and for longer	111.9	112.1	111.7
Outcome 6 - Efficiency	35.0	33.5	34.1
Total Outcomes	248.8	246.6	247.5
Corporate Contributions and Adjustments	1.1	1.1	1.1
Capital Financing	14.0	14.0	14.0
Use of / Contribution to Earmarked Reserve	2.8	-0.1	-0.1
Additional Reductions to closing Funding Deficit Yr 2/3		*0.0*	*-8.9*
TOTAL:	266.7	261.6	253.6
CENTRAL BUDGETS			
Business Rate Retention Scheme	-39.7	-40.4	-41.6
Revenue Support Grant	-26.3	-13.4	-5.4
Specific Grants	-18.8	-18.2	-11.2
Council Tax	-179.4	-180.7	-181.9
Collection Fund Surplus	-2.5	0.0	0.0
TOTAL: Central Budgets	-266.7	-252.7	-240.1
Funding Deficit	0.0	8.9	13.5

113. Service expenditure for 2016/17 is shown as **£266.7m**. This represents an increase of £0.9m (0.3%) on the Budget at the Three Quarter Year Review position.

114. The Funding Available to Services in 2016/17 is estimated at **£266.7m** to give a balanced position.

115. Proposals were received in a Better Business Cases Five Case Model format and subject to detailed scrutiny by corporate enabling services through several iterations before being accepted into this budget; these business cases will be developed into the delivery phase and are subject to oversight and assurance from the Executive Monitoring Board.

116. This balance has been achieved through a substantial process to review and refine the funding figures and Services' expenditure / income levels.

Allocating Funding to Services

117. Section 1 of this Medium Term Financial Strategy Report sets out further details of how the Council is approaching delivery of the new Corporate Plan.

Balancing the Medium Term Budget 2016/17 to 2018/19

118. **Table 11** illustrates that the Council faces medium term deficits in its revenue budget. This has been a recurring issue while the most significant income sources have been subject to such large scale review. It is an issue across local government in England and is not localised to Cheshire East.

119. The Council has a track record of balancing the revenue budget, spending in-line with the budget and maintaining adequate reserves to protect against risk and provide necessary investment.

120. Work with other organisations, as detailed in "Para 65 (the "What are we doing about it?" section), will primarily aim to lengthen the planning process. The overall approach to funding is sound, and has been for some time, in that local sources such as Council Tax and Business Rates will fund a greater share of local costs in the future so a pro-growth approach is appropriate.

121. Council funding is forecast to reduce over the medium term by as much as 61%. These estimates are prudent, but there is little doubt that Government funding is expected to decrease and that inflationary pressure on services will continue to increase. Setting a robust budget in these circumstances is therefore challenging and plans will be subject to review.

122. The Medium Term Financial Strategy reflects a balanced position for 2016/17 with a mix of specific policy proposals in each Service.

123. The position for 2017/18 and 2018/19 continue to reflect a deficit position and the challenge to remove that gap will continue during 2016/17. The Council has expressed an interest to government about agreeing a 4 year funding settlement. Little detail has been shared on how this opportunity will work in practice.

124. The Council adopts a standard five measures approach to balancing the budget and each measure is explored in relation to the medium term balancing of the MTFS. The measures are :

Measure	Description
Measure One ~ Challenge Financial Assumptions	Estimates related to Government funding and inflation in particular will be checked against up to date indices and policies.
Measure Two ~ Review Local Taxation	Flexibility in Council Tax and Business Rates is explored in relation to emerging Government policy, local ambition and growth in the tax base.
Measure Three ~ Manage Reserves	The impact of the Council's Reserves Strategy is analysed, particularly in relation to risk and investment.
Measure Four & Five ~ Manage Cost Drivers & Income	Options for future service delivery are challenged to ensure outcomes will be achieved in a cost effective and efficient way.

Options related to each of the five measures are set out below:

Measure	Table 13 – Balancing the Medium Term Budget
Measure One Challenge Financial Assumptions	- The Government issued provisional Core Spending Power figures for the next four years (2016/17 to 2019/20). This provides estimates of available grant funding for certain areas and replaces the former Spending Power calculation. - Therefore, the Council does have some insight of certain grants for the next four years, albeit they are subject to change. The overall ambition, within the announcements from government, is to maintain core spending over the life of the parliament in cash terms. - Core Spending Power includes: o **Business Rates** - Business Rate income will rise with inflation, as controlled by the government set multiplier. Above inflation increases are not factored in to the Cheshire East medium term financial plans due to the current significant risk associated with business rates income. Government are consulting on changes to the scheme, appeals against rates payable still distort annual payments and there is a national revaluation of non-domestic premises planned for release in April 2017. - The Business Rate Retention Scheme approach to funding local authorities could provide up to £0.3m in revenue funding from a £1m increase in rates payable. This supports the approach of the Council to promote growth and inward investment for the wider economic well being of individuals in the area. Agreements to work with the Local Enterprise Partnership and other local authorities or regional partners, on regeneration schemes, always consider the potential impact of business rates. - The business rates baseline may increase in later years of the settlement as new burdens are added. For example Public Health Grant, currently provided as a separate grant from government, could be funded from business rates instead. This may increase the level of business rates retained, but makes no actual difference in the level of core funding for the Council. o **Revenue Support Grant (RSG)** - RSG will reduce to nil by 2019/20 for Cheshire East Council. The government settlement assumed authorities can replace an element of lost grant with Council Tax increases, however this is a local discretion.

Measure	Table 13 – Balancing the Medium Term Budget
	○ **New Homes Bonus (NHB)** - At present NHB attracts funding of circa £1,500 per annum for six years for every additional band D property. The estimates for property numbers, in the MTFS, match those detailed in the Local Plan and these will be reviewed in light of in year performance, planning permission granted and sites being developed. - In 2017/18 the year one grant, first paid in 2011/12, falls away. This means the 2017/18 grant replaces the 2011/12 grant and is not in addition to it, this situation then re-occurs each year. Therefore, the Council will need to at least maintain the housing supply to ensure no change to this figure over time. - The settlement has also triggered a review of NHB, with anticipated reductions of 40% in 2018/19. The influence the Council can have on this reduction may not be clear until the revised scheme is available. ○ **Specific Grants** - These remain subject to ad-hoc information releases from Government departments. Where no information is available assumptions are used based on the reductions in general funding levels. - The Government has offered councils a four year deal to set certain funding figures and this will be reviewed.
Measure Two Review Local Taxation	The Council retains the opportunity to review current funding assumptions: - Council Tax will rise in line with Government policy and to support Adult Social Care. - Increases for later years will be reviewed annually but current assumptions are for no further increases. - The Council will continue to maximise its tax base through any further flexibility made available by legislation. The potential for development in the area, backed by the Council's continued support for economic growth, is also likely to increase the domestic and non-domestic tax bases over time. - Impacts from the continuation of the local Council Tax Support Scheme will be reviewed and scrutinised during the medium term. The scheme may be amended where appropriate, but overall the ambition is to reduce claimant numbers in relation to out of work residents through the promotion of economic growth in the area. - Increasing employment opportunities – through economic growth, resulting in fewer people relying on welfare benefits from the Council and releasing funding for further improvements.

Measure	Table 13 – Balancing the Medium Term Budget
	- As the potential benefits of investment in local infrastructure are realised local business may engage with the Council to consider the introduction of a Business Rate Supplement to raise funds for specific local purposes. For example, if businesses opted to pay an additional rate of 1p on the rating multiplier they could raise as much as £2.1m each year, this level of funding could support a 15% increase in the Council's Capital funding costs for an agreed scheme. - There is potential to work with local businesses to introduce business improvement districts for specific purposes. - Continued high collection rates may result in a surplus that can be released to support investment in improved services in the local area.
Measure Three Manage Reserves	- The Council adopts a rigorous approach to managing in year expenditure. Service heads will sign off their Budget allocations to endorse accountability. In-year reporting will identify variances to budget. - The robustness of the proposals in the budget will improve budget management, significantly reducing the risks of unforeseen budget pressure. - The Reserves Strategy for 2016/19 aims to maintain reserve levels over the medium term, although emerging risks or opportunities may require short-term use of reserves.
Measures Four and Five Manage Cost Drivers & Income	The Council's current proposals for change are contained within Section 1 of the Medium Term Financial Strategy. Although the financial implications may relate specifically to 2016/17, many of these programmes will deliver further savings through to 2018/19. Some of the financial areas being reviewed by budget holders and the Finance Team are: - Employer pension's costs, which will be revised following the 2017 actuarial review. The appropriate long term approach to funding local government pensions in Cheshire East will be considered in relation to affordability and demand. - Pay Inflation will continue to be assumed at 1% in the medium term in line with government projections. - Reviewing management control and staffing structures. Expenditure on employees accounts for c.37% of the Council's expenditure on services, and the reviews will look to ensure that the Council operates an effective commissioning model that focuses on putting residents first while achieving cost benefits and efficiency. - Ensuring Corporate Services, which account for c.16% of the Council's net budget, continue to reflect changes that are making the Council a smaller organisation.

Measure	Table 13 – Balancing the Medium Term Budget
	- Challenging discretionary services to ensure these meet priority needs, are paid for in the most effective way or are instead ceased or transferred to alternative providers. - Introducing a robust and effective Community Infrastructure Levy that can engage developers and other stakeholders in delivering appropriate funding in key areas. - Continue to develop the Council's Best Fit approach to challenge service providers and the improvements they can make to outcomes through innovation. - Maximising development opportunities from the increasing broadband coverage. Increasing commercial development located in Cheshire East would see returns from Business Rate Retention. For example a 1% increase in Business Rates would realise c.£0.3m of additional income per year. - Exploring opportunities to improve health and reduce dependency through integration of the local health programme with key partners. Net expenditure on Adult Services is currently accounting for 38% of the Council's budget. This is the largest budget area so managing costs in this area is essential. - Engaging with community groups and local Town & Parish Councils to explore ways of maintaining service delivery at a local level. There are c.300 such groups already financially engaged with Cheshire East Council. The third sector is a powerful economic partner, employing nearly 4,000 staff and generating an income of over £125m per annum, the vast proportion of which is invested back into our local communities and economies. Further opportunities will be explored as part of the Council's Corporate Plan. - Carrying out a further Capital Challenge to ensure the benefits of the ambitious programme are realised. - Promoting "Digital Customer Services" approach across the Council where suitable to improve access to services. - Continuing to rationalise the Council's assets to minimise costs associated with utilities and rates and maximise receipts that can support economic growth outcomes. - Making sure that ways of working maximise the technology we have within the organisation and helping staff to take advantage of expertise and development opportunities that can increases productivity.

Annexes to the Medium Term Financial Strategy Report 2016/19

February 2016

Annex 1 Four Year Corporate Plan 2016/17 to 2019/20

Annex 2 Business Planning Process - Engagement

Introduction

1. Cheshire East Council is conducting an engagement process on its Medium Term Financial Plans through a number of stages running from October 2015 to Council in February 2016, and beyond that as proposals are implemented.

2. The Pre-Budget Report, published on the 28th October 2015 included details of the proposals from each service area for the next financial year. This report was made available to various stakeholder groups and through a number of forums. It was accompanied, on the website, by a short animation to explain the budget setting process.

3. Where consultation with specific stakeholder groups is required in relation to specific proposals, this is being identified as part of the proposal's High Level Business Case. Therefore, some of the major proposals remain "subject to consultation", that is further targeted consultation activity will be undertaken in advance of those specific proposals being implemented.

4. The Council acknowledges that such consultation activity may alter the outcome of the final proposal and mean the expected financial impact included within the budget is subject to change. The Council deals with this by factoring into its minimum level of reserves an allowance for changes to proposals arising from consultation or delayed implementation, etc.

Background

5. 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. In September 2013, Council conducted a 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. The analysis helped to inform the consultation process for the subsequent Budget and this has been maintained for 2016/17. It has continued to identify additional channels of communication which were used to facilitate consultation with more of our stakeholder groups.

Business Planning Process

7. The Business Planning Process for 2016/17 followed the standard timescale for consultation and allowed nearly four months for consultation on the Pre-Budget Report.

8. The engagement exercise used existing meetings, as well as specific events, to provide a briefing on the Council's Priorities, Outcomes, the Budget Setting Process, and updates on progress for various stakeholder groups. It was based around the proposals that were published in the Council's Pre-Budget Report 2016/17, issued on

28th October 2015 and shared with Corporate Overview and Scrutiny Committee on 5th November 2015.

9. All Member Finance Briefings were organised for the 15th December 2015 and 2nd February 2016. These included updates on the Budget Setting Process, in-year performance and the Council's Value for Money document.

10. The key events are outlined in **Table 1** along with the topics of discussion and any feedback received.

11. Other feedback received by the Council is set out in **Table 2.**

Table 1 – Key Engagement Events

Events	Comments
All Member Briefing – 13th July 2015	The Chief Operating Officer updated Members on the annual finance processes of planning, monitoring and reporting.
Cabinet – 21st July 2015	Revenue 2014/15 Outturn
Cabinet – 29th September 2015	Receive First Quarter Review of Performance
Cheshire East Council website – 28th October 2015	Pre-Budget Report and animation placed on Council's website and Centranet to launch consultation exercise.
Team Voice – 30th October 2015	Issued to all staff and Members to headline Pre-Budget Report.
Trades Unions – 2nd November 2015	Noted concerns about the budget cuts proposed through the supporting people agenda and not wanting this cost to fall on the Council and the impact such cuts would have on the remaining workforce.
Corporate Overview and Scrutiny Committee on 5th November 2015	Received Pre-Budget Report and Mid-Year Review of Performance.
Cabinet – 10th November 2015	Received the Mid-Year Review of Performance Report.

Events	Comments
Schools Forum – 3rd December 2015	The meeting noted the following points: - Peter Groves is the new portfolio holder. - Peter Bates is the Section 151 Officer - CE Council aims to put residents first; to deliver to budget; and to deliver value for money. - There are 6 priorities: Local communities; Economic growth; Education; Environmental services; Health and wellbeing and Efficiencies - The budget has been cut by £6.4m to £258.1m - A spending review conducted in November 2015 has identified a number of areas where savings can be made and additional revenues can be found - The Council will approve the budget in February 2016.
Cabinet – 8th December 2015	Consider the Council Tax Support Scheme and Council Tax Base for recommendation to Council.
Town and Parish Councils Conference – 10th December 2015	The Finance and Assets Portfolio Holder presented an overview of the Council's Finances and the Pre-Budget Report. - The reduction to the compensation grant would be phased 50% in 2016/17 and removed in 2017/18 following feedback from local councils over the impact this would have.
All Member Briefing – 15th December 2015	Budget proposals
Council – 17th December 2015	Agree Council Tax Support Scheme and Council Tax Base.

Events	Comments
Funding announcements – 17th December 2015	From Government
South Cheshire Chambers of Commerce – 12th January 2016	Cllr Groves presented the Council's Pre-Budget Report to a South Cheshire Business networking event. Issues raised: - Development of Crewe Town Centre. - Council Tax plans for the medium term. - Additional contacts for Business Rates.
East Cheshire Chamber of Commerce and Enterprise Business Event – 20th January 2016	Cllr Groves presented the Council's Pre-Budget Report to an East Cheshire Business networking event. Issues raised: - Capital schemes in Crewe and Congleton Town centres - Infrastructure projects, such a Crewe Green Link & Congleton Relief roads were raised in terms of timelines - The impact of developer contributions was also discussed and the effect of Section 106 agreements / Community Infrastructure Levy on the Council's plans - Local Plan was also mentioned in terms of business wanting to expand - Overall impression that employers appreciated the openness of the conversation and looked forward to greater opportunity in the future
Individual proposals received from Cheshire East Council Members in January 2016	Feedback on: - Additional investment to control flytipping - Additional investment required in safeguarding - Additional investment required to tackle domestic abuse / sexual violence.

Events	Comments
Third Quarter Review of Performance – Challenge sessions	Provided updated baseline spending calculations for services and potential impact on calculations proposed within the MTFS.
Final Medium Term Financial Strategy (MTFS) / Budget Report released – 1st February 2016	
Corporate Overview and Scrutiny Committee – 4th February 2016	Receive MTFS Report
Corporate Trades Unions – 8th February 2016	Final MTFS Report
Macclesfield Chamber of Commerce Business Event – 10th February 2016	Cllr Groves will present the Council's Pre-Budget Report to a joint event with Macclesfield Chamber of Commerce.
Cabinet – 9th February 2016	Consider MTFS Report
Council – 25th February 2016	Consider MTFS Report

Table 2 – Comments Received by the Council

January 2016	Objection to the removal of full Council Tax relief for Foster Carers.
	Three responses raising concerns over reductions in services to help homeless people.
	E-mail raising issues over service levels in Poynton.
October 2015	Suggestion over the use of LED lighting for Council buildings.

Annex 3 Impact Assessment

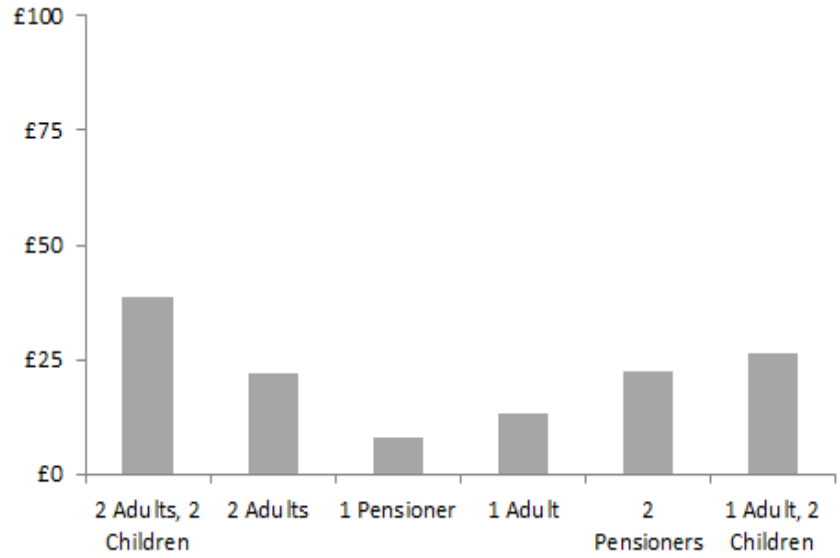
Household Calculator

1. The 2016/17 Budget is the result of a major process to set a balanced budget that can meet the needs of local people in the local environment. The details of the Budget have been set out in previous sections in terms of financial stability and allocation to services. This section considers the impact of the Budget on typical groups of service users in terms of the changes they may see and the charges they may pay.

2. A number of assumptions must be made in relation to property sizes and service usage. The Council uses existing data to inform this process.

3. **Chart 5** below illustrates the annual impact on six typical households accessing a variety of different services if a blanket increase in line with Retail Price Index (RPI), as at December 2015, were to be applied.

Chart 5
Households could face £10 to £40 increases in costs if the Council just applied inflation to its charges



Source: Cheshire East Finance

4. Every service within the Authority is in the process of refining a Charging and Trading Strategy which sets out the rationale for setting / changing fees and charges within that area.

5. The Strategies calculate full cost of the service being provided and therefore set out the resulting subsidy or surplus each time a charge is made. This will then be used to inform the setting of

future levels of fees and charges to ensure fairness and that the Council meets any statutory obligations.

6. **Chart 6** below illustrates the actual annual increase per household when applied to the same variety of services.

Chart 6
Actual increases in potential costs across all groups

Source: Cheshire East Finance

7. The mix of increases varies across the services and results in an average increase per household of £51. This is higher than the average increase of £22 had RPI at 1.2% been applied across all services. This is due mainly to the Council Tax charge increase of 3.75%. The average increase in fees and charges excluding Council Tax is only £12 per household.

Note:

Typical households are made up as follows:

- 2 Adults with 2 Children living in a Band E property
- 2 Adults no Children living in a Band C property
- 1 Pensioner living in a Band D property
- 1 Adult (not Pensioner) living in a Band B property
- 2 Pensioners living in a Band D property
- 1 Adult with 2 Children living in a Band D property.

Each household average is based on typical use of chargeable services expected for that category such as school meals, libraries and environmental, and leisure services.

8. Further details on the impact on businesses, communities and the environment are shown in **Table 1** on the following pages.

Table 1: Impact of the 2016/17 Budget Proposals on Businesses

Typical Facts:

- Non Domestic Rates are set by Government
- Supplementary Rates could be set by Cheshire East Council
- Businesses are liable to pay some Fees and Charges (for example licensing)

Working with Businesses

The Council takes a pro-active role in engaging with and supporting local businesses. They are the engines of our economy, and the borough's future prosperity is driven by their capacity to thrive and grow. The Council's Regeneration team operates as a key broker for relationships between businesses, Council services and other public agencies. It also takes the leading role in promoting regeneration across the Borough, creating the conditions for job creation and economic growth, by working closely with other teams across the Council (e.g. planning, licensing, trading standards) and partners from the business community, voluntary and wider public sectors.

The team provides:

- A programme of business engagement events on specific issues, e.g. procurement, business support.
- Bespoke support for new and expanding companies, in terms of property finding and recruitment for example.
- Information web pages including a business directory and property search facility.
- Support for targeted groups of businesses, such as independent retailers, by promoting local purchasing and advice on increasing sales.

The Council has a strong commitment to the development and regeneration of our town centres. This will be supplemented further over the 2016/19 period, through further investment in its regeneration programme, alongside the strategic use of its own land and property, to lever in additional private sector investment. This will enhance the attractiveness of our towns to residents and visitors, and increase confidence in the developer and investor communities.

Government sets new Business Rates multipliers for 2016/17

- Multiplier set by Government and the increase is 0.8% (September's RPI figure)
  - Provisional 2016/17 Multiplier at 49.7p* in the £.
  - Small business multiplier provisionally 48.4p** in the £.

* Includes supplement to fund small business relief.

** All occupied properties with a rateable value below £18,000 are charged using the lower multiplier – except for those ratepayers receiving mandatory rate relief.

Small Business Rate Relief (SBRR)

- Extension of the doubling of the SBRR to April 2017.
- Amended SBRR criteria to allow businesses in receipt of SBRR to keep it for one year when they take on an additional property that would currently cause them to lose SBRR, in order to help small businesses with expansion costs.

Supplementary Business Rates

There are no proposals for Cheshire East Council to charge supplementary rates in 2016/17.

Local Retention of Business Rates

From 1st April 2013 Cheshire East Council will retain c.28% of any local growth in the rates generated through increased occupancy of commercial premises subject to certain tolerances. This may take several years to stabilise but will assist funding for the Council's activities over time. The Medium Term Financial Strategy sets out the Council's ambition to promote economic development.

Local Discretionary Rate Relief

Cheshire East Council has the discretion to award rate relief to any ratepayer. Applications are considered on an individual basis. Relief would only be awarded where it was in the Council Tax payer's interest to do so.

Other measures to support local businesses with business rates

- Continuation of the option to spread business rates bills over 12 months rather than 10 months.

Council Partners and Stakeholders

Mayor Cllr Hilda Gaddum with Deputy Mayor Cllr Olivia Hunter

For Example:
Town and Parish Councils, Health, Fire, Police, Schools, Colleges, Universities, Community, Voluntary and Faith Organisations, Housing Providers,
Community Partnerships.

The Council proactively works with partners to deliver services in Cheshire East. We seek to commission and deliver jointly with our partners, both across Cheshire East and at a local level. We are working with partners to focus our joint resources on early intervention and prevention, and supporting the development of resilient, self-reliant communities.

The Council will continue its work with Town and Parish Councils to develop local service delivery options including the transfer of assets and devolution of services where appropriate. The budget includes a one off payment to Town and Parish Councils to reflect changes in funding arising through Council Tax Support. The total amount allocated for 2016/17 is £149,000. This grant allocation will be phased out in 2017/18.

The Council is committed to further developing and managing collaborative partnership working in local areas to deliver services as locally as possible and to develop strong communities. We are leading activity to secure outcomes based on understanding the needs of the community through:

- Developing our strategic partnerships across Cheshire East to enable joint commissioning and improve integration of local services.
- Bringing local partners together to better share resources and redesigning public sector services across Cheshire East to better meet local needs.
- Community engagement work to support and develop strong communities, with local communities identifying and being involved in addressing their local issues.
- Promoting and supporting community partnerships to further develop communities with a stronger sense of neighbourliness.
- Developing Community Hubs across Cheshire East which provide services where local people will use them, so that services are delivered in the way which gives best value for local people.
- Working collaboratively with partners to deliver against our joint rural priorities, and to rural proof key decisions.
- Working with partners and communities to ensure that local people feel safe and are safe in their communities.
- Developing positive relationships between the Council and the community, voluntary and faith sector, at both a local and strategic level, and supporting the sectors to become commissioning ready.
- Investing in our Community Grants scheme to ensure communities can develop initiatives which are important to them.

The Local Environment

Cheshire East Council is committed to continuing to reduce its energy consumption and carbon emissions from its buildings and will continue to develop strategies during 2016/17, and beyond, to reduce the environmental impact of its activities.

The Council has achieved its Carbon Management Plan target of reducing carbon emissions by 25% by March 2016 - a full two years early. The target for reducing energy use in its corporate buildings has been increased to 35%. The Council has embedded carbon reduction into its service delivery and continues to improve by undertaking carbon reducing projects:

- Energy saving measures and property rationalisation in our own Council buildings to continue to reduce our carbon footprint.
- Reducing carbon emissions from its own vehicles by undertaking a whole fleet review, installing technology and educating staff to reduce fuel consumption.
- Completion of our £5.2m capital investment in street lighting combining a number of measures to reduce energy use including a borough wide replacement of traffic signal lamps with LED's, which will cut energy and carbon.
- Reducing the impact of our staff travel through a number of measures including changes to staff travel rates and promotion of alternatives to single car occupancy.

Equality Impact	We have a statutory duty to understand the equality impacts of our decisions, policies, strategies and functions. We ensure that our budget decisions do not discriminate against any group and promote equality of opportunity and good community relations. We undertake equality assessments where necessary, and continue to do so as projects develop across the lifetime of the Three Year 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. 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. Completed equality assessments form part of any detailed Business Cases.

Annex 4 Workforce Strategy

Workforce priorities

Building a workforce which is ready, willing and able to meet future challenges remains at the heart of our Council's success. In many cases, this involves continuing to develop and consolidate on what we are already doing but in others it may involve the development of new skills and different ways of working.

Key workforce priorities are:

- **Resident led and customer focused** - our workforce will need to continue to be resident led and focused on providing the very best customer service.
- **Outcome focused and high performing** - we will need to be focused on outcomes and less on processes but continuously reviewing and improving our performance to be the best that we can be.
- **Well led and managed** - those with responsibility for directing and supporting the work of others will need to deploy a wider range of skills underpinned by fairness, equality and diversity to ensure that the workforce can address the challenges that the Council faces.
- **Engaged, motivated and resilient** - we will need to ensure that our workforce are fully engaged and motivated to contribute their ideas and views about the best way to deliver the Council's objectives. We will need them to be more resilient to deal with lots of change and fewer resources but remain focused on delivery.
- **Professionally skilled and competent but working across boundaries** - we will continue to need highly skilled and competent professionals who operate safe practice and risk awareness but we will need them to work more effectively across internal and external boundaries as the structure and form of public service changes.
- **Flexible, adaptable and innovative** - our workforce will need to be flexible and adaptable to deal with a rapidly changing environment as well as finding innovative ways to organise and deliver services for our residents.
- **Working in a safe, healthy and supportive environment** - which enables the workforce to contribute effectively, reach their potential and maximise attendance.

To achieve these priorities the Council's workforce strategy focuses on six themes. The key achievements and future focus for each is summarised:

1. Culture and Values

Work has and will continue to embed the Council's core values which, at their heart, is our commitment of 'Putting Residents First'. The five values reflect what we collectively believe will stand us in good stead in the years to come and define the culture we believe will enable success. The focus for 2016/17 will be on fully integrating the values and associated behaviours into the Council's strategies, policies and processes with an emphasis on embedding a "right first time" approach.

Role models of our values were celebrated in December 2015 through a number of Making a Difference annual awards to individuals and teams

as part of the Making a Difference staff recognition scheme. Around 60 nominations were received from staff and members, resulting in more than 360 colleagues being recognised for putting residents first and making a real difference to colleagues, citizens and communities. The Making a Difference staff recognition scheme will run throughout 2016/17 to recognise colleagues who go the extra mile and put residents and communities first.

2. Organisational Design

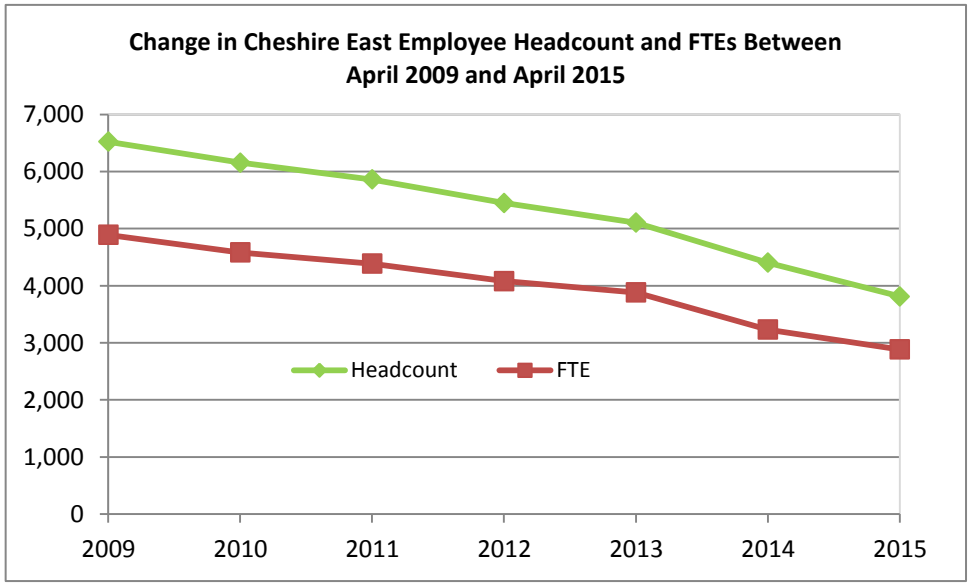
The Council's journey as a strategic commissioning authority continues with a range of Alternative Service Delivery Vehicles (ASDV's) now established. Alongside of this the Council seeks to embrace the devolution agenda and respond to flexing service delivery as the conversation and sub-regional thinking evolves and emerges.

Cheshire East Council and Cheshire West and Chester Council announced in October 2015 that CoSocius was to be brought back in-house as a shared service with effect from 1st April 2016. Human Resources / Finance services will revert to Cheshire West and ICT will be the responsibility of Cheshire East.

Looking ahead for 2016/17 in terms of service design and delivery, the focus will continue on improved demand management, prevention and early intervention as well as multi-disciplinary / inter-organisational design in areas such as integrated care. Appropriate governance will continue to play an important role in service redesign and delivery.

Between April 2009 and December 2015, the Cheshire East headcount has reduced by 42.8%. Across financial years the largest reductions in headcount occurred between April 2013 and April 2014, and April 2014 and April 2015, when the Cheshire East headcount reduced by 13.7% and 13.4% respectively. This was, in part, attributable to the TUPE transfer of staff to the ASDV's. Further creation of ASDVs or the transfer of Council services is under consideration.

Headcount Analysis and Trend



3. Leadership and Management

It is critical for a high performing organisation to have high performing leaders and managers at all levels. A specific priority continues to be developing leadership and robust operational and people management capabilities at all levels. This has been achieved through the Council's Management Institute of Excellence with a range of tailored development programmes underway or in the pipeline. 2016 will see an increased focus on integrated leadership across both health and adult social care and developing a collaborative leadership pipeline working with partners from across the sub-region.

Plans are being developed to improve management induction and management capability through improved information sharing during induction and targeted coaching and development of managers throughout their careers. The Management Development Programme will continue with ILM levels 3 & 5 in Leadership and Management offered across the Council. 2015 has seen 85 registered on these qualifications.

A new six month ILM 4'Aspiring Managers' programme was introduced in 2015/16. Offered to those identified through the Council's appraisal process as future managers, there are 11 candidates in the first cohort. This will continue during 2016/17 with new service specific and corporate cohorts.

Supervision training for both Corporate and Social Care managers will continue in the next year, aiming to equip managers with the skills to support and develop staff through regular and structured supervision.

2015/16 has seen the introduction of a Neuro-Linguistic Programming (NLP) course for managers. 25 managers across the organisation completed the course during 2015/16, improving communication and people management skills. Early impact assessments reveal that NLP techniques are being used successfully in practice.

4. Resourcing and Talent

Recognising that talent and potential exists throughout the organisation increased emphasis has and will continue to be placed on introducing mechanisms to identify, develop and deploy those individuals with the highest levels of potential in a systematic and proactive way during 2016/17, and to build talent across the Council to yield the best return on investment.

Following a successful year where a total of 55 coaches have now been accredited, the Council's "Coaching Matters" programme will continue into 2016/17 to develop and embed a coaching style across the Council as an important tool to developing potential, accelerate change and maximise performance. Evaluation has highlighted positive changes in behaviours and performance through this approach.

Recruiting the right people who demonstrate our values and required behaviours impacts on performance and retention, and so competency and behaviour based assessments at interviews are promoted.

In 2015/16, Cheshire East Council launched a new pilot work readiness programme, entitled the Cygnet Pathway. Its aim is to help prepare cared-for young people into work. This programme will be developed further in the next financial year.

Cheshire East Council continues to offer a Graduate Programme, which includes Graduate Internships and a Graduate Development Programme to recognise the importance of early career development. 2015/16 saw four Graduate Internship appointments, with more planned for 2016/17. Opportunities are currently in process across three directorates. The Graduate Development Programme provided learning events through 2015/16 offering both permanent staff, recent graduates and graduate interns the opportunity to learn strategic and business focused skills. This programme continues into 2016/17 with a focus on Community engagement and responsibility. Programme members are leading the project management of Rural Summit 7 in liaison with the Communities Partnerships team to create a purposeful engagement event for local communities, stakeholders and partners. The Graduate Programme continues to receive positive feedback regarding benefits to individuals and services involved in terms of harnessing new perspectives and enthusiasm while preparing individuals for worthwhile future careers.

Support for existing staff undertaking academic study continues with approval given to staff representing all Directorates for support in completing academic qualifications directly related to role development

at partner Universities. The Continuous Professional Development (CPD) approval process has been successful in 2015/16 in determining 18 members of staff were eligible in line with appraisal requirements to undertake further study, this process will continue in 2016/17 to ensure funding support is allocated where most value is gained across the organisation. Additionally, an in-house support forum for staff undertaking academic study / CPD is available for 2016/17 to encourage sharing of experiences and good practice in academia to ensure all staff supported to undertake academic study can be successful and are able to apply their learning effectively to job roles.

Building Capability and Capacity

The Council continues to focus on and invest in educating and equipping our workforce with continuous professional development and the technical skills they require to help the organisation meet its objectives. In addition, work is ongoing to build key organisational capabilities including increased commercial awareness, commissioning skills and performance improvement.

Towards Excellence, the learning, development and staff improvement corporate training programme has been developed further ensuring that the Council creates a workforce which is safe, knowledgeable and competent in performing their duties to the highest possible standard, providing the best quality services to the residents and businesses. In the last year, on average, 800 delegates have attended corporate training events each quarter, across a wide range of topic areas.

The workforce development team continues to work closely with numerous regulatory and professional bodies and link into several local universities and colleges to ensure academia and research based theories are inherent in everything we do. As a recognised centre of excellence, the Council's quality assurance measures ensure that all employees receive up to date training and surpass expectations of external verification and examination boards and feel fully supported throughout all stages of their career.

To ensure the Council attracts a high calibre of young people into the workforce (with a predominantly ageing workforce) we need to prepare young people now to ensure experience and skills are transferred. 2015/16 saw five apprentices across the organisation secure position across the Council and the Apprentice scheme is being further transformed, to increase the apprentices' wage in line with national minimum wage requirements. As a major employer in the area, the Council provides more than 200 work experience placements for young adults and school children. This will remain a key focus for 2016/17.

The Council continues to develop high calibre registered social work professionals as follows: supporting 39 new qualified social workers (adults and children's) with a further cohort to register on Assessed and Supported Year in Employment programmes from 2016/17; 20 children's social workers undertaking the Progression Year 2 programme and Post Graduate Diploma / modules; ensuring that 25 specialist mental health practitioners and 21 Best Interest Assessors created to adhere to changes in legislation are appropriately trained. Partnership arrangements within local networks continue to deliver on Safeguarding and Integration agendas too.

Pay and Benefits

Market and financial pressures on pay are increasingly evident in a number of areas and a review of the Council's approach to fair pay and "total rewards" is proposed for 2016/17. This is expected to explore approaches to keep pace with the market and fully leverage both intrinsic and extrinsic rewards. Retention of key skilled workers such as Social Workers and Planning Officers has led to the implementation of recruitment and retention awards which will continue into 2016/17 as demand for such workers nationally outstrips supply.

The Council continues to offer a range of staff benefits such as green car scheme, bike to work scheme, childcare vouchers and additional annual leave. These salary sacrifice schemes offer a saving to both the employee and Council by allowing a portion of an employee's salary to be exchanged to purchase an accredited scheme. Work is underway to establish an online platform through which colleagues can more easily access a wider range of benefits.

The last pay deal agreed nationally covered a two year period ending on 31st March 2016 and the Local Government Association have recently advised that Council employees have been offered a two-year pay increase from 1st April 2016. The majority of employees – those on salaries starting at £17,714 per annum – would receive an uplift of one percent on 1st April 2016 and a further one percent on 1st April 2017, with those on lower salaries receiving higher increases to take account of the new National Living Wage.

As the Council implemented the Living Wage with effect from 1st November 2015, the first point in the claim above will not cause additional pressure. The further points are being considered in the framework of regional employer consultations led by North West Employers and feeding into the national negotiations. However, the impact of the new National Living Wage, which will rise to £9 per hour by 2020, will be monitored during the period 2016/20 as it will overtake the current Living Wage of £7.85 and lead to an increased cost on the Council's pay budget and also on commissioned services.

On 6th April 2016 the current basic state pension and state second pension (S2P) will be abolished and replaced by a single-tier state pension. The abolition of S2P will also mean the end of contracting out of pension schemes. Currently contracted out schemes must provide a certain level of Defined Benefits (DB) and in return both employer and employees pay lower National Insurance Contributions (NICs). The abolition of contracting out will therefore have cost implications for both employers and employees because of the loss of the NIC rebates. The Council has made provision for this impact and communication with staff is planned.

Measuring success

Measuring the effectiveness of the workforce strategy will be tracked through a small number of macro performance indicators such as:

- Employee engagement index.
- Employee turnover.
- Sickness absence.
- Ratio of agency workers to employed staff.
- Number of staff with performance development plans and performance ratings.
- Reasons for leaving.

Annex 5 Risk Management

The Council recognises that there are risks and opportunities involved in everything it does and that it has a duty to manage them in a balanced, structured and cost effective way. In doing this the Council is better placed to achieve its objectives and enhance the services it provides.

As part of the actions to improve the Council's risk management arrangements the Risk Management Policy (approved in July 2014) has recently been comprehensively reviewed, the outcome of which is subject to approval by Cabinet on 9th February 2016. This has resulted in a new Risk Management Policy Statement and Strategy being drafted.

The policy statement formally acknowledges the Council's commitment to the effective management of risks and opportunities. The aim of the Policy is not to have risk eliminated completely from Council activities, but rather to ensure that every effort is made to maximise potential opportunities and minimise the adverse effects of risk.

Supporting the policy statement is the strategy, which gives the scope, direction and priorities for risk management activity across the Council.

Underpinning the strategy and policy are risk management procedures that are articulated in a framework document. These procedures are currently being reviewed by officers and the Highways Portfolio Holder, who in accordance with the constitution are responsible for developing the risk management framework to ensure that it meets the needs of the Council. Taken together the documents provide practical guidance to assist Members in the identification, evaluation and control of risk that may impact upon the achievement of corporate and service level objectives and priorities.

The Corporate Assurance Group (CAG) and Risk Management Sub Group which include officer and portfolio holder representation have been involved in the development of the policy, strategy and procedures within the framework. The groups will also, following approval, be involved in implementing them which will promote stronger awareness, understanding and ownership of outcomes. This will include:

- Promotion and explanation through training and inductions, and discussion at team meetings to ensure that they remain relevant.
- Ensuring copies are easily accessible, encouraging inclusion in staff manuals on the intranet system.

Further work is necessary to integrate risk management into the service planning process to ensure that:

- Risk is considered and responses chosen at the business planning stage.
- Risk activity is focused on the delivery of key organisational objectives.
- The performance management processes ensure that risk registers are critically examined and refreshed throughout the year.

A comprehensive review is currently being undertaken of the Council's corporate risk register. The Audit Committee has been informed of progress in managing our corporate risks. CAG, Management Group Board and Cabinet are included as part of the process to identify new

and emerging risks and seek agreement for the 2015/16 corporate risk register.

Key messages from the management of our corporate risks and opportunities during 2015/16 include:

Protection of children and young people – The most recent Ofsted inspection in July 2015 confirmed that there had been significant improvement in services overall, however it also acknowledged that there are still challenges and risks associated with the recruitment of competent and qualified social workers.

Public Sector Effort (Opportunity) – The future financial context for Local Government will continue to require services to be funded and delivered differently. Maximum opportunities will continue to be sought to secure improved value from the totality of public resources available locally, as well as continuing to build upon the promotion of communities and individuals to be less reliant upon publically funded services where appropriate.

Reputation - The Council has identified opportunities to improve processes in contracting and procurement in order to improve a potential loss of confidence of the public perception of the transparency of these processes.

Financial Control Risk – The budget pressures in Local Government remain challenging as central government settlements continue to impact on the Medium Term Financial Strategy. The Council has robust financial management processes in place which have been acknowledged by the Council's external auditors.

The Council has continued to deliver the budget for 2015/16. This demonstrates that the risk faced by the Council is being managed effectively.

Annex 6 Business Rates – Forecasting over the medium term

1. The Government introduced the Business Rates Retention Scheme on 1st April 2013. Therefore, councils are building up to the fourth year of the scheme in 2016/17. This Annex provides an illustration of how this scheme will work over time and may affect the Council's medium term financial planning.
2. The scheme is complex but does enable the Council to fund local services from locally generated increases in business rates income. It is therefore important to reflect on how the forecasting of such income can be understood and built in to medium term plans.
3. The basic concept is that a baseline position is established and an element of growth over and above that can be retained. The DCLG set the baseline over which growth is measured but the Council can budget on locally set figures. This can be informed by the NNDR1 form which contains estimates that must be provided to Government at the end of January each year.
4. At this point the intention is to pilot this system for 2016/17 and monitor performance against it to see if it forms a robust method for 2017/18.
5. For 2016/17 the NNDR1 return is forecasting retained rates above the DCLG baseline for Cheshire East to be £2.1m. The assumption will still be to use the baseline for budgeting purposes due to the inherent volatility in the business rates tax base which can be affected substantially, if a large business moves out of the area or an approach to valuing business rates is successfully challenged.
6. There have been further changes in the taxbase for 2016/17 from the relocation of Astra Zeneca (-£4.1m), the inclusion of the new Enterprise Zone at Alderley Park (+£2.5m) and the cessation of Retail Relief exemptions (+£2.5m).
7. The use of the Business Rates Retention Earmarked Reserve, to hold differences between the NNDR1 and the baseline budget, provides an element of protection against future risks.

Available Data

8. The Council has gathered information from several sources to judge likely levels of economic growth including:
    a. Information from the business engagement team.
    b. Data from the Council's planning system.
    c. Data from the team working to generate capital receipts.
    d. Data from the Revenues collection service in terms of appeals and expected growth.
    e. Data from the valuation office.
    f. Strategy Finance knowledge of the BRRS calculations.

Method

9. This available data has been reviewed to generate broad estimates of the potential increase in Rateable Value (RV) over the medium term.

10. An allowance has been made for the average impact of timing delays, on appeals, on other RV nearby (displacement) and likely loss of RV.

11. The end result has been converted to business rates and processed via a new local BRRS model developed by Strategy Finance.

12. This model also takes account of any impact of pooling or additional growth retention (from being a pilot for the new 100% growth retention scheme).

Results

13. **Table 1** sets out the results.

14. As expected there is more knowledge around likely local developments in the first two years.

15. Retained rate income forecast from growth in the taxbase for 2016/17 is forecast to be £1.3m. After the central share and levy payments have been made it results in a net increase for Cheshire East of £0.5m as per **Table 1.**

16. The mix of data sources and balance of results provides a good indication that this methodology is creating a reliable baseline for future work in this area. Due to the early stages of this modelling work the results are not being factored into Budget setting at this stage.

Table 1 - Estimated Increased Net Business Rates Income (incremental)

Business Type	2016/17 £m	2017/18 £m
Offices	0.47	0.07
Industrial	0.38	0.00
Retail	0.31	1.38
Leisure	0.12	0.00
Importer / Distribution	0.07	0.00
Manufacturing	-0.05	0.46
Total Net Growth	**1.29**	**1.91**
Total Retention for Cheshire East	**0.50**	**0.74**

Annex 7 The Budget Setting Process

Set Parameters	Gather Evidence	Consult and refine	Approve
May to June 2015	July 2015 to September 2015	October 2014 to January 2016	February 2016

Assumptions reported to Cabinet / Council in Feb 2015:

Revenue Budget 2016/17	£m	
Cost of services	266.4	→
Council Tax	-170.7	→
Government Funding	-82.7	→
Total	13.0	

Develop Pre-Budget Report:

Review Assumptions	£m	
Growth Pressures (including Pay, Adults and Early Intervention)	10.7	→
Draft Proposals for 2016/17	-18.4	→
Estimate Tax Base (New properties less discounts)	-1.4	→
Changes in Funding Assumptions	-3.4	→
Use of Council Tax Surplus	-0.5	→
Total	-13.0	

Changes post Pre-Budget Report:

Confirm Proposals	£m	
Proposed changes following consultation	4.7	→
Contribution to Earmarked Reserve	0.3	→
Tax base agreed / Council Tax increased by 3.75%	-7.3	→
Funding estimate further decreased following Prov Settlement	4.4	→
Use of Council Tax Surplus	-2.0	→
Total	0.0	

Budget Report:

Latest Position	£m
Cost of services	266.7
Council Tax	-179.4
Government Funding	-84.8
Council Tax Collection Fund	-2.5
Total	0.0

Annex 8 Grant Funding Details

	Revised Budget 2015/16 £000	Forecast 2016/17 £000	Forecast 2017/18 £000	Forecast 2018/19 £000	Forecast 2019/20 £000
SPECIFIC USE (Held within Services)					
Schools					
Dedicated Schools Grant	245,519	247,645	247,645	247,645	247,645
Less Academy Recoupment	95,086	100,685	110,685	120,685	130,685
Dedicated Schools Grant (Cheshire East)	150,433	146,960	136,960	126,960	116,960
Pupil Premium	6,247	6,158	5,908	5,658	5,408
Sixth Forms	4,164	4,164	4,164	4,164	4,164
Total Schools	**160,844**	**157,282**	**147,032**	**136,782**	**126,532**
Housing Benefit Subsidy	84,518	84,518	84,518	84,518	84,518
Public Health	15,598	17,258	16,833	16,395	15,969
Bus Services Operators Grant	0	0	0	0	0
Restorative Justice Development	8	0	0	0	0
TOTAL SPECIFIC USE	260,968	259,058	248,383	237,695	227,019
GENERAL PURPOSE (Held Corporately)					
Central Funding					
Revenue Support Grant	39,182	26,340	13,415	5,416	0
Children and Families Services					
Troubled Families	332	110	110	110	110
Troubled Families - Co-ordinator	200	85	85	85	85
Youth Justice Grant	289	0	0	0	0
Youth Rehabilitation Order - Junior Attendance Centre	33	0	0	0	0
Extended Rights to Free Transport	128	0	0	0	0
Staying Put Grant	73	0	0	0	0
Remand Funding	40	0	0	0	0

	Revised Budget 2015/16 £000	Forecast 2016/17 £000	Forecast 2017/18 £000	Forecast 2018/19 £000	Forecast 2019/20 £000
GENERAL PURPOSE (Held Corporately)					
Adult Social Care and Independent Living					
Local Reform and Community Voices	195	0	0	0	0
Independent Living Fund	749	948	917	888	861
Adult Social Care	2,272	0	0	0	0
Social Care in Prison Grant	70	0	0	0	0
Economic Growth & Prosperity					
Skills Funding Agency	627	749	706	706	706
Neighbourhood Planning Grant	55	0	0	0	0
Right to Move	3	0	0	0	0
Property Search Fees New Burdens	259	0	0	0	0
Letting Agents Transparancy and Redress Schemes	1	0	0	0	0
Environment					
Lead Local Flood Authorities	35	0	0	0	0
Lead Local Flood Authorities - technical advice on surface water proposals	82	0	0	0	0
Communities					
Housing Benefit and Council Tax Administration	1,548	1,275	1,000	1,000	1,000
NDR Admin Allowance	559	562	506	456	410
Council Tax Support	53	0	0	0	0
Chief Operating Officer					
New Homes Bonus / Affordable Homes - ALL YEARS	6,664	9,203	9,348	5,874	5,636
Education Services Grant	3,000	2,920	2,550	2,168	1,842
Transitional Funding	0	2,973	2,974	0	0
Council Tax Freeze Grant 2015/16	1,840	0	0	0	0
Individual Electoral Registration	112	0	0	0	0
TOTAL GENERAL PURPOSE	**58,401**	**45,164**	**31,611**	**16,702**	**10,650**
TOTAL GRANT FUNDING	**319,370**	**304,222**	**279,994**	**254,397**	**237,669**

Annex 9 Capital Grants

	Prior Years Grant Received £000	Expected Receipt 2016/17 £000	Application of Grants in 2016/17 £000	Expected Receipt 2017/18 £000	Application of Grants in 2017/18 £000	Expected Receipt Future Years £000	Application of Grants in Future Years £000
SPECIFIC PURPOSE (Held Corporately)							
Children and Families Services							
Basic Need Grant 2014/15	1,454	0	1,454	0	0	0	0
Basic Need Grant 2015/16	2,486	0	2,486	0	0	0	0
Basic Need Grant 2016/17	0	2,937	2,937	0	0	0	0
Basic Need Grant 2017/18	0	0	0	6,286	6,286	0	0
Basic Need Grant 2018/19	0	0	0	0	0	4,000	4,000
Department for Education Grant 17/18	0	0	0	4,400	4,400	0	0
Capital Maintenance Grant 2014/15	1,559	0	1,559	0	0	0	0
Capital Maintenance Grant 2015/16	3,144	0	3,144	0	0	0	0
School Condition Grant 2016/17	0	3,144	3,144	0	0	0	0
School Condition Grant 2017/18	0	0	0	3,144	3,144	0	0
School Condition Grant 2018/19	0	0	0	0	0	3,144	3,144
Devolved Formula Capital 2014/15	180	0	180	0	0	0	0
Devolved Formula Capital 2015/16	436	0	436	0	0	0	0
Devolved Formula Capital 2016/17	0	648	348	0	300	0	0
Devolved Formula Capital 2017/18	0	0	0	648	648	0	0
Devolved Formula Capital 2018/19	0	0	0	0	0	648	648
Universal Infant School Meals 2014/15	29	0	29	0	0	0	0
Short Breaks Disabled Children 2012/13	31	0	31	0	0	0	0
Total Children & Families Services	**9,319**	**6,729**	**15,748**	**14,478**	**14,778**	**7,792**	**7,792**

	Prior Years Grant Received £000	Expected Receipt 2016/17 £000	Application of Grants in 2016/17 £000	Expected Receipt 2017/18 £000	Application of Grants in 2017/18 £000	Expected Receipt Future Years £000	Application of Grants in Future Years £000
Adult Social Care and Independent Living							
Community Capacity Grant 2015/16	356		356				
Community Capacity Grant 2016/17		0	0				
Community Capacity Grant 2017/18				0	0		
Community Capacity Grant 2018/19						0	0
Total Adult Social Care and Independent Living	**356**	**0**	**356**	**0**	**0**	**0**	**0**

	Prior Years Grant Received £000	Expected Receipt 2016/17 £000	Application of Grants in 2016/17 £000	Expected Receipt 2017/18 £000	Application of Grants in 2017/18 £000	Expected Receipt Future Years £000	Application of Grants in Future Years £000
Economic Growth & Prosperity							
Disabled Facilities Grant 2016/17		990	990				
Disabled Facilities Grant 2017/18				990	990		
Disabled Facilities Grant 2017/18						990	990
Gypsy Traveller Sites/ Housing Communities Agency		900	900				
Rights of Way Improvement Plan Cycle/Walking Schemes		34	34				
Crewe Green Link Road / Department of Transport							
Tatton Vision / Heritage Lottery Funding		959	959	15	15		
Congleton Relief Road / Department of Transport				11,585	11,585	33,414	33,414
Poynton Relief Road / Department of Transport				734	734	23,266	23,266
Crewe Transformation Project / Phase 3		368	368	10,632	10,632		
Crewe Town Centre Regeneration / Local Growth Fund		10,000	10,000				
A34 Corridor Improvements / Department of Transport						9,450	9,450
King Street Enhancement / Department of Transport				600	600	866	866
Sydney Road Bridge / Department of Transport		1,080	1,080	3,417	3,417	1,665	1,665
SEMMS Mitigation / Department of Transport		500	500	800	800		
Crewe Green Roundabout				3,300	3,300		
Housing Innovation / Housing Grant		14	14				
Central Heating Fund	100		100				
National Energy Action Technical Innovation Fund	49		49				
Connecting Cheshire Phase 1 & 2 - Super Fast Broadband		2,650	2,650	390	390		
Total Economic Growth & Prosperity	**149**	**17,495**	**17,644**	**32,463**	**32,463**	**69,651**	**69,651**

	Prior Years Grant Received £000	Expected Receipt 2016/17 £000	Application of Grants in 2016/17 £000	Expected Receipt 2017/18 £000	Application of Grants in 2017/18 £000	Expected Receipt Future Years £000	Application of Grants in Future Years £000
Highways							
Maintenance Block 2012/13	6		6				
Maintenance Block 2015/16	200		100		100		
Integrated Transport Block 2015/16							
Maintenance Block 2016/17		9,580	9,580				
Integrated Transport Block 2016/17		1,987	1,987				
Maintenance Block 2017/18				9,290	9,290		
Integrated Transport Block 2017/18				1,987	1,987		
Total Highways	**206**	**11,567**	**11,673**	**11,277**	**11,377**	**0**	**0**
Chief Operating Officer							
TOTAL SPECIFIC PURPOSE - CAPITAL GRANT FUNDING	**10,030**	**35,791**	**45,421**	**58,218**	**58,618**	**77,443**	**77,443**

Annex 10 Minimum Revenue Provision

1. The annual Minimum Revenue Provision (MRP) Statement sets out the Council's responsibility to ensure it makes adequate provision for funding the consequences of its capital investment decisions.

2. Capital expenditure is expenditure that provides on-going benefits to the Council for a period of longer than one year. Accounting rules require that where this capital expenditure is not funded through external contributions, external grants, capital receipts or contributions from revenue budgets it must be charged against the Council's General Fund Balances. The period over which this charge is made should reflect the length of time that the expenditure will provide benefits to the Council.

3. DCLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

4. Prior to 2010 the major proportion of MRP relates to the more historic debt liability that was outstanding at the time the Guidance was adopted. This will continue to be charged at the rate of 4%, in accordance with Option 1 of the Guidance.

5. New capital expenditure for each subsequent year will in general be charged in accordance with Option 3 of the Guidance, which recommends that the annual charge should broadly equate to the anticipated life, or period of benefit, which is reflective of the nature of the expenditure. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

6. Charges to the revenue budget will commence in the year following the creation of the asset, i.e., in the asset's first full year of operation. This allows the Council to constantly review the most cost effective way of funding capital expenditure.

7. In the case of long term debtors arising from loans or other types of capital expenditure made by the Council, which will be repaid under separate arrangements, there will be no minimum revenue provision made.

8. For those types of capital expenditure incurred by the Council which are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

9. MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

10. The MRP Statement will be submitted to Council before the start of the 2016/17 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.

Annex 11 Prudential Borrowing Indicators

Prudential Indicators revisions to: 2015/16 and 2016/17 – 2018/19, and future years

Background

1. There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

Gross Debt and the Capital Financing Requirement

2. This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

3. If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross external debt.

4. The Chief Operating Officer reports that the Authority had no difficulty meeting this requirement in 2015/16, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

Estimates of Capital Expenditure

5. This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Table 1 - Capital Expenditure	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	Future Years Estimate £m
Total	109.6	183.7	148.0	115.7	34.5

Source: Cheshire East Finance

6. Capital expenditure will be financed or funded as follows:

Table 2 - Capital Financing	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	Future Years Estimate £m
Capital Receipts	17.0	41.0	21.0	27.3	12.3
Government Grants	30.3	51.9	63.2	73.7	8.1
External Contributions	14.5	6.7	13.0	14.6	14.1
Revenue Contributions	3.8	0.7	0.0	0.0	0.0
Total Financing	**65.6**	**100.3**	**97.2**	**115.7**	**34.5**
Prudential Borrowing	44.0	83.4	50.8	0.0	0.0
Total Funding	**44.0**	**83.4**	**50.8**	**0.0**	**0.0**
Total Financing and Funding	**109.6**	**183.7**	**148.0**	**115.7**	**34.5**

Source: Cheshire East Finance

7. The above table shows how the capital expenditure plans of the Authority will be funded.

Ratio of Financing Costs to Net Revenue Stream

8. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

9. The ratio is based on costs net of investment income.

Table 3 - Ratio of Financing Costs to Net Revenue Stream	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
Total	5.58	5.55	5.44	5.48

Source: Cheshire East Finance

Capital Financing Requirement

10. The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Table 4 - Capital Financing Requirement	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Total	248	310	377	359

Source: Cheshire East Finance

Actual External Debt

11. This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Table 5 - Actual External Debt as at 31st March 2015	£m
Borrowing	115
Other Long-term Liabilities	31
Total	**146**

Source: Cheshire East Finance

Incremental Impact of Capital Investment Decisions

12. This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Table 6 - Incremental Impact of Capital Investment Decisions	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
Band D Council Tax	23.51	26.72	34.63

Source: Cheshire East Finance

Authorised Limit and Operational Boundary for External Debt

13. The Authority has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Authority and not just those arising from capital spending reflected in the CFR.

14. The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Authority. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Authority's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

15. The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

16. The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

17. The Operational Boundary links directly to the Authority's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Table 7	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Authorised Limit for Borrowing	260	320	390	370
Authorised Limit for Other Long-term Liabilities	30	28	27	25
Authorised Limit for External Debt	**290**	**348**	**417**	**395**
Operational Boundary for Borrowing	250	310	380	360
Operational Boundary for Other Long-term Liabilities	30	28	27	25
Authorised Limit for External Debt	**280**	**338**	**407**	**385**

Source: Cheshire East Finance

Adoption of the CIPFA Treasury Management Code

18. This indicator demonstrates that the Authority has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 23rd February 2012

19. The Authority has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

20. These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates. This Authority calculates these limits on net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments).

21. The upper limit for variable rate exposure has been set to ensure that the Authority is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

Table 8	Existing Level (or Benchmark level) at 31/03/2016	2015/16 Approved	2015/16 Revised	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	%	%	%	%	%	%
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	0%	100%	100%	100%	100%	100%

Source: Cheshire East Finance

22. The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Authority's Treasury Management Strategy.

Maturity Structure of Fixed Rate borrowing

23. This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

24. It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

25. The Lenders Option Borrowers Option (LOBO) is classified as maturing on the next call date i.e. the earliest date that the lender can require repayment. As all LOBOs can be called within 12 months the upper limit for borrowing maturing within 12 months has remained at 35% to allow for the value of LOBOs and any potential short term borrowing that could be undertaken in 2015/16.

Table 9 - Maturity structure of fixed rate borrowing	Level as at 31st March 2016 (based on Current Borrowing) %	Lower Limit for 2016/17 %	Upper Limit for 2016/17 %
Under 12 months	24	0	35
12 months and within 24 months	6	0	25
24 months and within 5 years	14	0	35
5 years and within 10 years	1	0	50
10 years and within 20 years	24	0	100
20 years and within 30 years	7	0	100
30 years and within 40 years	17	0	100
40 years and within 50 years	7	0	100
50 years and above	0	0	100

Source: Cheshire East Finance

Credit Risk

26. The Authority considers security, liquidity and yield, in that order, when making investment decisions.

27. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk.

28. The Authority also considers alternative assessments of credit strength, and information on corporate developments and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP;
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

29. The only indicators with prescriptive values remain credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

Annex 12 Financial Summary Tables

Note: the 2015/16 Budget, shown as the starting point in the following tables, takes account of any permanent changes made during the 2015/16 financial year to date. There may be differences from the budget position at the Three Quarter Year Review which includes both permanent and temporary budget changes. The table below summarises these changes. Further details are available on request.

Summary of Budget Movements from 2015/16 Budget at Three Quarter Review to Permanent Base Carried Forward

Service	Current Net Budget 2015/16 at Three Quarter Review £m	Less temporary specific grant allocations £m	Less other temporary in- year budget adjustments £m	Permanent Base Budget carried forward to 2016/17 £m
Children and Families	43.0	-0.5		**42.5**
Adult Social Care and Independent Living	95.4	0.2		**95.6**
Public Health and Wellbeing	0.0			**0.0**
Economic Growth and Prosperity	6.6	-0.3		**6.3**
Chief Operating Officer				
Commissioning Services				
Building Control, Land Charges & Planning Support	1.7			**1.7**
Environmental	27.3	-0.1		**27.2**
Highways	11.2			**11.2**
Leisure	2.0		0.2	**2.2**
Transport	14.6			**14.6**
Communities	9.2			**9.2**
Other	39.4	-0.1	-0.2	**39.1**
TOTAL:	**250.4**	-0.8	0.0	**249.6**

CHESHIRE EAST COUNCIL REVENUE BUDGET SUMMARY — REVENUE

	2016/17 Budget Calculation			2017/18 Budget Calculation			2018/19 Budget Calculation		
	Previous Balance Brought Forward								
	Expenditure	**Income**	**Net**	**Expenditure**	**Income**	**Net**	**Expenditure**	**Income**	**Net**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Children and Families	220,883	-178,379	**42,504**	208,919	-164,855	**44,064**	199,642	-154,755	**44,887**
Adult Social Care and Independent Living	131,259	-35,673	**95,586**	130,494	-36,561	**93,933**	130,324	-36,561	**93,763**
Public Health	15,598	-15,598	**0**	17,258	-17,258	**0**	16,833	-16,833	**0**
Economic Growth and Prosperity	20,330	-14,067	**6,263**	21,610	-14,470	**7,140**	21,407	-14,470	**6,937**
Commissioning	62,360	-5,590	**56,770**	61,952	-5,590	**56,362**	61,017	-5,590	**55,427**
Communities	104,280	-95,075	**9,205**	104,329	-94,745	**9,584**	104,253	-94,745	**9,508**
Chief Operating Officer Other	47,273	-8,200	**39,073**	46,109	-8,240	**37,869**	46,235	-8,240	**37,995**
Corporate Unallocated	210	0	**210**	-119	0	**-119**	-2,013	0	**-2,013**
Base Budget	**602,193**	**-352,582**	**249,611**	**590,552**	**-341,719**	**248,833**	**577,698**	**-331,194**	**246,504**
	Changes to Budget Requirement								
Children and Families	-11,964	13,524	**1,560**	-9,277	10,100	**823**	-11,221	10,000	**-1,221**
Adult Social Care and Independent Living	-765	-888	**-1,653**	-170	0	**-170**	871	0	**871**
Public Health	1,660	-1,660	**0**	-425	425	**0**	-445	445	**0**
Economic Growth and Prosperity	1,280	-403	**877**	-203	0	**-203**	199	0	**199**
Commissioning	-408	0	**-408**	-935	0	**-935**	-212	0	**-212**
Communities	49	330	**379**	-76	0	**-76**	361	0	**361**
Chief Operating Officer Other	-1,164	-40	**-1,204**	126	0	**126**	623	0	**623**
Corporate Unallocated	-329	0	**-329**	-1,894	0	**-1,894**	203	0	**203**
Financial Impact of Policy Proposals	**-11,641**	**10,863**	**-778**	**-12,854**	**10,525**	**-2,329**	**-9,621**	**10,445**	**824**
Total Cost of Service	**590,552**	**-341,719**	**248,833**	**577,698**	**-331,194**	**246,504**	**568,077**	**-320,749**	**247,328**

Children and Families — REVENUE

This service is responsible for the welfare and education of children and young people aged 0-19 across Cheshire East.

		2016/17 Budget Calculation			2017/18 Budget Calculation			2018/19 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Schools	3	176,077	-176,077	**0**	162,053	-162,053	**0**	152,053	-152,053	**0**
Education Support	3	3,069	-1,064	**2,005**	2,960	-1,464	**1,496**	2,957	-1,464	**1,493**
Children Social Care	3	27,155	-624	**26,531**	27,029	-624	**26,405**	26,994	-624	**26,370**
Early Help and Protection	3	12,113	-115	**11,998**	13,520	-215	**13,305**	13,504	-115	**13,389**
Safeguarding	3	2,469	-499	**1,970**	2,511	-499	**2,012**	2,509	-499	**2,010**
Unallocated Pay & Pensions	3			**0**	846	0	**846**	1,625	0	**1,625**
				0	0	0	**0**	0	0	**0**
Base Budget		**220,883**	**-178,379**	**42,504**	**208,919**	**-164,855**	**44,064**	**199,642**	**-154,755**	**44,887**
		Changes to Budget Requirement								
Schools										
Academy Conversions	3	-18,708	18,708	**0**	-10,000	10,000	**0**	-10,000	10,000	**0**
DSG Growth	3	4,684	-4,684	**0**			**0**			**0**
Education support										
Trading Services (Children's)			-400	**-400**			**0**			**0**
Reduction in Legacy Pension Liabilities	3	-100		**-100**			**0**			**0**

Children and Families — REVENUE

This service is responsible for the welfare and education of children and young people aged 0-19 across Cheshire East.

		2016/17 Budget Calculation			2017/18 Budget Calculation			2018/19 Budget Calculation		
		Changes to Budget Requirement								
Children Social Care										
Commissioning Efficiencies (Children's)	5	-660		**-660**			**0**			**0**
Reduction in Management and Agency Staffing Costs	5	-300		**-300**			**0**			**0**
Restructure and Redesign	5	-160		**-160**			**0**			**0**
Incentives for Foster Carers	5	-90		**-90**			**0**			**0**
Reduction in Supplies & Services including allowances	5	-100		**-100**			**0**			**0**
Additional growth to reflect higher numbers of Children in Care	5	1,300		**1,300**			**0**			**0**
Early Help and Protection										
Rationalisation of Children's Centre Provision	5	-500		**-500**			**0**			**0**
Youth Engagement Service	5	-40		**-40**			**0**			**0**
Invest in Early Intervention	5	2,000		**2,000**			**0**	-2,000		**-2,000**
Complex Dependencies Programme	5		-100	**-100**		100	**100**			**0**
Safeguarding										
Tackling Domestic Abuse / Sexual Violence	5	50		**50**			**0**			**0**
Other										
Allocation of cross service savings relating to staff travel and supplies / services (incl. paper consumption)	3	-186		**-186**	-56		**-56**			**0**
Pay & Pensions Allocations including Living Wage and National Insurance	3	846		**846**	779		**779**	779		**779**
Financial Impact of Policy Proposals		**-11,964**	**13,524**	**1,560**	**-9,277**	**10,100**	**823**	**-11,221**	**10,000**	**-1,221**
Total Cost of Service		**208,919**	**-164,855**	**44,064**	**199,642**	**-154,755**	**44,887**	**188,421**	**-144,755**	**43,666**

Children and Families - Schools: Grant Funded - Memorandum Page REVENUE

This page provides details of budgets funded by specific ring fenced grants used to support schools, including Dedicated Schools Grant (£248m), Education Funding Agency 6th Form Funding Grant (£15.4m) and Pupil Premium Grant (£9m) indicatively for 2016/17. Funding for Academies of £116m is recouped from this total by the EFA. The largest proportion of the DSG is allocated directly to schools, with a proportion held back to fund Local Authority Schools-related expenditure. This Central Spend budget is funded by the Dedicated Schools Grant and is included here for information. It is not shown on individual service pages.

		2016/17 Budget Calculation			2017/18 Budget Calculation			2018/19 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Nursery Schools	3	280	-10	**270**	280	-10	**270**	280	-10	**270**
Primary Schools	3	98,725	-3,064	**95,661**	91,210	-3,898	**87,312**	84,045	-4,104	**79,941**
Secondary Schools	3	36,809	-1,108	**35,701**	29,975	-742	**29,233**	27,576	-781	**26,795**
Special Schools	3	5,323	-21	**5,302**	5,397	-85	**5,312**	4,961	-90	**4,871**
Pupil Referral Unit	3	1,163		**1,163**	1,163	0	**1,163**	1,163	0	**1,163**
Private Voluntary and Independent Nurseries	3	10,330		**10,330**	12,218	0	**12,218**	12,218	0	**12,218**
Other Schools Provision	3	3,739		**3,739**	3,040	0	**3,040**	3,040	0	**3,040**
Central Spend: C&F (Director / Social Care / Safeguarding)	3	280		**280**	280	0	**280**	280	0	**280**
Central Spend: C&F (Strategy, Planning & Performance)	3	17,967	-36	**17,931**	17,065	-36	**17,029**	17,065	-36	**17,029**
Central Spend: C&F (Early Intervention and Prevention)	3	600		**600**	600	0	**600**	600	0	**600**
Central Spend: Economic Growth and Prosperity)	3	147		**147**	147	0	**147**	147	0	**147**
Central Spend: Chief Operating Officer	3	714		**714**	678	0	**678**	678	0	**678**
Base Budget		**176,077**	**-4,239**	**171,838**	**162,053**	**-4,771**	**157,282**	**152,053**	**-5,021**	**147,032**
		Changes to Budget Requirement								
Academy Conversions										
Academy Conversions (In Year)		-15,648		**-15,648**	-10,000		**-10,000**	-10,000		**-10,000**
							0			**0**
DSG Growth		4,684		**4,684**			**0**			**0**
Increase in Pupil Numbers affecting Pupil Premium Grant			-532	**-532**		-250	**-250**		-250	**-250**
Efficiencies made in Central Spend and Other Schools Provision		-3,060		**-3,060**			**0**			**0**
Financial Impact of Policy Proposals		**-14,024**	**-532**	**-14,556**	**-10,000**	**-250**	**-10,250**	**-10,000**	**-250**	**-10,250**
Total Cost of Service		**162,053**	**-4,771**	**157,282**	**152,053**	**-5,021**	**147,032**	**142,053**	**-5,271**	**136,782**

Adult Social Care and Independent Living — REVENUE

This service is responsible for the assessment and care management of vulnerable adults and providing advice about social care to the general public (including self funders).

		2016/17 Budget Calculation			2017/18 Budget Calculation			2018/19 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Adult Social Care	5	15,388	-906	**14,482**	15,036	-906	**14,130**	14,995	-906	**14,089**
Care packages	5	75,292	-17,663	**57,629**	75,759	-18,551	**57,208**	75,759	-18,551	**57,208**
Care4CE (Internal Care Provision)	5	18,747	-3,150	**15,597**	18,147	-3,150	**14,997**	17,147	-3,150	**13,997**
Prevention	5	16,772	-6,558	**10,214**	15,772	-6,558	**9,214**	15,772	-6,558	**9,214**
Public Health	5	321	-321	**0**	321	-321	**0**	321	-321	**0**
Better Care fund	5	2,467	-7,075	**-4,608**	2,467	-7,075	**-4,608**	2,467	-7,075	**-4,608**
Care Act	5	2,272	0	**2,272**	2,048	0	**2,048**	2,048	0	**2,048**
Unallocated Pay & Pensions				**0**	944	0	**944**	1,815	0	**1,815**
Base Budget		**131,259**	**-35,673**	**95,586**	**130,494**	**-36,561**	**93,933**	**130,324**	**-36,561**	**93,763**
		Changes to Budget Requirement								
Commissioning Efficiencies in Adults Social Care										
Housing Related Support	5	-1,000		**-1,000**			**0**			**0**
Care Fund Calculator	5	-400		**-400**			**0**			**0**
Care Act Compliance and Care Provision	5	-600		**-600**	-1,000		**-1,000**			**0**
Alternate funding of Community Alarm Provision	5	-1,000		**-1,000**			**0**			**0**
Digital advice and support	5	-250		**-250**			**0**			**0**
Early Help	5	-200		**-200**			**0**			**0**

Adult Social Care and Independent Living — REVENUE

This service is responsible for the assessment and care management of vulnerable adults and providing advice about social care to the general public (including self funders).

	Outcome Reference	2016/17 Budget Calculation Expenditure £000	Income £000	Net £000	2017/18 Budget Calculation Expenditure £000	Income £000	Net £000	2018/19 Budget Calculation Expenditure £000	Income £000	Net £000
		Changes to Budget Requirement								
Professional Practice and Process										
Maximising independence	5	-200		**-200**			**0**			**0**
Mental Health domiciliary support	5	-500		**-500**			**0**			**0**
Review care packages	5	-440		**-440**			**0**			**0**
Low level care interventions	5	-73		**-73**			**0**			**0**
Introduction of a self directed support approach - underpinned by a transparent Resource Allocation System	5	-1,500		**-1,500**			**0**			**0**
Increase Income	5		-700	**-700**			**0**			**0**
Supporting investment in Public Health	5	1,200		**1,200**			**0**			**0**
Fall-out of Grant	5	-276		**-276**			**0**			**0**
Other										
Systems integration for Direct Payments and review of Money Management Services	5	-300		**-300**			**0**			**0**
Review advocacy to maximise value for money	5		-188	**-188**			**0**			**0**
Growth Pressures	5	3,932		**3,932**			**0**			**0**
Allocation of cross service savings relating to staff travel and supplies / services	5	-102		**-102**	-41		**-41**			**0**
Pay & Pensions Allocations including Living Wage and National Insurance	5	944		**944**	871		**871**	871		**871**
Financial Impact of Policy Proposals		**-765**	**-888**	**-1,653**	**-170**	**0**	**-170**	**871**	**0**	**871**
Total Cost of Service		**130,494**	**-36,561**	**93,933**	**130,324**	**-36,561**	**93,763**	**131,195**	**-36,561**	**94,634**

Public Health REVENUE

Public Health is a local authority responsibility transferred from Health in 2013/14, the service will take the lead on promoting and commissioning services that improve the Public Health of the residents of Cheshire East.

		2016/17 Budget Calculation			2017/18 Budget Calculation			2018/19 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Public Health	5	15,598	-15,598	**0**	17,258	-17,258	**0**	16,833	-16,833	**0**
Pay & Pensions Allocation	5			**0**	0	0	**0**	0	0	**0**
Base Budget		**15,598**	**-15,598**	**0**	**17,258**	**-17,258**	**0**	**16,833**	**-16,833**	**0**
		Changes to Budget Requirement								
0 to 5 year olds, remaining 6 month funding	5	2,353	-2,353	**0**			**0**			**0**
Funding reduction	5	-693	693	**0**	-425	425	**0**	-445	445	**0**
Financial Impact of Policy Proposals		**1,660**	**-1,660**	**0**	**-425**	**425**	**0**	**-445**	**445**	**0**
Total Cost of Service		**17,258**	**-17,258**	**0**	**16,833**	**-16,833**	**0**	**16,388**	**-16,388**	**0**

Economic Growth and Prosperity — REVENUE

The Service is responsible for prioritising high value growth gains. Our attention to detail is as much about how we grow as the scale of growth. Dynamic and commercially focused, the services of Strategic and Economic Planning, Development, Visitor Economy, Culture and Tatton Park, Investment and Strategic Infrastructure are creating the right conditions for economic growth, ensuring productive and competitive businesses, and maximising Investment and Business Engagement.

		2016/17 Budget Calculation			2017/18 Budget Calculation			2018/19 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Director and Business Management	2	892	-529	**363**	900	-529	**371**	907	-529	**378**
Planning & Sustainable Development	2	3,025	-4,603	**-1,578**	3,221	-4,603	**-1,382**	3,287	-4,603	**-1,316**
Growth & Regeneration	2	5,411	-3,040	**2,371**	5,449	-3,263	**2,186**	5,517	-3,263	**2,254**
Visitor Economy, Culture, Tatton Park, PROW & Countryside	2	7,264	-4,526	**2,738**	7,344	-4,606	**2,738**	7,443	-4,606	**2,837**
Investment	2	3,086	-1,151	**1,935**	3,879	-1,151	**2,728**	3,422	-1,151	**2,271**
Strategic Infrastructure	2	652	-218	**434**	817	-318	**499**	831	-318	**513**
Base Budget		**20,330**	**-14,067**	**6,263**	**21,610**	**-14,470**	**7,140**	**21,407**	**-14,470**	**6,937**
		Changes to Budget Requirement								
Silk Heritage Trust	2	-20		**-20**			**0**			**0**
Review of charging across EG&P including Assets, Culture & Tatton	2		-190	**-190**			**0**			**0**
Increase Management Capacity in EGP	2	380		**380**	-40		**-40**	-150		**-150**
One off Investment in skills and growth	2	500		**500**	-500		**-500**			**0**
Town Centre Management	2	-78		**-78**			**0**			**0**
Reduction in ground rent	2		60	**60**			**0**			**0**
Reduce business rates and holding costs for Assets	2	-315		**-315**			**0**			**0**
Capitalise current revenue costs of Property Management Team and Strategic Infrastructure & Transport	2		-250	**-250**			**0**			**0**
Roe Street Hostel (revised income projections)	2		-23	**-23**			**0**			**0**
Fairerpower	4	140		**140**			**0**			**0**
Adult & Community Learning impact of additional grant	2	122		**122**			**0**			**0**
Provision of additional housing services	2	200		**200**			**0**			**0**
Pay & Pensions Allocations including Living Wage and National Insurance	2	379		**379**	349		**349**	349		**349**
Allocation of cross service savings relating to staff travel and supplies / services (incl. paper consumption)	2	-28		**-28**	-12		**-12**			**0**
		1,280	**-403**	**877**	**-203**	**0**	**-203**	**199**	**0**	**199**
Total Cost of Service		**21,610**	**-14,470**	**7,140**	**21,407**	**-14,470**	**6,937**	**21,606**	**-14,470**	**7,136**

Commissioning Services — REVENUE

Responsible for commissioning key services that are now provided by an alternative service delivery vehicle (or contract in the case of Highways). The areas include waste disposal, bereavement, streetscape, transport, leisure and building control.

		2016/17 Budget Calculation			2017/18 Budget Calculation			2018/19 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Building Control, Land Charges and Planning		1,693		**1,693**	1,765		**1,765**	1,765		**1,765**
Environmental (incl. Bereavement)	4	30,619	-3,289	**27,330**	30,289	-3,289	**27,000**	29,019	-3,289	**25,730**
Highways	4	13,233	-2,101	**11,132**	13,010	-2,101	**10,909**	13,007	-2,101	**10,906**
Leisure	5	2,230	-200	**2,030**	2,181	-200	**1,981**	2,181	-200	**1,981**
Transport	2	14,585		**14,585**	14,339		**14,339**	14,339		**14,339**
Pay & Pensions Allocation				**0**	368		**368**	706		**706**
Base Budget		**62,360**	**-5,590**	**56,770**	**61,952**	**-5,590**	**56,362**	**61,017**	**-5,590**	**55,427**
		Changes to Budget Requirement								
Building Control, Land Charges and Planning	4	72		**72**			**0**			**0**
Environmental (incl. Bereavement)	4	-330		**-330**	-1,270		**-1,270**	-550		**-550**
Highways	4	-220		**-220**			**0**			**0**
Leisure	5	-49		**-49**			**0**			**0**
Transport	4	-246		**-246**			**0**			**0**
Allocation of cross service savings relating to staff travel and supplies / services (incl. paper consumption)	4	-3		**-3**	-3		**-3**			**0**
Pay & Pensions Allocations including Living Wage and National Insurance	4 / 5	368		**368**	338		**338**	338		**338**
Financial Impact of Policy Proposals		**-408**	**0**	**-408**	**-935**	**0**	**-935**	**-212**	**0**	**-212**
Total Cost of Service		**61,952**	**-5,590**	**56,362**	**61,017**	**-5,590**	**55,427**	**60,805**	**-5,590**	**55,215**

Communities REVENUE

This service focuses on the role that the Council will play in leading our communities, shaping local areas and bringing public services together to create strong communities with a sense of independence and ability to influence what services we commission in the future. It brings together a diverse range of services that impact on localities such as customer services, communities and partnerships, libraries, revenue and benefits, community safety and enforcement.

		2016/17 Budget Calculation			2017/18 Budget Calculation			2018/19 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Head of Communities	1	206	-200	**6**	212	-200	**12**	217	-200	**17**
Local Community Services	1	97,019	-88,562	**8,457**	96,979	-88,562	**8,417**	96,924	-88,562	**8,362**
Partnerships & Communities	1	3,015	-294	**2,721**	2,902	-294	**2,608**	2,791	-294	**2,497**
Car Parking	1	1,070	-5,007	**-3,937**	1,088	-4,636	**-3,548**	1,105	-4,636	**-3,531**
Emergency Planning	1	167	-12	**155**	167	-17	**150**	171	-17	**154**
Regulatory Services & Health	1	2,803	-1,000	**1,803**	2,981	-1,036	**1,945**	3,045	-1,036	**2,009**
Base Budget		**104,280**	**-95,075**	**9,205**	**104,329**	**-94,745**	**9,584**	**104,253**	**-94,745**	**9,508**
		Changes to Budget Requirement								
Communities / Partnerships restructure	1	-130		**-130**			**0**			**0**
Reducing welfare demand / grant	1	-275		**-275**	-275		**-275**			**0**
Reducing Council Tax support compensation grant	1	-149		**-149**	-150		**-150**			**0**
Emergency Planning	1	-4	-5	**-9**			**0**			**0**
Providing appropriate levels of service in regulatory services	1	-64	-36	**-100**			**0**			**0**
Alignment of Licensing budgets	1	174		**174**			**0**			**0**
Gypsy and traveller transit - site management	1	62		**62**			**0**			**0**
Car Parking	2		371	**371**			**0**			**0**
Enforcement capacity for fly tipping	1	75		**75**			**0**			**0**
Agreed reduction in grant payment to Citizens Advice Bureau	1	-10		**-10**			**0**			**0**
Allocation of cross service savings relating to staff travel and supplies /services	1	-22		**-22**	-12		**-12**			**0**
Pay & Pensions Allocations including Living Wage and National Insurance	1	392		**392**	361		**361**	361		**361**
Financial Impact of Policy Proposals		**49**	**330**	**379**	**-76**	**0**	**-76**	**361**	**0**	**361**
Total Cost of Service		**104,329**	**-94,745**	**9,584**	**104,253**	**-94,745**	**9,508**	**104,614**	**-94,745**	**9,869**

Other (e.g. Finance, ICT, Legal, Facilities, etc) REVENUE

This Service is responsible for providing effective and proactive support functions to Commissioning Services in the form of Finance, ICT, Human Resources and Legal, in addition to Democratic and Governance Services.

		2016/17 Budget Calculation			2017/18 Budget Calculation			2018/19 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Resources and Stewardship	6	33,843	-5,857	**27,986**	32,908	-5,897	**27,011**	33,230	-5,897	**27,333**
Organisational Development	6	3,606	-750	**2,856**	3,394	-750	**2,644**	3,475	-750	**2,725**
Monitoring Officer	6	2,342	-427	**1,915**	2,268	-427	**1,841**	2,333	-427	**1,906**
Governance and Democratic	6	5,117	-1,146	**3,971**	4,901	-1,146	**3,755**	4,967	-1,146	**3,821**
Commissioning	6	1,624	0	**1,624**	1,505	0	**1,505**	1,553	0	**1,553**
Communications	6	741	-20	**721**	660	-20	**640**	677	-20	**657**
Transitional Funding	5	0	0	**0**	473	0	**473**	0	0	**0**
Base Budget		**47,273**	**-8,200**	**39,073**	**46,109**	**-8,240**	**37,869**	**46,235**	**-8,240**	**37,995**
		Changes to Budget Requirement								
Reduction in Employee Related Costs in Chief Operating Officer	6	-1,319	0	**-1,319**	0	0	**0**	0	0	**0**
R&S - Facilities Management	6	-1,250	0	**-1,250**	0	0	**0**	0	0	**0**
R&S - Credit Card Fee Cost Recovery	6	0	-40	**-40**	0	0	**0**	0	0	**0**
R&S - 15/16 Unallocated Procurement Saving	6	300	0	**300**	0	0	**0**	0	0	**0**
Allocation of cross service savings relating to staff travel and supplies /services	6	-44	0	**-44**	-24	0	**-24**	0	0	**0**
Pay & Pensions Allocations including Living Wage and National Insurance	6	676	0	**676**	623	0	**623**	623	0	**623**
To manage the impact of savings with transitional funding:										
- Explore options in Adults Social Care	5	353	0	**353**	-353	0	**-353**	0	0	**0**
- Explore new models of service delivery in Children & Families	5	120	0	**120**	-120	0	**-120**	0	0	**0**
Financial Impact of Policy Proposals		**-1,164**	**-40**	**-1,204**	**126**	**0**	**126**	**623**	**0**	**623**
Total Cost of Service		**46,109**	**-8,240**	**37,869**	**46,235**	**-8,240**	**37,995**	**46,858**	**-8,240**	**38,618**

Corporate Unallocated — REVENUE

This page sets out a number of Council-wide items that will be allocated during the year.

		2016/17 Budget Calculation			2017/18 Budget Calculation			2018/19 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Unallocated Pay & Pensions	6	210		**210**	431	0	**431**	634	0	**634**
Unallocated Cross Cutting Savings	6			**0**	-550	0	**-550**	-2,647	0	**-2,647**
Base Budget		**210**	**0**	**210**	**-119**	**0**	**-119**	**-2,013**	**0**	**-2,013**
		Changes to Budget Requirement								
Cross Service: Digital Customer Services - Local Community Services	6	-550		**-550**	-1,850		**-1,850**			**0**
Savings in Supplies and Services incl reducing paper consumption	6			**0**	-247		**-247**			**0**
Unallocated Pay & Pensions	6	221		**221**	203		**203**	203		**203**
Financial Impact of Policy Proposals		**-329**	**0**	**-329**	**-1,894**	**0**	**-1,894**	**203**	**0**	**203**
Total Cost of Service		**-119**	**0**	**-119**	**-2,013**	**0**	**-2,013**	**-1,810**	**0**	**-1,810**

CAPITAL PROGRAMME 2016/17 - 2018/19

Glossary of Terms

Approval is being sought for all items of Capital expenditure as detailed in the following tables. Estimates for capital expenditure may vary even during the lifetime of the project but particularly where a project is still being developed.

The following categories, used within the tables overleaf, describe the current status of the financial estimates:

Committed Schemes - In Progress
The project is established and activity is on-going. Expenditure is expected to occur in line with the value and timing described in this report and funding has been identified to manage that expenditure.

New Schemes and Option Developments
Project details have been drafted and are under review via the Technical Enabler Group (TEG) and Executive Monitoring Board (EMB). Expenditure levels, and the timing of expenditure, may be subject to change based on final estimates, the securing of available funding and workforce capacity.

Recurring Programmes and Longer Term
Projects under these headings are at an early stage. As capital projects can have lengthy preparation times these projects are entered here to demonstrate the Council's longer term investment requirements. Schemes are approved, as part of the budget setting process but will not commence until a full project appraisal has been completed and funding has been secured. Where appropriate schemes under these headings will be subject to the gateway process before commencing.

Any necessary variations to capital spending requirements will be reported and approved in line with the Council's financial procedure rules.

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2016/17 - 2018/19

	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Committed Schemes - In Progress					
Children and Families	9,252	6,548	948	648	**8,144**
Adult Social Care	0	0	0	0	**0**
Public Health	0	0	0	0	**0**
Economic Growth and Prosperity	68,212	42,842	19,848	1,137	**63,827**
Commissioning	122,382	27,368	13,282	0	**40,650**
Communities	1,044	329	0	0	**329**
Chief Operating Officer Other	38,736	16,282	200	0	**16,482**
Total Committed Schemes - In Progress	**239,626**	**93,369**	**34,278**	**1,785**	**129,432**
New Schemes and Option Developments					
Children and Families	0	900	0	0	**900**
Adult Social Care	0	0	0	0	**0**
Public Health	0	0	0	0	**0**
Economic Growth and Prosperity	3,401	14,108	5,445	4,742	**24,295**
Commissioning	0	701	580	150	**1,431**
Communities	0	80	145	25	**250**
Chief Operating Officer Other	0	2,500	3,000	0	**5,500**
Total New Schemes and Option Developments	**3,401**	**18,289**	**9,170**	**4,917**	**32,376**
Total Committed Schemes	**243,027**	**111,658**	**43,448**	**6,702**	**161,808**

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2016/17 - 2018/19

	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Recurring Programmes					
Children and Families	320	9,867	9,430	7,144	**26,441**
Adult Social Care	0	356	0	0	**356**
Public Health	0	0	0	0	**0**
Economic Growth and Prosperity	5,892	6,603	2,923	1,815	**11,341**
Commissioning	246	13,831	14,937	2,270	**31,038**
Communities	0	0	0	0	**0**
Chief Operating Officer Other	474	2,001	9,097	3,500	**14,598**
Total Recurring Programmes	**6,932**	**32,658**	**36,387**	**14,729**	**83,774**

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2016/17 - 2018/19

	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Longer Term Proposals					
Children and Families	250	2,491	11,430	0	**13,921**
Adult Social Care	0	0	0	0	**0**
Public Health	0	0	0	0	**0**
Economic Growth and Prosperity	8,933	28,872	47,079	128,727	**204,678**
Commissioning	150	2,980	9,620	0	12,600
Communities	0	0	0	0	**0**
Chief Operating Officer Other	1,618	5,000	0	0	**5,000**
Total Longer Term Proposals	**10,951**	**39,343**	**68,129**	**128,727**	**236,199**
Total	**260,910**	**183,659**	**147,964**	**150,158**	**481,781**

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2016/17 - 2018/19

	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Funding Requirement					
Indicative Funding Analysis: (See note 1)					
Government Grants	111,136	51,885	63,242	81,809	**196,936**
External Contributions	20,357	6,668	13,011	28,751	**48,430**
Revenue Contributions	1,357	654	0	0	**654**
Capital Receipts	31,318	41,099	20,934	39,598	**101,631**
Prudential Borrowing (See note 2)	96,742	83,353	50,777	0	**134,130**
Total	**260,910**	**183,659**	**147,964**	**150,158**	**481,781**

Notes:

1. The funding requirement presents a balanced position. However the Council will attempt to maximise grants, external contributions and the receipts from assets in order to minimise any potential borrowing requirement. If a borrowing requirement becomes likely then schemes may be delayed until other sources of funding become available. The Council will continue its policy of 'internally' borrowing to reduce external interest charges.

2. Appropriate charges to the revenue budget will only commence in the year following the completion of the associated capital asset. This allows the Council to constantly review the most cost effective way of funding capital expenditure (See Minimum Revenue Policy Statement ~ **Annex 10**)

Children and Families CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Outcome	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Committed Schemes - In Progress						
Adelaide Academy	3	0	164	0	0	**164**
CyPad Tablets	3	0	180	0	0	**180**
Devolved Formula Capital	3	3,710	943	948	648	**2,539**
Foster Carers Capacity Scheme	3	321	314	0	0	**314**
Free Early Years Education Grant for 2 year Olds	3	543	604	0	0	**604**
Hollinhey Primary School	3	131	120	0	0	**120**
Kitchen Block	3	261	400	0	0	**400**
Mablins Lane Primary School	3	123	630	0	0	**630**
Poynton High School - Condition Works	3	99	401	0	0	**401**
Pupil Referral Unit - New Site	3	250	1,805	0	0	**1,805**
Purchase of Multi Purpose Vehicles - Working on Wheels	3	180	180	0	0	**180**
Schools Maintenance Projects	3	2,837	256	0	0	**256**
Short Breaks for Disabled Children	3	201	31	0	0	**31**
The Dingle Primary School	3	67	433	0	0	**433**
Universal Free School Meals	3	88	28	0	0	**28**
Wyche PS - Condition Works	3	441	59	0	0	**59**
Total Committed Schemes - In Progress		**9,252**	**6,548**	**948**	**648**	**8,144**
New Schemes and Option Developments						
Redesign of Children's Residential Social Care	3	0	800	0	0	**800**
To expand 'in borough' SEN placement capacity	3	0	100	0	0	**100**
Total New Schemes and Option Developments		**0**	**900**	**0**	**0**	**900**
Total Committed Schemes		**9,252**	**7,448**	**948**	**648**	**9,044**

Children and Families CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Outcome	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Recurring Programmes						
Basic Need Programme	3	0	6,363	6,286	4,000	**16,649**
Capital Maintenance Programme	3	320	3,504	3,144	3,144	**9,792**
Total Recurring Programmes		**320**	**9,867**	**9,430**	**7,144**	**26,441**
Longer Term Proposals						
Knutsford Achievement	3	250	350	9,400	0	**9,750**
Re-development of Hurdsfield Family Facilities	3	0	0	975	0	**975**
To expand 'in borough' SEN placement capacity	3	0	2,141	1,055	0	**3,196**
Total Longer Term Proposals		**250**	**2,491**	**11,430**	**0**	**13,921**
Total		**9,822**	**19,806**	**21,808**	**7,792**	**49,406**

Children and Families CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Funding Requirement					
Indicative Funding Analysis:					
Government Grants	8,761	15,742	14,778	7,792	**38,312**
External Contributions	31	0	390	0	**390**
Revenue Contributions	709	529	0	0	**529**
Capital Receipts	0	0	4,610	0	**4,610**
Prudential Borrowing	321	3,535	2,030	0	**5,565**
Total	**9,822**	**19,806**	**21,808**	**7,792**	**49,406**

Adult Social Care — CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Outcome	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Recurring Programmes						
Community Capacity Grant	5	0	356	0	0	**356**
Total Recurring Programmes		**0**	**356**	**0**	**0**	**356**
Total		**0**	**356**	**0**	**0**	**356**
Indicative Funding Analysis:						
Government Grants		0	356	0	0	**356**
External Contributions		0	0	0	0	**0**
Revenue Contributions		0	0	0	0	**0**
Capital Receipts		0	0	0	0	**0**
Prudential Borrowing		0	0	0	0	**0**
Total		**0**	**356**	**0**	**0**	**356**

Public Health CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
No Proposals	**0**	**0**	**0**	**0**	**0**

Economic Growth and Prosperity — CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Outcome	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Committed Schemes - In Progress						
Central Heating Fund	2	80	100	0	0	**100**
Congleton Public Realm	2	55	393	656	0	**1,049**
Connecting Cheshire - Phase 1	2	29,429	920	135	0	**1,055**
Connecting Cheshire - Phase 2	2	1,159	5,149	510	0	**5,659**
Corporate Landlord Model - Non-Operational	2	224	160	0	0	**160**
Crewe Green Link Road - Phase 2	2	23,917	633	1,197	0	**1,830**
Crewe Green Roundabout	2	75	575	4,350	0	**4,925**
Crewe Town Centre Regeneration	2	6,978	12,317	4,400	0	**16,717**
Development Programme for Housing and Jobs	2	2,296	14,889	5,133	0	**20,022**
Elworth Section 106 Footpath Works	2	0	135	0	0	**135**
Empty Homes Initiative	2	0	150	150	150	**450**
Farms Strategy	2	642	840	911	987	**2,738**
Gypsy and Traveller Sites	2	943	2,565	0	0	**2,565**
Housing Innovation Fund	2	0	1,014	0	0	**1,014**
Jodrell Bank Square Kilometre Array Support Project	2	0	1,000	0	0	**1,000**
Leighton West Spine Road	2	75	375	1,550	0	**1,925**
National Energy Action Technical Innovation Fund	2	150	49	0	0	**49**
Rights of Way Improvement Plan Cycle/Walking Schemes	2	805	34	0	0	**34**
SEMMMS Mitigation (Disley / Handforth)	2	100	500	800	0	**1,300**
Tatton Electronic Point Of Sale System	2	115	85	0	0	**85**
Tatton Vision	2	1,169	959	56	0	**1,015**
Total Committed Schemes - In Progress		**68,212**	**42,842**	**19,848**	**1,137**	**63,827**

Economic Growth and Prosperity CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Outcome	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
New Schemes and Option Developments						
A34 Corridor Improvements Option Development	2	50	150	150	150	**450**
A51/500 Corridor - Nantwich Option Development	2	50	100	100	0	**200**
Archives Option Development	2	0	100	175	0	**275**
Astbury Marsh Caravan Site	2	0	200	0	0	**200**
Connecting Cheshire Digital 2020	2	2,511	6,227	4,920	4,592	**15,739**
Investment in Heritage Buildings	2	540	4,820	0	0	**4,820**
Macclesfield Movement Strategy Option Development	2	0	100	100	0	**200**
Middlewich Eastern Bypass	2	250	500	0	0	**500**
Roe Street Homeless Hostel Re-configuration	2	0	92	0	0	**92**
Supplier Park	2	0	40	0	0	**40**
Volumetric Construction of Houses on Council Owned Land	2	0	1,779	0	0	**1,779**
Total New Schemes and Option Developments		**3,401**	**14,108**	**5,445**	**4,742**	**24,295**
Total Committed Schemes		**71,613**	**56,950**	**25,293**	**5,879**	**88,122**

Economic Growth and Prosperity — CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Outcome	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Recurring Programmes						
Disabled Facilities Grants	2	4,553	1,500	1,500	1,500	**4,500**
Private Sector Assistance	2	0	200	150	150	**500**
Regeneration & Development Programme	2	1,319	1,941	138	0	**2,079**
Tatton Park Investment Phase 2	2	20	2,780	1,000	0	**3,780**
Vehicle Replacement Programme - Countryside Service	2	0	182	135	165	**482**
Total Recurring Programmes		**5,892**	**6,603**	**2,923**	**1,815**	**11,341**
Longer Term Proposals						
A34 Corridor Improvements	2	0	0	0	15,500	**15,500**
A51/500 Corridor - Nantwich	2	0	0	0	3,750	**3,750**
Science Based Investment Opportunities	2	0	5,000	0	0	**5,000**
Archives	2	0	0	0	13,000	**13,000**
Congleton Relief Road (Includes Prior Years Option Development Costs)	2	5,296	2,500	11,585	60,164	**74,249**
Crewe Transformation Phase 3	2	250	750	15,500	0	**16,250**
Energy projects	2	0	4,600	0	0	**4,600**
Enhanced Disley Mitigation	2	50	550	0	0	**550**
King Street Enhancement Scheme	2	34	0	1,100	866	**1,966**
Macclesfield Movement Strategy	2	0	0	0	6,100	**6,100**
Crewe Town Centre Regeneration	2	0	0	8,000	0	**8,000**
Poynton Relief Road (Includes Prior Years Option Development Costs)	2	2,551	1,850	734	27,466	**30,050**
Road Network and Linked Key Infrastructure Projects	2	0	5,000	5,000	0	**10,000**

CAPITAL PROGRAMME 2016/17 - 2018/19

	Outcome	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Longer Term Proposals (continued)						
Strategic Acquisitions	2	0	7,500	0	0	**7,500**
Sydney Road Bridge	2	752	1,222	5,160	1,881	**8,263**
Total Longer Term Proposals		**8,933**	**28,872**	**47,079**	**128,727**	**204,678**
Total		**86,438**	**92,425**	**75,295**	**136,421**	**304,141**

Economic Growth and Prosperity CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Funding Requirement					
Indicative Funding Analysis:					
Government Grants	40,791	23,654	37,187	74,017	**134,858**
External Contributions	19,281	6,463	4,481	28,751	**39,695**
Revenue Contributions	332	125	0	0	**125**
Capital Receipts	4,146	26,848	8,419	33,653	**68,920**
Prudential Borrowing	21,888	35,335	25,208	0	**60,543**
Total	**86,438**	**92,425**	**75,295**	**136,421**	**304,141**

CAPITAL PROGRAMME 2016/17 - 2018/19

	Outcome	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Committed Schemes - In Progress						
Alderley Edge Bypass Scheme	2	59,849	2,300	962	0	**3,262**
Alderley Edge Village Enhancements	2	28	66	0	0	**66**
Crewe Lifestyle Centre	5	15,869	250	0	0	**250**
Environmental S106 Funded Schemes	4	76	32	20	0	**52**
Highway Investment Programme	2	34,122	5,000	5,000	0	**10,000**
Highways Section 106 & 278 Schemes	4	373	105	0	0	**105**
Household Bin Replacement	4	417	302	0	0	**302**
King George V Pavilion Project	4	251	173	0	0	**173**
Local Area Programme	4	2,305	50	0	0	**50**
Peter Mason Leisure Centre	5	235	1,265	7,300	0	**8,565**
Restoration of South Park Lake	4	63	132	0	0	**132**
Structural Replacement Lighting	4	2,550	1,360	0	0	**1,360**
Environmental Hub	4	6,244	16,333	0	0	**16,333**
Total Committed Schemes - In Progress		**122,382**	**27,368**	**13,282**	**0**	**40,650**
New Schemes and Option Developments						
Expanding Services whilst Creating Efficiencies (Litter Bin Monitors)	4	0	60	0	0	**60**
Highways Asset Management System (Maximising DFT Funding)	2	0	125	200	150	**475**
Parking and Enforcement Digital Solutions	2	0	200	0	0	**200**
School 20 Mile Per Hour Zones	4	0	316	380	0	**696**
Total New Schemes and Option Developments		**0**	**701**	**580**	**150**	**1,431**
Total Committed Schemes		**122,382**	**28,069**	**13,862**	**150**	**42,081**

Commissioning CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Outcome	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Recurring Programmes						
Household Bin Replacement	4	0	0	220	0	**220**
Integrated Transport Block	2	0	1,987	1,987	0	**3,974**
Maintenance Block	4	0	9,464	9,110	0	**18,574**
Park Development Fund	4	146	90	0	0	**90**
Replacement Litter Bins	4	100	50	0	0	**50**
Residents First LED Lighting Upgrade - Residential Areas	4	0	2,240	2,260	2,270	**6,770**
Structural Replacement Lighting	4	0	0	1,360	0	**1,360**
Total Recurring Programmes		**246**	**13,831**	**14,937**	**2,270**	**31,038**
Longer Term Proposals						
All Weather Pitch - Cumberland Arena	5	0	250	0	0	**250**
Anaerobic Digestion Project	4	150	2,730	9,620	0	**12,350**
Total Longer Term Proposals		**150**	**2,980**	**9,620**	**0**	**12,600**
Total		**122,778**	**44,880**	**38,419**	**2,420**	**85,719**

CAPITAL PROGRAMME 2016/17 - 2018/19

	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Funding Requirement					
Indicative Funding Analysis:					
Government Grants	57,141	11,623	11,277	0	**22,900**
External Contributions	801	197	8,140	0	**8,337**
Revenue Contributions	80	0	0	0	**0**
Capital Receipts	1,876	0	1,908	2,420	**4,328**
Prudential Borrowing	62,880	33,060	17,094	0	**50,154**
Total	**122,778**	**44,880**	**38,419**	**2,420**	**85,719**

Communities CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Outcome	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Committed Schemes - In Progress						
Car Parking Improvements	1	224	34	0	0	**34**
CCTV - Infrastructure Rationalisation	1	69	100	0	0	**100**
Community Facilities Grants	1	0	100	0	0	**100**
Residents Parking Schemes	1	214	5	0	0	**5**
Sustainable Libraries	1	537	90	0	0	**90**
Total Committed Schemes - In Progress		**1,044**	**329**	**0**	**0**	**329**
New Schemes and Option Developments						
Next Generation Libraries - Self - Service	1	0	80	145	25	**250**
Total New Schemes and Option Developments		**0**	**80**	**145**	**25**	**250**
Total Committed Schemes		**1,044**	**409**	**145**	**25**	**579**

Communities CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Outcome	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Recurring Programmes						
Total Rolling Programmes		**0**	**0**	**0**	**0**	**0**
Longer Term Proposals						
Total Longer Term Proposals		**0**	**0**	**0**	**0**	**0**
Total		**1,044**	**409**	**145**	**25**	**579**

Communities CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Funding Requirement					
Indicative Funding Analysis:					
Government Grants	0	0	0	0	**0**
External Contributions	15	8	0	0	**8**
Revenue Contributions	0	0	0	0	**0**
Capital Receipts	0	0	0	25	**25**
Prudential Borrowing	1,029	401	145	0	**546**
Total	**1,044**	**409**	**145**	**25**	**579**

Other (e.g. Finance, ICT, Legal, Facilities, etc) CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Outcome	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Committed Schemes - In Progress						
Asset Management Maintenance Programme	6	12,012	3,000	0	0	**3,000**
Core Financials, HR Services	6	5,560	1,080	0	0	**1,080**
Digital by Design	6	574	160	0	0	**160**
Digital Customer Services	6	2,686	3,118	200	0	**3,318**
ICT Infrastructure Investment Programme (Essential Replacement & Enhancement)	6	11,448	6,324	0	0	**6,324**
Information Assurance and Data Management	6	4,614	1,421	0	0	**1,421**
Minor Works Programme	6	1,392	669	0	0	**669**
Schools Capital Maintenance	6	450	510	0	0	**510**
Total Committed Schemes - In Progress		**38,736**	**16,282**	**200**	**0**	**16,482**
New Schemes and Option Developments						
Enterprise Resource Planning (Oracle Replacement)	6	0	2,500	3,000	0	**5,500**
Total New Schemes and Option Developments		**0**	**2,500**	**3,000**	**0**	**5,500**
Total Committed Schemes		**38,736**	**18,782**	**3,200**	**0**	**21,982**

Other (e.g. Finance, ICT, Legal, Facilities, etc) CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Outcome	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Recurring Programmes						
Asset Management Maintenance Programme	6	0	0	3,000	3,000	**6,000**
Core Financials, HR Services	6	0	0	1,650	0	**1,650**
Corporate Landlord Model - Operational	6	474	304	0	0	**304**
ICT Infrastructure Investment Programme (Essential Replacement & Enhancement)	6	0	0	2,816	0	**2,816**
Information Assurance and Data Management	6	0	1,697	1,131	0	**2,828**
Minor Works Programme	6	0	0	500	500	**1,000**
Total Recurring Programmes		**474**	**2,001**	**9,097**	**3,500**	**14,598**
Longer Term Proposals						
Supporting Strategic Capital Projects	6	1,618	5,000	0	0	**5,000**
Total Longer Term Proposals		**1,618**	**5,000**	**0**	**0**	**5,000**
Total		**40,828**	**25,783**	**12,297**	**3,500**	**41,580**

Other (e.g. Finance, ICT, Legal, Facilities, etc) CAPITAL

CAPITAL PROGRAMME 2016/17 - 2018/19

	Prior Years £000	Budget 2016/17 £000	Budget 2017/18 £000	Budget 2018/19 £000	Total Budget 2016/19 £000
Funding Requirement					
Indicative Funding Analysis:					
Government Grants	4,443	510	0	0	**510**
External Contributions	229	0	0	0	**0**
Revenue Contributions	236	0	0	0	**0**
Capital Receipts	25,296	14,251	5,997	3,500	**23,748**
Prudential Borrowing	10,624	11,022	6,300	0	**17,322**
Total	**40,828**	**25,783**	**12,297**	**3,500**	**41,580**

Reserves Strategy

2016/19

February 2016

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Executive Summary

Cheshire East Council is maintaining adequate reserves for two main purposes:

1. **To protect against risk, and;**
2. **To support investment**

This strategy reflects how these two purposes are intrinsically linked as financial risks will reduce through appropriate investment in schemes that will generate sustainable returns. At present the risks associated with overall changes in local government funding, and the need to invest now to realise returns in the medium term, increase the need to hold prudent levels of reserves in the short term.

The Reserves Strategy presents information about the requirements to maintain financial reserves and provides statements on the types of reserves and current and predicted balances.

The strategy is revised annually, in line with the process to determine the Council's Budget, and sets out a clear purpose for the holding of reserves, using risk assessments and setting out principles for the management of balances in the medium term.

Cheshire East Council's Reserve Strategy was last approved at Council on 26th February 2015.

The quarterly review process informs the Council's thinking on reserves and an updated Reserves Strategy for 2016/19 is being reported to Cabinet and Council in February 2016.

This strategy represents the latest position, following a review of the balances previously held, to ensure they meet the needs of Cheshire East Council.

Additional detailed analysis of trends within the Council's finances is provided in the Council's Value for Money publication demonstrating the sound financial position of the Council.

P J Bates

Peter Bates CPFA CIPD MBA

Chief Operating Officer
(Section 151 Officer)

Note: The strategy follows guidance issued by the Chartered Institute of Public Finance & Accountancy ~ LAAP Bulletin 55 – February 2003: Guidance Note on Local Authority Reserves and Balances. Compliance with the guidance is recommended in the Institute's 2003 Statement on the Role of the Finance Director in Local Government and the regulatory framework and role of the Section 151 Officer are set out in **Annex A**.

1. Introduction

Types of Reserves

1. When reviewing medium term financial plans and preparing annual budgets the Council considers the establishment and maintenance of reserves. Two types of Revenue Reserves will be held:

General Reserves (see Section 2)

This represents the non-ringfenced balance of Council funds. There are two main purposes of general reserves: firstly to operate as a working balance to help manage the impact of uneven cash flows and avoid unnecessary temporary borrowing, and; secondly to provide a contingency to cushion the impact of emerging events or genuine emergencies. The target level of reserves retained will be risk based. General Reserves must be adequate and will increase and decrease as follows:

Increasing General Reserves

- Planned repayment as set-out in the Medium Term Financial Strategy, usually to recover to an adequate level in relation to a detailed risk assessment, or to prepare in advance for future risks or investment.
- Allocation of an operating surplus at the close of the financial year.

Decreasing General Reserves

- Planned draw-down of reserves to create investment, and to counteract the possibility of over-taxing in any financial year.
- Allocation of an operating deficit at the close of the financial year.

Earmarked Reserves (see Section 3)

These provide a means of building up funds, for use in a later financial year, to meet known or predicted policy initiatives. Discipline is required around setting up and maintaining earmarked reserves, and this strategy sets out the Council's approach to this. Earmarked reserves will increase through decisions of the Council and will decrease as they are spent on specific intended purposes.

Assessing the Adequacy of Reserves

2. In order to assess the adequacy of unallocated general reserves when setting the budget, the Section 151 Officer will take account of the strategic, operational and financial risks facing the Authority. The Council will therefore adopt formal risk management processes. The Audit Commission Codes of Audit Practice make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks will be assessed in the context of the Authority's overall approach to risk management.

3. There is a requirement for local authorities to include an Annual Statement of Governance with the Statement of Accounts. The Section 151 Officer ensures that the Authority has put in place effective arrangements for internal audit of the control

environment and systems of internal control, as required by professional standards.

4. Setting the level of general reserves is just one of several related decisions in the formulation of the medium term financial strategy and the budget for a particular year. Account will also be taken of the key financial assumptions underpinning the budget alongside a consideration of the Authority's financial management arrangements.

5. **Table 1** sets out the significant budget assumptions that are relevant when considering the adequacy of reserves, in addition to the issue of cashflow.

6. These factors can only be assessed properly at a local level. A considerable degree of professional judgment is required. The Section 151 Officer may choose to express advice on the level of balances in cash and / or as percentage of budget (to aid understanding) so long as that advice is tailored to the circumstances of the Authority for that particular year.

7. Advice will be set in the context of the Authority's process to manage medium term financial stability and not focus on short term considerations, although balancing the annual budget by drawing on general reserves may be a legitimate short term option. However, where reserves are to be deployed to finance recurrent expenditure this should be made explicit, and will occur only to pump prime investment and not to regularly support such costs. Advice will be given on the adequacy of reserves over the lifetime of the Medium Term Financial Strategy.

Table 1: Holding adequate reserves will depend on a number of key factors
Budget Assumptions
- The treatment of inflation and interest rates - Estimates of the level and timing of capital receipts - The treatment of demand led pressures - The treatment of planned efficiency savings / productivity gains - The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments - The availability of other funds to deal with major contingencies and the adequacy of provisions
Financial Standing and management
- The overall financial standing of the Authority (including: level of borrowing, debt outstanding and Council Tax collection rates) - The Authority's track record in budget and financial management including the robustness of the medium term plans - The Authority's capacity to manage in-year budget pressures - The strength of the financial information and reporting arrangements - The Authority's virement and end of year procedures in relation to budget under / overspends at authority and service level - The adequacy of the Authority's insurance arrangements to cover major unforeseen risks

Source: CIPFA – LAAP Bulletin 55, 2003

8. The current guidance requires the purpose, usage and the basis of transactions of earmarked reserves to be identified clearly. A review of the levels of earmarked reserves will be undertaken as part of annual budget preparation.

2. General Fund Reserves (Revenue)

Purposes

9. The purpose of general reserves is to minimise the possible financial impacts to the Authority from:

   - Emergencies
   - In-year emerging issues
   - Reacting to investment opportunities

10. The Finance Procedure Rules set the parameters for the use of general reserves.

11. The in-year use of general reserves requires Council approval and must not be used for any level of recurring spending unless that spending will be included in revenue budgets in the following financial year or a suitable payback period is agreed in advance.

12. In all cases the use of reserves should be approved by the Section 151 Officer.

Opening Balances

13. The 2015/16 Budget anticipated that the Council would hold general reserves of £14.2m. However, an improved final outturn position resulted in a revised balance of £14.7m.

14. In February 2015 Council approved the use of general reserves during 2015/16. Council approved the use of £2.2m of general reserves to be transferred to earmarked reserves to meet additional planning costs, insurance claims, support investment in sustainability and early intervention initiatives.

15. At 1st April 2016, it is anticipated that the Council will hold general reserves of £12.8m, as calculated in **Table 2**.

Table 2	Estimated Balance 1st April 2016 £m
Amount of General Fund Balance available for new expenditure (Source: 2014/15 Statement of Accounts)	14.7
Approved in–year transfer to earmarked reserves	-2.2
The impact of performance against the 2015/16 Revenue Budget (Source: 2015/16 Three Quarter Year Review of Performance)	0.3
	12.8

Estimated Movement in Reserves (2015/16 onwards)

16. **Table 3** (overleaf) summarises the current estimated movements in general reserves from 2015 to 2019. It is proposed to transfer £1m to the Planning earmarked reserve in 2016/17 to provide for costs associated with the Council's Planning functions.

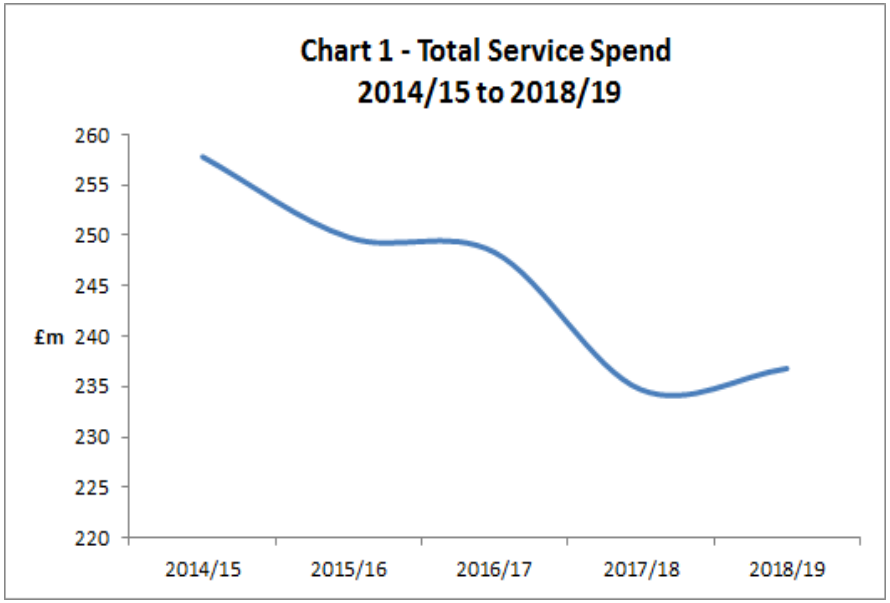
17. This position makes a clear assumption that any recently identified in-year, or future, emerging financial pressures will be met from within the Council's funding envelope.

18. In addition the level of reserves needed is assessed each year according to the risks facing the Authority (see Risk Assessment overleaf).

Table 3 – The level of reserves will be maintained in the medium term	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Estimated Balance @ 1st April	14.7	12.8	11.8	11.8
Estimated Impact of Spending	0.3	0.0	0.0	0.0
Planned Contribution to Earmarked Reserves	-2.2	-1.0	0.0	0.0
Forecast General Reserves @ 31st March	**12.8**	**11.8**	**11.8**	**11.8**
Risk Assessed Minimum Level – February 2016	12.5	11.8	11.8	11.8

Source: Cheshire East Finance

19. **Chart 1** shows how the medium term financial outlook reflects a reduction in real terms expenditure on Council Services.

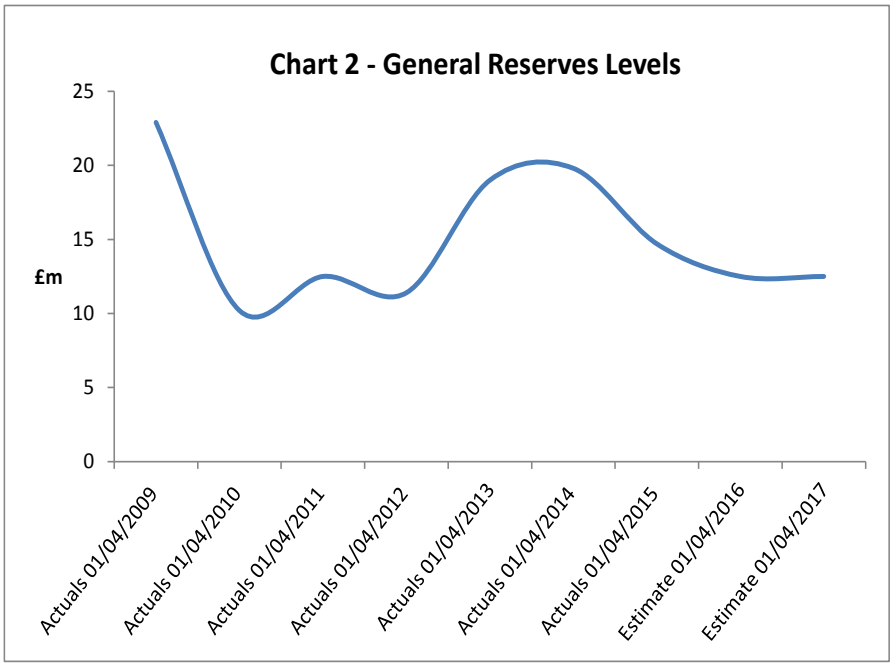


Source: Cheshire East Finance

20. Reducing net expenditure over time reflects how the Council has reacted to reductions in Government funding. At the same time the Council has minimised the impact on local residents by not raising Council Tax for five years up to 2015/16. This approach has required investment in change management to sustain the financial resilience of the Council. For example, reducing staffing numbers frequently requires expenditure on severance payments, and automation of services requires investment in information technology.

21. Strategically the Council has therefore utilised short-term funding to support investment and change and not to build up reserves balances.

22. **Chart 2** reflects how Cheshire East Reserves are used to support large scale investment, and are being stabilised over the medium term.



Source: Cheshire East Finance

23. The level at which reserves are set for 2016/17, reflects the aim of Cheshire East Council to match the Risk Assessed Minimum Level, ensuring reserves are adequate, and provide sufficient flexibility to manage short term cashflow.

General Fund Reserves – Risk Assessment

24. The risks facing each local area will vary. In the case of Cheshire East, the impact of rising demand for services, the economic climate, emerging Government policies (particularly in relation to business rates), and pressure on public services to reduce overall expenditure are relevant, and these present the potential for significant emerging risk.

25. The minimum target level of reserves is quantified by a detailed risk assessment. This approach allows the Council to take account of local circumstances and the impact of economic forecasts.

26. Where specific financial liability has not been established, or where outcomes from emerging pressures cannot be detailed, the Council will assume an appropriate level of risk. This reduces the possibility that the Council will be exposed to excessive financial pressure in a single year thereby smoothing the impact on citizens.

27. Risks are categorised, and potential values are applied to them. This presents the potential exposure to financial risk. **Table 4** shows the risk areas and the level of reserves Cheshire East Council should retain to mitigate that risk. In each case the value of the risk retained has been calculated as a percentage of the potential impact. The percentage is based on the likelihood of the risk actually achieving that total impact in any year.

28. New medium term risks are emerging as the Council is undertaking significant change to embed its commissioning approach and there is still significant uncertainty about the long term effect of changes to funding from business rates. However, the level of risk in the Medium Term Financial Strategy has reduced following improvements in reporting and achievement of budget targets. Separate provision will also be made in 2016/17 for specific risks (for example, local planning pressures), which overall has the effect of reducing the level of general risk for the period 2016/19.

29. £11.8m remains a relatively prudent overall target for reserves at 4.8% of the net budget. This reflects the following potential negative financial issues facing the Council in the medium term:

    - Further changes to the local government financial settlement may create funding deficits, and the medium term strategy of the Council remains unbalanced in later years at present.
    - Some savings targets may need to be re-phased or revised following more detailed appraisal or consultation work.
    - There is a significant pensions deficit which may need to be managed outside of the current medium term estimates, despite significant additional budget being provided for in the Medium Term Financial Strategy, to reflect increasing contribution rates from 1st April 2014 following the triennial valuation. This has continued into 2016/17.

30. It is also possible that a number of events could happen in a single year and the Council could be exposed to new unidentified risks. For this reason the analysis also contains a Strategic Reserve calculated as a percentage of gross expenditure (in this case 0.6%).

31. Risks will be included and managed using the following basic principles:

    a. The risk may impact within the medium term.
    b. Risks are potential one-off events.
    c. The risk will have genuine financial consequences beyond insurance cover.
    d. Mitigating actions will be in place to minimise the potential requirement for financial support.
    e. If a risk becomes 100% likely it will be allocated to earmarked reserves or included within appropriate Revenue Budget estimates.
    f. Emerging risks will be addressed from in-year surplus or virement before any request to allocate general reserves.

Table 4: A robust level of reserves is guided by an assessment of potential risks			
Class of Risk	**Knock on Effects**	**Effect on Budget / Mitigating Action**	**Risk Assessment**
Health & Safety	Major loss of service	Increased cost to reduce further risk of breach / Robust risk assessments	**£100,000**
	Lost reputation / Effect on recruitment	Additional cost of new advertising to regain confidence and recruit staff / Effective Communication Plans and Employment option plans	
Fire / Structural damage	Major loss of service	Premises not operational / Robust disaster recovery plan	**£400,000**
	Epidemic	High staff or resident sickness & absence costs / raise awareness of safety measures and introduce robust emergency response plans	
	Severe Weather	Additional staffing, transport and materials costs / robust emergency plans	
	Insurance claims create rising premiums or cost to insurance reserves	Budget growth to cover premiums or self insurance costs / Good claims management	

Table 4: A robust level of reserves is guided by an assessment of potential risks			
Class of Risk	**Knock on Effects**	**Effect on Budget / Mitigating Action**	**Risk Assessment**
Budget Pressures	Opening Balances vary from current predictions Efficiency savings challenged by changing priorities, and reduced income from economic downturn and additional VR costs. Higher than anticipated inflation arising in year Potential decrease in Council Tax and Business Rates collection rate	Impact on opening balances / apply prudent assumptions to opening balances Impact of 2015/16 projected outturn / robust remedial plans and monitoring of progress In-Year emerging issues / Robust plans and monitoring of progress Increased inflation on contracts and services / contract management and robust remedial plans Lower than forecast income or increased reliefs/ robust assessment criteria and debt recovery procedures	**£5,800,000**
Legal & IT costs	Legal challenges to Council service delivery / charges for services Data corruption and need to improve security	Court costs and claims for financial settlement / clear processes and good workforce management ICT service days to repair, loss of service / robust security policies and firewalls	**£800,000**
Industrial relations / External organisations	Disruption to service and possible costs of arbitration / tribunal	Loss of income, costs of providing essential services or direct costs of resolution, reduced pay costs / emergency planning	
Strategic Reserve		Strategic / Emergency risk cover, potential further invest to save options and future pay and structure changes	**£4,700,000**
		OVERALL RISKS	**£11,800,000**
		% of Net Revenue Budget	**4.8%**

Source: Cheshire East Finance

32. The outcome of this analysis has been to place an estimated total value on the range of risks that may arise and which are not covered by insurance. This is equivalent in total to £11.8m.

33. It should be noted that these risks reflect the net effect of issues relating to sustainable performance against the 2016/17 Revenue Budget. The key factors are:

- The capacity of the organisation to deliver proposed growth or achieve the proposed level of savings entirely.
- Potential underachievement of cost reduction targets following consultation processes.
- Demand for services rising above estimated trends.
- Changes to Government settlements.

Adequacy of General Reserves

34. A duty of the Section 151 Officer is to comment on the adequacy of financial reserves (see **Annex A**).

35. The estimates contained within the medium term financial strategy must be sufficiently robust to achieve certainty that reserves are adequate. The Section 151 Officer uses information contained within the Reserves Strategy to comment specifically in the annual Budget Report on the adequacy of reserves.

3. Earmarked Reserves (Revenue)

Purpose

36. The purpose of earmarked reserves is:

    a. To prevent an uneven impact from policy options, by allowing balances to be set aside for future year expenditure.

    b. To set aside amounts for projects which extend beyond one year.

37. Once Earmarked reserves have been established by Cheshire East Council it is the responsibility of Chief Officers, in consultation with the Section 151 Officer, to ensure balances are spent in line with their purpose.

38. **Table 5** identifies the most commonly established earmarked reserves and the rationale behind why such reserves are created and maintained.

39. For each earmarked reserve held by Cheshire East Council there will be a clear protocol setting out:

    - the purpose of the reserve,
    - how and when the reserve can be used,
    - procedures for the reserve's management and control,
    - a process and timescale for review of the reserve to ensure continuing relevance and adequacy,
    - clear indication of payback periods and approach (if applicable).

Table 5: All earmarked reserves should have a clear rationale

Category of Earmarked Reserve	Rationale
Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations	Where expenditure is planned in future accounting periods, it is prudent to build up resources in advance.
Insurance reserves	An Insurance Fund has been established to meet the potential costs of insurance excesses arising from claims in respect of fire and consequential loss, public and employer liability, and vehicles relating to both Cheshire East Council and the former Cheshire County Council.
Reserves of trading and business units	Surpluses arising from in-house trading may be retained, or may have to be retained by statute to cover potential losses in future years, or to finance capital expenditure.
Reserves retained for service departmental use	Increasingly, authorities have internal protocols that permit year-end surpluses at departmental level to be carried forward.
School Balances	These are unspent balances of budgets delegated to individual schools.

Source: CIPFA – LAAP Bulletin 55, 2003

40. When establishing reserves, Cheshire East Council will ensure that it complies with the Code of Practice on Local Authority Accounting in the United Kingdom and in particular the need to distinguish between reserves and provisions.

41. The protocol for Cheshire East Council earmarked reserves is set out below. The Section 151 Officer will monitor adherence to these protocols. Details of each reserve will be held to demonstrate compliance with the protocols.

42. Earmarked Reserves will be:

- Set up by Full Council, on recommendation by the Section 151 Officer,
- Supported by a business case,
- Normally held for a maximum of 3 years, except where the business case justifies a longer retention,
- Subject to a minimum value, set initially at £60,000, unless the business case supports a lower level,
- Be reviewed at least annually.

43. Services may also carry forward balances in accordance with Financial Procedure Rules.

44. Earmarked reserves have the effect of transferring the tax burden across financial years as current taxpayers' funds are being used to support future years' spending. It is therefore recommended that Cheshire East Council's earmarked reserves are subject to annual review, at least as part of the budget-setting process to ensure that they are still appropriate, relevant and adequate for the intended purpose.

Opening Balances

45. At 1st April 2016, it is anticipated that balances on earmarked reserves held by Cheshire East Council will be £41.1m. This includes budgeted contributions of £2.5m for Transitional Funding, £0.4m for Collection Fund Management, and £1m for Planning costs. £0.1m will be drawdown from the Investment Sustainability reserve to meet specific policy proposals. It is estimated that balances will reduce by £14.4m by the end of 2016/17. **Table 6** (overleaf) shows the position on each earmarked reserve.

Table 6: Earmarked Reserves that are statutory or essential have been retained for 2016/17				
Service Description	**Estimated Available Balance at 1 April 2016**	**Forecast Movement in 2016/17**	**Estimated Balance at 31 March 2017**	**Reason / Use**
	£000	**£000**	**£000**	
Children and Families				
Children's Social Care	377	-377	**0**	To support implementation of the Children's social care bill.
Early Intervention Initiatives	400	-400	**0**	To develop and implement a plan to improve the emotional health and wellbeing of young people.
Adult Social Care and Independent Living				
Extra Care Housing (PFI)	1,879	200	**2,079**	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
NHS Section 256	2,862	-2,862	**0**	To support adult social care which also has a health benefit, as agreed with Eastern Cheshire and South Cheshire Clinical Commissioning Groups and governed by Cheshire East Health and Wellbeing Board.
Public Health and Wellbeing	700	-300	**400**	Ring-fenced underspend to be invested in areas to improve performance against key targets. Including the creation of an innovation fund to support partners to deliver initiatives that tackle key health issues.
Environmental				
Severe Weather	360	0	**360**	To provide for future adverse winter weather expenditure.
Communities				
Communities Investment	825	-825	**0**	Amalgamation of Promoting local delivery, Grant support, New initiatives and funding to support community investment.
Emergency Assistance	445	-445	**0**	Carry forward of underspend on previous years' schemes to provide for future hardship payments.

Table 6: Earmarked Reserves that are statutory or essential have been retained for 2016/17				
Service Description	**Estimated Available Balance at 1 April 2016**	**Forecast Movement in 2016/17**	**Estimated Balance at 31 March 2017**	**Reason / Use**
	£000	**£000**	**£000**	
Economic Growth and Prosperity				
Building Control	168	0	**168**	Ring-fenced surplus (could be used to off-set service deficit, if applicable)
Tatton Park	222	0	**222**	Ring-fenced surplus on Tatton Park trading account.
Economic Development	141	-141	**0**	Support for town centres and economic development initiatives.
Planning Costs and Investment Service structure	1,000	-1,000	**0**	To meet potential costs within the Planning Service and Investment Service Structure.
Chief Operating Officer				
Elections	0	150	**150**	To provide funds for Election costs every 4 years.
Insurance and Risk	3,000	-1,000	**2,000**	To settle insurance claims and manage excess costs.
Investment (Sustainability)	1,010	-605	**405**	To support investment that can increase longer term financial independence and stability of the Council.
Collection Fund Management	8,699	-348	**8,351**	To manage cash flow implications arising from administration of the Collection Fund.
Financing	9,385	-28	**9,357**	To provide for financing of capital schemes, feasibility studies, and other projects and initiatives.
Transitional Funding	2,500	-1,000	**1,500**	To provide financial support to services or projects during a period of transition to a lower overall cost base.

Table 6: Earmarked Reserves that are statutory or essential have been retained for 2016/17				
Service Description	**Estimated Available Balance at 1 April 2016**	**Forecast Movement in 2016/17**	**Estimated Balance at 31 March 2017**	**Reason / Use**
	£000	**£000**	**£000**	
Service Manager carry forwards	1,372	0	**1,372**	Allocations for Costs of Investment or grant funded expenditure.
Revenue Grants				
Dedicated Schools Grant	4,184	-4,184	**0**	Unspent specific use grant carried forward into 2016/17
Other	1,566	-1,231	**335**	Unspent specific use grant carried forward into 2016/17
Total	**41,095**	**-14,396**	**26,699**	

Source: Cheshire East Council

Note: The above table includes the following proposed budgeted changes for contributions to or from earmarked reserves in 2016/17:

Service Description	**Additional Balance from 1 April 2016**
	£000
Economic Growth and Prosperity	
Planning Costs and Investment Service structure	1,000
Chief Operating Officer	
Investment (Sustainability)	-140
Collection Fund Management	451
Transitional Funding	2,500
Total	**3,811**

4. Capital Reserves

46. Capital receipts received in year are fully applied to finance the capital programme and therefore no capital receipts reserves are held by the Council.

47. Where revenue contributions are used to finance capital expenditure these will be held in reserve until such time as the expenditure is incurred.

5. Reserves Strategy Conclusion

48. Overall Cheshire East Council is establishing reserves that match the minimum risk levels while retaining flexibility react to investment opportunities. This approach can be supported during the medium term based on recent performance against budget.

49. This recognises local issues and allows the Section 151 Officer to comment favourably on the adequacy of reserves.

50. The maintenance of protocols around the use of balances improves control and increases openness in financial reporting and management. This approach assists with financial planning and increases understanding of Cheshire East Council's financial position. Reserves' positions will continue to be reviewed throughout the financial year.

Background Papers

Cheshire East Council – Final Accounts 2014/15

Cheshire East Council – Budget Report 2015/18

Cheshire East Council – First Quarter Review of Performance 2015/16

Cheshire East Council – Mid-Year Review of Performance 2015/16

General Fund Reserves – Risk Assessment Working Papers 2015

CIPFA Local Authority Accounting Panel: Bulletin 55, Local Authority Reserves and Balances (2003)

Annex A to Reserves Strategy

Protocols and Controls

The Existing Legislative / Regulatory Framework

1. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

2. There are three significant safeguards in place that militate against local authorities over-committing themselves financially:

    1. The balanced budget requirement.
    2. The Chief Finance Officer's S114 powers.
    3. The External Auditor's responsibility to review and report on financial standing.

3. The balanced budget requirement is reinforced by section 114 of the Local Government Finance Act 1988 which requires the Chief Finance Officer to report to all the Authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the Authority will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice cannot be taken lightly and has serious operational implications. The Authority's full Council must meet within 21 days to consider the S114 notice and during that period the Authority is prohibited from entering into new agreements involving the incurring of expenditure.

4. While it is primarily the responsibility of the local authority and its Chief Finance Officer to maintain a sound financial position, External Auditors have a responsibility to review the arrangements in place to ensure that financial standing is soundly based. In the course of their duties External Auditors review and report on the level of reserves taking into account their local knowledge of the Authority's financial performance over a period of time. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

The Role of the Chief Financial Officer

5. It is the responsibility of the Chief Finance Officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. There is no statutory minimum.

6. Local authorities, on the advice of their Chief Finance Officers, are required to make their own judgements on the level of reserves taking into account all the relevant local circumstances. Such circumstances vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.

Good Governance

7. It is important that Members take responsibility for ensuring the adequacy of reserves and provisions when they set the budget. CIPFA recommend that the respective roles of officers and

Councillors in relation to reserves should be codified locally and given due recognition in the Constitutions. This codification should:

- State which council bodies are empowered to establish reserves
- Set out the responsibilities of the Chief Finance Officer and Councillor – or group of Councillors – responsible for finance
- Specify the reporting arrangements

A New Reporting Framework

8. The Chief Finance Officer has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

9. The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Chief Finance Officer. To enable the Council to reach its decision, the Chief Finance Officer should report the factors that influenced his or her judgement and ensure that the advice given is recorded formally. Where the advice is not accepted this should be recorded formally in the minutes of the Council meeting.

CIPFA recommended that:

10. The Business Planning report to the Council should include a statement showing the estimated opening general reserve fund balance for the year ahead, the additional contribution to / withdrawal from balances, and the estimated end of year balance. Reference should be made as to the extent to which such reserves are to be used to finance recurrent expenditure this should be accompanied by a statement from the Chief Finance Officer on the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the Authority's medium term financial strategy.

11. A statement reporting on the annual review of earmarked reserves should also be made at the same time to the Council. The review itself should be undertaken as part of the budget preparation process. The statement should list the various earmarked reserves, the purposes for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions / withdrawals and the estimated closing balances.

Annex 14 Abbreviations

This annex provides details of the abbreviations used in the Report in alphabetical order.

Term	Meaning
ASDV	Alternative Service Delivery Vehicles – part of the Council's commissioning approach to funding services.
BRRS	Business Rates Retention Scheme – the system of local authority funding introduced on 1st April 2013.
DCLG / CLG	Department for Communities and Local Government – the Government department responsible for supporting local government.
DSG	Dedicated Schools Grant – grant received from Government to fund schools.
ESG	Education Support Grant – a grant provided to support services the Council provides to schools.
FQR	First Quarter Review of Performance.
HR	Human Resources – one of the Council's corporate service areas under the Chief Operating Officer.
ICT	Information and Communication Technology – the service responsible for computers, networks, software, phones, etc.
MYR	Mid-Year Review of Performance.
NEETs	Not in Education, Employment or Training
NNDR	National Non Domestic Rates – the contribution to general local authority costs by businesses. The rate is set by central Government.
PWLB	Public Works Loan Board – a Government agency providing loans to public bodies for capital works.
RSG	Revenue Support Grant – a grant that forms part of the Business Rate Retention Scheme.
SLE	Separate Legal Entity – a delivery model for delivering services in a different way.
TQR	Third Quarter Review of Performance.