Cheshire East Council
Medium Term Financial Strategy
2018/21
Executive Summary

February 2018

Cheshire East Council

This document is available to download on the Cheshire East Council website. It will form part of the 6th February 2018 Cabinet Agenda and the recommended version will be distributed to all Members as part of the 22nd February 2018 Council Agenda.

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

A Great Place to Live

"Cheshire East is a great place to live, work and visit - and this is as important to the Council as it is to our local residents. In addition, we have one of the strongest economies in the country which is made up of a vibrant mix of businesses across a wide range of sectors."

Source: Cheshire East Corporate Plan 2017-20

The Council's Corporate Plan 2017 to 2020 highlights how the Council is striving to create sustainable growth in the local economy that will support the health and economic wellbeing of residents. Developing the skills of our local population helps to secure meaningful long-term employment as well as supporting our local businesses to grow. In Cheshire East, Gross Value Added (GVA) per head, which measures the volume of economic output per head of population, has exceeded the UK average each year for at least the last two decades*

Strong economic performance, backed with high growth in housing, has helped attract Government funding for infrastructure, and continues to push the local authority in to a position where the cost of local authority services could be funded by local people and businesses. Reforms to business rates, which are currently being considered by Government, could in fact make this position a reality in the medium term.

**Sources: [1] Regional Gross Value Added (Income Approach) 1997-2016 data, ONS, Dec 2017. [2] Time series dataset released as part of the 'Quarterly National Accountants: Quarter 3 (July to Sept) 2017' ONS statistical release, Dec 2017.*

Cheshire East is the third largest council in the Northwest of England, responsible for over 500 services and with a population of over 370,000. Our annual turnover exceeds £700m and our resources are well-managed through our budgetary framework. The Council engages with the communities of this beautiful part of the Northwest of England in delivering much needed services to people who need them.

Achieving Objectives

The Council is achieving outcomes for local people that secures well-being and good health. Education achievement rates for pupils in Cheshire East remain as one of the highest levels in the country, and social care for children and adults are receiving higher levels of investment in the medium term. Life expectancy for Cheshire East residents is higher than both regional and national averages.

A Vision for Cheshire East

Cheshire East Council operates in a dynamic environment and new opportunities and challenges are a constant. The Council plans well to meet these demands and has established corporate outcomes that have real longevity and remain relevant even as the world changes around us. Equally, the Council has a set of core values, our FIRST values, which we use to shape our approach to decision making and service delivery. These remain just as important and relevant as ever.

Our vision continues to evolve as these new opportunities and challenges are met and ambition for the borough grows. The Council will share a new vision in a refresh of its Corporate Plan in 2018. So, while the core priorities in the Corporate Plan remain the same, our vision develops over time.

Financial Pressure

The costs associated with maintaining quality in our services and environment is very challenging. 60% of the Council's net budget is spent on providing support for People based services, such as social care, and yet the public sector finances are under severe financial pressure, particularly in health services. In addition to this pressure as the area grows there is growing need to empty more bins and maintain an expanding highways network.

The Council was able to freeze Council Tax levels for five consecutive years from 2011/12 to 2015/16 inclusive, with some Government support, saving local taxpayers a total of nearly £50m in that period. But, by 2019/20, there will be no general Government grant support to the revenue budget of Cheshire East Council. Growth in demand for services must therefore be funded locally, and this creates a requirement to increase Council Tax levels in line with Government expectations.

Financial stability

To manage the ambitions of the area with the accessible resources the Council has created a medium term financial strategy that balances the 2018/19 budget, but must continue to develop in order to balance the medium term financial challenges.

In **2018/19** the headlines of the financial strategy are:

- Targeting cost effective service provision for residents whilst responding to the change in the Government's strategy for local authority funding. Council Tax will increase by 5.99% to offset the severity of Government grant reductions and provide additional investment in Social Care for Adults (see below) and Children.
- 3% (£5.7m) of the overall Council Tax increase will be solely utilised to fund increasing care costs within Adult Social Care.
- Dealing with a reduction in grants from Central Government of £11.9m.
- Managing inflation pressures relating to pay, contracts and demand for services of £19.5m.
- Increasing expenditure in our front line services (Outcomes 1 – 5) and decreasing expenditure through efficiency in our back office functions (Outcome 6).
- Boosting local economic prosperity through continued investment on capital projects, such as roads maintenance, infrastructure, education and regeneration.

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

Table 1	2017/18*	2018/19 Budget	Change
Revenue Budget	£263.8m	£268.8m	£5.0m
Capital Budget	£116.3m	£127.1m	£10.8m

* Approved Permanent Budget as at Quarter 3

Net Revenue Budget 2018/19

- Income is estimated to vary from 2017/18 as follows:
  - Revenue Support Grant (-£8.0m)
  - Increase in New Homes Bonus (+£0.3m)
  - Other Specific grants (-£4.3m)
  - Growth in Council Tax Base (+£3.9m)
  - Increase in Council Tax levels (+£11.5m)
  - Council Tax Collection Fund Contribution change (-£0.4m)
  - Business Rates Retained (+£2.0)
- Net expenditure is estimated to increase by £5.0m from 2017/18 as set out in **Table 2**:

Table 2	Change from 2017/18 Budget £m	2018/19 Budget £m
Outcome 1 – Communities	+0.5	24.8
Outcome 2 – Economy	+2.2	27.0
Outcome 3 – Education	+3.1	46.9
Outcome 4 – Environment	+1.1	30.6
Outcome 5 – Health	+5.5	99.2
Outcome 6 – Efficient	-2.3	30.3
Contribution from Earmarked Reserves (change from 2017/18)	-0.2	-0.3
Central Budgets	-4.9	10.3
Total	**+5.0**	**268.8**

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

Capital Budget 2018/19 to 2020/21

The three year capital programme includes investment plans of over £0.3bn. 67% of the funding for this ambitious programme will come from Government grants or contributions from other external partners. In addition, 6% 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 (£170m / 52%)
  - Other external contributions (£50m / 15%)
  - Receipts from Council Assets (£18m / 6%)
- Expenditure is estimated in the following areas:
  - Highways (£197m)
  - Education (£35m)
  - Economic Growth and Visitor Economy (£29m)
  - Other schemes, such as health and wellbeing, environmental, estate management and IT (£65m)

In addition to these investment plans a number of further schemes, totalling expenditure of £0.2bn are requesting approval but these projects will only commence on completion of detailed business cases and when funding for these projects is confirmed.

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.

Table 3: Good financial management reduces the overall need for high Total Revenue Reserves

Table 3	Forecast Closing Balance		
	2017/18	2018/19	Change
General Reserves	£10.3m	£10.2m	-£0.1m
Earmarked Reserves*	£32.5m	£28.5m	-£4.0m
Total Revenue Reserves	**£42.8m**	**£38.7m**	**-£4.1m**

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

The Council's Reserves Strategy (**Annex 12**) provides the reasons for holding General or Earmarked Reserves at current levels.

Achieving Outcomes for Residents

Outcome 1

The Council will deliver a net increase of £0.5m for services to **local communities** including:

- Review Environmental Enforcement Services and fly-tipping pilot
- Increase in Community grants

Outcome 2

Cheshire East Council will increase budgets by £2.2m and continue to help ensure it has a **strong and resilient economy** through:

- Reviewing the way the Council commissions and designs the subsidised bus network
- The creation of a new investment portfolio
- Investment in our HS2 Strategy

Outcome 3

Increasing budgets by £3.1m and ensuring people have the **life skills and education** they need to thrive through:

- Children's services transport policy review
- Growth in Care placements

Outcome 4

Increasing budgets by £1.1m to help ensure Cheshire East is a **green and sustainable place** through:

- Review of the Highways contract
- Household Waste recycling Centre income generation and efficiencies
- Implementing a car parking strategy for the Borough

Outcome 5

Redesigning services to ensure People **live well and for longer** and investing an extra £5.5m through:

- Investment in Adult Social Care
- Commissioning all services currently provided by our in-house provider, Care4CE
- Operational Pathway Redesign
- Review and structure services to create efficiencies

The Council also has a sixth underpinning outcome to ensure we continue to improve and be a **responsible, effective and efficient organisation**. Net cost reductions of £2.3m will be delivered by maximising productivity, enhancing returns from investments, maximising value for money on contracts, streamlining processes and rationalising assets in order to focus as much investment as possible towards front line services.

A listening Council

The budget report reflects the Council's ongoing 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.

The stakeholder engagement process included:

- An appropriate timescale that supported the development and sharing of draft Budget ideas.
- Regular elected Member involvement through scrutiny, briefings and planning and licensing processes.

- Wide ranging stakeholder engagement via open meetings, consultation and for the second year running, an online survey tool to gather stakeholder feedback.
- Ongoing development of effective internal challenge processes including staff and union briefings.
- Inclusion of proposals that are not currently proposed for implementation to help stakeholders understand the options that were considered as part of the overall process.
- Continued improvement and transparency in reports.
- Listening to and meeting stakeholders to discuss important issues and future considerations.

During the consultation process the Council received notification of the Government funding settlement. The Council entered into a multi-year agreement, along with 97% of English Local Authorities that fixed certain grants up to 2019/20. The settlement included changes to way the Adult Social Care Precept could be charged, as well as reductions in New Homes Bonus that transferred funds to a new Adult Social Care Grant in 2017/18. A further announcement as part of the Final Settlement on 6th February allocated a further £0.9m grant to support Adult Social Care into 2018/19.

In addition to stakeholder feedback and the Government settlement the Council also reviewed the impact of its Third Quarter financial forecasts.

Based on the feedback, and revised information, changes have been made to adjust expenditure in a number of areas compared to the Pre-Budget Consultation Report.

The Council initially proposed an option to close its three smallest libraries, but invited proposals from local community organisations to deliver the libraries as community managed libraries as an alternative to closure. In light of the consultation responses, this proposal has been significantly changed and all libraries will remain open. Alderley Edge and Disley libraries will achieve some budget savings from revised opening hours and staffing. In Prestbury a small budget saving will be achieved from increased financial support from the community. It will of course be important to continue to monitor these revised ways of working in case the proposal to close these libraries has to be reconsidered if usage declines significantly.

Changes have also been made to increase the level of funding provided for Highways. £5m of expenditure in the Highways Investment Programme will be moved from the Capital Addendum and funded as part of the main programme. In addition the contract savings from Highways, proposed as part of the consultation process are not being taken forward.

Further changes reflected the receipt of Homelessness grant, and also a proposal to stop current arrangements to refund car parking costs near Crewe Lifestyle Centre and Nantwich Leisure Centre was removed and the refunds will therefore continue to be paid.

These changes have become affordable following the financial settlement where the Secretary of State increased the Council Tax referendum threshold by 1%. Although previous Council Tax freezes have been welcomed the consultation feedback in 2017/18 supported Council Tax increases over further service changes. Council Tax is therefore increasing by 5.99% overall.

Where specific proposals have been amended these changes are included within **Section 1** of the MTFS. **Annex 2** of the MTFS also describes the engagement activities carried out by the Council.

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 more efficient and effective ways of working. The number of staff employed directly by the Council has also been reduced with staff and unions working together to manage transfers to innovative Alternative Service Delivery Vehicles. Wherever possible, retention of front line staff has been given priority.

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 Environmental Services Ltd (Waste Services, Street Cleansing, Grounds and Fleet)
- Orbitas (Bereavement services and minor maintenance service)
- Tatton Park Enterprises
- Transport Service Solutions Ltd
- Civicance (Building Control and Planning/Land Charges Support)
- Skills and Growth Company
- Engine of the North Ltd

Charitable organisations:

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

Collaborative Arrangements:

- Regional Adoption Agency
- Cross Cheshire Youth Offending Team

In-House Council Services:

- Cheshire East libraries
- Planning
- Children's Social Care
- Safeguarding
- Early Help and Prevention
- Schools Support Services (82 Local Authority maintained schools)

The Council is undertaking a review of the arrangements for service providers, particularly in relation to the Council's wholly owned companies. It is the right time to do this as each company has now had time to set-up, operate and reflect on market conditions as well as review the opportunities available from being a separate legal entity to the Council. Results of the review will be addressed throughout the 2018/19 Financial Year and reported to members and other stakeholders as appropriate.

In 2015/16 the Council aligned its corporate business case format to public sector best practice in the form of the HM Treasury Five Case Model. This approach has continued and has helped to strengthen its processes for monitoring the delivery of these proposals.

The Medium Term Financial Strategy (Full Report)

As the Finance Portfolio Holder, I have developed the medium term strategy, with the professional support of Jan Willis (Interim Executive Director of Corporate Services) and her 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 2018/19 financial year. The report also includes medium term estimates showing financial challenges from 2018 through to 2021.

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 three 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 and to do everything I can to maintain Cheshire East as one of the best places to live in the Northwest.

Cllr Paul Bates

Portfolio Holder for Finance & Communication,
Cheshire East Council
February 2018

Talking about Cheshire East

8 Green Flag Awards for our parks & open spaces

Connecting Cheshire has made fibre broadband available to 97% of Cheshire East premises. Take-up of fibre has risen to over 43%, one of the highest in the country.

The Council's Community Grants Scheme granted over £170,000 of funding to 94 organisations in 2016/17

As of March 2017, 94% of Cheshire East schools were 'good' or 'outstanding' based on their most recent inspection

Over 3 million uses of Leisure Services facilities in 2016/17

Crewe Lifestyle Centre won 'Best Public Service Building' from the North West Local Authorities Building Control Awards, and the 'Community Benefit' category from the Royal Institute of Chartered Surveyors

Our 56% recycling rate continues to be in the top 10% of all local authorities

398 affordable homes were delivered in 2016/17 (against a target of 350)

Over 1.5 million library visitors per year

There are more than 50,000 dedicated volunteers in Cheshire East who provide over 74,000 hours of support each year to a vast range of organisations.

Around 4.6 million Council website hits per year, with a Socitm 4* (top award) ranking

Annex 1

Estimated Budget and funding for Cheshire East Council 2017/18 to 2020/21 (excluding ring-fenced grants).

Summary position for 2018/19 to 2020/21	Budget Book 2017/18 (revised at TQR) £m	Estimated Net Budget 2018/19 £m	Estimated Net Budget 2019/20 £m	Estimated Net Budget 2020/21 £m
Outcome 1 - Our Local Communities are strong and supportive	24.3	**24.8**	**25.3**	**25.8**
Outcome 2 - Cheshire East has a strong and resilient economy	24.8	**27.0**	**27.3**	**27.7**
Outcome 3 - People have the life skills and education they need in order to thrive	43.8	**46.9**	**48.3**	**49.8**
Outcome 4 - Cheshire East is a green and sustainable place	29.5	**30.6**	**29.3**	**29.7**
Outcome 5 - People live well and for longer	93.7	**99.2**	**104.8**	**111.0**
Outcome 6 - Efficiency	32.6	**30.3**	**29.9**	**30.9**
Total Outcomes	248.7	**258.8**	**264.9**	**274.9**
CENTRAL BUDGETS:				
Capital Financing	14.0	**10.0**	**12.0**	**12.0**
Past Pensions Adjustment	1.2	**0.3**	**0.2**	**1.2**
Income from Capital Receipts	0.0	**-2.0**	**-1.0**	**-1.0**
Contingency	0.0	**1.0**	**1.0**	**1.0**
New Homes Bonus Community Fund	0.0	**1.0**	**1.0**	**0.0**
Use of / Contribution to Earmarked Reserve	-0.1	**-0.3**	**0.0**	**0.0**
Additional changes to balance future years	0.0	**0.0**	**0.0**	**-10.1**
TOTAL: CENTRAL BUDGETS	**263.8**	**268.8**	**278.1**	**278.0**
FUNDED BY:				
Council Tax	-191.1	**-206.4**	**-212.7**	**-219.2**
Business Rate Retention Scheme	-41.0	**-43.0**	**-41.8**	**-42.3**
Revenue Support Grant	-13.4	**-5.4**	**0.0**	**0.0**
Specific Grants	-16.9	**-13.0**	**-12.5**	**-11.2**
Sourced from Collection Fund	-1.4	**-1.0**	**-1.0**	**0.0**
TOTAL: FUNDED BY	**-263.8**	**-268.8**	**-268.0**	**-272.7**
Funding Deficit	**0.0**	**0.0**	**10.1**	**5.3**

Cheshire East Council
Medium Term Financial Strategy
2018/21

February 2018

Cheshire East Council

Foreword from the Finance and Communication Portfolio Holder

A great place to live

Cheshire East is a great place to live, work and visit. Our residents enjoy good living standards and when they need help from the Council we are consistently recognised, through surveys and national awards, as providing good services.

Dealing with financial Challenges

Central Government support is reducing, so understanding the level of services needing to be funded by local people and businesses is more important than ever. Cheshire East has been dealing with this issue for a long time due to the large numbers of households and businesses in the area. But, although the area is experiencing high growth, the increase in demand for services is also increasing. Funding expensive care packages requires an important balance between the finances of individuals, the NHS and Cheshire East Council's resources – and the current balance isn't sustainable.

In Cheshire East the number of residents receiving care and support from Adult Social Care is increasing by 4% year-on-year, and costs can range from very low needs up to individual packages costing over £4,000 per week, where a person has complex needs and nursing care is essential. In addition, over the last 12 months, the number of children and young people in care has increased by 17%. There have been similar levels of increase experienced both regionally and nationally.

The level of growth in the area also brings growth in other key Council Services, such as waste and highways. 1,800 new properties means a lot more bins to empty and more waste to manage and more cars on the road means more maintenance of potholes and additional highways and junctions to relieve congestion and improve safety.

Local Services, engaging local people

The Council is one year closer to 2020 when it is expected to have no reliance at all on general funding from Central Government. To put this into context £40m of funding was received in 2015/16.

The Executive of the Council has been working throughout the summer to produce a set of proposals that can support residents and balance the finances of the Council for the period 1st April 2018 through to 31st March 2021.

The Council's Pre-Budget Consultation document, released in November 2017, received more responses than ever and a number of proposals have been changed in response to the feedback we have received. The largest increase in spending is still in Adult Social Care, but proposals relating to Highways and Libraries where reductions were proposed, have been amended to reduce the impact.

The proposals also include an increase in Council Tax by up to 5.99% for the 2018/19 financial year. This reflects current inflation levels running at c.3% and an additional 3% specifically to fund increasing costs in Adult Social Care. This approach will add £1.39 per week to the average household Council Tax bill each year.

Community funding from New Homes Bonus

I have been encouraged once again by the level of engagement from local people, and I am very aware that local areas sometimes have different priorities. When setting out the Pre-Budget position a proposal was included to set aside £2m and allow local communities to determine how this money will be spent. This

reflected guidance from the Ministry of Housing, Communities and Local Government about locally allocating funding received from the New Homes Bonus and had been made affordable through changes to the Council's approach to capital financing in 2017/18. Whilst the design of this scheme is still subject to approval, the funding has remained a part of the budget and I look forward to seeing how this money can be used to achieve local outcomes.

Achieving our plans

The proposals in this document continue to work towards the Council's Corporate Plan which focuses 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, with care that people need.

I believe this report provides a strong set of options that will be able to create a sustainable position in the medium term. Clearly there is more to do and I will be engaging with key people and organisations throughout 2018/19 to ensure we can create a positon that matches local needs with local resources.

Paul Bates

Cllr Paul Bates, Finance and Communication Portfolio Holder

Comment from the Interim Executive Director of Corporate Services

Managing potentially large overspends whilst facing significant growth in costs has made the 2017/18 financial year very tough in financial terms. Levels of risk have been constantly reviewed and needed to be mitigated in setting the 2018/19 budget.

Reducing risk hasn't been made easy by the uncertainty surrounding key income sources such as business rates and Government grants. Forecasts contained with this Medium Term Financial Strategy rely on input from Government around future planned changes to business rates as well as our local estimates on growth in the domestic and non-domestic tax bases compared to growth in demand for our key services around care, waste and infrastructure.

Cheshire East Council is a large local authority, and the Council's plans for services to local people are targeted at the achievement of the Council's six outcomes contained within the Corporate Plan 2017-20. There is a fine balance between making efficiencies in services and still enabling services to meet residents' needs.

In balancing the financial risks to the medium term finances it has been important to reflect on the level of services required to achieve outcomes compared to the growing demand for services. To this end this budget highlights a shift of resources between service areas, and with Central Budgets:

- The People Directorate is where staff work with health and community based partners to support and keep safe our most vulnerable residents, and spending in this area, is set to increase by £9.0m based on the proposals in this budget.
- There is an overall increase of £1.1m within Place & Corporate Services which cover the following areas:
  - The Place Directorate delivers and commissions a range of services including highways, waste management, leisure services, planning, environmental health and countryside management. It is also delivers major infrastructure and regeneration projects across the Borough
  - The Corporate Directorate provides services that help the Council function, such as Finance, ICT and HR.

In my role as S.151 Officer I constantly review ways to balance the medium term expenditure with the latest income forecasts, as well as targeting the most efficient ways to fund the long term costs of spending on large assets. Changes to central budgets linked to managing long term debt and current pension liabilities are detailed in this report to present a balanced overall position for 2018/19 based on robust business cases and supported by adequate reserves.

Jan Willis

Jan Willis MBA IPFA

Interim Executive Director of Corporate Services

(Section 151 Officer)

Table 1 – Three Year Summary Position

Estimated Budget and funding for Cheshire East Council 2017/18 to 2020/21 (excluding ring-fenced grants)

Summary position for 2018/19 to 2020/21	Budget Book 2017/18 (revised at TQR) £m	Estimated Net Budget 2018/19 £m	Estimated Net Budget 2019/20 £m	Estimated Net Budget 2020/21 £m
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Total Outcomes	248.7	**258.8**	**264.9**	**274.9**
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Business Rate Retention Scheme	-41.0	**-43.0**	**-41.8**	**-42.3**
Revenue Support Grant	-13.4	**-5.4**	**0.0**	**0.0**
Specific Grants	-16.9	**-13.0**	**-12.5**	**-11.2**
Sourced from Collection Fund	-1.4	**-1.0**	**-1.0**	**0.0**
TOTAL: FUNDED BY	**-263.8**	**-268.8**	**-268.0**	**-272.7**
Funding Deficit	**0.0**	**0.0**	**10.1**	**5.3**

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Section 1 - Achieving Outcomes

Cheshire East Council is responsible for providing in the region of 500 local public services across an area of over 1,100km^2 for over 370,000 residents. The total amount of spending to deliver these services in the period April 2017 to March 2018 will be in the region of £720m, which is funded from a combination of local taxes, national taxes (in the form of Government grants) and payments direct from service users and other organisations.

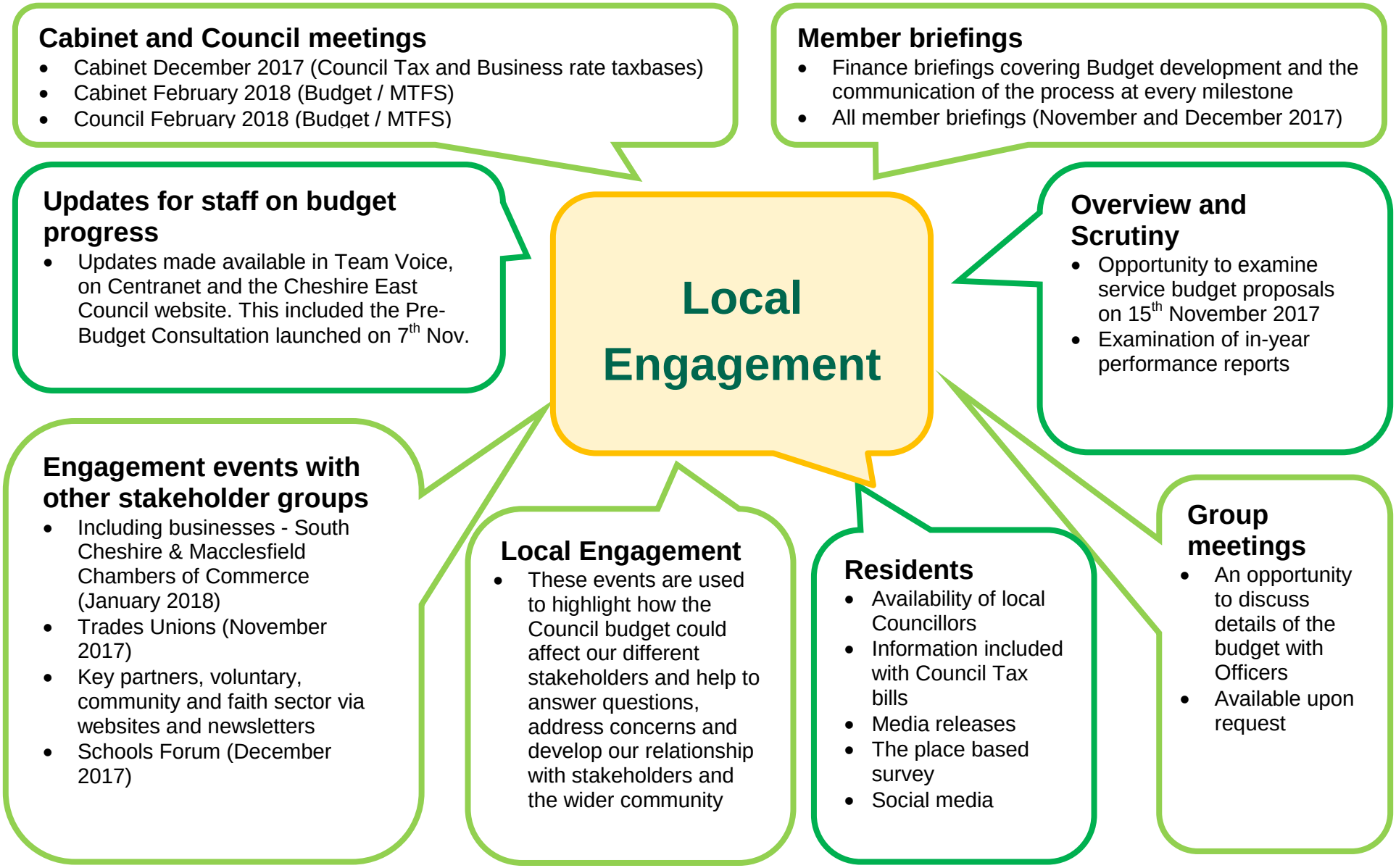
As a place we have a fantastic mix of rural and urban environments. However the most important element of Cheshire East is its people and we will strive to make sure we have a Council that serves its diverse community well and delivers value for money. We want to see Cheshire East Council build a national reputation for customer services and partnership working and to build a clear programme that continually delivers.

The Corporate Plan 2017-2020 reaffirmed the outcomes contained within the previous three year plan. Members agreed 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 achieve its outcomes through focused and clear priorities.

Each of the Council's Priority outcomes is set out on the following pages along with budget changes that will achieve a balanced position for 2018/19.

The following pages set out:

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


Cabinet and Council meetings
Cabinet December 2017 (Council Tax and Business rate taxbases)
Cabinet February 2018 (Budget / MTFS)
Council February 2018 (Budget / MTFS)
Member briefings
Finance briefings covering Budget development and the communication of the process at every milestone
All member briefings (November and December 2017)
Updates for staff on budget progress
Updates made available in Team Voice, on Centranet and the Cheshire East Council website. This included the Pre-Budget Consultation launched on 7th Nov.
Local Engagement
Overview and Scrutiny
Opportunity to examine service budget proposals on 15th November 2017
Examination of in-year performance reports
Engagement events with other stakeholder groups
Including businesses - South Cheshire & Macclesfield Chambers of Commerce (January 2018)
Trades Unions (November 2017)
Key partners, voluntary, community and faith sector via websites and newsletters
Schools Forum (December 2017)
Local Engagement
These events are used to highlight how the Council budget could affect our different stakeholders and help to answer questions, address concerns and develop our relationship with stakeholders and the wider community
Residents
Availability of local Councillors
Information included with Council Tax bills
Media releases
The place based survey
Social media
Group meetings
An opportunity to discuss details of the budget with Officers
Available upon request

Understanding the financial tables in this document

Potential budget changes in this document are expressed in cash terms compared to the Council's Approved Budget for 2017/18.

Some items may affect services that cut across several outcomes but for ease of understanding proposals are only listed under the most relevant outcome within this section of the report. Each proposed change is included in a table as described below:

Theme of the Potential Change(s) *(such as "Changing the way we work" or "Income Generation")*	**2018/19** **£m***		**2019/20** **£m***	**2020/21** **£m***
X. Number and title of Proposed changes (either Revenue or Capital) A narrative to describe what the proposal is *Impact on Services Budget =*	**-x.xxx**		**-x.xxx**	**-x,xxx**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

The specific Service Budget that may be affected is identified here. Current budgets are detailed in the Council's Budget Book.

Capital changes are split by the year in which expenditure is incurred.

Figures represent an increase or decrease in spending compared to the 2017/18 Approved Budget.

If the potential change is permanent it is therefore repeated in each year.

If spending will vary across the three years each figure still represents the change from the existing 2017/18 Budget

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 Safe, 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. 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.

Evidence of Achievement

Performance of Outcome 1 will be measured through the use of performance indicators such as the examples below:

1. Working to increase overall satisfaction with the local area (which is currently at 81%).
2. Increasing the percentage of people who feel safe when they are outside in their local area at night (which is currently at 67%).
3. Operating a 24/7 CCTV service, with a financial contribution from Town & Parish Councils, to monitor the Borough and alert Police, Fire and other public body colleagues of incidents and issues as they take place. (On average the service responds to around 1,300 incidents each month.)
4. Working in partnership to continue making early interventions on incidences of Anti-Social Behaviour. Activities in Cheshire East between 2014 and 2016 resulted in high levels of successful interventions; 98.1% of young people receiving interventions never returned to the system to receive an Acceptable Behaviour Contract.
5. Increasing the annual number of Countryside Volunteer days (which stood at 1,294 days in 2016/17), and the annual number of Leisure Services volunteer hours (6,675 hours in 2016/17).
6. Continuing to award Community Grants to contribute towards community activities (in 2016/17 the Scheme granted over £170,000 of funding to 94 organisations, contributing towards over £2.8m worth of projects and community activities).
7. Increasing the number of residents who feel that the Council keeps them informed about the services and benefits it provides (currently at 50%).

Key Priorities

We have listened to what is important to our residents and communities. Throughout 2017/18 we have undertaken coproduction events with service users, communities and the voluntary sector to understand what you want to see. We recognise that working with communities will help us achieve this really important outcome about safe, strong and supportive communities. We want to be much more pro-active in agreeing what our deal is with you, so that we use our fantastic assets which are people, money and buildings in the ways to get the best outcomes we can.

Cheshire East Council along with many other local authorities across the country is facing unprecedented challenges to meet the needs of its residents alongside having to make large scale savings. Only by involving local residents and key stakeholders in how we face these challenges will we truly achieve the best outcomes for all parties. The Council is committed to developing strong and supportive communities, and this approach clearly demonstrates that commitment by putting our residents at the heart of the decision making process wherever possible.

Our community development work uses an asset based approach to develop strength based community initiatives. It builds social capital, recognising the importance of relationships, by developing local networks and connections, including targeted interventions to build social relationships amongst isolated groups. We also deliver interventions that encourage social connections between people with similar experiences to provide peer support, helping residents to confront and cope with life's challenges, so that they maintain their wellbeing in the face of adversity. We are keen to take this approach with our Adult Social Care services too.

All our communities, social networks, and individuals have assets that can help to create community capital and generate local benefits. We want to unleash the full value of our community capital, unlocking any reserves, to maximise our shared potential, bringing about greater social, economic and personal benefits for everyone in Cheshire East. Our journey looks to increase our support to communities by providing information, infrastructure, networks and skills to help local groups and social enterprise grow and overcome any hurdles they identify. This will enable our communities to become more enterprising, reducing dependency and enabling people in more deprived areas to address the inequalities which impact on their lives. We know that a one-size fits all approach will not work; instead we will develop evidence based, community-led interventions, which develop participatory engagement and co-production across our communities.

We want to focus on individuals, supported by families and friends within their local communities. All resources and assets in places must be used to support the wider determinants of health and improve health and wellbeing outcomes. There needs to be a shift towards more prevention and early intervention which will require services to organise and professionals to behave in very different ways.

Challenges

- There is significant demand on services, high costs to the system and local demographic pressures which, coupled with the impact of preventable premature morbidity and mortality and reduced funding, will continue to put pressure on the Cheshire East health and care system.
- Addressing some stark differences across Cheshire East. For life expectancy there is a noticeable difference of around 13 years between the lowest rates in Crewe Central and the highest in Gawsworth for females. For males, there is an 11 year gap between the lowest rate, again in Crewe Central, and the highest in Wilmslow East.
- In 2015 there were 18 small areas in the most deprived 20% nationally; this is an increase from 16 areas in 2010. Of these 18 areas, six areas were in the most deprived 10% of areas nationally. Five of these were also in the most deprived 10% in 2010, and all are areas of Crewe. The sixth and new area includes part of St Johns, again in Crewe.

Opportunities

- A new vision for place-based health and wellbeing is emerging and people must be empowered to take greater control over their own lives, to influence personalised services and to take greater responsibility for their health outcomes.
- Strengthening our approach to Community Engagement and Communications to help shape our commissioning intentions, our services and to create sustainable communities.
- Reshaping our approach to Adult Social Care and Communities work to empower local residents and Connect People, helping people in communities to become more connected to others, to reduce inequalities and improve life chances.
- Strengthen local networks and partnerships, developing Connected Neighbourhoods which work collaboratively and provide mechanisms for collaboration to improve health and wellbeing.
- Connecting local people to local decision making.

Proposals to vary the Budget under Outcome 1 (Communities) are focused on these areas:

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***	**2019/20 £m***	**2020/21 £m***
Review Environmental Enforcement Service based on outcomes (Summer 17) of Fly-tipping pilot and procurement of patrol company pilot (Revenue Savings) (1) Two pilot projects are underway to improve environmental enforcement. These will be reviewed by the end of Summer 2017, with a plan to redesign the delivery of the service and deliver savings from April 2018 onwards.			
Impact on Community Safety Delivery Team Service Budget =	**-0.118**	**-0.118**	**-0.118**

**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.*

Values are not cumulative

Working with the community ***Services and financial forecasts will be adjusted to react to trends in the way residents interact with key services.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Increase Community Grants (Revenue Investment) (2) The Community Grants scheme is highly valued by community and voluntary groups and demand for support increases annually, and is now four times oversubscribed. For every £1 invested in this scheme it is worth £9 to the community, contributing towards over £1.6m worth of activities and projects in the Borough in 2015/16. The proposal is to increase the Community Grant budget, to deliver even greater impact from investment.				
Impact on Partnerships & Communities Service Budget =	**+0.040**		**+0.040**	**+0.040**
New Homes Bonus Community Fund (Revenue Investment) (97) Funding has been made available in line with Central Government's New Homes Bonus guidance for community projects, to be allocated in accordance with local priorities. Design of the final scheme is subject to further review.				
Impact on Central Budget (Not included in OC1 total on Table 1) =	**+1.000**		**+1.000**	**0.000**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Outcome 2 - Cheshire East has a strong and resilient economy

What this means:	We will invest in the building blocks that will allow business to grow, give our residents the right skills to secure employment and attract inward investment in to the Borough. By working together with business and our residents we will enhance the quality of place and create prosperity for all.			
What the Council will focus on:	**1. Culture, Heritage and Tourism**	**2. Jobs and Skills**	**3. Business Growth and Inward Investment**	**4. Infrastructure**
What this will look like:	Across the Borough our towns and villages will offer a rich mix of retail, leisure, cultural and heritage facilities that will serve our residents and attract more visitors and tourists to Cheshire East.	The workforce in Cheshire East will be well educated and skilled. Unemployment will be kept low, new and high quality jobs will be created and people will be ready for work as soon as they leave education or training.	Businesses will grow and thrive in Cheshire East. Sites and support will be available to attract new businesses to the Borough and to allow existing businesses to grow.	Cheshire East will be well connected. Travel will be safe and efficient.

Evidence of Achievement

Performance of Outcome 2 will be measured through the use of performance indicators such as the examples below:

1. Continuing to grow Cheshire East's economic output (Gross Added Value). Latest (2016) estimates suggest that the Borough's GVA stands at £11.59bn; a growth averaging 2.9% per annum since 2012.
2. Increasing Cheshire East's visitor economy, now worth £895m to the local economy. According to latest (2016) figures, 17.66 million visitor days are spent in the Borough per year, an increase of over 34% since Cheshire East Council was formed in 2009.
3. Increasing the average level of customer satisfaction (50% in 2016/17) with our Highways service via targeted performance improvements across a range of measures including reduced insurance claims against highways (590 in 2016/17) and resolving 98.5% of Category 1 Defects within timescales.
4. Maintaining low numbers of young people who are NEET (not in education, employment or training), which stood at 2.4% at the end of 2016/17.

Key Priorities

Cheshire East has one of the strongest economies in the country which is made up of a vibrant mix of businesses across a wide range of sectors. The challenge is how we maintain our position to create sustainable growth that will support the wellbeing of our residents and the economy to grow.

With this in mind the Council is prioritising investment from both its capital and revenue budget to support growth through major infrastructure projects such as HS2 and support for regeneration.

Furthermore the Council has completed a review of the subsidised bus network with the action of prioritising the Council's budget to support access to essential services e.g. health, education and employment. The proposals would ensure the Council maintains 97% of the subsidised network.

Therefore these proposals seek to prioritise spending on economic development and regeneration and seeking efficiency through the major contracts we commission.

Proposals to vary the Budget under Outcome 2 (Economy) are focused on these areas:

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***	**2019/20 £m***	**2020/21 £m***
Addressing Budget Shortfall in the Asset Management Service (Revenue Investment) (3) There is a shortfall in income being achieved from the asset portfolio and as such income targets for the service will need to be permanently adjusted. This will partially be addressed by driving efficiencies however a growth bid is still necessary. *Impact on Assets Service Budget =*	**+0.327**	**+0.249**	**+0.184**
Visitor Economy (Revenue Investment) (4) Addressing operational issues of Cheshire East's Visitor Information Centres (VICs). Cheshire East Council (CEC) has signed a Service Level Agreement (SLA) with Macclesfield Town Council (TC) to provide financial contributions and discussions are ongoing with Congleton TC around financial contributions whilst maintaining provision of a sustainable visitor information service. This will allow tourism assets to be actively promoted. There are also a number of long standing underlying budget pressures totalling £35,000 associated with the management & operation of the VICs relating to an ongoing inherited shortfall. This supports Council outcomes 1, 2, 3, & 5. *Impact on Visitor Economy Service Budget =*	**+0.032**	**0.000**	**-0.012**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*			

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Removal of Fairerpower payment (Revenue Saving) (5) As the Fairerpower scheme nears its self-sustaining position the contract is being novated over to Skills and Growth Company (SAGC) so they can implement their growth strategy of approaching other Authorities to buy in to the scheme. The annual payment that CEC made to SAGC to manage the contract can now cease. *Impact on Skills & Growth Service Budget =*	**-0.140**		**-0.140**	**-0.140**
Contract Savings and Place Directorate restructuring (Revenue Savings) (32) The Place Directorate manages contracts of an estimated annual value of £90m and will aim to achieve reductions in contract expenditure through targeted actions such as: - More consistent standards of contract management - Improved alignment of commissioning activity - Challenging the benefits of existing provider markets - Smarter negotiation to achieve outcomes at best value The staffing structure of the Directorate must also change to reflect new ways of working that deliver place based services that achieve outcomes, in the most efficient way. This will require re-alignment of services and reviews of management responsibilities that reduce overall costs. The combination of changes to contract management and management structures can realise reductions of up to £370k per annum. *Impact on Cross Service Budget =*	**-0.370**		**-0.370**	**-0.370**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Investment in services ***Investment will be put in to systems that support key services and in to other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Cheshire East Reflects (Revenue Investment & Savings) (6) Continued delivery of Cheshire East Reflects four year programme of commemorative activities to mark centenary of World War 1. In particular, continuation of education programme and delivery of major, public events in 2018. The programme of events end in 2018 so no further funding will be required in 2019/20. Supports Council's Outcomes 1, 2, 3, and 5 *Impact on Cultural Economy Service Budget =*	**+0.020**		**-0.030**	**-0.030**
Shortfall in salary budgets and establishment costs (Revenue Investment) (7) A base budget review of the department has highlighted historic shortfalls in salary budgets, this regularises the situation but will be addressed as part of a wider review of the management structure. *Impact on Directorate Service Budget =*	**+0.105**		**+0.105**	**+0.105**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Investment in services ***Investment will be put in to systems that support key services and in to other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Facilities Management budget shortfalls (Revenue Investment) (8) Recent additions to the Council's estate to improve facilities for residents have resulted in pressures on budgets. For example, the creation of improved leisure and environmental facilities, the retention of empty buildings and the revaluation of properties for business rates has resulted in higher business rates being payable, are contributing to the budget pressure. *Impact on Facilities Management Service Budget =*	**+0.836**		**+0.926**	**+1.016**
Homelessness Reduction Act - new burdens (Revenue Investment) (New) The Minister for Local Government is providing local authorities with new burdens funding following the introduction of the Homelessness Reduction Act. The Homelessness Reduction Act places new statutory duties on Local Authorities. The Homelessness Reduction Act has significantly reformed England's homelessness legislation to ensure that more people get the help they need to prevent them becoming homeless in the first place. It forms part of the Government's end to end approach to tackling homelessness, helping both those at risk of homelessness and those experiencing a crisis. The new burdens funding for the Act sits alongside other funding for homelessness, including the Homelessness Prevention funding and the Flexible Homelessness Support Grant. The funding has been made available for local authorities to meet the new duties contained within the Act. *Impact on Housing Service Budget =*	**+0.037**		**+0.047**	**0.000**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Income generation ***Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Create a new Investment Portfolio (Revenue Savings) (9) The objective of this proposal is to deliver a long term and sustainable income to the Council through investment in commercial property. The general approach will be to consider the level of investment, risk and potential rate of return prior to considering acquiring the specific investment. *Impact on Assets Service Budget =*	**0.000**		**-0.250**	**-0.500**
Increase Public Rights of Way Fees & Charges (Revenue Savings) (10) Changes in fees and charges associated with the legal processes in dealing with making alterations to public rights of way. These changes are driven by increased demands for alterations to public rights of way associated with development throughout Cheshire East which requires a far greater input of officer time to adequately manage. The fees and charges need to accurately reflect this in order to ensure the Council is recovering its full costs and there are no additional financial burdens on the council tax payer. Supports Council's Outcomes 1, 2, 3, and 5. *Impact on Public Rights of Way Service Budget =*	**0.000**		**-0.015**	**-0.015**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Reducing subsidy ***Ensure limited resources are redirected to the areas with the most critical need.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Changes to subsidised Bus Service (Revenue Savings) (11) The Council gives revenue support to local bus services to enable services to be provided which would not otherwise be provided by commercial operators. The proposed review will also rationalise the existing network by combining routes, changing the hours of operation and in some cases by stopping the provision of services altogether. This has been subject to a thorough and detailed consultation exercise. In particular the impact on rural communities and protected groups has been reviewed before a final decision was made. *Impact on Public Transport Commissioning Service Budget =*	**-1.176**		**-1.176**	**-1.176**
Tatton Vision Phase 1 (Revenue Savings) (12) A five year capital programme, Tatton Vision Phase 1 is investment in facilities, services and experience for visitors and residents to the park. It aims to improve indoor event spaces, catering and retail sites, encouraging increasing visitor numbers, greater spend and longer dwell time. This improves the overall financial return, reducing the cost of Tatton to the Council. Supports all the Council's Outcomes. *Impact on Tatton Park Service Budget =*	**-0.045**		**-0.045**	**-0.045**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Reducing subsidy ***Ensure limited resources are redirected to the areas with the most critical need.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Reduce funding to Macclesfield Silk Heritage Trust (Revenue Savings) (13) Managed transition of support funding to Macclesfield Silk Heritage Trust resulting from the revised business plan. Supports Council's Outcomes 1, 2, 3, and 5. *Impact on Cultural Economy Service Budget =*	**-0.010**		**-0.010**	**-0.010**
Marketing Cheshire (Revenue Savings) (14) Cheshire and Warrington Tourism Board operating as Marketing Cheshire provide a company vehicle for Cheshire East Council to deliver agreed sub-regional and local activities in relation to the growth agenda and delivery of its visitor economy strategy. By reducing the payments in 2018/19 and 2019/20, this will have negligible impact on current visitor economy projects and funding schemes already in place and currently being implemented in Cheshire East. It allows Marketing Cheshire time to source additional external revenue outside of the public purse, sustaining its contribution to delivery of the Visitor Economy Strategy. Supports Council's Outcomes 2 and 6. *Impact on Visitor Economy Service Budget =*	**-0.020**		**-0.020**	**-0.020**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Regeneration ***Investment in the infrastructure and towns in Cheshire East.***	**2018/19** **£m***		**2019/20** **£m***	**2020/21** **£m***
HS2 Strategy (Revenue Investment) (16) The arrival of HS2 to Crewe in 2027 provides a once in a generation opportunity for Crewe, Cheshire East and the wider Constellation Partnership to deliver economic and transformational changes to Crewe and the Constellation area. However, these benefits can only be realised with investment in the right hub station at Crewe. This proposal will cover the programme of work needed to influence decisions for the Crewe hub and development and implementation work needed to capture the local benefits of HS2 to Cheshire East. *Impact on Strategic Infrastructure Service Budget =*	**+0.500**		**+0.500**	**+0.500**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

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 Early Years Foundation stage.	Academic achievement and employability will be outstanding in Cheshire East.	Vulnerable children and young people are supported to achieve their potential and increase aspirations.

Evidence of Achievement

Performance of Outcome 3 will be measured through the use of performance indicators such as the examples below:

1. Maintaining a high percentage of Cheshire East schools rated 'good' or 'outstanding' based on their most recent inspection. As at March 2017, 94% of Cheshire East schools were rated as 'good' or 'outstanding', higher than for the North West region (90%) and England (89%).
2. Pupils will be supported to achieve their academic potential. Provisional Summer 2017 results of the new reformed GCSEs show 83% of Cheshire East pupils gaining the standard pass or better in English, compared to 65% nationally. In Maths, 74% of Cheshire East pupils gained the standard pass or better, compared to 69% nationally.
3. Cheshire East's A-Level students will be supported to maintain excellent pass rates. The provisional pass rate of 99% in summer 2017 was above the national average of 98%.
4. Maintaining a high percentage of learners achieving high overall achievement rates. National Achievement Rates Tables (NARTs) published by the Skills Funding Agency, highlighting key indicators of performance in education and training at 19 years and over, show learners supported and monitored through the Cheshire East Lifelong Learning Team achieved the highest overall achievement rate (94%) across the Cheshire and Warrington areas, exceeding the regional average of 78% and the national average of 84%.
5. Improve the percentage of individuals achieving a good level of development from 72% (in 2016/17) and maintain performance above the national average of 71%.
6. Better educational outcomes for children and young people from disadvantaged groups, including those with special educational needs (SEN) and those cared for by the local authority.
7. Improved sufficiency of school places within Cheshire East, including for those with SEN.
8. Successful collaboration with schools leads to sustainable sector led approach to education and skills.

Key Priorities

Ensuring that our children and young people get a good start in life, have the education and skills to meet the needs of local businesses and are prepared for the world of work and adulthood is a key priority for the Council. This means having high quality places to learn, with well trained staff, who can support all children and young people, in particular our most vulnerable learners. We will continue to work with early years, schools, colleges and other settings to improve educational performance.

The 'Parenting Journey', our universal offer of parenting support from pre-birth to starting school, has been established to ensure that all young people get a good start in life. It integrates and joins up our support for families in the early years across education, health and care. In 2018-19 we will evaluate the impact of the Parenting Journey and review our way of working so that we can ensure our services have maximum impact, particularly for our most vulnerable children and their families.

Having sufficient, good quality, school places in the right areas of Cheshire East to meet need is essential for learning; delivering on our schools capital programme continues to be a priority for 2018-19. Cheshire East Council was one of 19 local authorities whose expression of interest to develop a free school was recently approved by the Department for Education (DfE). We intend to provide 40 additional places for local children with social, emotional and mental health needs in Crewe from 2018. A plan has also been developed to add 270 additional SEND places over the next three years.

We continue to work on improving educational outcomes for disadvantaged pupils, including children in the care of the local authority. We will use the new vulnerable schools policy framework and categorisation process in challenging all schools in monitoring pupil outcomes. This also includes those children and young people with special educational needs and disabilities (SEND). The 0-25 SEND partnership has made good progress over the past year in championing the needs of this vulnerable group of young people to improve the performance and practice in this area. The priorities for the next year include embedding the SEND toolkit, aligning multi-agency referral and assessment pathways and increasing participation with children and young people.

During 2017/18, we integrated the Lifelong Learning Team into children's services to ensure a greater strategic community and employer approach. The next step is to consider whether a locality approach would be beneficial to move this agenda forward.

Challenges

- Implement the capital strategy to deliver the school places required as a consequence of housing developments and demographic growth in Cheshire East.
- Improve outcomes for disadvantaged pupils; continue to ensure high standards in all schools and effective support for those children not in school, ensuring that every child fulfils their educational potential.
- Ensure that activity, governance and accountability of the 0-25 Special Educational Needs and Disabilities (SEND) partnership is effective in delivering improved outcomes for SEND children and young people, including meeting the 20 week timescale for completion of education, health and care plans (EHCPs).
- Develop a stronger focus on support for the children and young people most vulnerable to the poorest outcomes.
- Ensure children and young people have the skills to meet the needs of local employers.

Opportunities

- Further develop the ‘Parenting Journey’ so it has maximum impact on giving young children the best start in life.
- Continue to collaborate with schools on joint focus areas, including developing a sustainable sector led approach to education and skills.
- Work with parents, carers and children and young people to co-produce services, particularly in relation to children with SEND.
- Maintain current positive dialogue with schools regarding future pupil place planning.

Proposals to vary the Budget under Outcome 3 (Education) are focused on these areas:

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19** **£m***		**2019/20** **£m***	**2020/21** **£m***
Transport - parental subsidy for Available Walking Routes phase 2 (Revenue Investment) (17) Subsidies to parent / carer to support implementation of proposed phase 2 available walking routes. *Impact on Education and Skills Service Budget =*	**+0.070**		**0.000**	**0.000**
Children & Families Transport Policy review (Revenue Savings) (18) Review of transport policies and delivery arrangements to achieve efficiencies. Work with the current school transport provider, Transport Service Solutions, to explore all options to provide a more cost effective solution. *Impact on Education and Skills Service Budget =*	**-0.410**		**-0.570**	**-0.570**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Looking after children and young people ***Review of current service offers to ensure high standards are maintained and demand is managed.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Reduction in Children's commissioned services (Revenue Saving) (19) The cyclical review of the wide variety of commissioned services that support the Council to deliver effective children's services will look to identify efficiencies as contracts come to an end and will also ensure a continuing fit with the internal capacity within Children's Services. *Impact on Children's Social Care Service Budget =*	**-0.050**		**-0.050**	**-0.050**
Review of service provision for children with disabilities (Revenue Saving) (20) In 2016/17 a review was completed to identify improvements to the provision and co-ordination of the short break local offer for children with a disability and their families. Consequently, in consultation with parents and carers, a number of positive changes were made to the service in 2017/18 which put in place a whole system that is transparent, equitable and provides value for money, using advanced technology, to sustain a good offer to children, young people and their families. These changes result in efficiency savings which were achieved in 2017/18 and are set out in this report. *Impact on Children's Social Care Service Budget =*	**-0.200**		**-0.200**	**-0.200**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Looking after children and young people ***Review of current service offers to ensure high standards are maintained and demand is managed.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Care Placements (Revenue Investment) (21) There has been a 17% increase in the numbers of cared for children in Cheshire East over the last year, which is a situation being experienced elsewhere, both regionally and nationally. Although we are still below national and local comparators, admissions to care have continued to exceed the number of discharges and the complexity of needs of individuals are increasing due to improved assessments and effective prevention arrangements. This increase in numbers and complexity has resulted in the need for additional placement purchases, including high cost placements, and additional staffing to support children, young people and care leavers. *Impact on Children's Social Care Service Budget =*	**+3.000**		**+4.000**	**+5.000**
Revise Interagency Income Budget (Revenue Investment) (22) Interagency income has been significantly reduced due to the collaboration with Adoption Counts across the sub region. Therefore, growth is required to offset this loss of income. *Impact on Children's Social Care Service Budget =*	**+0.500**		**+0.500**	**+0.500**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Looking after children and young people ***Review of current service offers to ensure high standards are maintained and demand is managed.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Housing related accommodation and support facilities (Revenue Investment) (23) Permanent funding will ensure the important accommodation and support for cared for children and care leavers at Watermill House can continue. *Impact on Children's Social Care Service Budget =*	**+0.040**		**+0.040**	**+0.040**
Children and Families Staffing Gap (Revenue Investment) (24) The completion of the needs led staffing budget review across children and families has highlighted some additional costs due to increased pay levels. There is a planned increased cost of ICT licenses and maintenance across children and families. *Impact on People Directorate Service Budget =*	**+0.260**		**+0.260**	**+0.260**
Childcare Sufficiency Programme (Capital Investment) (25) To increase the capacity of early years places to enable all children to access their free entitlement. *New Capital Investment 2018/19 =*	**+0.234**		**0.000**	**0.000**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Reducing subsidy ***Ensure limited resources are redirected to the areas with the most critical need.***	**2018/19** **£m***		**2019/20** **£m***	**2020/21** **£m***
End of Early Intervention short-term funding allocation (non Public Health element) (Revenue Savings) (26) End of investment in early help and prevention services that were used to reduce the demand for higher cost services in the longer term. *Impact on Children and Families Directorate Budget =*	**-1.000**		**-1.000**	**-1.000**
Children and Families Transport (Revenue Investment) (27) Establish key posts with responsibility for school transport and ensure efficiency of future and ongoing arrangements. *Impact on Children and Families Directorate Budget =*	**+0.134**		**+0.075**	**+0.075**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Income generation ***Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Provide Schools Meal Subsidy (Revenue Investment) (28)				
Expectation of income targets from school meals to be removed due to increased food prices and competition from other providers.				
Impact on Education and Skills Service Budget =	**+0.200**		**+0.410**	**+0.410**

**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.*

Values are not cumulative

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. Sustainable Development**	**2. Waste Management**	**3. Environment**	**4. Affordable Energy** **Growing Energy Businesses** **Independent Energy**
What this will look like:	We will deliver the right homes in the right places by unlocking brownfield sites and controlling new development 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.

Evidence of Achievement

Performance of Outcome 4 will be measured through the use of performance indicators such as the examples below:

1. Maintaining Green Flag awards for our parks and open spaces; eight were awarded in 2017 and Tatton Park in Knutsford and Queens Park in Crewe also received 'Green Heritage' status.
2. Targeting a further 20% reduction in total tonnage of CO2 Emissions from authority buildings by 2020.
3. Maintaining Cheshire East Council's recycling rate, currently in the top 10% of all local authorities, and increasing the tonnage of materials re-used by 2% per year (over 1,400 tonnes in 2016/17).
4. Increasing the number of customers signing up to Fairerpower (currently at over 7,500 customers).
5. Processing 85% of major planning applications and 90% of all other types of planning applications within timescales in one of the highest volume authorities in the country.

Key Priorities

Cheshire East's rural and urban character is protected and enhanced through sensitive development, environmental management, transport and waste disposal policies.

Protecting and enhancing the 'Quality of Place' in the Borough is essential in respect of both rural and urban areas. We must provide an effective framework for well-designed development projects. The adoption of the Local Plan is the basis for this and we will work on providing an effective planning framework and continue to invest in the planning service but will ensure that we set appropriate fee levels to enable the Council to continue its investment.

We understand that the maintenance of highways is an important element to 'quality of place' and we have looked at how we deliver an effective and efficient service for example the introduction of LED street lights will deliver savings and the way we procure our highway services will also deliver savings and efficiencies. We are committed to our residents and one area that we know affects everyone in our Borough is parking – we are therefore developing a Parking Strategy linked to the Local Transport Plan to inform the future parking provision and charging mechanisms across the Borough.

Proposals to vary the Budget under Outcome 4 (Environment) are focused on these areas:

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19** **£m***		**2019/20** **£m***	**2020/21** **£m***
Markets Income (Revenue Foregone) (29) Temporary suspension of the Crewe indoor market target for 2018/19 to reflect planned imminent changes, as part of the Crewe Town Centre Regeneration Programme, agreed by Cabinet in September 2017. Income targets for Crewe outdoor market and Macclesfield markets are adjusted to 2017/18 estimated outturns.				
Impact on Client Commissioning - Environmental Service Budget =	**+0.250**		**+0.091**	**+0.091**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Street Lighting Improvements (Revenue Savings) (30) Following approval to fund a three year programme (2016/17, 2017/18 and 2018/19) of LED street light conversions, this project will allow for a reduction in the reactive revenue maintenance budget due to reduced maintenance requirements and extended life guarantees on the lanterns. *Impact on Highways Service Budget =*	**-0.050**		**-0.100**	**-0.100**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Highways Procurement (Revenue Savings) (33)				
This is a target saving that is dependent on the outcome of a successful procurement of the next highways services contract**.**				
Impact on Highways Service Budget =	**-0.100**		**-0.200**	**-0.200**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Investment in services ***Investment will be put in to systems that support key services and in to other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.***	**2018/19 £m***	**2019/20 £m***	**2020/21 £m***
Planning Reserve (Revenue Investment) (35) This will support the additional work necessary to ensure that we have an effective planning framework in the Borough including – Community Infrastructure Levy, Allocations Development Plan Document, Minerals and Waste Plan. Each one will require an evidence base to be developed, public engagement and a series of hearings. *Impact on Planning Service Budget =*	**+0.425**	**-0.375**	**-0.575**
Lead Local Flood Authority Grant Funding (Revenue Funding) (36) The Council as the Lead Local Flood Authority contributes an annual sum to the Regional Flood and Costal Committee. This money is then available as a source of funding in addition to allowing access to wider Flood Defence Grant in Aid funds. *Impact on Highways Service Budget =*	**+0.001**	**+0.002**	**+0.002**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*			

Managing waste ***Reviewing our current Waste offer to ensure value for money is achieved.***	**2018/19** **£m***		**2019/20** **£m***	**2020/21** **£m***
Household Waste Recycling Centre income generation & efficiencies (Revenue Savings) (37) Continuing improvements and efficiencies to the Household Waste Recycling Centre service, including investment to improve our sites and allow the acceptance of trade waste, the closure of Arclid Household Waste Recycling Centre, the introduction of a charge for rubble waste and the reduction in opening hours. Proposals were publically consulted on in 2016/17. *Impact on Client Commissioning - Environmental Service Budget =*	**-0.576**		**-0.576**	**-0.576**
Ansa income generation & efficiencies (Revenue Savings) (38) Income generation through Ansa commercial approach to service delivery, benefit to the commissioner from Ansa's subsidiary joint venture (with two neighbouring authorities) and further efficiency savings including route optimisation, negotiation of contracts from third party suppliers. *Impact on Client Commissioning - Environmental Service Budget =*	**-0.090**		**-1.230**	**-1.665**
Housing Growth , Waste Contract Inflation and Tonnage Growth (Revenue Investment) (39) Housing growth to date and projected will see a corresponding increase in collection costs and recycling and waste per household. In addition annual contract inflation and a rise in the quantity of waste per household is increasing waste handling and disposal costs. *Impact on Client Commissioning - Environmental Service Budget =*	**+0.588**		**+0.938**	**+1.288**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Managing waste ***Reviewing our current Waste offer to ensure value for money is achieved.***	**2018/19** **£m***		**2019/20** **£m***	**2020/21** **£m***
Food Waste Recycling (Composting Plant) (Revenue Investment) (40) This project enables the development of a composting plant to allow food waste recycling in 2019. Household food waste recycling is a key aim of the Council's Municipal Waste Strategy. The Council is seeking to expand its recycling service by enabling household food waste to be recycled within the garden waste bin. To achieve this, a new green waste processing solution is required through the construction of a composting plant. This is a major opportunity for the Council to deal more sustainably with household food waste currently going for disposal. While the plant will operate within the existing contract budget there is a collection cost increase associated with the ending of the annual garden bin winter waste shut down.				
Impact on Client Commissioning - Environmental Service Budget =	**0.000**		**+0.440**	**+0.150**
Supply of Household Recycling & Waste Bins - Cost Avoidance (Revenue Savings) (41) The demand for new and replacement bins has been greater than the budgeted capital provision for the last three years. This proposal will introduce a bin supply charge for new and replacement bins in line with other local authority charging schemes and as such reduce costs to the Council in the supply of bins to new and existing properties.				
Revenue Income - Impact on Client Commissioning - Environmental Service Budget =	**-0.148**		**-0.148**	**-0.148**
Capital Contribution =	**+0.148**		**+0.148**	**+0.148**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Managing waste ***Reviewing our current Waste offer to ensure value for money is achieved.***	**2018/19** **£m***		**2019/20** **£m***	**2020/21** **£m***
Congleton Household Waste Recycling Centre (Capital Investment) (42) Consideration of options to secure the long-term provision of a household waste recycling centre in the Congleton area, including possible site relocation. *New Capital Investment 2018/19 =*	**+0.050**		**+2.000**	**+2.000**
Environmental Services base budget (Revenue Investment) (43) Additions to the base budget to cover tree survey costs and base budget adjustment. *Impact on Client Commissioning - Environmental Service Budget =*	**+0.152**		**+0.152**	**+0.152**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Income generation ***Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Parking Strategy (Revenue Savings) (44) The target income the Council receives from parking charges is used to manage the delivery of its parking and related transport and traffic services. The development of a Parking Strategy linked to the Council's Local Transport Plan refresh will inform the level of future provision and charging. Early implementation of practical initiatives will be prioritised. *Impact on Parking Service Budget =*	**-0.355**		**-1.142**	**-1.142**
Increase planning fees – White Paper proposals (Revenue Saving) (45) Application fees are due to increase by 20% however the timing of this remains uncertain with an announcement now expected at the end of November. *Impact on Planning Service Budget =*	**-0.100**		**-0.100**	**-0.100**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

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 wellbeing. 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.

Evidence of Achievement

Performance of Outcome 5 will be measured through the use of performance indicators such as the examples below:

1. Increasing take-up of NHS Health Checks, a health-based screening for residents aged 40-74 aimed at reducing the prevalence of cardiovascular disease (such as heart disease and strokes) amongst the population through lifestyle advice and treatment.
2. Providing home adaptations to enable older and/or disabled residents to stay in their home – over 1,400 minor adaptations and over 400 major adaptations were made to homes in 2016/17.
3. Increasing attendance figures at Council-owned leisure facilities by 1% per year (There were over 3 million visits during 2016/17).
4. Maintaining the number of long-term empty homes in Cheshire East at less than 1%.
5. Sustaining performance of adults receiving self-directed support at above 90% against the latest national average of 86.9% (2016/17 year-end performance stood at 93.2%).
6. Increase the number of social care users who have as much social contact as they want from 33.4% in 2016/17 (National Average 35.5%).
7. Reduce the delayed transfers of care from hospital days attributable to adult social care from 207 per 100,000 population (2016/17) to 160 per 100,000 population.
8. A developed market place for both care homes and domiciliary care.
9. More personalised services available for longer term and short term care and support.
10. Preventative services have reduced the need for long term care.

Key Priorities

Introduction

The Council has experienced a significant increase in the number of children entering care in Cheshire East. Whilst this rise is reflected locally and nationally, it continues to put pressure on budgets within Children's Social Care, both in terms of placement and staffing costs. A number of measures have been put in place in 2017/18 and these have started to impact; children in care numbers have started to stabilise.

Increasing pressures on the budget have led to a number of service reviews and changes in commissioned services. The focus of these has been to maintain frontline capacity and target our resources more effectively on those services that make an impact. Project Crewe has been extended to Macclesfield, to provide this key service across the Borough and our Participation Service has been brought in-house to be delivered from within our Youth Service. We are having to reshape the market to meet the change in demand and refocus our early help offer.

We are increasingly working on a sub-regional footprint. On 3rd July 2017 Cheshire East, in partnership with Manchester, Salford, Trafford and Stockport councils, became part of only the second regional adoption agency to be formed in the UK. The service, called 'Adoption Counts' has been awarded £500,000 over two years to develop a centre of excellence for adoption support. Work also continues on developing sub-regional collaborative arrangements around fostering services. We are also in the process of developing a shared fostering service for Cheshire East alongside Warrington, Halton and Cheshire West and Chester. Increasingly work is taking place pan-Cheshire around safeguarding children and work is underway to establish future arrangements for the four Local Safeguarding Children's Boards (LSCB).

Significant work has taken place over the past year to prepare for the implementation of Signs of Safety (SoS) as a new way of working across Cheshire East. Working closely with North Yorkshire County Council as part of the DfE Partners in Practice (PiP) Programme, Cheshire East has benefitted from the advice and guidance from an authority who is successfully using the model to achieve positive results for children, young people and staff. Staff have participated from the outset to help to shape and prepare for Signs of Safety within their services, embracing change. We believe that this is already starting to change the culture across the service and partnership; recruitment and retention of social care staff has significantly improved over the past year. Embedding this model across all areas of our work with children, young people and families is a priority for 2018/19.

During 2017 feasibility work has been underway around developing a locality model of working for frontline children's services. This has looked at a range of factors to determine whether it would be more effective and improve services for children, young people and their families based on a number of geographical areas across the Borough. This year we implemented the findings from a review of our 'front door' that resulted in a change of location for the service to better accommodate and integrate partners. Next steps will be to improve integrated working across the agency partnership within the 'front door'.

Improving the outcomes for our cared for children and young people continues to be a priority. Improving their experiences around education, health and care services is a priority for the coming year.

Absolutely paramount is the ability to ensure we protect both our vulnerable adults and children. Through the work of the Council and its partners there is now a greater focus and awareness of issues such as domestic abuse, child sexual exploitation and adult abuse. To ensure we continue to tackle these important issues we are increasingly working across agencies and partnerships such as Cheshire Fire and Rescue, Police and Crime Commissioner for Cheshire, NHS and housing associations to ensure we take a holistic approach.

Over recent years there has been a shift in emphasis in Adult Social Care and Health from services defined and driven by professionals, to services that reflect the outcomes and aspirations of people using those services. We welcome this change. Our ambition is to be in the forefront of developing flexible, personalised services that tap into the rich diversity of our communities, and deliver services that enable people to maintain their independence, and where possible remain living in their own home.

At a time when there is an imperative to achieve better outcomes with finite resources we intend to focus our efforts on prevention and early intervention to reduce and delay the need for high cost services. Wherever possible, we will support choice by giving people the opportunity to have a direct payment and develop their own bespoke package of support. In doing so we will stimulate the development of an active and vibrant care market both in the independent sector but also across the voluntary, community and faith sectors. This is very much in keeping with the Care Act 2014 and focuses on the wellbeing of the individual.

In addition to the changes the Council is facing there are significant changes taking place across the NHS nationally and locally. Sustainability and Transformation Plans are being submitted by NHS colleagues to NHS England and these reflect the Local Delivery Systems which for us in Cheshire East are “Connecting Care” in the South and “Caring Together” in the North of the Borough. These changes will inevitably have a significant impact on social care both in children’s and adults but the full impact of these are not yet known. We remain committed to working with our NHS colleagues locally and sub-regionally but the savings the NHS are looking to make and their current budget constraints suggests that this will put social care under further financial pressures.

Challenges

- Continuing to manage the increase in numbers of children and young people in care and affordability of residential and external placements.
- Managing the market to ensure that there is a range of services, care and support available to support cared for children and young people in their local area, many of whom have complex needs, including working sub-regionally to broaden the range and effectiveness of our services.
- Reshaping early help services across the Borough to ensure that they are targeted to those most in need.
- Strengthening partnerships to deliver integrated, value for money services that ensure the voice of children and young people and better meet their needs.
- Ageing demography – by 2027 the number of people in the Borough aged 65+ is estimated to rise to over 127,000 and those aged 85+ estimated to have increased to 18,800 by 2027.
- Young people in transition to adulthood – there are estimated to be 90 young people aged between 14 – 18 with a complex disability who will be transitioning to adult social care during the next three years, with an average care package ranging between £25,000 to £150,000 per year.
- Dementia – prevalence in Cheshire East is higher than the England average with 4.47% of the population aged 65+ recorded as having dementia.
- One in four people will experience some form of mental health in their lifetime and this is true across all ages and all socioeconomic groups. Improving health and wellbeing, especially mental wellbeing is key to ensuring people live full and independent lives.
- We know from the 2011 census that we have 40,000 residents who are 'unpaid carers', with over 8,000 providing at least 50 hours per week. Supporting carers to have breaks but also to maintain their caring role is very much at the heart of our local carers strategy and reflects the joined up approach of the Council and the NHS.

Opportunities

- Embed Signs of Safety as a way of working in Cheshire East to make our services more inclusive to support families to develop their own solutions leading to sustainable outcomes and more child-focused, putting the needs of children and young people first.
- Maximise sub-regional arrangements to improve collaborations, streamline and enhance good practice across all partnerships.
- Implement a locality working model that improves the way we work collaboratively and innovatively to make best use of the assets we have in our local area.
- The challenge to the directorate is to manage the demand and complexity whilst successfully managing the associated costs, therefore, the proposals below are focused on doing exactly that.

Proposals to vary the Budget under Outcome 5 (Health) are focused on these areas:

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19** **£m***	**2019/20** **£m***	**2020/21** **£m***
Commissioning all services currently provided by our in-house provider, Care4CE (Revenue Savings) (47) Cheshire East Cabinet decided on the 8th December 2015 that the policy would be to move from in-house delivery to commission all care services from the broader care sector in order to facilitate the move to a more personalised system of care and support which facilitates the principle of choice and control for residents in the access and purchasing of care. This will require a review of in-house provision including potential outsourcing / recommissioning / closure / decommissioning of current provision. In order to ensure compliance with the Care Act 2014 this approach has been applied to services external to the Council and will now be applied to services currently provided by Care4CE. This is to ensure that the support and care provided to local people can be flexible and responsive to changing needs, promoting choice and maximising independence. This includes building on the current Shared Lives offering. As more detailed plans are developed discussion, engagement, co-production and consultation will take place with all service users, carers and staff.			
Impact on Social Care & Health Integration Service Budget =	**-1.111**	**-2.611**	**-2.611**

**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.*

Values are not cumulative

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***	**2019/20 £m***	**2020/21 £m***
Operational Pathway Redesign (Revenue Savings) (48) Adult Social Care is about maximising independence, connecting local people to their communities and helping people live well and for longer. This will be achieved by enabling people to live in their own homes for longer using existing community networks, new technologies and reviewing our approach to bed based care. To achieve this, and to be Care Act compliant, we intend to establish a first point of contact for residents offering advice and information when you contact the Council with suitably trained staff able to answer questions and sign post without the need to always refer on. We will integrate our assessments with the NHS as our workforce become closer aligned working around GP's surgeries. These budgets will be joined up and will focus on reducing the risk of admission to hospital. We will focus on outcomes for people and encourage more people to take up a direct payment to fund their own tailored care and support. We will also promote prevention including extra care, telecare and support at home. *Impact on Social Care & Health Integration Service Budget =*	**-0.440**	**-0.440**	**-0.440**

**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.*

Values are not cumulative

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***	**2019/20 £m***	**2020/21 £m***
Independent Living Fund – Attrition Factor Reductions (Revenue Savings) (49) Cheshire East Council receives annual funding from central Government to support individuals previously in receipt of funding from the Independent Living Fund which closed in June 2015. Funding available to the Council reduces annually and although the Council has ring-fenced the money to Adult Social Care the demand for ongoing care and support continues. *Impact on Social Care & Health Integration Service Budget =*	**-0.029**	**-0.056**	**-0.056**
Operational and Commissioning Restructure (Revenue Savings) (50) To meet the demands of an increasing demographic growth, expectation and integration, the adult social care offer must change to remain sustainable. Therefore, restructure of management to meet these needs is essential. *Impact on Adults Operations and Commissioning Service Budget =*	**-0.900**	**-0.900**	**-0.900**
Reducing Agency Spend (Revenue Investment) (51) The reversal of 2017/18 one off savings. The successful recruitment of permanent Social Workers and Social Care Assessors throughout 2016 and 2017 will lead to a reduction in agency workers in 2017 and, in turn, reduced expenditure in the staffing budget. *Impact on Social Care Staffing Service Budget =*	**+0.100**	**+0.100**	**+0.100**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*			

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Restructure Prevention and Support (Revenue Savings) (52) Integrate the Prevention Service into the wider Cheshire East Family Support (CEFS) service, and redesign the new service across a continuum of support needs. *Impact on Prevention and Support Service Budget =*	**-0.937**		**-0.937**	**-0.937**
Review Safeguarding Children in Education Settings Team (Revenue Savings) (53) Charge schools for non-statutory activity carried out by the Safeguarding Children in Education Settings Team (SCIES). *Impact on Education and Skills Service Budget =*	**-0.050**		**-0.050**	**-0.050**
Review Early Help Commissioned Services (Revenue Savings) (54) This proposal is to not re-commission Early Help services (Family Support and Youth Support) when the current group of contracts come to an end on the 31st March 2018. *Impact on Children's Social Care Service Budget =*	**-0.252**		**-0.252**	**-0.252**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Review Social Care Commissioning (Revenue Savings) (55) Reduce existing contracts across Children's Social Care, reduce the use of a call-off contract and a move away from spot purchasing to a framework contract. *Impact on Children's Social Care Service Budget =*	**-0.085**		**-0.085**	**-0.085**
Youth Support Service Restructure (Revenue Savings) (56) As the number of young people not in education, employment and training (NEET) in Cheshire East has reduced this has resulted in a smaller group of young people supported into EET. These young people have more complex needs which means the skills set will need to be addressed to respond to the changing demands for work with young people who are NEET. *Impact on Prevention and Support Service Budget =*	**-0.263**		**-0.263**	**-0.263**
Alignment of teams to create a People's Commissioning Service (Revenue Savings) (57) Align the functions of the children and adult commissioning services to generate savings. Initial savings would be met by not recruiting to duplicated vacancies within the People Directorate. *Impact on People Directorate Service Budget =*	**-0.030**		**-0.030**	**-0.030**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Realignment of Children's Social Care Management and Staffing (Revenue Savings) (58) Children's Social Care (CSC) teams have been on a significant improvement journey since April 2013, following an 'inadequate' inspection judgment by Ofsted. At that time there was a need to provide a high level of management and support to drive improvements in social work practice. The service is no longer judged inadequate by Ofsted following an inspection in July 2015. CSC has more recently moved away from improvement planning to a 'business as usual' model of working. This targets the service to delivering the statutory requirement to protect and support vulnerable children, young people and families, including cared for children and care leavers. Increasingly CSC is working sub-regionally to collaborate on delivering key services, including adoption and fostering. This has led to the opportunity to reshape and realign remaining services to ensure a better and more targeted use of resources. This includes maximising and targeting which services are commissioned externally.				
Impact on Children's Social Care Service Budget =	**-0.335**		**-0.335**	**-0.335**
Restructure to create "front gate", across communities (Revenue Savings) (59) Despite recent funding for Adult Social Care (Precept, BCF and Improved iBCF) the current system is unsustainable and a transformational response requires a wholesale shift of investment and energy into a joined up approach with Adult Social Care to ensure wellbeing, prevention, and early intervention; as well as an integrated approach to health and care service provision are at the centre of all our transformation plans.				
Impact on Adults Operations and Communities Service Budget =	**-0.227**		**-0.227**	**-0.227**

**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.*

Values are not cumulative

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Review all funding and shift to "asset-based" model (Revenue Savings) (60) It is intended to explore a number of options relating to the current cost of Early Intervention and Prevention (EIP) contracts and the need to shift emphasis toward an asset-based model of community support. Within this, the term 'assets' does not solely refer to financial assets; it refers to skills, strengths, buildings, talents and relationships.				
Impact on Adults Commissioning Service Budget =	**-0.723**		**-0.723**	**-0.723**
Reshape commissioning framework (Revenue Savings) (61) It is intended to explore a number of options relating to the commissioning of high quality, personalised care at home that is flexible, delivers the agreed outcomes and is enabling in its approach. Each option explores the potential to deliver improved value for money through more effective commissioning and enhanced engagement with providers.				
Impact on Adults Commissioning Service Budget =	**-0.714**		**-0.714**	**-0.714**
New assessment and review framework (Revenue Savings) (62) It is intended to explore a number of options relating to a fundamental shift in the way that care and support is commissioned for adults and older people in receipt of adult social care services. This will be underpinned by the enhancement of the assessment and review, focusing on empowerment, independence and choice, enabling people to live the best life that they can.				
Impact on Adults Commissioning Service Budget =	**-0.787**		**-0.787**	**-0.787**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Implement more flexible and responsive commissioning (Revenue Savings) (63) To explore a number of options relating to the commissioning of respite to be more person-centred for those who require short-term care. This will include looking at other locations for respite in addition to the current traditional model of bed-based respite.				
Impact on Adults Commissioning Service Budget =	**-0.170**		**-0.170**	**-0.170**
Review of Public Health contracts (Revenue Savings) (64) It is intended to cease paying performance payments which do not affect the core delivery of services. On a review of the contracts we have found a number of areas of underperformance and, as a consequence, we have an opportunity to redesign the commission.				
Impact on Adults Commissioning Service Budget =	**-0.762**		**-0.762**	**-0.762**

**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.*

Values are not cumulative

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Further saving to go against reversed Cross-Cuttings (Productivity and Contracts) (Revenue Savings) (65) To consider ceasing non statutory contracts, look to promoting channel shift and the use of the Live Well website and also increase the use of assistive technology. *Impact on Adults Commissioning Service Budget =*	**-0.425**		**-0.425**	**-0.425**
Efficiency Savings in Children's Social Care (Revenue Savings) (66) Continue to explore the possibility of improved efficiency of existing safeguarding services by collaborating with a number of other local authority areas to pool resources, share good practice and reduce duplication. *Impact on Children's Social Care Service Budget =*	**-0.125**		**-0.125**	**-0.125**
Cease provision of services at Lincoln House and Mountview (Revenue Savings) (67) It is intended to explore a number of options relating to the delivery of respite in years (2018/19) which align to the opportunity to enhance short-term bed-based care and the move towards a more efficient and effective, person-centred service offer. *Impact on Children and Families Directorate Budget =*	**-0.389**		**-0.389**	**-0.389**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Working with the community ***Services and financial forecasts will be adjusted to react to trends in the way residents interact with key services.***	**2018/19** **£m***	**2019/20** **£m***	**2020/21** **£m***
Macclesfield Leisure Centre Improvement Programme (Capital Investment) (81) Facility in need of major investment to refurbish reception, extend gym, upgrade all changing facilities, improve accessibility and café offer.			
New Capital Investment 2018/19 =	**+4.000**	**0.000**	**0.000**

**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.*

Values are not cumulative

Investment in services ***Investment will be put in to systems that support key services and in to other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.***	**2018/19 £m***	**2019/20 £m***	**2020/21 £m***
Growth in Demand for Adult Social Care (Revenue Investment) (68) The Adults Social Care budget both here in Cheshire East, and across the country, remains under pressure as a result of a number of factors. These include young people transitioning into adulthood, care fee levels paid to external care providers, the rising demand generally and our older population requiring much more complex care. To ensure the Council is well placed to meet this demand it will invest in services that will deliver high quality support to our most vulnerable residents. *Impact on Adults Commissioning Service Budget =*	**+10.900**	**+16.900**	**+21.900**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*			

Income generation ***Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Increase Income (Revenue Savings) (70) The proposal is to conduct a review of individuals who have historically been assessed with a low or no financial contribution towards their care and support services, to support these individuals to access their full welfare benefit entitlement, address any changes in individual circumstances and to ensure consistent application of the Council's charging policies. *Impact on Social Care & Health Integration Service Budget =*	**-0.100**		**-0.200**	**-0.200**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Reducing subsidy ***Ensure limited resources are redirected to the areas with the most critical need.***	**2018/19** **£m***		**2019/20** **£m***	**2020/21** **£m***
3% reduction in Operational Management Fee (ESAR) (Revenue Savings) (87) The Operating Agreement between the Council and Everybody Sport & Recreation requires a minimum of a 3% cash reduction of the annual management fee based on the previous year's agreed figure. *Impact on Client Commissioning - Leisure Services Budget =*	**-0.051**		**-0.100**	**-0.148**
Changes to "Everybody Options" Scheme Investment (ESAR) (Revenue Savings) (88) The current management fee investment to Everybody Sport & Recreation allows the Trust to operate a concessionary "leisure card" scheme. The current options scheme gives 40% off the full adult peak rate for a range of leisure centre activities. The proposal is to retain the scheme but reduce this 40% to 30% across all categories. *Impact on Client Commissioning - Leisure Services Budget =*	**-0.045**		**-0.108**	**-0.108**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

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.

Evidence of Achievement

Performance of Outcome 6 will be measured through the use of performance indicators such as the examples below:

1. Targeting an average speed to answer customer phone calls within 60 seconds (latest 2016/17 performance of 88 seconds).
2. Completing 90% of Freedom of Information requests within 20 days (2017/18 to provide performance baseline).
3. Decreasing the average number of working days lost to staff sickness from 11.14 days in 2016/17 to 10 days.
4. Decreasing our total spend on agency staff and the proportion of agency assignments as a % of our total workforce.
5. Receiving awards and accreditations for delivery of excellent Council services.

Strategic Overview

Outcome 6 focuses on how the Council will be a well run local authority. Appropriate data will be maintained, systems will be run efficiently, the Council will use best practice models wherever appropriate and staff will be trained to provide high quality professional services.

This outcome requires all departments to increase productivity through the better use of systems, automated processes and challenging the value for money of all initiatives. It is crucial that all services are lean and 'fit for purpose' with the right structures to meet residents' needs at the most competitive price and quality. The requirement to create leaner systems and processes, that enhance value for money, extends to all commissioning arrangements, including arrangements with the Council's Alternative Service Delivery Vehicles (ASDVs).

Services most associated with supporting the achievement of Outcome 6, such as Legal, Accountancy, HR and ICT work alongside all Council functions. They are responsible for providing professional expertise and technology that enable front-line services to operate effectively. These services have a vital role in ensuring compliance with the law and local constitutional requirements and supporting elected Members and senior officers when making decisions that are transparent and accountable.

Achievements within Outcome 6 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 investments.

The changes contained within this section are achievable, but in some cases will also depend on changing behaviours of residents and staff and moving arrangements to more modern self-service options.

Proposals to vary the Budget under Outcome 6 Services are focused on these areas:

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19** **£m***		**2019/20** **£m***	**2020/21** **£m***
Reduce costs of core processes (Oracle system review) (Revenue Savings) (71) The implementation of a new Enterprise Resource Platform (ERP) solution across Transactional Finance and Human Resources, and the associated business process transformation programme will result in streamlined processes and efficiency savings in future years. *Impact on Cross Service Budget =*	**-0.250**		**-0.500**	**-0.500**
Withdrawal of temporary reduction in funding for Universal Information and Advice service (Revenue Investment) (72) There was a temporary increase of £30,000 in the grant funding for this service in 2015/16 on the basis that the "loan" would be paid back over the following three years. This growth will restore the budget to its original value from 2019/20. *Impact on Benefits Budget =*	**0.000**		**+0.010**	**+0.010**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Admin Review (Revenue Savings) (73) Current structures and arrangements suggest that there are many roles that provide business or administration support across the Council. The Business Support Review aims to take a fresh look at existing ways of working and build on other parallel projects such as Best4Business. This proposal considers realigning structures; reviewing roles and responsibilities and establishing the required business support model that meet the needs of business whilst delivering financial and operational efficiencies. *Impact on Cross Service Budget =*	**-0.500**		**-0.500**	**-0.500**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Restructuring of Services (Revenue Savings) (74) **Corporate Management** - In support of the wider business transformation programme the Corporate Directorate Management structure is under review, consideration is being given to the alignment of functions and spans of control. An options appraisal will be carried out to determine a new delivery model that will deliver strategic and operational savings and efficiencies. **Legal & Democratic** - A review of the staffing establishment across the legal and democratic services is needed to ensure that the structure is fit for purpose and sustainable to meet the needs of the organisation. As a key enabler to the wider organisation the review will consider roles and responsibilities to create an agile workforce and reduce the use of agency staff. **HR** - A review of administration function and service delivery across the wider team will result in more efficient use of resources, reduce agency costs and allow more shared working across the Service to deliver more streamlined support to customers. **Finance & Performance** - The staffing establishment for the teams within Finance & Performance will be reduced to take account of improved ways of working and a restating of the service offering. This process will eliminate dual-processes, improve self-serve options for services, and aim to join up services where possible to increase productivity.				
Impact on Corporate Service Budgets (as above) =	**-0.550**		**-0.550**	**-0.550**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Changing the way we work ***Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Digital Customer Services (Revenue Savings) (75) The Council established the Digital Customer Services programme in 2015. Digital technology is changing all aspects of daily lives. As a customer-focused Council we want to provide a better experience when residents and businesses use Council services online – one that meets the raised expectations set by the many other digital services and tools they use every day. This business case updates the savings that will be delivered by the programme. *Impact on Cross Service Budget =*	**-0.510**		**-1.710**	**-1.710**
Contract Savings (Revenue Savings) (76) The Corporate Directorate will target reductions, in 2018/19, of £750,000 in contract expenditure through targeted action such as: - Proactive vendor and supplier management - Target reductions in both volumes and unit prices - Challenging the benefits of existing provider markets - Smarter negotiation practices to achieve outcomes at best value The Directorate manages contracts of an estimated annual value of £90m per year. At October 2017, Corporate Services have live contracts on the Council's Corporate Contract Register with an estimated annual value totalling £7.1m listed due for renewal in 2018/19. *Impact on Corporate Service Budget =*	**-0.750**		**-0.750**	**-0.750**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Changing the way we work *Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.*	2018/19 £m*		2019/20 £m*	2020/21 £m*
Reduce Agency and Consultancy Costs (Revenue Savings) (77) As the Council's workforce is a major component in delivering our Corporate Plan, we have to ensure our resources are sufficient to deliver our outcomes through increased productivity and workforce planning. While we will make every effort to save through improving productivity, we must seek to reduce agency staff costs and consultancy spend as these can occasionally have a premium cost associated with their engagement.				
Impact on Corporate Service Budget =	**-0.200**		**-0.200**	**-0.200**

**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.*

Values are not cumulative

Working with the community ***Services and financial forecasts will be adjusted to react to trends in the way residents interact with key services.***	**2018/19 £m***	**2019/20 £m***	**2020/21 £m***
Changes to Community Libraries (Revenue Savings) (79) The Council initially proposed to close its three smallest libraries, also inviting proposals from local community organisations to deliver the libraries as community managed libraries as an alternative to closure. In light of the consultation responses, this proposal has been reviewed. In Alderley Edge and Disley the libraries will achieve some budget savings from revised opening hours and staffing. In Prestbury a small budget saving will be achieved from increased financial support from the community. Usage at libraries will continue to be monitored and closure may be reconsidered if usage declines significantly.			
Impact on Libraries Service Budget =	**-0.046**	**-0.046**	**-0.046**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*			

Working with the community *Services and financial forecasts will be adjusted to react to trends in the way residents interact with key services.*	2018/19 £m*	2019/20 £m*	2020/21 £m*
The Local Welfare Safety Net (Revenue Savings) (80) The Council is committed to supporting residents facing financial hardship as a result of welfare reform through its Emergency AssistanCE scheme and approved growth of £0.3m in 2017/18 following the withdrawal of central Government funding for local welfare provision. The original business case provided an additional investment of £0.05m in the first year to establish a range of intervention and prevention activities to help reduce future demand. The funding for the scheme from 2018/19 reduces to £0.25m.			
Impact on Benefits Budget =	**-0.050**	**-0.050**	**-0.050**

**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.*

Values are not cumulative

Investment in services ***Investment will be put in to systems that support key services and in to other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Childcare Team Costs (Transitional funding ends 2018/19) (Revenue Investment) (85) The volume of instructions to issue care proceedings (a statutory duty where legal threshold is met), has increased year on year for Cheshire East over the last five years. This increase, 100% over the last five years, and approximately 30% in 2016/17 alone, reflects a national trend. The trajectory appears to be continuing for 2017/18. This has created an ongoing pressure on staffing costs and the cost of representation in court by counsel (barrister) if appropriate. *Impact on Legal Services Budget =*	**+0.490**		**+0.490**	**+0.490**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Income generation ***Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.***	**2018/19** **£m***		**2019/20** **£m***	**2020/21** **£m***
External income – Fees & Charges (Revenue Savings) (86) Across a number of areas the Council receives external income for its delivery of services. A review of all fees and charges will be undertaken to ensure that our tariffs are commensurate with the commercial market place. We will benchmark performance against other local authorities and commercial providers and seek opportunity for further income. *Impact on Corporate Service Budget =*	**-0.100**		**-0.100**	**-0.100**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Cross Service Efficiency Targets	2017/18 Allocation	2017/18 Achieved in year	2018/19 £m*		2019/20 £m*	2020/21 £m*
Replace Former Cross-Cutting Savings with specific savings proposals (90) The 2017/18 Budget contained £9.050m of savings associated with Productivity and Contract Management as well as reductions in expenditure on mileage and post/print. To date, £5.2m of these challenging targets have been embedded within the base budgets of services within the People, Place & Corporate Directorates. Those changes have been reported in the Quarterly Reviews published during 2017/18. To improve overall clarity of the changes to budgets, that are being proposed to balance the 2018/19 position, the 'Cross-Cutting' savings should be deleted, and replaced with specific proposals that are highlighted in this report instead. The figures to the right indicate the financial impact of these changes.						
PEOPLE	**+2.876**	**-1.157**	**+1.719**		**+1.719**	**+1.719**
PLACE	**+2.881**	**-1.537**	**+1.344**		**+1.344**	**+1.344**
CORPORATE	**+3.293**	**-2.548**	**+0.745**		**+0.745**	**+0.745**
Impact on Cross Service Budgets =	**+9.050**	**-5.242**	**+3.808**		**+3.808**	**+3.808**

**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18*

Values are not cumulative

Section 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 funding 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 2017 confirmed no change to the funding available for Local Government and therefore the continuing need to reduce the national public sector deficit and debt to secure economic recovery. Cheshire East Council is proposing to continue supporting this approach in a number of ways:
   - Maintain appropriate reserves levels that protect against risks.
   - React to increases in demand in key areas and develop budget proposals that can reduce net expenditure to compensate where possible.
   - 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 47
Collecting Local Taxes for Local Expenditure	48 to 79
Charges to Local Service Users	80 to 83
Income and expenditure are also influenced by decisions and estimates of the Council in relation to:	
Investment, Borrowing and the Capital Programme	84 to 112
Other Economic Factors	113 to 116
Managing the Reserves Position	117 to 118

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. This is highlighted by the fact that funding for Council services from Council Tax and Business Rates will have increased to over 90% of the total net funding for 2018/19.

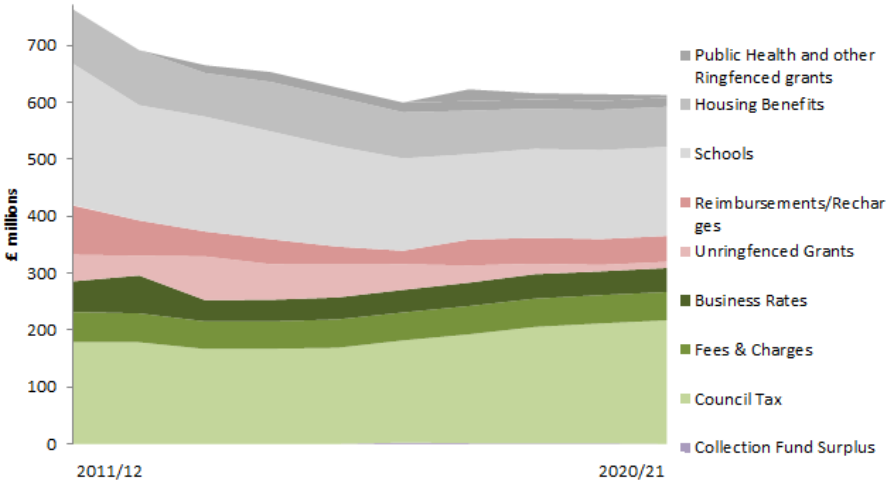
5. The financial stability of the Council, which determines the amount of money available for service expenditure, should be exposed to less risk from further Government funding shortfalls in the medium term. This has been strengthened by the submission to Central Government of our 4-Year Efficiency Plan in October 2016. This confirmed our acceptance of the 2016/17 Finance Settlement funding levels which are now guaranteed up to the end of 2019/20. These were reconfirmed in the Provisional Finance Settlement released on 19th December 2017.

6. 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.

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

8. The 2018/19 Budget Report is based on the Provisional Local Government Finance Settlement released on 19th December 2017. The final settlement is expected in early February 2018 with a debate in the House of Commons shortly after. Any further information on funding will be reported to Members as soon as practical and may require management through reserves.

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



Source: Cheshire East Finance

9. **Table 2** sets out the revised funding forecast for Cheshire East Council for the period 2017/18 and 2018/19. This shows how Government Grants are reducing and how local funding sources are being increased to minimise the financial impact on services.

Table 2 – Funding available to services	2017/18 £m	2018/19 £m	Change £m	Change %
Council Tax	-191.1	-206.4	15.3	**8.0%**
Government Grants	-30.3	-18.4	-11.9	**-39.3%**
Business Rate Retention	-41.0	-43.0	2.0	**4.9%**
Collection Fund Contribution	-1.4	-1.0	-0.4	**-28.6%**
Funding Available to Services	**-263.8**	**-268.8**	**5.0**	**1.9%**

Sources: Cheshire East Finance
Ministry of Housing, Communities and Local Government

10. 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.

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

- **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 managed to achieve maximum value.
- **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 and infrastructure projects that will unlock development land and support inward investment.
- **Increasing employment opportunities** - through economic growth resulting in fewer people relying on welfare benefits from the Council which releases funding for further investment or for direct provision of front line services.
- **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. Key dates for 2018/19 include:

- The release of the Autumn Statement on 22nd November 2017.
- The release of the Provisional Settlement on 19th December 2017 confirming the approach to grants, Council Tax and calculation of business rates estimates.
- Final Settlement announced on 6th February 2018.
- Late announcement of Specific Grants.

These have set out changes to:

- General funding levels – confirming a 60% reduction in Revenue Support Grant.
- Funding from Business Rates – use of CPI inflation to increase the multiplier (change from RPI).

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

- Revenue Support Grant (£5.4m in 2018/19)
- Specific Grants (unring-fenced revenue) (£13.0m in 2018/19)
- Specific Grants (ring-fenced revenue) (£254.1m in 2018/19)
- Capital Grants (main programme) (£57.3m in 2018/19)

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

Revenue Support Grant (RSG)

14. 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, and that no payments will be received in 2019/20.

15. The substantial reduction in RSG, from £13.4m to £5.4m remains a significant challenge and means that all grants rolled into RSG, including Social Care new burdens, and previous Council Tax Freeze Grants, have also been reduced and will also be nil in 2019/20.

Unring-fenced Specific Grants

16. A number of separately identified but unring-fenced Specific Grants have been retained totalling an estimated £13.0m in 2018/19. The detailed list is shown in **Annex 8** and summarised in **Table 3.** Note that Table 3 shows the original budget for 2017/18 and Annex 8 shows the revised in-year position including grants received after the budget was set.

17. Other than RSG, the list of Specific Grants mainly relates to funding for the New Homes Bonus and Social Care Grants. Together they equate to 61% of the total unring-fenced specific grants expected in 2018/19.

18. As part of the Local Government Finance Settlement announced on 6th February 2018, there has been an additional allocation of £0.9m for Cheshire East to support Adult Social Care pressures. Due to the lateness of this announcement the grant will be allocated to the Transformation Earmarked Reserve as part of the 2018/19 Budget and further allocation of this funding will be reported via a quarterly performance report. There is, however, no continuation of the Transition Grant for 2018/19.

Table 3 - Specific grants and RSG have decreased by 39.3%	2017/18	2018/19	Overall Change	Overall Change
	£m	£m	£m	%
Revenue Support Grant	-13.4	-5.4	-	-
New Homes Bonus	-8.3	-8.6	-	-
Transitional Funding	-3.0	0.0	-	-
Social Care Grants	-2.3	-1.8	-	-
Independent Living Fund	-0.9	-0.9	-	-
Education Services Grant	-0.7	0.0	-	-
Other Grants	-1.7	-1.7	-	-
Total Specific Grants	**-30.3**	**-18.4**	**-11.9**	**-39.3%**

Sources: Cheshire East Finance
Ministry for Housing, Communities and Local Government

19. Increasing development in Cheshire East means New Homes Bonus (NHB) is expected to exceed recent expectations and income from this grant is expected to increase by £0.3m for 2018/19. This is despite changes to the number of years the grant is paid for down from 5 years to 4 years for 2018/19. The introduction of a threshold before growth is calculated remains at 0.4%.

20. There are to be no further changes, as consulted on, for 2018/19.

21. Education Support Grant (ESG) was previously allocated as an unring-fenced grant from the Department for Education (DfE) to local authorities and to academies proportionate to the number of pupils for which they are responsible. In recent years the grant has been split between a retained duties element and a general rate element.

22. For 2017/18 the general rate was removed as part of national austerity savings and the retained rate was transferred into the ring-fenced Dedicated Schools Grant (DSG). Transitional Funding was available to reflect the intended start date of September 2017. As part of that process the Council reviewed the services funded through ESG and funded them through DSG during 2017/18.

23. For 2018/19 the ESG funding is within DSG and has been transferred into a new Central Schools Services Block. Further details are shown within the ring-fenced specific grants section.

Ring-fenced Specific Grants

Dedicated Schools Grant (DSG)

24. The Government announced the indicative allocations of DSG for 2017/18 on 19th December 2016. DSG is a ring-fenced grant provided to the Council to meet certain educational costs. Following national funding reforms several years ago DSG continues to be allocated in notional funding blocks, namely the Schools Block, Early Years Block and High Needs Block.

25. From 2018/19 a fourth block has been added called the Central Schools Services Block. This has been created through grouping together funding previously top-sliced from the schools block by all authorities to fund certain activities such as capital financing and ICT costs.

26. The Government have undertaken a series of consultation exercises to establish a national funding formula (NFF) to determine how each of the funding blocks provided to local authorities are calculated. Early Years was determined for 2017/18 while schools, high needs and central schools services blocks all formed part of the DfE announcements in September 2017 and three new NFFs apply from 2018/19.

27. The Schools Block allocation to the Council is now based on schools block NFF. This takes the October 2017 pupil data and provides a basic per pupil amount plus additional funding for deprivation, low attainment etc. The NFF also applies a minimum per pupil level of funding of £3,300 Primary, £4,600 Secondary in 2018/19 and £3,500 Primary, £4,800 Secondary in 2019/20.

28. Pupils who are in Resource Provision have transferred into the schools block (but will continue to receive additional funding from the high needs block).

29. Local authorities can continue to provide funding through local formula for 2018/19 and 2019/20.

30. The Early Years Block is mainly comprised of:
    - Funding for the universal 15-hour entitlement for all three- and four-year-olds.
    - Funding for the additional 15 hours for three- and four-year-old children of eligible working parents.
    - Funding for the Early Years pupil premium plus a few other areas.

31. The High Needs Block is a single block for local authorities' high needs pupils / students aged 0-24. The block includes place funding for pre-16 and post-16 places in appropriate establishments such as maintained mainstream schools, maintained special schools and pupil referral units. The block includes top-up funding for pupils and students occupying places in such settings.

32. For 2018/19 the high needs block is calculated through the high needs NFF. This is made up of a range of factors and weightings including:
    - A basic entitlement
    - An historic spend factor
    - A population factor
    - Measures relating to low attainment and deprivation
    - A funding floor
    - An area cost adjustment

33. The new Central Schools Services Block is based on a NFF that includes:
    - Historic commitments
    - Ongoing responsibilities
    - An area cost adjustment

34. **Table 4** shows the actual DSG received for 2017/18, the indicative DSG for 2018/19, and per pupil funding levels. (This excludes the adjustment for Academy recoupment).

35. For 2018/19 the Schools Forum have agreed to transfer 0.5% of the Schools Block to High Needs to recognise pressures in that area.

36. Other than that adjustment all the schools block funding is passported directly through to schools.

Table 4 - Dedicated Schools Grant are allocated in four notional blocks from 2018/19	Actual 2017/18 £m	Provisional 2018/19 £m	Change £m	Change %
Total Dedicated Schools Grant	257.5	265.5	8.0	3.1%
Comprising:				
Schools Block (notional)	205.5	207.7	2.2	1.1%
Central School Services Block	0.0	2.9	2.9	n/a
Early Years Block (notional)	18.8	21.1	2.3	12.2%
High Needs Block (notional)	33.2	33.8	0.7	2.0%
Per Pupil Funding	**£ / pupil 2017/18**	**£ / pupil 2018/19**		
Dedicated Schools Grant:				
Schools Block (notional)				
Primary	4,340	3,842		
Secondary		4,909		
Central Schools Block per pupil	0.00	30.55		
Early Years Block 3&4 hourly rate	4.30	4.30		
2 Year old hourly rate	5.28	5.28		
Figures quoted are before the Academy recoupment and before any High Needs Deductions.				
Primary and Secondary per pupil figs not provided in 2017/18				

Sources: Cheshire East Finance
Education and Skills Funding Agency

Dedicated Schools Grant (DSG) ~ Academy Funding

37. 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.

38. The Schools Block funding receivable for the 69 academies which opened before or during 2017/18 has not been removed from the total DSG award to be received (as reflected in **Table 4**). The funding for these academies of approximately £121.6m will be deducted from the Authority's DSG as part of the academy recoupment process (see **Annex 8**).

Sixth Form Funding

39. Total sixth form funding of £4.1m is receivable for maintained schools (this is an estimated figure to be confirmed when actual sixth form pupil numbers are known). In 2017/18 a balance of £12m was allocated directly to academies by the Education and Skills Funding Agency. The allocation for 2018/19 is not yet known.

Pupil Premium Grant & Pupil Premium Plus

40. The indicator for eligibility will be Free School Meals received in any of the prior six years by any pupil. The allocations for 2018/19 are expected to be the same as in 2017/18 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 £4.3m in relation to the Pupil Premium for 2018/19.

Physical Education Grant

41. The Council expects to receive £1.1m for 2018/19. This is an estimate after any reduction for academies.

Universal Infant Free School Meals (UIFSM)

42. The Council expects to receive £2.6m for 2018/19. This is an estimate for maintained schools. The figure is normally based on a set amount per eligible pupil. The grant is paid directly to local authorities or academies. The Council will comply with the requirement to pass on the grant to maintained schools in full.

School Improvement Monitoring and Brokering Grant

43. This is a new grant from September 2017 for local authorities to continue to monitor and broker school improvement provision for low-performing maintained schools and intervene in certain cases, nationally £50m is being allocated with the first £30m allocated in September 2017. The Council expects to receive £0.2m for 2017/18 based on 89 maintained schools. This will be adjusted for any further conversions prior to being paid. It is not yet certain if this grant will continue into 2018/19.

SEND Implementation Grant

44. The Council received £0.2m for 2017/18. This was to assist the conversion of all eligible children to an Education, Health and Care Plan. The amount for 2018/19 is not yet known.

Public Health Grant

45. Central Government transferred the responsibility of commissioning and delivering public health services from Health to local authorities in April 2013.

46. Public Health responsibilities cover a wide range of services including: Sexual Health services; Children's 0-19 services; NHS Health Check programmes; Substance Misuse services and One You services.

47. Public Health grant has been ring-fenced from 2013 and will continue to be so during 2018/19 to ensure expenditure is incurred in line with the public health framework.

Funding from Public Health England (PHE) 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 – Originally £15.6m then increased by £2.4m for the remaining six months of 0-5 year old funding, reduced by £0.4m in year and reduced by £0.3m transfer of base funding to EC CCG for Community special school nursing. Total £17.3m
- 2017/18 - original funding £17.3m then reduced by £0.5m. Total £16.8m.
- A reduction of 2.6% as per forecasts for 2018/19 taking the grant funding down to £16.4m.
- Provisional allocations for 2019/20 estimate the grant to be £16m. This has been prudently reduced by a further 2.6% for 2020/21 taking the grant forecast to £15.6m.
- In 2020/21 the grant is likely to be one of the funding streams that will be rolled into the Business Rates Retention Scheme when it moves to 75% retention by local authorities.

Collecting Local Taxes for Local Expenditure

Business Rate Retention Scheme (BRRS)

48. The Council anticipates collection of approximately £139m (before accounting adjustments) in business rates in 2017/18, based on the Council's NNDR1 return to the Central Government on 31st January 2017. 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 the Fire Authority. In addition to this reduction a tariff of £23.4m must be paid to Government which is used to top-up funding allocations to other local authorities.

49. Up to and including 2016/17, the Council continued to use the nationally set Business Rates baseline figures, plus levy savings as a result of being in the Greater Manchester Pool, for budget setting purposes. This was slightly below the NNDR 1 level reflecting a prudent approach to business rates growth. For 2017/18, a growth estimate of £0.5m in retained rates for the authority was also budgeted for to take account of the steady rise in business rate growth in recent years.

50. For 2018/19 this approach has been maintained. Therefore, in addition to the forecast £0.75m levy saving (as a result of being in the Pool), a further £0.8m in retained business rate growth income is being forecast (see **Table 5**). This is in addition to the baseline increase for 2018/19.

Table 5 - Business Rates Retention	2017/18 £m	2018/19 £m	Change £m	Change %
Business Rate Retention Scheme	-41.0	-43.0	**2.0**	**4.9%**

Source: Cheshire East Finance

51. Growth in business rates can increase local funding, but this does take time and recent trends in rateable values have slowly increased. The Council continues to promote inward investment to the area. There are positive signs of investment and **Annex 6** sets out the forecasts for business rate growth over the medium term.

52. During 2017/18, the Council continued to be part of a BRRS Pool with Greater Manchester authorities and Cheshire West and Chester. 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.

53. The Pool continues to be a pilot for the 100% growth retention scheme. This will allow growth above 0.5% to be retained in full if achieved. Further information on business rates growth is set out in **Annex 6.**

54. The Impact Assessment at **Annex 3** (Page 122) identifies how changes in business rates could affect local business.

Council Tax

55. Locally collected domestic taxes that are directly retained by the Council will provide approximately 80% of the Council's net funding in 2018/19. The Council therefore takes a very careful approach to managing the domestic and commercial

taxbases in a way that reflects local growth ambitions and supports sustainable services in the medium term.

56. The Council froze Council Tax levels for five consecutive years from 2011/12 to 2015/16 inclusive, with some Government support, saving local taxpayers a total of nearly £50m in that period, and yet continued to provide services that met the needs of local residents. Growth in the local taxbase (for houses and businesses) supports the ambition in the Corporate Plan of creating economic independence from Government grant. In 2019/20, there will be no general Government grant support to the revenue budget of Cheshire East Council. The speed of this change is a major challenge and when increases in demand related to protecting vulnerable people and inflation in costs are taken into account, then this creates a requirement to increase Council Tax levels in line with Government expectations.

57. The ability to raise additional Council Tax for use solely on Adult Social Care (ASC) was accepted in 2017/18. Local authorities could raise up to 3% in any year from 2017/18 to 2019/20, but subject to a maximum of 6% over the three year period. Cheshire East proposed to apply half of this increase in 2017/18, and a further 3% in 2018/19. The provisional local government finance settlement announced the referendum limit on base increases was to be increased to 3% in line with inflation. As such, it is proposed that base Council Tax is increased by 2.99% giving a total increase for 2018/19 of 5.99% (including the 3% rise for ASC) to give a Band D charge of £1,404.28 for 2018/19.

58. The proposed increase for 2019/20 is currently 1.99% and a further 1.99% for 2020/21 at this time.

The calculation of the Council Tax for 2018/19 is shown in **Table 6**.

Table 6 - The calculation of the Cheshire East Council Band D Council Tax		**2018/19 £m**	**2018/19 £m**
Total Net Revenue Budget 2018/19			268.8
Specific Grants			-13.0
Revenue Budget recommended to Council on 22nd February 2018			255.8
Less:			
Business Rates Retention Scheme	-16.8% [1]	-43.0	
Revenue Support Grant	-2.1% [1]	-5.4	-48.4
Surplus on Council Tax	-0.4% [1]		-1.0
Amount to be Raised from Council Tax	**80.7%** [1]		**206.4**
No. of Band D Equivalent Properties			147,003.80
Band D Council Tax			**£1,404.28**

[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 £	936.19	1,092.22	1,248.25	1,404.28
No of Dwellings	30,430	35,950	33,839	25,541
Band	**E**	**F**	**G**	**H**
Council Tax £	1,716.34	2,028.41	2,340.47	2,808.56
No of Dwellings	19,795	13,574	12,142	1,816

Source: Cheshire East Finance

Council Tax Base

59. 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.

60. The gross tax base for 2018/19 (before making an allowance for non-collection) is calculated as 148,488.68. After taking into account current high collection rates, the non-collection rate has been maintained at 1.00% for 2018/19. This results in a final tax base of **147,003.80** Band D equivalent domestic properties.

61. The tax base for 2018/19 reflects an increase of 1.9% on the 2017/18 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 14th December 2017.

62. 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%).

The impact of the Council Tax Support Scheme

63. 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.

64. The impact of Council Tax Support reductions is slowly 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 and a revised scheme was implemented from April 2016. The scheme is unchanged for 2018/19.

Collection Fund

65. Receipts from Council Tax payers and businesses are paid into the Collection Fund which is then distributed to all precepting organisations (Cheshire East Council, Fire Authority, Police and Crime Commissioner, Central Government and local Town and Parish Councils).

66. A predicted surplus in the Collection Fund can be drawn down to support revenue funding for the following annual budget,

and vice versa in the case of a deficit. This can happen if actual changes in the tax base vary from the predicted changes, or if collection rates exceed forecasts.

67. The estimated balance on the Council Tax Collection Fund has been forecast to be a £1.2m surplus at 31st March 2018. £1.0m of this surplus is retained by the Council and is factored in to the 2018/19 budget.

68. The year-end balance on the Business Rates Collection Fund is estimated to be a cumulative surplus position of £0.6m, of which £0.3m will be payable to Cheshire East. This estimated surplus equates to 0.4% of the net rates forecast to be collected for 2017/18 (£139m before accounting adjustments).

69. The fluctuations in the Business Rates Collection Fund will continue to be managed through the earmarked reserve and use of the reserve reflects a risk based approach to future BRRS income streams.

Council Tax on Second Homes

70. 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.

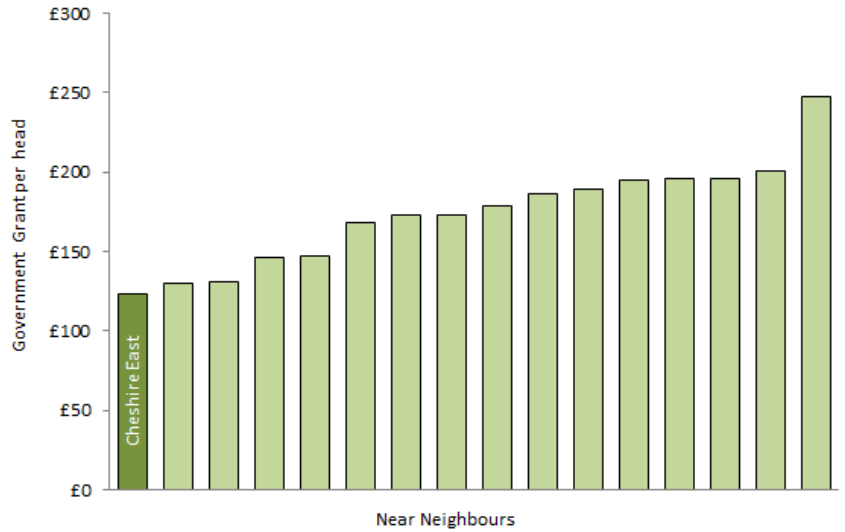
71. The final figures cannot be calculated until each authority has set its 2018/19 Council Tax. Contributions under the Second Homes agreement to the CDRP from the Police and Crime Commissioner and Cheshire Fire and Rescue Authority will be made during 2018/19 by adjusting the precept payments to those authorities. The provisional contribution from Cheshire East Council is £221,000.

72. 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

73. 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.



Sources: Cheshire East Finance
CIPFA Council Tax Demands and Precept Statistics 2017/18
Ministry for Housing, Communities and Local Government

What is the Council doing about it?

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

Responding to Key Consultations

75. 2017/18 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 also joined the Society of Unitary Treasurers in 2015 to assist with influencing collective messages. The consultations that have taken place so far in 2017/18 are as follows:

- Rates Retention and Formula Grant
  - 100% Business Rates Retention: Further consultation on the design of the reformed system (closed May 2017)
  - 2018/19 Local Government Finance settlement: technical consultation (closed October 2017)
  - 2018/19 Provisional Local Government Finance Settlement (closed Jan 2018)
  - Fair Funding Review – Needs and redistribution (closing March 2018)
- Schools and Academies
  - Changes to the criteria for agreeing loan schemes (closed April 2017)
- Local Taxation
  - Discretionary Business Rates Relief Scheme (closed April 2017)
- Accounting and Audit
  - Consultation on Proposed Changes to the Treasury Management Code (closed September 2017)
  - Proposed changes to the prudential framework of capital finance (closed December 2017)
- General
  - Unaccompanied Asylum-seeking Children (closed September 2017)

Membership of Collective Groups

76. 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

77. The Council is also making use of the CIPFA / Pixel Financial Management Service to assist with financial forecasts and strategy.

Monitoring Developments

78. The Council is monitoring news alerts and public sector journals for any developments with Business Rates and grant funding arrangements. There are various authorities involved in the pilot scheme to trial the 100% business rates retention scheme early. The results of these pilots will be closely followed.

On-going briefing with Members of Parliament

79. 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

80. 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.

81. Approximately 8% of the Council's gross income is received through Fees & Charges and the prices are reviewed at least annually.

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

83. 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.

Investment, Borrowing and the Capital Programme

84. The capital programme is intentionally aspirational, reflecting the Council's priority to promote local economic wellbeing. 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.

85. The Council applies an agreed Treasury Management Strategy to ensure capital financing is affordable in the medium term. During 2017/18 the S151 Officer explored options to revise the approach to calculating the Minimum Revenue Provision (MRP) to release revenue funding and mitigate overspending on services. Liaison with the Council's treasury management advisors, Arlingclose, has taken place and the proposal to use the annuity method under the Asset Life (Option 3) to calculate the Minimum Revenue Provision has resulted in the ability to take a MRP 'holiday'. A saving of £6m has been realised in 2017/18.

86. The capital financing budget for 2018/19 is shown in **Table 8**. 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 Council's investments. The Capital Financing budget reflects a further reduction of £4m in 2018/19, reducing the budget to £10m. This is for the 2018/19 financial year only and the capital financing budget will return to the level of £14m in future years.

Table 8 - Capital Financing Budget	2018/19 £m
Repayment of Outstanding Debt	10.0
Contribution re: Schools Transforming Learning Communities Schemes	-0.9
Transfer from revenue reserve	-2.6
Interest on Loans	3.8
Less: Interest Receivable on Cash Balances	-0.3
Net Capital Financing Budget	**10.0**

Source: Cheshire East Finance

87. Charges for the amount borrowed are made to the Council's income and expenditure account and, for 2018/19, comprise of the following elements:

- **For borrowing incurred prior to April 2008**: Cost is calculated at a 2% annuity rate over a 50 year period.
- **For borrowing incurred after April 2008**: Cost is calculated on an annuity basis 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.

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

89. The Council currently has external borrowing of £145m of which £44m is temporary borrowing with other local authorities. The amount of interest paid on the Council's portfolio of loans is mainly at fixed rates of interest (c. 3.1%). Currently long term interest rates are around 2.6%.

90. The rate of interest to be earned on the Council's cash balances that are temporarily invested is budgeted to be £0.3m.

91. 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 2018.

Capital Programme Planning

92. The 2017/20 capital programme was approved by Council on 23rd February 2017. Updates have been provided via quarterly reports to Cabinet during 2017/18.

93. The Third Quarter Review of Performance and the revised profile of spend for 2018/20 onwards forms the base for the 2018/21 programme, which is detailed in **Annex 10**.

94. 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 are delayed from one year to the next.

95. Services are required to provide business cases in accordance with the HM Treasury five case model.

96. Spending plans are monitored 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

97. The level of resources required to fund capital investment in the medium term is set out in **Table 9** 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 9 - Capital Programme Summary	2018/19	2019/20	2020/21	Total 2018/21
	£m	£m	£m	£m
Committed Schemes	95.1	108.1	63.5	266.7
New Schemes	32.0	13.7	13.7	59.4
Total Capital Programme	127.1	121.8	77.2	326.1
Financing				
Prudential Borrowing	55.3	14.3	15.7	85.3
Government Grants	57.3	93.4	19.1	169.8
Capital Receipts	4.3	4.2	10.0	18.5
External Contributions	7.5	9.9	32.4	49.8
Other Revenue Contributions	2.7	0.0	0.0	2.7
Total Sources of Funding	127.1	121.8	77.2	326.1
Source: Cheshire East Finance				

Source: Cheshire East Finance

98. The Council will attempt to maximise external resources such as grants and external contributions in the first instance to fund the capital programme. Where the Council resources are required the preference will be to utilise capital receipts from asset disposals. The forecast for £18.5m capital receipts for the period 2018-21 assumes a prudent approach based on the work of the Asset Management team and their most recently updated Disposals Programme.

99. The schemes in the Capital Programme, both existing and new proposals, have been through a challenge process to ensure they represent value for money, attract external funding or alternatively are affordable within the capital

financing budget and do not commit the Council to additional debt repayments that are not affordable in the medium term.

100. Longer term proposals are included in an addendum to the programme for planning purposes. Detailed business cases will be developed for these schemes as precise details become known. Before work can commence, on schemes listed on the addendum, the business case will be required to provide significant certainty linked to:

- Strategic impact of the scheme
- Expenditure profiles
- Funding sources or associated return on investment

101. The schemes separately identified on the Addendum to the capital programme are still submitted for approval; subject to them meeting the above requirements in the future. At the stage where the business cases are sufficiently robust and are deemed to be affordable the Portfolio Holder for Finance & Communication and the Section 151 Officer will provide the additional approval for these schemes to proceed and form part of the main capital programme. Updates on these schemes will be provided to Cabinet through the quarterly reporting process. As detailed in **Table 10**:

Table 10 - Capital Programme Summary - ADDENDUM	2018/19	2019/20	2020/21	Total 2018/21
	£m	£m	£m	£m
Directorate				
People	2.9	0.0	0.0	2.9
Place	78.0	114.3	63.4	255.7
Corporate	6.2	4.4	3.1	13.7
Total Capital Schemes	**87.1**	**118.7**	**66.5**	**272.3**

Source: Cheshire East Finance

Borrowing for Capital Expenditure

102. 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.

103. The level of Prudential Borrowing required in 2018/19 and in future years is detailed in **Annex 10** 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.

Government Capital Grants

104. Government capital 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.

105. 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 £170m, which is 52% of the total Capital Programme. **Annex 9** provides a list of Government Grants that are supporting the Cheshire East capital programme.

Capital Receipts

106. A capital receipt is an amount of money which is generated from the sale of an asset. The asset rationalisation process is managed by the Asset Management Service and continues to explore opportunities to generate capital receipts by disposing of surplus property assets after considering potential development opportunities. An asset disposal schedule is maintained to indicate the timing and estimated values of future receipts.

107. Capital receipts are pooled in the Council's capital reserve and are allocated each year in line with corporate priorities. Asset disposals also have revenue benefits by reducing the costs relating to retaining assets, such as business rates, insurance and utility costs.

108. The guidance on the Flexible Use of Capital Receipts, states that authorities may treat expenditure which is incurred in the design of projects that will generate ongoing revenue savings in public services or that will transform service delivery to reduce costs or manage demand in future years for public service partners as capital expenditure. The Council has reviewed the guidance and expects to identify potential expenditure that meets the eligibility criteria within each financial year.

External Contributions to Capital Expenditure

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

110. 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.

111. As at 31st March 2017 the authority held Section 106 balances totalling £13.6m which is expected to increase to £17.6m as at 31st March 2018. 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 to Capital Expenditure

112. Capital expenditure may be funded directly from revenue, but not vice-versa. Overall financial pressure on the Council makes returns on capital investment a key element of the overall financial stability of the Medium Term Financial Strategy. Business cases for schemes with revenue returns will be monitored throughout the year to ensure revenue returns are realised.

Other Economic Factors

113. 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 which were published in the Pre-Budget Consultation 2018-21 issued in November 2017, and updated through the year via the Central Finance Group. Allowance will be made in the 2018/19 budget for other economic factors, such as pay inflation and pension costs, totalling £5.0m.

114. The Budget Report for 2018/19 continues the theme of not including any central allowance for non-pay inflationary pressures on the basis that this is being mitigated by service efficiency proposals, increased charges or specifically bid for as a separate policy proposal.

Employer Pensions Contributions

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

116. The decision was made to pay past service pension deficit contributions for the next three years in one advance payment of £45m in April 2017. The discount available from early payment more than offsets the costs of temporary borrowing where required. The forecast benefit over the three year period is around £2m which will support mitigation of future service costs as appropriate. £0.9m of this saving is being taken in 2018/19.

Managing the Reserves Position

117. The Council Reserves Strategy 2018/19 states that the Council will maintain reserves to protect against risk and support investment. The Strategy is updated each year and the latest update is provided in the MTFS 2018-21 Report at **Annex 12**.

118. The Strategy identifies two types of reserves:

- **General Reserves**
  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**
  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.

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

Summary of Financial Stability

119. **Table 11** summarises the position for 2017/18 to 2019/20.

Summary position for 2018/19 to 2020/21 Table 11	Estimated Net Budget 2018/19 £m	Estimated Net Budget 2019/20 £m	Estimated Net Budget 2020/21 £m
Outcome 1	24.8	25.3	25.8
Outcome 2	27.0	27.3	27.7
Outcome 3	46.9	48.3	49.8
Outcome 4	30.6	29.3	29.7
Outcome 5	99.2	104.8	111.0
Outcome 6	30.3	29.9	30.9
Total Outcomes	258.8	264.9	274.9
CENTRAL BUDGETS:			
Capital Financing	10.0	12.0	12.0
Past Pensions Adjustment	0.3	0.2	1.2
Income from Capital Receipts	-2.0	-1.0	-1.0
Contingency	1.0	1.0	1.0
New Homes Bonus Community Fund	1.0	1.0	0.0
Use of / Contribution to Earmarked Reserve	-0.3	0.0	0.0
Additional changes to balance future years	0.0	0.0	-10.1
TOTAL: CENTRAL BUDGETS	268.8	278.1	278.0
FUNDED BY:			
Council Tax	-206.4	-212.7	-219.2
Business Rate Retention Scheme	-43.0	-41.8	-42.3
Revenue Support Grant	-5.4	0.0	0.0
Specific Grants	-13.0	-12.5	-11.2
Sourced from Collection Fund	-1.0	-1.0	0.0
TOTAL: FUNDED BY	-268.8	-268.0	-272.7
Funding Deficit	**0.0**	**10.1**	**5.3**

120. Service expenditure for 2018/19 is shown as **£268.8m**. This represents an increase of £5.0m (1.9%) on the Budget at the Three Quarter Year Review position.

121. The Funding Available to Services in 2018/19 is estimated at **£268.8m** to give a balanced position.

122. Proposals were received in a Better Business Cases Five Case Model format, with associated Equality Impact Assessments, and were 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.

Forecasting the Medium Term Budget 2018/19 to 2020/21

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

124. Work with other organisations, as detailed from Para 74 (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.

125. Council funding is now guaranteed to reduce over the medium term and it is almost certain that inflationary pressure on services will continue to increase.

126. The Medium Term Financial Strategy reflects a balanced position for 2018/19 with a mix of specific policy proposals in each Service.

127. The position for 2019/20 and 2020/21 is still a challenge as per the estimates in this document. This position will continue to be addressed during 2018/19 as changes are bedded in and cost pressures are firmed up.

128. 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 are 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, demographic changes, local service ambitions and growth in the taxbase.
Measure Three ~ Manage Reserves	The impact of the Council's Reserves Strategy is analysed, particularly in relation to risk and investment.
Measure Four and 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 12 – Forecasting the Medium Term Budget
Measure One Challenge Financial Assumptions	• In December 2017 the Government issued provisional Core Spending Power figures for the next two years (2018/19 to 2019/20). This confirmed the estimates set out in the 2016/17 Final Settlement released in February 2016 and, due to the submission of our 4-Year Efficiency Plan in October 2016, guarantee the central funding levels for the medium term. • 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: **Business Rates** - Business Rate income will rise with inflation (CPI from 2018/19 rather than RPI previously), as controlled by the Government set multiplier. Above inflation increases of £0.5m per annum (with an additional £0.3m in 2018/19) have been factored in to the Cheshire East medium term financial plans. The increase is prudent due to the current significant risk associated with business rates income. The national revaluation of non-domestic premises implemented in April 2017 may increase appeals levels further. - The Provisional Local Government Finance Settlement in December 2017 announced the Government's aim to increase the local share of business rates retention to 75% in 2020/21. This will be through incorporating existing grants into business rate retention including the Revenue Support Grant, and potentially the Public Health Grant. The remaining 25% central share will be returned to HM Treasury and recycled back to local government. This may increase the level of business rates retained, but makes no actual difference in the level of core funding for the Council. However, a greater share of the growth in business rates will be able to be retained after this time.

Measure	Table 12 – Forecasting the Medium Term Budget
Measure One Challenge Financial Assumptions	**Revenue Support Grant (RSG)** - RSG will reduce to nil by 2019/20 for Cheshire East Council. The Government settlement continues to assume authorities can replace an element of lost grant with Council Tax increases. However this is a local discretion and is subject to referendum limits (increased from 2% to a cap of 3% for 2018/19 before being subject to a local referendum). **New Homes Bonus (NHB)** - Increasing development in Cheshire East means NHB is expected to exceed recent expectations and income from this grant is expected to increase by £0.3m for 2018/19. This is despite changes to the number of years the grant is paid for down from 5 to 4 years for 2018/19. The threshold before growth is calculated remains at 0.4%. - There are to be no further changes, as consulted on, for 2018/19 and £8.6m is forecast for 2018/19. **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 or past trends.

Measure	Table 12 – Forecasting the Medium Term Budget
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 (5.99% in total). • Increases for later years will be reviewed annually but current assumptions are for 1.99% and 1.99% increases per annum in 2019/20 and 2020/21 respectively. • 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 (CTS) 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. • 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 over £2m 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	Table 12 – Forecasting the Medium Term Budget
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. A contingency of £1m per annum to mitigate demand pressures has also been introduced from 2018/19. • The Reserves Strategy for 2018-21 aims to maintain adequate 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 and Income	• The Council's current proposals for change are contained within **Section 1** of the Medium Term Financial Strategy. Although the financial implications focus on 2018/19, many of these programmes will deliver further savings through to 2020/21 as highlighted by further savings figures in the later two years. • Some of the financial areas being reviewed by budget holders and the Finance Team are: - Pay Inflation will be assumed at 2% in the medium term. - Reviewing management control and staffing structures. Expenditure on employees accounts for c.21% of the Council's revenue expenditure on services, and the reviews will look to ensure that the Council operates an effective commissioning model that focuses best fit service providers while achieving cost benefits and efficiency. - Ensuring Corporate back office Services, which account for c.11% of the Council's net budget, continue to reflect changes that are making the Council a smaller organisation. - 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. - Review and challenge of all Council contracts to ensure the most cost effective services are procured.

Measure	Table 12 – Forecasting the Medium Term Budget
Measures Four and Five Manage Cost Drivers and Income	• 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.£0.4m 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 continues to account for c.40% of the Council's budget. This is the largest budget area so managing costs in this area is essential. • Engaging with voluntary, community and faith groups and local town and parish councils to explore ways of transforming service delivery at a local level. There are c.300 such groups already financially engaged with Cheshire East Council and 21% of our population volunteer. The third sector is a powerful economic partner, employing 2.5% of the workforce and generating an income of over £25m 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 increase productivity.

Annexes to the Medium Term Financial Strategy Report 2018/21

February 2018

Cheshire East Council

1. Corporate Plan 2018 to 2021

2. Business Planning Process - Engagement

Introduction

2.1 Cheshire East Council is conducting an engagement process on its Medium Term Financial Plans through a number of stages running from November 2017 to Council in February 2018, and beyond that as proposals are implemented.

2.2 The Pre-Budget Consultation, published on the 7th November 2017, included details of the proposals from each service area for the next three years. This report was made available to various stakeholder groups and through a number of forums.

2.3 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.

2.4 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 financial risk by factoring into its minimum level of reserves an allowance for negative changes to proposals arising from consultation or delayed implementation.

Background

2.5 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. The Council continues to carry out stakeholder analysis to identify the different groups involved in the budget setting process, what information they need from us, the information we currently provide these groups with, and where we can improve our engagement process.

2.6 This analysis helps to inform the consultation process for each Budget and continues to identify additional channels of communication which are used to facilitate consultation with more of our stakeholder groups.

Business Planning Process

2.7 The Business Planning Process for 2018-21 followed the standard timescale for consultation and allowed nearly four months for consultation on the Pre-Budget Consultation. 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 Consultation 2018-21, issued on 7th November 2017 and shared with Corporate Overview and Scrutiny Committee on 15th November 2017. Two All Member

Finance Briefings were organised for the 28th November and 11th December 2017.

2.8 The key events are outlined in **Table 1.**

2.9 All the feedback received by the Council, including the use of an online survey, is set out in detail in **Appendix B** to The Councils Medium Term Financial Strategy 2018/21 Report.

Table 1 – Key Engagement Events

Event	Date	Comments
Corporate Leadership Team / Cabinet Away Day (1)	6th June 2017	First consideration of budget changes being proposed.
Cabinet	13th June 2017	Revenue 2016/17 Outturn.
Cabinet	12th September 2017	Receive First Quarter Review of Performance.
Corporate Leadership Team / Cabinet Away Day (2)	19th September 2017	Further update on the process and revisiting of the proposals being considered for consultation.
Corporate Leadership Team / Cabinet Away Day (3)	9th October 2017	Further update on the process and revisiting of the proposals being considered for consultation.
Corporate Leadership Team / Cabinet Away Day (4)	1st November 2017	Further update on the process and revisiting of the proposals being considered for consultation.
Cheshire East Council website	7th November 2017	Pre-Budget Consultation placed on Council's website and Centranet to launch consultation exercise.
Team Voice	15th November 2017	Issued to all staff and Members to headline release of Pre-Budget Consultation.

Event	Date	Comments
Corporate Overview and Scrutiny Committee	15th November 2017	Received Pre-Budget Consultation and Mid-Year Review of Performance Report.
Cabinet	7th November 2017	Received the Mid-Year Review of Performance Report.
Trades Unions	7th November 2017	Considered Pre-Budget Consultation.
All Member Briefing (1)	28th November 2017	Considered Pre-Budget Consultation.
Cabinet	5th December 2017	Consider the Domestic and Non-Domestic Tax Base for recommendation to Council.
Schools Forum	7th December 2017	Considered Pre-Budget Consultation.
Council	14th December 2017	Agree the Domestic and Non-Domestic Tax Bases.
Provisional Funding announcements	19th December 2017	From Central Government
All Member Briefing (2)	11th December 2017	Considered Pre-Budget Consultation.
Third Quarter Review of Performance – Challenge sessions	11th to 21st December 2017	Provided updated baseline spending calculations for services and potential impact on calculations proposed within the MTFS.
South Cheshire Chamber of Commerce Business Event	11th January 2018	Considered Pre-Budget Consultation.

Event	Date	Comments
Children & Families Overview and Scrutiny Committee	15th January 2018	Considered Pre-Budget Consultation (relevant budget areas)
Environment & Regeneration Overview and Scrutiny Committee	23rd January 2018	Considered Pre-Budget Consultation (relevant budget areas)
Macclesfield Chamber of Commerce Business Event	24th January 2018	Considered Pre-Budget Consultation.
Corporate Overview and Scrutiny Committee	1st February 2018	Receive MTFS Report / Review Final Budget Proposals
Cabinet	6th February 2018	Received the Third Quarter Review of Performance Report. Consider MTFS Report and recommend proposals to Council
Final Funding announcements	6th February 2018	From Central Government
Town and Parish Council Conference	20th February 2018	Engagement event with local town and parish councils
Council	22nd February 2018	Debate and approval of 2018/19 budget

3. Impact Assessment

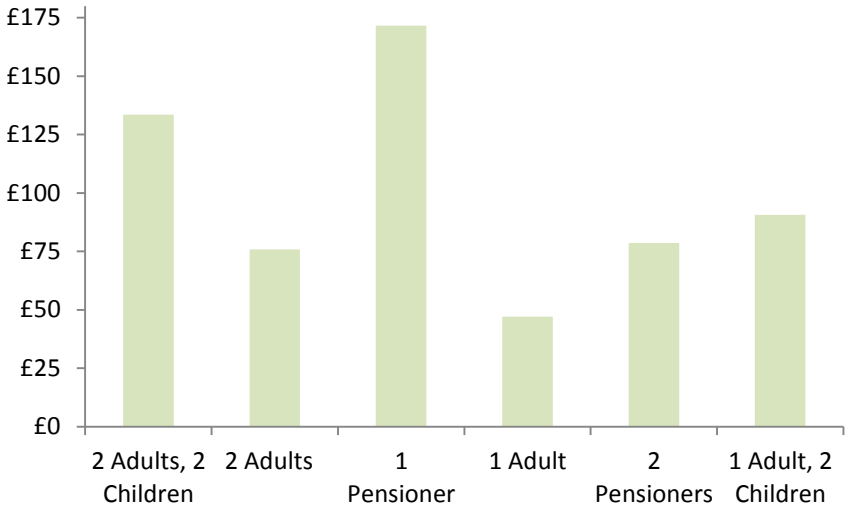
Household Calculator

3.1 The 2018/19 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.

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

3.3 **Chart 1** 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 November 2017, were to be applied.

Chart 1: Without a strategic approach households could face £47 to £172 increases in costs if simple inflation was applied to charges



Source: Cheshire East Finance

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

3.5 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.

3.6 **Chart 2** below illustrates the anticipated annual increases per household when applied to the same variety of services.

Chart 2: Forecast increases in costs are split appropriately across all groups

Source: Cheshire East Finance

3.7 The anticipated average increase per household is £68. This is £32 lower than an average increase of £100 if RPI at 3.9% had been applied across all services. Fees and charges in these typical household examples are not forecast to rise for 2018/19 and council tax is forecast to rise by 5.99%.

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.

3.8 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 2018/19 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.

Cheshire East Council established the Skills and Growth Company as a new 'arms-length' company in April 2016, to bring together existing skills and growth services under one structure. Their objective is to ensure the Council can deliver more for less, achieving greater innovation and benefits for businesses and residents. The company supports businesses to maximise growth, funding and investment opportunities; increase the availability and take-up of apprenticeships, support people into work, help to create jobs and stimulate economic growth and innovation.

In their first year they helped create 988 new jobs which in turn resulted in an increase in Gross Value Added of £84m and a projected business rate income of £470,000. The company supported 232 high growth businesses, large employers and inward investment enquiries which led to £15m of capital investment, £18m of revenue spend and an increase in floor space of 561,000 sq ft.

The Council has made significant commitments to the regeneration of Crewe town centre, acting as a catalyst for further private sector investment as the town prepares itself as a HS2 station location in 2027. Over the 2018-21 period, over £25m will be invested through the use of external funding, the Council's capital budget and the strategic use of its own land and property. By taking a mixed use approach that incorporate leisure, retail, public realm and event space, this will enhance the attractiveness of Crewe to its significantly growing resident base and increase confidence in the development and investment sectors.

In Macclesfield the Council also remains committed to town centre regeneration with plans to invest in the public realm of the town centre in addition to facilitating private development to widen the town centre leisure offer with the objectives of boosting the evening economy and enhancing the visitor experience to encourage higher footfall and additional private investment. Further regeneration initiatives over the 2018-21 period are also under consideration through the ongoing development of the Macclesfield Town Centre Revitalisation Strategy.

Government sets new Business Rates multipliers for 2018/19

- The multiplier for 2018/19 will increase by CPI following the Chancellor's announcement in the Autumn Budget on 22nd November 2017. The multiplier has previously increased by RPI and was due to change to CPI in 2020, but the Chancellor has brought this forward by two years. The provisional multiplier has been set as follows:-
    - Provisional 2018/19 Standard Multiplier at 49.3p* in the £.
    - Provisional Small Business Multiplier 48.0p** in the £.

* Includes supplement to fund small business relief.

** All occupied properties with a rateable value below £51,000 are charged using the lower multiplier – except for those ratepayers receiving mandatory rate relief.

New Transitional Scheme for 2017 rating list

- The transition scheme will continue to help businesses that would face a large increase or decrease in their rates payable following the revaluation. Any relief under the new transition scheme will be automatically calculated and will appear on rate demands issued from 1st April 2018.

Small Business Rate Relief (SBRR)

- The Government announced in the budget in March 2016 that SBRR will permanently double.
- Thresholds for relief for SBRR were amended following the revaluation in 2017. Properties with RV below 12,000 where the ratepayer meets the criteria will receive 100% relief and properties between 12,000 and 15,000 will receive tapered relief.
- Continuation of 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.

Rural Rate Relief

Mandatory relief for rural businesses will continue at 100% for qualifying properties.

Spring Budget Reliefs

In the Spring Budget the Chancellor announced 3 new reliefs for businesses affected by the revaluation of 2017. All reliefs are fully funded by the Government.

- Pub Relief - £1,000 in 2017/18 for pubs with RV below £100,000. This relief has been extended in the Autumn Budget to include 2018/19.
- Supporting Small Business (SSB) – Relief for those ratepayers who have lost SBRR or rural rate relief as a result of the revaluation. This relief limits the increase in rates to £600 pa.
- Discretionary Revaluation Relief – Cheshire East Council will receive £1.3m over four years to grant relief to ratepayers who have faced an increase in rates payable as a result of the revaluation. The relief will be available as shown in the table below:

Amount of discretionary revaluation relief awarded (£)				**TOTAL £**
Year 1 2017/18	Year 2 2018/19	Year 3 2019/20	Year 4 2020/21	
756,541	367,463	151,308	21,615	**1,296,928**

Relief will be provided to properties with a RV of up to and including £100,000. In 2017/18, the scheme will award all eligible ratepayers 70% of the increase in rates due to the revaluation from 2016 to 2017 (a de-minimus value of £50 will apply). In most cases the relief will be awarded automatically without the need for application. Ratepayers who may have state aid implications will be required to make an application for relief. The Council will review the percentage awarded for each new financial year to take account of the funding available from Central Government.

Supplementary Business Rates

There are no proposals for Cheshire East Council to charge supplementary rates in 2018/19.

Local Retention of Business Rates

From 1st April 2013 Cheshire East Council retains c.28% of any local growth in the rates generated through increased occupancy of commercial premises subject to certain tolerances. The Medium Term Financial Strategy (**Annex 6**) sets out the Council's ambition and forecast income from promoting 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

Councillor Arthur Moran was appointed as Mayor on 17th May 2017. He is Cheshire East's ninth Mayor and represents the Nantwich North and West Ward.

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 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.
- Connecting Communities through our new and ambitious approach agreed by Cabinet in December 2016.
- This connecting communities approach will enable us to:
  - Engage communities to identify and be involved in addressing their local issues.
  - Promote and support community networks, neighbourhood and town partnerships to further develop communities with a stronger sense of neighbourliness.
  - Deliver differently in neighbourhoods which provide services where local people will use them, so that services are delivered in the way which gives best value for local people.
  - Work collaboratively with partners to deliver against our joint rural priorities, and to rural proof key decisions.
  - Work with partners and communities to ensure that local people feel safe and are safe in their communities.
  - Develop 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.
  - Invest in our Community Grants scheme to ensure communities can develop their initiatives.

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 2018/19, 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 was increased and by 2016 it had achieved a 43% reduction. The Council has embedded carbon reduction into its service delivery and is developing a 2020 vision that will aim to reduce carbon emissions by a further 20% across all corporate buildings. Improvements are planned undertaking a wide range of carbon reducing projects:

- Energy saving measures and property rationalisation in our own Council buildings to continue to reduce our carbon footprint including the major refurbishment of heating and ventilation equipment in two leisure centres.
- Reducing carbon emissions from its own vehicles by undertaking a fleet review that will include the trialling, where possible, of alternative refuse collection technologies including new fuel technology such as electric and hybrid variants and vehicles that can run on compressed natural gas.
- The Highway service carbon reduction programme set a target of a 27% reduction in carbon from street lighting by March 2016 supported by the Council's £5.2m capital investment in street lighting. The target was exceeded with 31% savings achieved from two completed initiatives:
  - a Borough wide replacement of traffic signal lamps with LEDs. Carbon reduction delivered - 6%.
  - the conversion of traditional street lights to LED on the Borough's inter urban routes. Carbon reduction delivered - 25%.
- The strategy continues to make good progress with a three year programme (2016 – 2019) to convert 24,000 street lights to LED in residential areas. Year 1 and 2 are complete with the final year commencing March 2018. Overall target is to deliver a further reduction in carbon of 27%.
- 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 and Diversity 	The Council recognises that promoting equality and diversity will improve public services for everyone. Cheshire East wants to be an area of equal opportunity, where everyone has a fair chance and people from all backgrounds take part in community life. The aim, therefore, is to make equality an integral part of the way the Council works by putting it at the centre of everything it does. It is important to consider all individuals when carrying out day-to-day work. To ensure this, services provide equality analysis for everything carried out as a way of considering the effect on different groups protected from discrimination by the Equality Act 2010. The Equality Impact Assessment (EIA) process helps to consider if there are any unintended consequences for each of the 'protected characteristics' of age, disability, gender reassignment, marriage and civil partnership, maternity and pregnancy, race, religion or belief, sex and sexual orientation. An EIA is carried out on: • new functions, policies, procedures and services as they are developed • significantly altered functions, policies, procedures and services • Overtime, on existing functions and policies. For all of the budget proposals an EIA has been carried out where appropriate. For some of the proposals presented it is recognised that these are still very much at a concept stage, therefore for these an initial screening has been carried out with the expectation that a full and detailed EIA will be completed in due course.

4. Workforce Strategy

Complex world

4.1 We are living and working in a complex world where residents and communities have high expectations of both business and public services.

4.2 Greater resident and community choice and control is driving the shape of public services, with a growing public expectation that services will meet their needs, helping them achieve personal goals and aspirations. This becomes even more challenging within this era of austerity and the significant financial pressures that all public services face.

4.3 Doing more of the same won't work. Increasing demand, greater complexity, rising expectations and severe financial constraints mean that the current situation is not sustainable. Tomorrow's solutions will need to engage people as active participants, delivering accessible, responsive services of the highest quality. We don't have all of the answers to the challenges that we face. We need to work closely with other partners and providers in all sectors to find new ways to design and deliver services across the public sector and to seize the opportunities as they emerge.

4.4 As the rules of delivering public service are being re-written, making people and relationships the key to sustainable success is more important than ever. Only through deepened relationships with and between employees, partners, residents and communities will the Council innovate and adapt quickly enough whilst maintaining service delivery. Tomorrow's solutions will need to bring together the diverse skills and talents and unlock the potential of people across the public sector.

Connected Council

4.5 Consciously building and strengthening connections in the way we lead, manage and work together within and across the Council, with members, partners and our communities is at the heart of our workforce strategy. We aim to build a more connected council and workforce through:

- **Purpose and direction** – ensuring our workforce have a common understanding of why they exist as an entity, a clear sense of what they are trying to achieve and the strategy to get there around which people can unite and flourish.
- **Authenticity** – leaders who act in a way that is in line with our FIRST values and who build relationships of trust and respect.
- **Devolved decision making** – the sharing of power across the organisation with decisions being made as close to the customer as possible, whilst key strategic decisions are made centrally.
- **Collaborative achievement** – close working within and across teams and organisations so that end to end processes work efficiently and effectively.
- **Agility** – colleagues are encouraged to share what they learn and to operate in a culture that supports experimentation.

People Plan 2018/19

4.6 Placing the right people in the right places at the right times is at the heart of the Council's success. To support and enable the delivery of the Council's ambitious plans, eight workforce priorities come together to form the Council's Connected People Plan.

4.7 **Organisation Design** – to provide change management support to services, enabling our workforce to be flexible and adaptable in a rapidly changing local, regional and national environment.

4.8 **Recruitment, Resourcing and Retention** – to review the Council's recruitment process and undertake a strategic workforce assessment. Create career pathway plans including talent management planning across the Council.

4.9 **Connected Council** – to develop and implement a leadership and management model and development strategy which increases leadership impact and facilitates cultural change.

4.10 **Employee Development** – to continue to develop highly skilled and competent professionals who operate safe practice and risk awareness and can work effectively across internal and external boundaries as the structure and form of public service changes.

4.11 **Engagement and Wellbeing** – to continue to build employee engagement with particular focus on improving staff wellbeing, resilience and attendance management, to ensure our workforce are engaged and performing at the highest level.

4.12 **Pay and Rewards** – to monitor and review approaches to pay to meet business needs and further develop financial and non-financial rewards and employee benefits, whilst meeting equal pay and gender pay gap requirements.

4.13 **Service Delivery** – to further develop and clarify the HR offer to ensure a safe, healthy and supportive environment, which equips the workforce to contribute effectively and reach their potential.

4.14 **HR Business Development** – to ensure the Council's HR service is in the best position to fully support the delivery of business priorities and exploit further business opportunities.

Productivity

4.15 Further savings will be realised through a combination of a reduction in consultancy and agency requirements and core staffing costs alongside increased productivity and further workforce initiatives. Working closely with Members, Trade Unions and staff, consultation will take place to ensure that resources are maximised and service changes are based on resident and community need.

NJC Pay Spine Review

4.16 Local Government national negotiations for 2018/19 and 2019/20 are underway.

4.17 The national employers have made a final pay offer to the unions of a two year deal for the period 1st April 2018 to 31st March 2020. This will be an average pay increase on the

national pay bill of 2.7% in year 1 and 2.8% in year 2. This final offer is in response to the Unions claim for 5% this year and has yet to be agreed.

- **Year 1 (2018/19)**

The lowest spinal points 6-19 will be increased to meet the significant national living wage pay gap potentially making the lowest spinal point £8.50 per hour. Spinal point 20 and above will receive a 2.0% pay increase.

- **Year 2 (2019/20)**

In this year the offer looks to gain further headroom over the national living wage increase due in 2019. The bottom spinal point will become £9.00 per hour. In addition it is proposed that the bottom twelve pay scales will be merged into six new points starting at new point one. 2% increases will be applied from new spinal point 23 onwards.

Living Wage

4.18 The Council implemented a Local Living Wage on 1st November 2015 of £7.85 per hour. The National Living Wage is due to increase to £7.83 per hour on 1st April 2018, and is projected to rise to £9 per hour by 2020.

4.19 As outlined in the previous section regarding the NJC Pay Spine Review it is anticipated that the proposed changes to the spinal points will make the need for a Local Living Wage obsolete as the lowest NJC scale point will significantly exceed the Councils local living wage from 1st April 2018.

Apprenticeship levy

4.20 Through the Finance Act 2017, the payment of an apprenticeship levy became a statutory requirement from April 2017. The levy is paid by employers (including the public sector) on 0.5% of the pay bill. All employers receive an annual allowance of £15,000 to offset against their levy, meaning that the levy only applies to employers whose annual wage bill is £3m or above. The Council's total liability is forecast to be approximately £689,000 per year. The Government tops this fund up by 10% and it is then made available to employers through a digital account. This account is then accessed to fund the training costs of apprenticeships. If funds are not spent within 24 months, they revert to the Government.

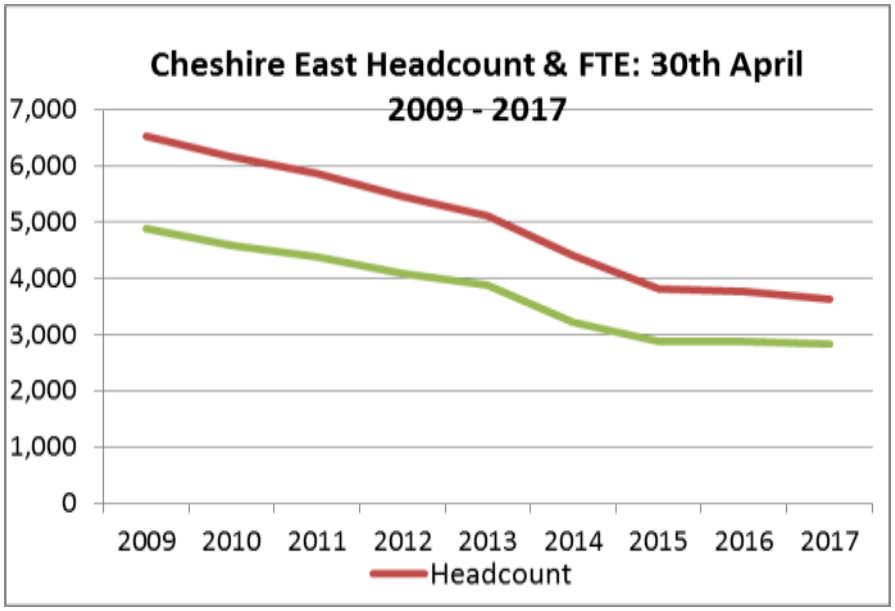
4.21 From April 2017, a duty for public sector companies to have 2.3% of their workforce to be made up of apprentices was also introduced by the Government. Based on current headcount, this is estimated to be 180 apprenticeship new starts for the Council each year, including ASDVs and maintained schools. This can be made up of new apprentices or existing members of staff undertaking an apprenticeship qualification. Increasing the number of new apprentices to the organisation will increase salary costs as will releasing existing staff to undertake the off-the-job training required for an apprenticeship.

Pension – employer contribution review

4.22 A valuation of the Cheshire Pension Fund was undertaken to determine the employer contribution rates for the Local Government Pension Scheme which came into effect from 1st April 2017. An increase in employer contribution rates of 1.5% has been factored into the figures within this report.

Headcount analysis and trend

Chart 1: Cheshire East Headcount & FTE



4.23 Between April 2009 and September 2017 the Cheshire East Council employee headcount has reduced by 45%, and the overall number of full time equivalent (FTE) Cheshire East Council employees has decreased by 42%. Reductions of more than 10% between April 2013/14 and April 2014/15 are attributable to the restructuring of services and the TUPE transfer of staff to Alternative Service Delivery Vehicles.

Workforce ***Increasing productivity through workforce planning whilst meeting our statutory obligations regarding pay inflation and ensuring non-essential staff travel and supplies are minimised.***	**2018/19 £m***		**2019/20 £m***	**2020/21 £m***
Pay and Pensions Allocation (Revenue Investment) (91) Increases in employee related costs over the medium term. Items covered by this proposal include spinal point incremental increases for eligible staff, annual nationally negotiated pay awards, sleep in payments, holiday payments and annual employer pension contribution increases of 1.5%. An element of the increases will be offset by vacancy provisions therefore an overall increase of 2% on pay budgets has been provided for in each year.				
PEOPLE	**+2.662**		**+4.727**	**+6.792**
PLACE	**+0.913**		**+1.759**	**+2.606**
CORPORATE	**+1.948**		**+4.029**	**+6.109**
Impact on Cross Service Budgets =	**+5.523**		**+10.515**	**+15.507**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Workforce ***Increasing productivity through workforce planning whilst meeting our statutory obligations regarding pay inflation and ensuring non-essential staff travel and supplies are minimised.***	**2018/19** **£m***		**2019/20** **£m***	**2020/21** **£m***
Mutually Agreed Resignation Scheme (Revenue Savings) (92) Overall revenue budget savings, from reductions in post numbers, can be achieved through MARS. The principles for the MARS scheme were developed from the NHS Staff Council Section 20 national agreement and recommended as good practice for NHS Trusts to support them to alleviate the need for future redundancies and to reduce costs. It has also been used to increase flexibility for an employer to address rapid change and service redesign. Since then the scheme has become more widely utilised and now operates in Local Government and Education. The Council is developing a local MARS as reported to Staffing Committee (25th January 2018) and Cabinet (6th February 2018). As the scheme is mutual, and managed by application, the total ongoing savings are estimated in full as part of this proposal and will only be allocated to specific budgets once applications are completed and approved. Beneficial consequences of staff leaving the organisation through a MARS scheme include the creation of opportunities not always available under compulsory/voluntary redundancy arrangements, short term payback of any up-front costs, mutual agreement from employer and employee as well as associated productivity and moral benefits from this not being a competitive process. *Impact on Cross Service Budgets =*	**-1.500**		**-1.500**	**-1.500**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*				

Evidence of Achievement

Measuring the effectiveness of the workforce priorities will be tracked through a small number of macro performance indicators such as:
1. Employee engagement index 2. Employee turnover 3. Sickness absence 4. Ratio of agency workers to employed staff 5. Number of staff with performance development plans and performance ratings

5. Risk Management

5.1 The Council recognises that there are risks involved in everything it does and that it has a duty to manage threats and opportunities 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.

5.2 The Council is committed to the effective management of risks, both threats and opportunities. The aim 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.

5.3 In this constantly evolving environment; with a need to continually adapt internal organisation to meet legal requirements, economic challenges, urban changes, and demographic and social changes; decision makers need a strong risk management framework to anticipate risks that may arise suddenly or unexpectedly and to respond to changes in need.

5.4 The Council has a Risk Management Policy Statement and Strategy which gives the scope, direction and priorities for risk management activity across the Council.

5.5 Underpinning the strategy and policy are risk management procedures articulated in a framework document. Taken together, the documents provide practical guidance to assist Officers and Members in the identification, evaluation and control of risks 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) were involved in the development of the policy, strategy and procedures within the framework.

5.6 Risk management is integrated into service planning and decision making to ensure that:

- Risks are recognised and responded to appropriately throughout business management and decision making lifecycles.
- Risk activity is focused on the delivery of key organisational objectives.
- Risk registers are critically examined and refreshed throughout the year.

5.7 Against the backdrop of continued fiscal austerity, the Council is looking to the future with a sense of confidence in its ability to deliver on an ambitious agenda. As we look to 2021, there will also be new threats and opportunities arising and so the Council's corporate risk register continues to be monitored and updated. The Corporate Leadership Team and Cabinet are included as part of the process to review existing and dying risks and to identify new and emerging risks.

5.8 A risk around financial resilience is included as a corporate risk and general reserves are focused on the Council's potential exposure to risk. In addition, where a particular area has been identified as specific risk or investment opportunity, then an amount will be earmarked for that specific purpose.

5.9 A contingency budget has been included in the revenue budget of £1m per annum from 2018/19 as per the table overleaf.

	2018/19 £m*	2019/20 £m*	2020/21 £m*
Contingency Revenue Budget (96) As the Council is facing significant uncertainty in the medium term it is appropriate to build in flexibility to the annual revenue budget. Inclusion of a £1m contingency, that can be reviewed annually, will alleviate pressure on general reserves, and can help with managing financial issues from one year to the next. Appropriate use of the contingency would be reported during the year as part of the Council's quarterly reporting process. *Impact on Central Budget =*	**+1.000**	**+1.000**	**+1.000**
** Values represent a +/- variation to the Cheshire East Council approved budget for 2017/18.* *Values are not cumulative*			

6. Business Rates – Forecasting over the medium term

6.1 The Government introduced the Business Rates Retention Scheme on 1st April 2013. There has been much uncertainty around the scheme as a result of appeals to the local list. This has resulted in the need to create and build upon a specific earmarked reserve and provision for appeals to protect against large fluctuations in any given year. This Annex provides an illustration of how the scheme has worked over time and what changes are likely over the medium term including estimates of future income.

6.2 The basic concept is that a baseline position is established and an element of growth over and above that can be retained. Central Government 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.

6.3 As part of the last two budget cycles, growth estimates above baseline were calculated and the taxbase has been monitored to assess the robustness of those estimates. This has proved to be reasonably accurate so far for 2018/19 and beyond, the methodology is continuing to be used to estimate growth and this income has been included in the funding assumptions contained within this document. The methodology has been set out below.

6.4 For 2017/18 the NNDR1 return is forecasting retained rates above the funding baseline (of £39.7m) for Cheshire East to be £1.3m giving a contribution to the revenue budget of £41.0m. This budget above the baseline is accounting for the growth projections plus levy savings that were forecast as part of the 2017-20 Medium Term Financial Strategy report.

6.5 A Non Domestic taxbase for 2018/19 was formally reported to Cabinet and Council in December 2017 which included current hereditaments valued at 2017 levels following the national revaluation in April 2017. Work has been carried out to estimate new business growth in the area and this was included in the calculation for the taxbase. More information on the Business Rates taxbase for 2018/19 and the background on the Business Rates Retention Scheme is available in the report that was approved at Council on 14th December 2017.

6.6 The use of the Collection Fund Management Earmarked Reserve, to hold differences between the NNDR1 and the outturn position, continues to provide an element of protection against future risks.

Available Data

6.7 The Council has gathered information from several sources to judge likely levels of economic growth including:

- Information from the business engagement team.
- Data from the Council's planning system.
- Data from the team working to generate capital receipts.
- Data from the Revenues collection service in terms of appeals and expected growth.
- Data from the valuation office.

- Financial Strategy & Reporting knowledge of the BRRS calculations.

Method

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

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

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

6.10 This model also takes account of any impact of pooling.

Results

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

6.12 Retained rates income forecast from growth in the taxbase for 2018/19 is forecast to be £2.1m. After the central share and levy payments have been made it results in a net increase for Cheshire East of £0.79m as per **Table 1**.

6.13 The mix of data sources and balance of results provides a good indication that this methodology is creating a reliable baseline for future estimates in this area. Therefore, the estimate of £0.8m growth in 2018/19 and a further £0.5m in 2019/20 and 2020/21 has been factored into the medium term budget forecast based on the information below.

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

Business Type	2018/19 £m	2019/20 £m
Retail	0.81	0.85
Offices	0.70	0.00
Manufacturing	0.52	0.12
Leisure	0.02	0.01
Other	0.00	0.25
Total Net Growth	**2.05**	**1.23**
Total Retention for Cheshire East	**0.79**	**0.47**

Source: Cheshire East Finance

7. The Budget Setting Process

Set Parameters → **Gather Evidence** → **Consult and refine** → **Approve**

May to June 2017

Assumptions reported to Cabinet / Council in Feb 2017:

Revenue Budget 2018/19	£m	
Cost of services	260.2	➔
Local Taxation	-245.0	➔
Government Funding	-15.2	➔
Council Tax Collection Fund	0.0	➔
Total	0.0	

July 2017 to October 2017

Develop Pre-Budget Consultation:

Review Assumptions	£m	
Additional growth pressures forecast (post Feb 2017)	+6.6	➔
Revise down draft savings proposals (post Feb 2017)	+5.0	➔
Further Local Tax Base increases	-2.5	➔
Minimum Revenue Provision policy change	-4.0	➔
Additional New Homes Bonus Forecast	-0.5	➔
Other Central Budget Changes	-4.6	➔
Total	0.0	

November 2017 to January 2018

Changes post Pre-Budget Consultation:

Confirm Proposals	£m	
Proposed changes following consultation period	+2.1	➔
Additional council tax increase (up to 5.99%)	-1.9	➔
Funding estimates further refined following Provisional and Final Settlements	-2.7	➔
Reduction in use of reserves	+2.5	➔
Total	0.0	

February 2018

Budget Report:

Latest Position	£m
Cost of services	268.8
Local Taxation	-249.4
Government Funding	-18.4
Council Tax Collection Fund	-1.0
Total	0.0

8. Revenue Grant Funding

Corporate Grants Register 2018/19	Revised Budget 2017/18 £000	Forecast 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000
SPECIFIC USE (Held within Services)				
People				
Schools				
Dedicated Schools Grant	257,470	265,521	265,521	265,521
Less Academy Recoupment	120,283	121,550	121,550	121,550
Dedicated Schools Grant (Cheshire East)	137,187	143,971	143,971	143,971
Pupil Premium Grant (maintained schools only)	3,720	3,348	3,348	3,348
Pupil Premium Plus (maintained schools only)	928	927	927	927
Sixth Form Funding (maintained schools only)	4,098	4,098	4,098	4,098
Universal Infant Free School Meals	2,586	2,586	2,586	2,586
Physical PE Sports Grant	1,077	1,077	1,077	1,077
School Improvement Monitoring and Brokering Grant	165	283	283	283
SEND Implementation Grant	239	0	0	0
Milk Subsidy	32	32	32	32
Total Schools	**150,032**	**156,322**	**156,322**	**156,322**
Children & Families	603	498	498	498
Adult Social Care	9,022	10,244	11,222	4,185
Public Health	16,833	16,400	15,967	15,552
Total People	**176,490**	**183,464**	**184,009**	**176,557**
Place				
Growth and Regeneration	1,157	197	0	0
Planning and Sustainable Development	121	0	0	0
Directorate	787	0	0	0
Total Place	**2,065**	**197**	**0**	**0**
CORPORATE				
Customer Operations	76,425	70,391	70,391	70,391
Total	**76,425**	**70,391**	**70,391**	**70,391**
TOTAL SPECIFIC USE	**254,980**	**254,052**	**254,400**	**246,948**

Corporate Grants Register 2018/19	Revised Budget 2017/18 £000	Forecast 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000
GENERAL PURPOSE (Held Corporately)				
Central Funding				
Revenue Support Grant	13,415	5,416	0	0
PEOPLE - Children and Families				
Troubled Families (including Coordinator)	654	195	195	0
Staying Put Implementation Grant	113	0	0	0
Remand Funding	7	0	0	0
Adult Skills (Lifelong Learning)	706	706	706	706
Extended Rights to Free Transport	123	0	0	0
PEOPLE - Adult Social Care and Independent Living				
Independent Living Fund	917	888	861	818
Local Reform and Community Voices	201	0	0	0
Social Care in Prisons	77	0	0	0
War Pension Scheme Disregard	64	0	0	0
Adult Social Care Support Grant	1,457	907	0	0
PLACE				
Lead Local Flood Authorities	14	15	16	0
Neighbourhood Planning Grant for Local Planning Authorities	60	0	0	0
Homelessness Reduction Act - new burdens	50	37	47	0

Corporate Grants Register 2018/19	Revised Budget 2017/18 £000	Forecast 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000
CORPORATE - Customer Operations				
Housing and Council Tax Benefit Administration	1,209	1,073	1,073	1,073
NNDR Administration Grant	506	566	509	459
Universal Support Grant	62	0	0	0
Business Rates Relief Schemes: Payments of New Burdens 2017/18	12	0	0	0
Discretionary Funding for Business Rates Relief 2017/18	378	0	0	0
CORPORATE - Chief Operating Officer				
New Homes Bonus	8,254	8,563	9,080	8,194
New Homes Bonus: Returned Funding Grant 2017/18	96	0	0	0
Education Services Grant	641	0	0	0
Transitional Funding	2,974	0	0	0
Transition to Individual Electoral Registration 2017/18	64	0	0	0
TOTAL GENERAL PURPOSE	**32,054**	**18,366**	**12,487**	**11,250**
TOTAL GRANT FUNDING	**287,034**	**272,418**	**266,887**	**258,198**

9. Capital Grant Funding

	Prior Years Grant Received £000	Expected Receipt 2018/19 £000	Application of Grants in 2018/19 £000	Expected Receipt 2019/20 £000	Application of Grants in 2019/20 £000	Expected Receipt Future Years £000	Application of Grants in Future Years £000
SPECIFIC PURPOSE (Held Corporately)							
PEOPLE							
Education and 14-19 Skills							
School Condition Grant 2018/19	0	2,166	2,164	0	2	0	0
School Condition Grant 2019/20	0	0	0	1,862	1,862	0	0
School Condition Grant 2020/21	0	0	0	0	0	1,560	1,560
Capital Maintenance Grant	5,054	0	5,054	0	0	0	0
Devolved Formula Capital 2016/17	169	0	169	0	0	0	0
Devolved Formula Capital 2017/18	499	0	295	0	204	0	0
Devolved Formula Capital 2018/19	0	435	0	0	171	0	264
Devolved Formula Capital 2019/20	0	0	0	370	0	0	370
Basic Need Grant 2015/16	0	0	0	0	0	0	0
Basic Need Grant 2016/17	2,236	0	2,236	0	0	0	0
Basic Need Grant 2017/18	4,692	0	4,692	0	0	0	0
Basic Need Grant 2018/19	0	15,054	15,054	0	0	0	0
TOTAL PEOPLE	12,650	17,655	29,664	2,232	2,239	1,560	2,194

	Prior Years Grant Received £000	Expected Receipt 2018/19 £000	Application of Grants in 2018/19 £000	Expected Receipt 2019/20 £000	Application of Grants in 2019/20 £000	Expected Receipt Future Years £000	Application of Grants in Future Years £000
SPECIFIC PURPOSE (Held Corporately)							
PLACE							
Growth and Regeneration							
Disabled Facilities Grant 2017/18	350	0	350	0	0	0	0
Disabled Facilities Grant 2018/19	0	1,750	1,750	0	0	0	0
Disabled Facilities Grant 2019/20	0	0	0	1,750	1,750	0	0
Disabled Facilities Grant 2020/21	0	0	0	0	0	1,750	1,750
Crewe Town Centre Regeneration / Local Growth Fund	0	1,800	1,800	6,095	6,095	1,505	1,505
Rural and Green Infrastructure							
Rights of Way Improvement Plan Cycle/Walking Schemes	251	0	251	0	0	0	0
Tatton Vision / Heritage Lottery Funding	33	0	33	0	0	0	0
Client Commissioning							
Connecting Cheshire Digital 2020 - Super Fast Broadband	0	4,094	4,094	2,515	2,515	0	0

	Prior Years Grant Received £000	Expected Receipt 2018/19 £000	Application of Grants in 2018/19 £000	Expected Receipt 2019/20 £000	Application of Grants in 2019/20 £000	Expected Receipt Future Years £000	Application of Grants in Future Years £000
SPECIFIC PURPOSE (Held Corporately)							
PLACE							
Infrastructure and Highways							
A51/A500 Corridor Nantwich	0	0	-131	0	0	0	0
A6 MARR CMM / Department for Transport	0	7	7	0	0	0	0
Congleton Relief Road / Local Growth Fund	0	0	0	45,000	45,000	0	0
Crewe Green Roundabout / Local Growth Fund	0	2,046	2,046	0	0	0	0
Hibel Road Junction	0	0	0	3,500	3,500	0	0
Incentive Fund 2018/19 / Department for Transport	0	1,751	1,751	0	0	0	0
Incentive Fund 2019/20 / Department for Transport	0	0	0	1,751	1,751	0	0
Incentive Fund 2020/21 / Department for Transport	0	0	0	0	0	1,751	1,751
Integrated Transport Block 2018/19 / Department for Transport	0	1,804	1,804	0	0	0	0
Integrated Transport Block 2019/20 / Department for Transport	0	0	0	1,804	1,804	0	0
Integrated Transport Block 2020/21 / Department for Transport	0	0	0	0	0	1,803	1,803
Macclesfield Movement Strategy / Local Growth Fund	0	40	40	0	0	0	0
Maintenance Block 2018/19 / Department for Transport	0	8,409	8,409	0	0	0	0
Maintenance Block 2019/20 / Department for Transport	0	0	0	8,409	8,409	0	0
Maintenance Block 2020/21 / Department for Transport	0	0	0	0	0	8,409	8,409
Poynton Relief Road / Local Growth Fund	0	1,200	1,200	20,299	20,299	1,701	1,701
Safer Road Fund / Department for Transport	880	0	880	0	0	0	0
Sydney Road Bridge / Local Growth Fund	0	3,356	3,356	0	0	0	0
TOTAL PLACE	**1,514**	**26,257**	**27,640**	**91,123**	**91,123**	**16,919**	**16,919**
TOTAL SPECIFIC PURPOSE - CAPITAL GRANT FUNDING	**14,164**	**43,912**	**57,304**	**93,355**	**93,362**	**18,479**	**19,113**

10. Capital Strategy

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Executive Summary

10.1 Cheshire East Council's financial strategy includes a programme of capital investment aimed at two fundamental objectives:

- **Boosting local economic prosperity** through the delivery of projects such as building roads, creating new infrastructure, supporting education and supporting regeneration.
- **Maximising value for money from Council assets** by creating and maintaining Council owned assets that help services achieve outcomes or financial returns.

10.2 The Council will stop receiving many revenue Government grants by 2020 which means that Council services will need to be self-reliant and only funded from Council Tax payments, Business Rates and direct charges for services. Achieving self-reliance will be supported by creating economic growth, or other financial returns from assets in a way that can be sustained.

10.3 This Strategy provides a framework and significant guidance on developing the Council's Capital Programme in a way that is affordable and can deliver the Council's Corporate Objectives as well as setting out the approach to capital investment and decision making processes.

Five Principles

10.4 Five Principles underpin the Capital Strategy for Cheshire East Council:

1. Capital expenditure is priority based and is aligned with the Council's Corporate Plan outcomes.
2. The financial implications of capital projects are aligned with the Medium Term Financial Strategy.
3. Capital projects will be focussed on delivering the best return on investment.
4. Decisions in relation to the programme will follow a clear framework.
5. There will be a corporate approach to generating and applying capital resources.

10.5 The Strategy is driven by the Council's Corporate Plan protecting and enhancing the "Quality of Place" in the Borough and supporting the wellbeing of our local residents through the Council's strategic outcomes.

Frank Jordan
Executive Director of Place and Acting Deputy Chief Executive

Comment from the Section 151 Officer

10.6 The Capital Strategy forms a key part of the Council's Medium Term Financial Strategy (MTFS). It will be reviewed each year alongside the MTFS and will support my opinion in determining the robustness of the Council's financial plans.

10.7 In particular the capital strategy:

- takes account of significant revenue implications
- provides a framework for the management and monitoring of the capital programme
- creates the process for bidding for additional capital resources
- sets out the approach to funding capital expenditure

10.8 The Strategy also sets out the Council's processes for:

- setting the financial parameters for capital expenditure in the medium term
- confirming the flexible use of capital receipts in the medium term
- the option appraisal of capital project proposals
- deciding on the prioritisation of capital projects
- monitoring and evaluating approved schemes

10.9 The Strategy also incorporates confirmation of the Council's Minimum Revenue Provision and gives details of the Prudential Indicators.

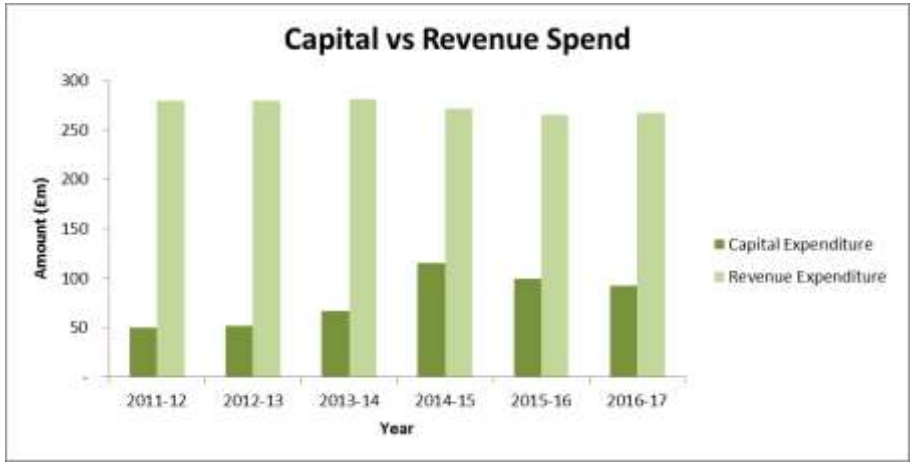
Jan Willis CPFA MBA

Interim Executive Director of Corporate Services
(Section 151 Officer)

1. Introduction

10.10 As a public sector organisation, with assets in excess of £850m, Cheshire East Council must have a robust capital strategy that is clearly related to the corporate objectives; linked with infrastructure and asset planning; and includes a consistent approach to funding capital investment.

10.11 The capital programme, which is developed in line with the Strategy, is the list of capital projects that the Council plans to undertake within a given timeframe.



10.12 The programme is approved in line with the Council's Constitution and covers a minimum period of three years. It is reviewed annually by Council. The programme may include projects that require a longer time to develop and design and these will remain in the programme for many years.

10.13 Capital planning is about capital investment or expenditure, as distinct from revenue expenditure or running costs. The Chartered Institute of Public Finance and Accountancy (CIPFA) definition of capital expenditure is:

Definition of Capital Expenditure
"An expenditure on assets that will provide a benefit to the organisation beyond the current financial year including expenditure on purchase of new assets, creation of new assets and enhancing and/or extending the useful life of existing assets."

A more detailed definition of capital expenditure, as it applies to UK local authorities, is contained in *Practitioners' Guide to Capital Finance in Local Government* (CIPFA, 2012).

10.14 The accounting treatment of capital will be in accordance with International Accounting Standard 16 *Property, Plant and Equipment*.

10.15 Capital investment will be subject to due process, and assurance will be provided that ensures plans are prudent, affordable and sustainable in accordance with the Prudential Framework (the Prudential Framework being an umbrella term for a number of statutory provisions and professional requirements that allow authorities largely to determine their own plans).

10.16 Non capital expenditure will normally fall outside the scope of the framework and be charged to revenue in the year that it occurs. If expenditure meets the definition of capital, there

may be opportunities to finance the outlay from capital receipts or by spreading the cost over future years' revenues.

10.17 The capital strategy is the foundation of long-term planning of capital investment and how it is to be delivered. Robust processes are relied upon to ensure projects are evaluated and prioritised, and approved to the programme along with the resources to fund it. This requires clear parameters to be set at the beginning of the process, clarity about the information that must be supplied with each project proposal and clear criteria, related to the organisation's corporate objectives, for prioritising projects.

10.18 In determining how much capital investment to undertake, the Council will consider the long-term impact of borrowing and other forms of capital funding on their revenue budgets. The same principle applies to the use of leases, public–private partnerships and outsourcing arrangements to procure public assets.

10.19 Delivering the capital programme requires efficient programme management, project management and procurement, as well as appropriate systems for corporate monitoring, control and scrutiny.

Capital Strategy Principles

10.20 Five Principles underpin the Cheshire East Council Capital Strategy. The principles will be adhered to by members and employees of the Council and the Section 151 Officer will determine the framework for administering and monitoring the effective application of the principles.

The Five Principles of the Capital Strategy	
1.	Capital expenditure is priority based and is aligned with the Council's priorities.
2.	The financial implications of capital projects are aligned with the Medium Term Financial Strategy and the Asset Management Plan.
3.	Capital projects will be focussed on delivering the best return on investment. This will be demonstrated through: - infrastructure which will generate local economic growth - investment in new service delivery models that provide reductions in revenue expenditure - improvements in the Council's asset base that generate a financial return or provide cost effective avoidance of future expenditure. - Capital Projects will be externally funded or supported by private sector investment in a way that maximises the Council's financial interest in the asset - Borrowing will be appropriate based on the lifetime benefits of a scheme and all investments will be subject to strong control arrangements and risk analysis. - The impact of financing capital expenditure will be capped to ensure value for money is maintained. This will be reviewed annually to ensure it remains appropriate in terms of the expected return on the overall investment. - Capital investment will follow an agreed set of prudential limits and indicators in order to demonstrate that plans and borrowing are affordable, prudent and sustainable.
4.	Decisions in relation to the programme will follow a clear framework.
5.	There will be a corporate approach to generating and applying capital resources.

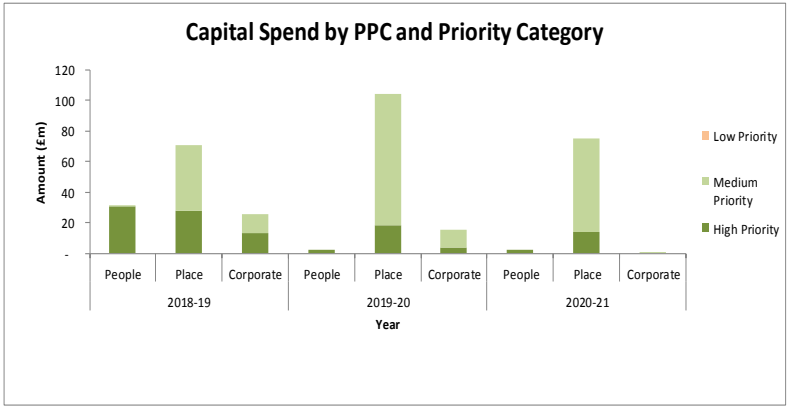
10.21 These principles will be achieved through a process of prioritisation, setting financial parameters, asset management and managing risk as set out in the following chapters.

2. Prioritisation of Expenditure

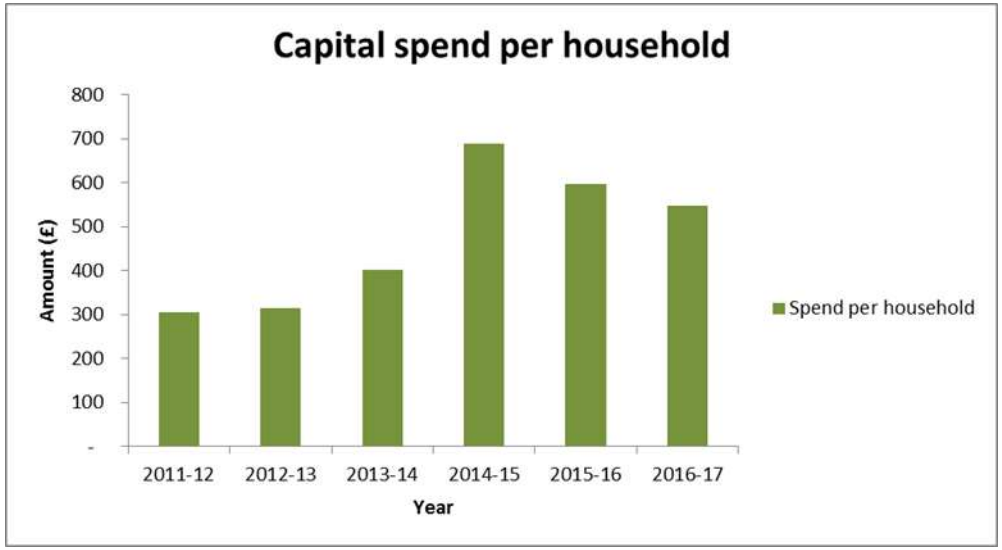
10.22 Capital Projects will be submitted for approval to the Council's Capital Programme based on how they will meet the needs of the Council as expressed in the Corporate Plan and how they adhere to the Principles of the Capital Strategy.

10.23 Capital ambitions in most councils exceed the potential capital resources, particularly given recent funding cuts and demand pressures in the public sector. Cheshire East Council will manage this issue by making decisions, about which projects will be included in the approved capital programme, by prioritising projects on a variety of factors.

10.24 The Capital Strategy stands above operational strategies that are needed for key services such as housing, transport, education and other spending areas.



10.25 The Council agrees a rolling three year programme each year consistent with the Capital Strategy and the resources available. The current three year capital programme includes investment plans of £0.3 billion. 67% of the funding is planned to come from Government grants or contributions from other external partners. In addition, 6% will come from the Council's work to maximise the value of asset sales to support development in the local area.



10.26 The budget process has also identified £0.2 billion of new projects which will require business cases to be developed prior to being submitted for approval to be added to the Capital Programme.

10.27 The starting point for the Capital Strategy is the Council's Corporate Plan and identification of the aims for capital investment that will help to achieve these outcomes.

1. Our local communities are strong and supportive
2. Cheshire East has a strong and resilient economy
3. People have the life skills and education they need in order to thrive
4. Cheshire East is a green and sustainable place
5. People live well and for longer
6. Cheshire East Council is a responsible, effective and efficient organisation

10.28 High Level Business Cases (HLBCs) will allow projects to be compared, so must be written in a consistent format.

10.29 The format of a HLBC will be defined by the Section 151 Officer and will include:

- Strategic Case
- Economic Case
- Commercial Case
- Financial Case
- Management Case

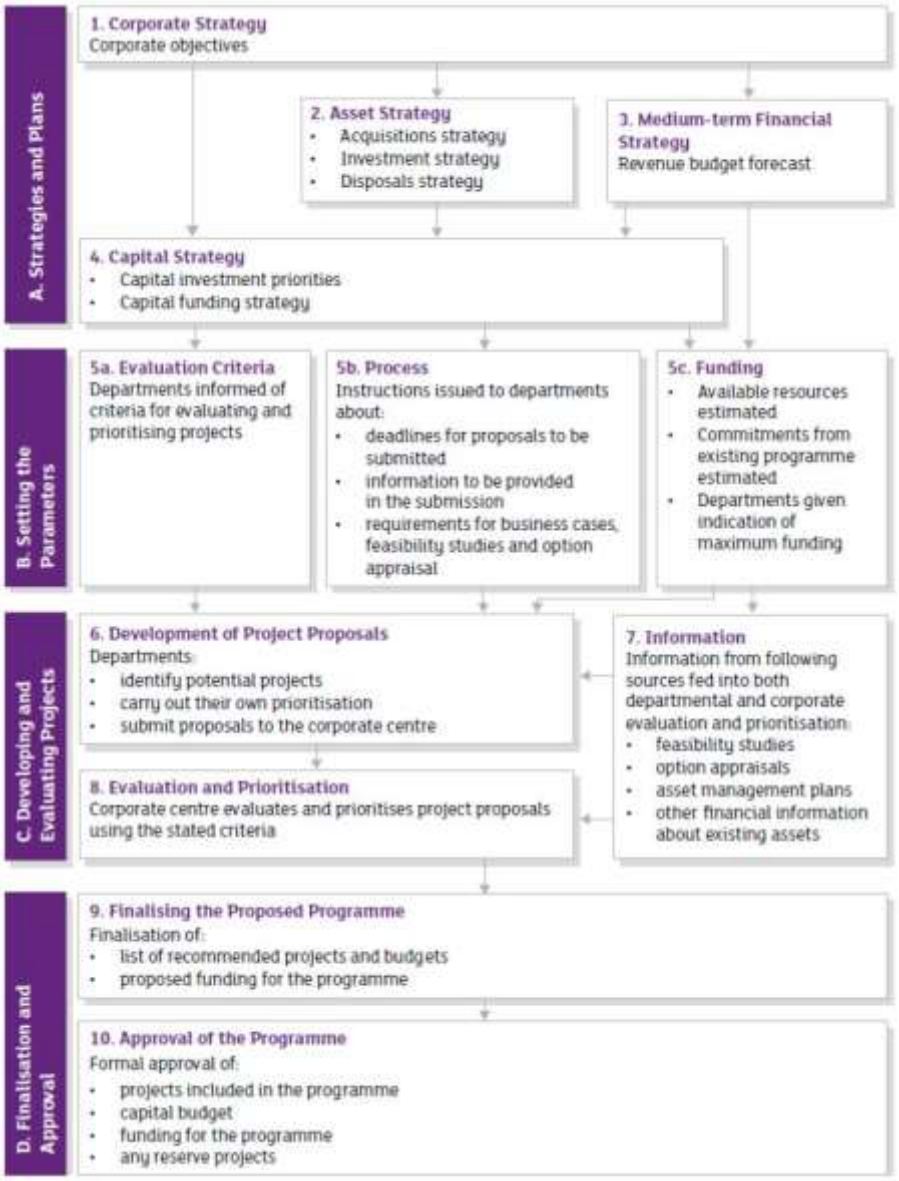
10.30 HLBCs will allow projects to be analysed so should provide supporting information where this explains the business case further. The Section 151 Officer will determine the level of training required by business case authors.

10.31 The Section 151 Officer will analyse submitted business cases in accordance with the five Principles of the Capital Strategy and then grade each project as High, Medium or Low priority in accordance with the following table:

Priority	Description
High	Vital repairs and maintenance of existing assets
	An agreed service provision that is defined within the MTFS
	Projects required to meet compliance and legislative needs
	Fully funded by external sources
	Self-funding projects with high level financial returns
Medium	Cost effective repairs and maintenance of existing assets
	Projects with positive financial returns
	Part funded projects of strategic importance to outcomes
Low	Cosmetic repairs and maintenance
	Unfunded projects without financial returns
	Other projects

10.32 High Priority projects are most likely to be recommended for approval within the capital programme. Medium Priority projects will only be recommended if funding is available within the financial parameters of the MTFS, however they are likely to be recommended for inclusion on the programme addendum. Low priority projects are unlikely to be recommended for approval unless specific strategic importance is associated with the project, or public demand is significant.

10.33 **Annex A** provides the current Capital Programme for the Council with a clear indication of the priority status of each project.



3. Financial Controls

Setting Financial Parameters

10.34 The Medium Term Financial Strategy (MTFS) provides the overall basis for budget forecasts and annual budget planning both in terms of revenue and capital expenditure. This describes the activities to be carried out over the next three years to achieve the corporate priorities and objectives and the revenue and capital resources which will be needed to deliver those improvements.

10.35 In each financial year the Council will review and agree:

- A Capped Level for the Capital Financing Budget (CFB)
- The Flexible Use of Capital Receipts

10.36 These values set the parameters of affordability for projects within the Capital Programme.

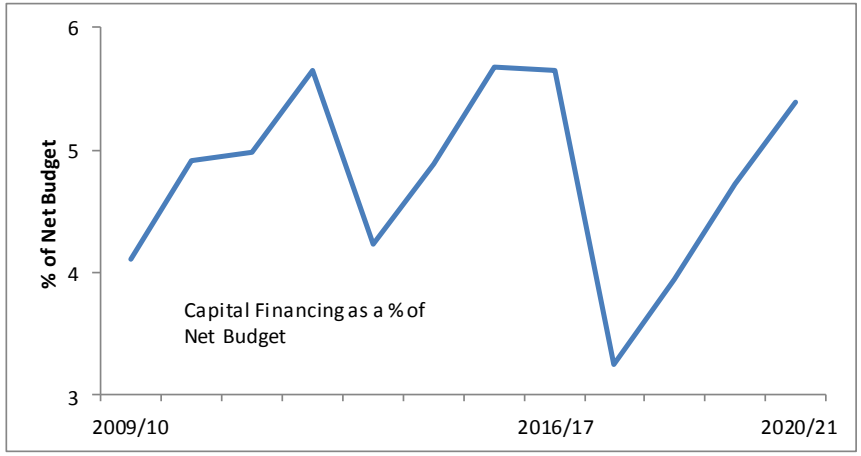
10.37 As part of the Budget Setting process for each financial year the Financial Parameters will be reviewed by the Portfolio Holder for Finance, and proposals will be put forward as part of the Council's Pre-Budget Consultation. In considering the value of the Financial Parameters the Portfolio Holder will consider forecast outturn data and emerging issues.

10.38 The Section 151 Officer will invite bids for Capital Expenditure on a quarterly basis, and present a full capital programme to Council at each Budget Council meeting prior to the start of each financial year. Bids will be presented as High Level Business Cases by Executive Directors following consultation with elected Members. The Section 151 Officer will determine the prioritisation of bids (see **Section 2**) and the financial implications on the MTFS to assess whether bids are

affordable within the Financial Parameters of the Capital Strategy and will then report their findings to members for appropriate information and/or approval in line with the Financial Procedure Rules.

10.39 If the value of the CFB is likely to vary from the Strategy in any year the Portfolio Holder will consider options to top-up or draw-down temporarily from the Financing Earmarked Reserve and will report this approach to members.

10.40 Current forecasts are that the CFB will continue at 4% to 5% of the Net Revenue budget in the medium term.



10.41 **Table 1,** provides the Financial Parameters for the period 2018/19 to 2020/21, followed by the strategy behind each element of the calculation.

Table 1: Financial Parameters for 2018/19 to 2020/21

Parameter	Value (£m)			Notes
	2018/19	2019/20	2020/21	
	£m	£m	£m	
Repayment of Borrowing				
Minimum Revenue Provision*	10.0	12.9	13.7	
External Loan Interest	3.8	3.7	3.6	
Investment Income	(0.3)	(0.3)	(0.3)	
Contributions from Services Revenue Budgets	(0.9)	(1.0)	(1.9)	See Annex B for Schedule of contributions
Total Capital Financing Costs	**12.6**	**15.3**	**15.1**	
Use of Financing EMR	**2.6**	**3.3**	**1.1**	
Actual CFB in MTFS	**10.0**	**12.0**	**14.0**	Capped Level of CFB
***Capital Receipts targets**	**4.3**	**4.3**	**10.0**	
Flexible use of Capital Receipts	**2.0**	**1.0**	**0.0**	

* Anticipated MRP based on achieving capital receipts targets

Repayment of Borrowing

10.42 The Section 151 Officer will use professional judgement, supported by application of the CIPFA Prudential Code to determine an appropriate approach to the repayment of borrowing. At all times the impact on taxpayers past, current and future will be considered in determining an approach that reflects value for money.

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

10.44 Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, requires local authorities to charge to their revenue account for each financial year a minimum amount to finance the cost of capital expenditure. Commonly referred to as MRP (Minimum Revenue Provision).

10.45 The Section 151 Officer will consider advice from CIPFA, Central Government, Treasury Management Advisors, and External Auditors in determining the policy on MRP.

10.46 External loan interest payments will be determined by the Section 151 Officer in accordance with the Council's Treasury Management Strategy.

10.47 The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

Investment Income

10.48 The Treasury Management Strategy determines the approach and financial limits associated with providing a financial return on the Council's investment portfolio.

10.49 The Section 151 Officer, with advice from treasury management advisors, is responsible for considering the prudent level of available balances in any year and then assessing risk against potential financial returns to determine a level of income to be achieved from investments.

10.50 The Council's strategy is to utilise the net financial returns from investments to reduce the overall Capital Financing Budget.

Contributions from Services

10.51 All business cases supporting capital expenditure will include full analysis of the financial implications of the scheme alongside a clear indication of how the financial implications will be managed within the Medium Term Financial Strategy.

10.52 When including any scheme in the Council's Capital Programme the Section 151 Officer will determine the appropriate impact on the Revenue Budget. This impact will require service budgets within the MTFS to fund either all, part or none of the net capital costs of the scheme.

10.53 In making a determination about funding capital schemes from revenue budgets the level of potential revenue savings or additional revenue income will be considered. If a capital scheme will increase revenue costs within the MTFS, either from the future costs of maintaining the asset or from the costs of financing the capital expenditure, then the approach to

funding such costs must be approved as part of the business planning process before the scheme can commence.

10.54 The Council's strategy is to use revenue contributions to the Capital Programme to reduce the overall Capital Financing Budget as shown in **Annex B** to the Capital Strategy.

Use of Financing Earmarked Reserve

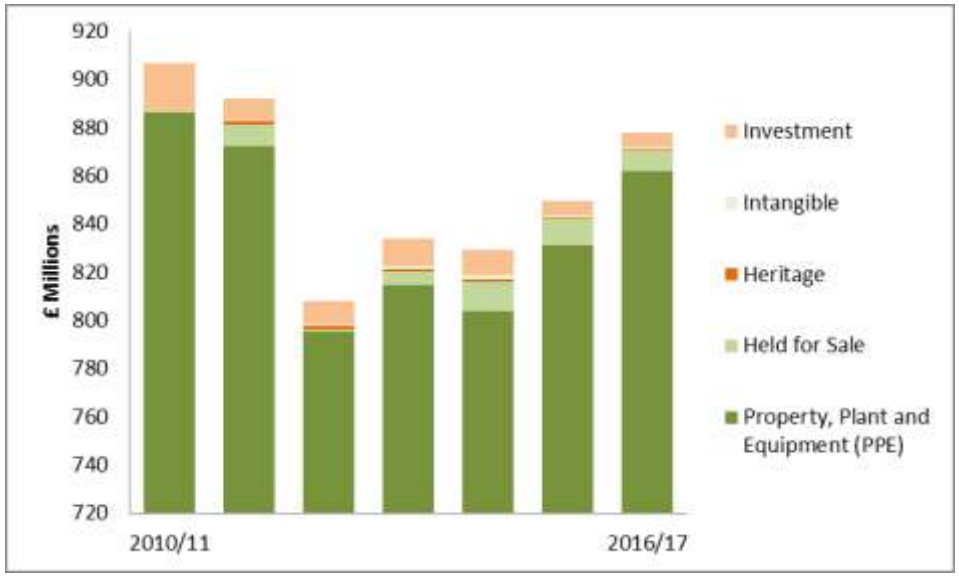
10.55 To allow a longer term approach to setting the Financial Parameters of the Capital Strategy the Council will maintain an earmarked reserve to minimise the financial impact of annual variations to the Capital Financing Budget.

10.56 The Council's Reserves Strategy determines the appropriate use of reserves and how they are set up and governed. In the first instance any under or overspending of the CFB within any financial year will provide a top-up or draw-down from the Financing Earmarked Reserve. In balancing the CFB over the period of the MTFS the Section 151 Officer may also recommend appropriate use of the Financing Earmarked Reserve over the period.

10.57 The Council's current strategy is to draw-down up to £7m from the Financing Earmarked Reserve for the period 2018/19 to 2020/21.

Capital Receipts

10.58 Asset disposals can provide receipts that can be utilised to fund capital expenditure and therefore reduce the overall level of the Capital Financing Budget.



10.59 The Council will therefore maintain a co-ordinated approach to disposal, and acquisition, of assets to achieve sustainable services and value for money. The Council's overarching approach will consider the impact of disposals and acquisitions across five key areas:

1 Housing provision
2 Financial returns to the Council
3 Improvement of infrastructure
4 Regeneration
5 Community facilities

10.60 Council Plans, such as the Local Plan, Local Transport Plan, Farms Strategy and Asset Management Plans, set the strategic framework for significant land and property asset disposals and acquisitions associated with these key areas. In each financial year the net impact of these plans will allow the

Section 151 Officer, in consultation with the Executive Director for Place, to determine the net impact of disposals and acquisitions on the CFB.

10.61 The Council's current strategy is to realise net receipts of £18.6m for the period 2018/19 to 2020/21 and that these receipts will support two financial aims:

1. Reduce the overall Capital Financing Budget.
2. Support Transformation costs of £3m (see below).

Flexible use of Capital Receipts

10.62 Central Government's Statutory Guidance on the Flexible Use of Capital Receipts requires local authorities to prepare and publish a Strategy before the start of each year, setting out their planned use of this flexibility, listing the planned projects and the expected savings or service transformation outcome for each project, and the impact on the local authority's prudential indicators.

10.63 From the second year onwards the Strategy should also report on the outcomes of previous years' projects. **Annex C** provides details of the plans under this part of the strategy.

10.64 The Council's strategy is to utilise up to £3m of capital receipts to support Transformation Projects over the period 2018/19 to 2019/20.

Funding Capital Expenditure

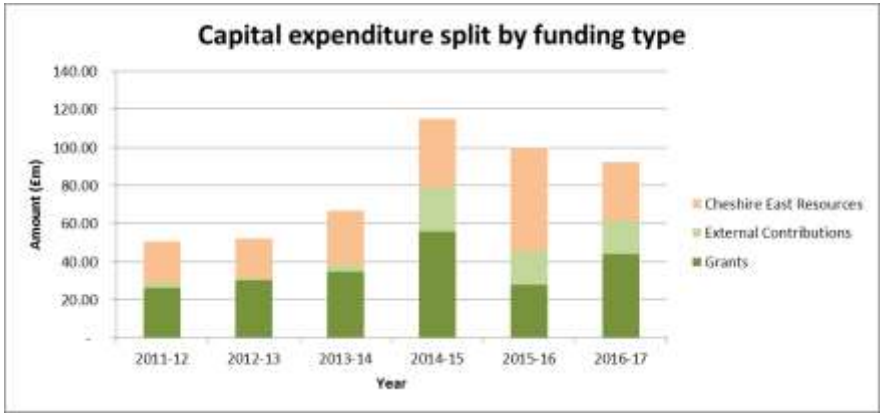
10.65 The inclusion of schemes within the Council's capital budget is intrinsically linked with the way schemes can be financed. This ensures that the affordability of the capital programme reflects the organisation's long-term objectives rather than short-term expedience.

10.66 The Council's strategy is to fund capital expenditure in the first instance from sources other than the Council's Capital Financing Revenue Budget.

10.67 The Council has a good track record of producing business cases that are supported by Government and then backed by subsequent grants and for aligning expenditure with local developments that are then backed by external developer contributions.

10.68 Main forecasted income sources are:

- Government Grants (£170m / 52%)
- Other external contributions (£50m / 15%)
- Receipts from Council Assets (£19m / 6%)



10.69 Capital budgeting differs from revenue budgeting because:

- the need for capital investment tends to fluctuate year on year to a much greater degree than the need for revenue spending
- there is usually significant discretion over how or when to make use of the capital funding that is potentially available, e.g. to determine the level of borrowing and the use made of capital receipts in a particular period
- there is usually significant discretion over when particular capital projects take place. Capital budgets, unlike revenue budgets, can usually be carried forward from one year to another
- many public sector organisations are able to fund capital expenditure from sources that they are not permitted to use to fund revenue expenditure, such as borrowing.

10.70 The Section 151 Officer will therefore use judgement, as part of the medium-term financial planning process, to determine how schemes can be accommodated within the overall programme, depending on the organisation's overall financial position and its capital investment priorities.

10.71 The Council will ensure every effort is made to provide value for money from capital expenditure, and to maximise the local benefits from capital projects, the Council will always target alternative funding sources before committing to contributions from the funding parameters set within the MTFS. All high level business cases will therefore contain reference to benefits realisation.

10.72 All high level business cases will include information on how alternative funding sources have been considered. All capital scheme budget managers will also provide regular updates on the status of all funding sources, as required by the Section 151 Officer. Funding sources will be categorised as either 'received', 'contractually committed' or 'in negotiation'.

4. Investment and Risk Strategy

Risk

10.73 The Council is faced with diminishing capital finance and reduced access to grants and external funding. Spend will need to be monitored effectively against available funds. However, less dependence and more self-reliance will tend to reduce the exposure to risk.

10.74 A risk management framework is in place and the core of this framework is set out in the Corporate Risk Management Strategy and Corporate Risk Register. In addition to the Corporate Register, each directorate has its own operational risk register which integrates the relevant directorate performance strategy, improvement plans and budgets. In accordance with the HM Treasury Five Case model, a detailed Risk Assessment must be completed for each capital scheme.

10.75 Supporting the Council's budget with adequate reserves is a key element to creating financial resilience and a flexible approach to transferring money from general and earmarked reserves provides protection for Council Tax Payers against year on year fluctuations in expenditure.

10.76 The significant resources applied to capital expenditure require the adopted principles of value for money to be at the heart of this strategy. Effective procurement is therefore essential and the Council seeks to apply rigorous procurement standards in the selection of suppliers and contractors throughout the life of a project.

10.77 The Capital Programme should be kept under review having regard to the prevailing economic climate, property market and Government policy. Capital receipts estimates should therefore be kept under review with any significant changes reflected in reporting.

10.78 Cheshire East's strong tax base and independence provides financial stability and offers some "local protection" from the impact of national economic fluctuations and total spending per head of population is below average when compared to neighbouring authorities. Given this national and local context, overall financial risk profile should continue to reduce.

Background Papers

10.79 **Section 1 – Introduction**

CEC Accounts
CEC Budget
CEC Quarterly Reviews
CEC VFM Docs
CIPFA

10.80 **Section 2 – Asset planning**

Better Practice Guide on the Strategic and Operational Management of Assets by Public Sector Entities (Commonwealth of Australia, 2010)

Highway Infrastructure Asset Management Guidance (Highways Efficiency Management Programme/Department for Transport, 2013)

Hot Property: Getting the Best from Local Authority Assets (Audit Commission, 2000)

Local Authority Asset Management Best Practice (RICS, 2009)

Managing Council Property Assets (Audit Commission, 2014)

Public Sector Property Asset Management Guidelines 2nd Edition (RICS, 2012)

Room for Improvement: Strategic Asset Management in Local Government (Audit Commission, 2009)

10.81 **Section 3 – Developing a capital strategy**

Capital Strategy and Corporate Asset Management Plan 2013 – 2016 Handbook (Bournemouth Borough Council, 2013)

Guidebook on Capital Investment Planning for Local Governments (World Bank, 2011)

10.82 **Section 4 – Developing a capital programme**

Capital Project Proposal Scoring (Report to Wrexham County Borough Council's Finance and Performance Scrutiny Committee, 15th March 2012)

The Green Book: Appraisal and Evaluation in Central Government (HM Treasury, 2003)

Option Appraisal: A Practical Guide for Public Service Organisations (CIPFA, 2011)

10.83 **Section 5 – Capital budgeting and financing**

Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (CIPFA, 2014)

Local Authority Capital Accounting: A Reference Manual for Practitioners (CIPFA, 2014)

Practitioners' Guide to Capital Finance in Local Government (CIPFA, 2012)

The Prudential Code for Capital Finance in Local Authorities (CIPFA, 2011)

UK public finances and the financial crisis (presentation given by Carl Emmerson and Gemma Tetlow of the Institute of

Fiscal Studies at a workshop on 'European public finances through the financial crisis' at the ZEW Centre for European Economic Research, Mannheim, Germany, 11th June 2014)

CAPITAL STRATEGIES AND PROGRAMMING

10.84 **Section 6 – Alternative ways of procuring assets**

Managing Complex Capital Investment Programmes Utilising Private Finance (National Audit Office and HM Treasury, 2010)

A New Approach to Public Private Partnerships (HM Treasury, 2012)

10.85 **Section 7 – Delivering capital investment**

Achieving Excellence in Construction (Office of Government Commerce, 2007)

Guidelines for Managing Programmes: Understanding Programmes and Programme Management (Department of Business, Innovation & Skills, 2010)

Guidelines for Managing Projects: How to Organise, Plan and Control Projects (Department of Business, Innovation & Skills, 2010)

OGC Guidance on Framework Agreements in the Procurement Regulations (Office of Government Commerce, 2008)

Public Sector Business Cases Using the Five Case Model (HM Treasury, 2013)

The Public Sector Programme Management Approach Guide (Capital Ambition, 2011)

The Scottish Government's web pages on programme management: www.scotland.gov.uk/Topics/Government/ProgrammeProjectDelivery/Programmemanagement

The Scottish Government's web pages on project management: www.scotland.gov.uk/Topics/Government/ProgrammeProjectDelivery/Projman

10.86 **Section 8 – Adapting to austerity**

Double-Shift Schooling: Design and Operation for Cost-effectiveness (Unesco, 2008)

One Public Estate Programme Prospectus (Local Government Association, 2014)

Termination of the SIREN ICT Project (public interest report to the Police and Crime Commissioner for Surrey and the Chief Constable for Surrey, Grant Thornton UK LLP, 2014)

Tri-Borough Proposals Report: Bold Ideas for Challenging Times (London Borough of Hammersmith and Fulham, The Royal Borough of Kensington and Chelsea and Westminster City Council, 2011) Page 66

Annex A – Capital Programme

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2018/19 - 2020/21

	Prior Years £000	Budget 2018/19 £000	Budget 2019/20 £000	Budget 2020/21 £000	Total Budget 2018/21 £000
Committed Schemes - In Progress					
People	16,714	22,190	2,239	2,194	**26,623**
Place	170,604	48,985	90,755	61,265	**201,005**
Corporate	42,692	23,958	15,090	50	**39,098**
Total Committed Schemes - In Progress	**230,009**	**95,133**	**108,084**	**63,509**	**266,726**

CAPITAL PROGRAMME 2018/19 - 2020/21

	Prior Years £000	Budget 2018/19 £000	Budget 2019/20 £000	Budget 2020/21 £000	Total Budget 2018/21 £000
New Schemes					
People	0	8,627	0	0	**8,627**
Place	5,118	21,568	13,714	13,713	**48,995**
Corporate	15	1,771	0	0	**1,771**
Total New Schemes	**5,133**	**31,966**	**13,714**	**13,713**	**59,393**
Total	**235,142**	**127,099**	**121,798**	**77,222**	**326,119**

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2018/19 - 2020/21

	Prior Years £000	Budget 2018/19 £000	Budget 2019/20 £000	Budget 2020/21 £000	Total Budget 2018/21 £000
Funding Requirement					
Indicative Funding Analysis: (See note 1)					
Government Grants	116,744	57,304	93,361	19,113	**169,778**
External Contributions	8,111	7,464	9,909	32,389	**49,762**
Revenue Contributions	669	2,734	0	0	**2,734**
Capital Receipts	30,708	4,263	4,250	10,000	**18,513**
Prudential Borrowing (See note 2)	78,909	55,333	14,279	15,719	**85,332**
Total	**235,142**	**127,099**	**121,798**	**77,222**	**326,119**

Notes:

1. The funding requirement identified in the above table represents a balanced and affordable position, in the medium term. The Council will attempt to maximise external resources such as grants and external contributions in the first instance to fund the capital programme. Where the Council resources are required the preference will be to utilise capital receipts from asset disposals. The forecast for capital receipts over the next three years 2018-21 assumes a prudent approach based on the work of the Asset Management team and their most recently updated Disposals Programme.
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.

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2018/19 - 2020/21

	Prior Years £000	Budget 2018/19 £000	Budget 2019/20 £000	Budget 2020/21 £000	Total Budget 2018/21 £000
Addendum					
People	0	2,930	0	0	**2,930**
Place	118	78,019	114,337	63,393	**255,749**
Corporate	0	6,211	4,391	3,127	**13,729**
Total Addendum	**118**	**87,160**	**118,728**	**66,520**	**272,408**
Total	**118**	**87,160**	**118,728**	**66,520**	**272,408**

The addendum includes projects that have been added to the programme owing to their strategic importance to the Council. However detailed business cases are not yet in place as the precise details are not yet known. Work is currently being progressed for these projects, however they will only be commenced once a detailed business case has been completed and approved, the business case will also need to demonstrate the strategic impact of the scheme, an expenditure profile and funding sources or associated return on investment to enable the project to be delivered. At the stage where the business cases are sufficiently developed and they are deemed to be affordable the Portfolio Holder for Finance & Communications and the Interim Executive Director of Corporate Services will provide the additional approval for these schemes to proceed and form part of the main capital programme. Updates on these schemes will be provided to Cabinet through the quarterly reporting process.

CAPITAL PROGRAMME 2018/19 - 2020/21

	Priority	Prior Years	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget 2018/21	Forecast Funding			
							Grants	External	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Committed Schemes - In Progress										
Childrens Social Care										
Foster Carer Capacity Scheme	Medium	363	277	0	0	**277**	0	0	277	0
Children and Families										
Adelaide Academy	High	50	149	0	0	**149**	149	0	0	0
Alsager Planning Area (Primary Schools - 105 Places)	High	27	1,200	0	0	**1,200**	1,173	27	0	0
Alsager Planning Area (Secondary Schools - 150 Places)	High	51	2,749	0	0	**2,749**	2,749	0	0	0
Chelford Planning Area (Primary Schools - 30 Places)	High	200	100	0	0	**100**	96	4	0	0
DFC Grant	High	4,605	375	375	634	**1,384**	1,384	0	0	0
Disley Primary School (Basic Needs)	High	290	223	0	0	**223**	223	0	0	0
Hungerford Primary School	High	2,442	100	0	0	**100**	100	0	0	0
Kitchens block (Gas interlock)	High	604	9	0	0	**9**	0	0	9	0
Monks Coppenhall Primary School - Basic Needs	High	2,496	100	0	0	**100**	100	0	0	0
Nantwich Planning Area (Primary Schools - 105 Places)	High	99	1,200	0	0	**1,200**	1,101	99	0	0
Nantwich Planning Area (Secondary Schools - 300 Places)	High	100	3,350	0	0	**3,350**	3,350	0	0	0
Pupil Referral Unit - New Site	High	925	2,069	0	0	**2,069**	2,069	0	0	0
Sandbach Planning Area (Primary Schools - 105 Places)	High	230	1,100	0	0	**1,100**	970	130	0	0
Sandbach Planning Area (Secondary Schools - 300 Places)	High	0	3,450	0	0	**3,450**	3,450	0	0	0
Schools Condition Capital Grant	High	1,325	2,702	1,864	1,560	**6,126**	6,120	0	6	0
Shavington Planning Area (Primary Schools - 210 Places)	High	600	1,800	0	0	**1,800**	1,509	291	0	0
To Expand 'in borough' SEN placement Capacity - Springfield Special School	High	100	500	0	0	**500**	0	350	150	0
Universal free school meals	High	80	30	0	0	**30**	30	0	0	0
Weaver Primary School	High	110	441	0	0	**441**	441	0	0	0
Prevention and Support										
Childcare Sufficiency Capital Programme	High	2,016	266	0	0	**266**	266	0	0	0
Total Committed Schemes - In Progress		**16,714**	**22,190**	**2,239**	**2,194**	**26,623**	**25,280**	**901**	**442**	**0**

People — CAPITAL

CAPITAL PROGRAMME 2018/19 - 2020/21

	Priority	Prior Years	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget 2018/21	Forecast Funding: Grants	Forecast Funding: External	Forecast Funding: Borrowing / Revenue Contribution	Forecast Funding: Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
New Schemes										
Future Years Basic Need - Nantwich Primary schools - Kingsley Fields, Wilmslow and Congleton Areas (awaiting infromation from DfE regarding value of allocation)	High	0	8,627	0	0	**8,627**	8,417	210	0	0
Total New Schemes		**0**	**8,627**	**0**	**0**	**8,627**	**8,417**	**210**	**0**	**0**
Total		**16,714**	**30,817**	**2,239**	**2,194**	**35,250**	**33,697**	**1,111**	**442**	**0**

People — CAPITAL

CAPITAL PROGRAMME 2018/19 - 2020/21

	Prior Years	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget 2018/21	Forecast Funding: Grants	Forecast Funding: External	Forecast Funding: Borrowing / Revenue Contribution	Forecast Funding: Capital Receipts
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Addendum Schemes									
Childcare Sufficiency Capital Programme	0	234	0	0	**234**	0	0	234	0
To Expand 'in borough' SEN placement Capacity	0	2,696	0	0	**2,696**	0	0	2,696	0
Total Addendum Schemes	**0**	**2,930**	**0**	**0**	**2,930**	**0**	**0**	**2,930**	**0**

CAPITAL PROGRAMME 2018/19 - 2020/21

	Priority	Prior Years	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget 2018/21	Forecast Funding			
							Grants	External	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Committed Schemes - In Progress										
Infrastructure & Highways										
A500 Dualling scheme	Medium	2,513	1,615	0	0	**1,615**	0	1,462	153	0
A556 Knutsford to Bowdon	High	273	231	0	0	**231**	0	231	0	0
A51/A500 Corridor Nantwich - Option Development	Medium	150	100	0	0	**100**	-131	0	231	0
A6 MARR CMM - Disley	Medium	1,442	417	263	0	**680**	7	186	487	0
A6 MARR CMM - Handforth	Medium	387	113	0	0	**113**	0	113	0	0
Alderley Edge Bypass Scheme Implementation	-	60,071	1,040	0	0	**1,040**	0	0	1,040	0
Asset Management Invest to Save	Medium	325	150	0	0	**150**	0	0	150	0
Car Parking Improvements	Medium	226	32	0	0	**32**	0	0	32	0
Congleton Link Road	Medium	8,823	10,740	47,216	23,964	**81,920**	45,000	23,700	13,220	0
Crewe Green Link Road Phase 2	Medium	24,420	100	62	1,165	**1,327**	0	653	674	0
Crewe Green Roundabout	Medium	3,190	3,779	531	0	**4,310**	2,046	1,882	383	0
Crewe HS2 Hub Project Development	Medium	1,552	1,403	0	0	**1,403**	0	0	1,403	0
Digital Solutions - Parking	Medium	154	23	23	0	**46**	0	0	46	0
Hibel Road Junction	Medium	0	1,500	4,000	0	**5,500**	3,500	0	2,000	0
Macclesfield Movement Strategy - Option Development	Medium	60	240			**240**	40	0	200	0
Middlewich Eastern Bypass	Medium	3,022	485	0	0	**485**	0	0	485	0
North West Crewe (Leighton West)	Medium	2,213	317	0	0	**317**	0	0	317	0
Poynton Relief Road	Medium	5,476	2,881	20,409	21,891	**45,181**	23,200	7,700	14,281	0
Road Network and Linked Key Infrastructure	Medium	8	250	0	0	**250**	0	0	250	0
Highways Section 106 & 278 Schemes	High	2,141	162	25	0	**187**	0	187	0	0
Safer Roads Fund	High	150	880	0	0	**880**	880	0	0	0
Sydney Road Bridge	High	2,759	6,172	1,233	337	**7,742**	3,356	4,387	0	0

CAPITAL PROGRAMME 2018/19 - 2020/21

	Priority	Prior Years	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget 2018/21	Forecast Funding			
							Grants	External	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Committed Schemes - In Progress										
Growth and Regeneration										
Crewe Town Centre Regeneration	Medium	7,453	1,885	8,494	13,805	**24,184**	9,400	0	4,784	10,000
Disabled Facilities Grants	High	7,693	1,900	0	0	**1,900**	1,900	0	0	0
Farms Strategy	Medium	1,261	389	1,730	0	**2,119**	0	0	0	2,119
Starter Homes - Phase 1	Medium	9	858	0	0	**858**	0	0	858	0
Regeneration & Development Programme	Medium	2,153	1,255	0	0	**1,255**	0	0	1,255	0
Private Sector Assistance	Medium	1,658	250	83	0	**333**	0	0	333	0
Schools Capital Maintenance	High	1,448	400	0	0	**400**	400	0	0	0
Premises Capital (FM)	High	17,216	2,750	2,500	0	**5,250**	0	0	5,250	0
Minor Works	High	2,660	400	500	0	**900**	0	0	900	0
Rural and Green Infrastructure										
Archives Option Development	Medium	150	125	0	0	**125**	0	0	125	0
Countryside Vehicle Replacement	Medium	397	92	26	103	**221**	0	0	221	0
Accessibility – Walking & Cycling	High	1,168	251	0	0	**251**	251	0	0	0
Rural & Green Section 106 Schemes	High	39	31	0	0	**31**	0	31	0	0
Tatton Vision - Field to Fork Project	Medium	1,150	199	0	0	**199**	33	0	166	0
Tatton Park Investment Phase 2	Medium	250	1,145	1,145	0	**2,290**	0	0	2,290	0
Client Commissioning										
Connecting Cheshire Phase 2	Medium	5,904	331	0	0	**331**	0	0	331	0
Connecting Cheshire Digital 2020	Medium	641	4,094	2,515	0	**6,609**	6,609	0	0	0
Total Committed Schemes - In Progress		**170,604**	**48,985**	**90,755**	**61,265**	**201,005**	**96,490**	**40,532**	**51,865**	**12,119**

CAPITAL PROGRAMME 2018/19 - 2020/21

	Priority	Prior Years	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget 2018/21	Forecast Funding			
							Grants	External	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
New Schemes										
Infrastructure & Highways										
Integrated Transport Block - LTP	High	0	1,804	1,804	1,803	**5,411**	5,411	0	0	0
Maintenance Block - LTP	High	0	8,409	8,409	8,409	**25,227**	25,227	0	0	0
Incentive Fund - LTP	High	0	1,751	1,751	1,751	**5,253**	5,253	0	0	0
LED Street Lighting Upgrade – Residential Areas	Medium	0	2,700			**2,700**	0	0	2,700	0
Managing the Highways Network	Medium	0	5,000	0	0	**5,000**	0	0	5,000	0
Growth and Regeneration										
Disabled Facilities Grants	High	0	200	1,750	1,750	**3,700**	3,700	0	0	0
Client Commissioning										
Strategic Site Development	High	5,118	1,704			**1,704**	0	0	0	1,704
Total New Schemes		**5,118**	**21,568**	**13,714**	**13,713**	**48,995**	**39,591**	**0**	**7,700**	**1,704**
Total		**175,722**	**70,553**	**104,469**	**74,978**	**250,000**	**136,081**	**40,532**	**59,565**	**13,823**

CAPITAL PROGRAMME 2018/19 - 2020/21

	Priority	Prior Years	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget 2018/21	Forecast Funding			
							Grants	External	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Infrastructure & Highways										
Managing the Highways Network		0	0	10,000	10,000	**20,000**	0	0	20,000	0
A51/A500 Corridor Nantwich		0	3,750	0	0	**3,750**	0	3,000	750	0
Alderley Road, Wilmslow – A34 Junction and pedestrian		118	1,082	0	0	**1,082**	0	0	1,082	0
Bollington Bridge		0	160	0	0	**160**	0	0	160	0
King Street Enhancement Scheme		0	2,000	0	0	**2,000**	1,500	0	500	0
Macclesfield Movement Strategy		0	4,000	0	0	**4,000**	0	0	4,000	0
Road Network and Linked Key Infrastructure		0	1,950	2,000	0	**3,950**	0	0	3,950	0
Active Travel Investment (LGF match funding)		0	250	250	0	**500**	0	0	500	0
Middlewich Eastern Bypass		0	12,045	26,502	18,199	**56,746**	46,780	7,000	2,967	0
North West Crewe (Leighton West)		0	13,365	18,617	7,920	**39,902**	15,600	15,095	9,206	0
HS2 Crewe Hub		0	3,045	6,000	0	**9,045**	5,413	3,000	632	0
Winter Service Facility		0	3,000	0	0	**3,000**	0	0	3,000	0
A50 Corridor Study		0	30	0	0	**30**	0	0	30	0
Town Studies		0	183	183	184	**550**	0	550	0	0
Mid Cheshire Towns Transport Study - Stage 2 Masterplan		0	120	0	0	**120**	0	0	120	0
Mid Cheshire Towns Transport Study - Clive Green Lane		0	80	0	0	**80**	0	0	80	0
Infrastructure Delivery Plan (spending profile to be agreed).										
Middlewich Southern Link OBC		0	2,500	0	0	**2,500**	2,500	0	0	0
B5077 Crewe Road/B5078 Sandbach Road North junction		0	400	0	0	**400**	400	0	0	0
Improvements to the A5020 Weston Gate Roundabout		0	2,500	0	0	**2,500**	2,500	0	0	0
A537 Adams Hill junction improvements		0	400	0	0	**400**	400	0	0	0
Brook Street/Hollow Lane junction improvements		0	400	0	0	**400**	400	0	0	0
Burford junction improvements, to include complementary		0	2,500	0	0	**2,500**	2,500	0	0	0
Alvaston roundabout junction improvements		0	1,600	0	0	**1,600**	1,600	0	0	0
Peacock roundabout junction improvements		0	750	0	0	**750**	750	0	0	0
A534 Old Mill Road/The Hill junction and Old Mill		0	1,500	0	0	**1,500**	1,500	0	0	0
A34/A538 West junction improvements		0	1,500	0	0	**1,500**	1,500	0	0	0
Total Infrastructure & Highways		**118**	**59,110**	**63,552**	**36,303**	**158,965**	**83,343**	**28,645**	**46,977**	**0**

CAPITAL PROGRAMME 2018/19 - 2020/21

	Priority	Prior Years	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget 2018/21	Forecast Funding			
							Grants	External	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Growth and Regeneration							0	0	0	0
Astbury Marsh Caravan Site		0	200	0	0	**200**	0	0	200	0
Gypsy and Traveller Sites		0	2,401	0	0	**2,401**	900	0	1,501	0
Private Sector Assistance		0	0	300	0	**300**	0	0	300	0
Housing Development Fund		0	1,212	0	0	**1,212**	0	0	1,212	0
Investment in Heritage Assets		0	3,000	2,500	0	**5,500**	0	0	5,500	0
Premises Capital (FM)		0	0	0	2,500	**2,500**	0	0	2,500	0
Minor Works		0	0	0	500	**500**	0	0	500	0
Macclesfield Town Centre Regeneration Phased Public Realm Enhancement Programme		0	950	2,350	1,150	**4,450**	0	0	4,450	0
Strategic Acquisitions		0	5,000	6,000	0	**11,000**	0	0	11,000	0
Housing Site Development		0	3,694	923	640	**5,257**	0	0	5,257	0
Strategic Housing Sites Infrastructure		0	1,852	18,923	21,300	**42,075**	31,700	0	10,375	0
Total Growth & Regeneration		**0**	**18,309**	**30,996**	**26,090**	**75,395**	**32,600**	**0**	**42,795**	**0**
Rural & Green										
Tatton Park Investment Phase 2		0	600	389	0	**989**	0	0	989	0
Archives		0	0	13,000	0	**13,000**	4,000	4,000	5,000	0
Total Rural & Green		**0**	**600**	**13,389**	**0**	**13,989**	**4,000**	**4,000**	**5,989**	**0**
Client Commissioning										
Strategic Site Development		0	0	1,800	1,000	**2,800**	0	0	0	2,800
Energy Projects		0	0	4,600	0	**4,600**	0	4,600	0	0
Total Client Commissioning		**0**	**0**	**6,400**	**1,000**	**7,400**	**0**	**4,600**	**0**	**2,800**
Total		**118**	**78,019**	**114,337**	**63,393**	**255,749**	**119,943**	**37,245**	**95,761**	**2,800**

CAPITAL PROGRAMME 2018/19 - 2020/21

	Priority	Prior Years	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget 2018/21	Forecast Funding			
							Grants	External	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Committed Schemes - In Progress										
ICT Services										
Digital Customer Services	High	5,500	500	0	0	**500**	0	0	500	0
ACPH (Care Act Phase 2)	High	3,384	1,610	1,320	0	**2,930**	0	0	2,530	400
Best4Business	High	3,709	2,328	0	0	**2,328**	0	0	2,328	0
ICT Infrastructure Investment Programmme	High	9,845	5,400	2,120	0	**7,520**	0	0	3,230	4,290
Information Assurance and Data Management	High	7,684	1,217	0	0	**1,217**	0	0	1,217	0
Core Financials, HR Services	High	6,735	780	124	0	**904**	0	0	904	0
Finance & Performance										
Strategic Capital Projects	Medium	2,044	2,383	0	0	**2,383**	0	0	2,383	0
Customer Operations										
Next Generation - Self Service	Medium	327	30	0	0	**30**	0	0	30	0
Client Commissioning Leisure										
Congleton Leisure Centre	Medium	874	6,000	1,926	0	**7,926**	0	0	7,926	0
Client Commissioning Environmental										
Organic Waste Treatment Plant	Medium	800	2,300	9,400	0	**11,700**	0	8,120	3,580	0
Household Waste Recycling Review	Medium	200	800	0	0	**800**	0	0	800	0
Playing Fields Fund	Medium	0	100	0	0	**100**	0	0	100	0
Litter Bin Monitors	Medium	42	18	0	0	**18**	0	0	18	0
Household Bins Schemes	Medium	1,156	155	50	50	**255**	0	0	255	0
Park Development Fund	Medium	242	277	150	0	**427**	0	0	427	0
Weston Cemetery Extension	Medium	150	60	0	0	**60**	0	0	60	0
Total Committed Schemes - In Progress		**42,692**	**23,958**	**15,090**	**50**	**39,098**	**0**	**8,120**	**26,288**	**4,690**

CAPITAL PROGRAMME 2018/19 - 2020/21

	Priority	Prior Years	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget 2018/21	Forecast Funding			
							Grants	External	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000				
New Schemes										
ICT Services										
Information Assurance and Data Management	High	0	1,200	0	0	**1,200**	0	0	1,200	0
Corporate Procurement										
Vendor Management	Medium	15	571	0	0	**571**	0	0	571	0
Total New Schemes		**15**	**1,771**	**0**	**0**	**1,771**	**0**	**0**	**1,771**	**0**
Total		**42,707**	**25,729**	**15,090**	**50**	**40,869**	**0**	**8,120**	**28,059**	**4,690**

Corporate Addendum — CAPITAL

CAPITAL PROGRAMME 2018/19 - 2020/21

	Priority	Prior Years	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget 2018/21	Forecast Funding			
							Grants	External	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
ICT Services										
Information Assurance and Data Management		0	0	750	0	**750**	0	0	750	0
Core Financials, HR Services		0	0	233	500	**733**	0	0	733	0
Corporate Procurement										
Vendor Management		0	0	420	0	**420**	0	0	420	0
Digital Dynamics CRM		0	435	0	0	**435**	0	0	435	0
Elections Systems Replacement		0	36	0	36	**72**	0	0	72	0
ICT People Systems Procurement		0	688	353	276	**1,317**	0	0	1,317	0
Place ICT System Procurement		0	1,002	635	315	**1,952**	0	0	1,952	0
Client Commissioning Leisure										
Macclesfield Leisure Centre: Capital Improvement		0	4,000	0	0	**4,000**	0	0	4,000	0
Client Commissioning Environmental										
Congleton Household Waste Recycling Centre		0	50	2,000	2,000	**4,050**	0	0	4,050	0
Total		**0**	**6,211**	**4,391**	**3,127**	**13,729**	**0**	**0**	**13,729**	**0**

Annex B – Revenue Contributions from Services

	2018/19 £000	2019/20 £000	2020/21 £000
A: Direct Revenue Contributions			
Schools Transforming Learning Communities Schemes	895	895	895
Highway Schemes		200	200
Environment Schemes		352	352
Leisure Schemes		500	500
B: Revenue Savings arising from capital investment included in the MTFS			
Create a new Investment Portfolio (Revenue Savings) (9) *Growth & Regeneration - Strategic Acquisitions*	0	250	500
Tatton Vision Phase 1 (Revenue Savings) (12) *Rural & Green - Tatton Vision*	45	45	45
Street Lighting Improvements (Revenue Savings) (30) *Infrastructure & Highways - LED Street Lighting Upgrade*	50	100	100
Supply of Household Recycling & Waste Bins - Cost Avoidance (Revenue Savings) (41) *Client Commissioning Environmental - Household Bins Schemes*			
Reduce costs of core processes (Oracle system review) (Revenue Savings) (71) *ICT Services - Best4Business*	250	500	500
Digital Customer Services - new recurring technology (Revenue Savings) (75) *ICT Services - Digital Customer Services*	510	1710	1710
Contract Savings (Revenue Savings) (76) *ICT Services - Vendor Management*	750	750	750

C: Capitalisation of salaries

Staff time spent on a capital project, may be charged to the scheme providing it meets the criteria.

The fundamental test is whether the employees' activities have contributed directly to bringing an asset to a location and into a condition so that it is capable of operating as intended.

Where staff time is intended to be capitalised estimates are included within the budgets contained within this report.

Further details will be provided throughout 2018/19 and updated via the quarterly reporting process.

Annex C – Flexible use of capital receipts strategy

10.87 The guidance on the flexible use of capital receipts issued under Section 15(1) of the Local Government Act 2003, states that authorities may treat expenditure which is incurred in the design of projects that will generate ongoing revenue savings in public services or that will transform service delivery to reduce costs or manage demand in future years for public service partners as capital expenditure.

10.88 It recommends that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent.

10.89 The guidance by the Secretary of State states that:

The Direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform and can only use capital receipts from the disposals received in the years in which the flexibility is offered (for qualifying projects). The Direction also confirms that local authorities are not permitted to use their existing stock of capital receipts to finance the revenue costs of reform.

10.90 In the Medium Term Financial Strategy reported to Council on 23rd February 2017 it was reported that at present, the Council's 2017/18 budget does not rely on this flexibility to balance the revenue budget. If this opportunity would benefit the longer term financial stability of the Council then the quarterly reporting cycle will be used to raise awareness with Members and seek appropriate Council approval based on the value for money associated with the approach.

10.91 The Council has reviewed the Flexible Use of Capital Receipts guidance and identified potential expenditure that meets the eligibility criteria laid out in the guidance document, in that they are forecast to generate ongoing revenue savings through reducing costs of service delivery.

10.92 An update was provided within the Mid Year Review of Performance report in November 2017 and full Council then approved the revised approach to expenditure that meets the criteria and can be funded from available in-year capital receipts.

10.93 Further details of actual expenditure will be provided as part of the Financial Outturn and Review of Performance report at the end of each financial year.

10.94 The forecast use of flexible capital receipts for 2018/19 to 2020/21 is included within **Section 3**, paragraph 10.41, **Table 1.**

Annex D: Prudential Indicators revisions to: 2017/18 and 2018/19 – 2020/21, and future years

Background

10.95 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

10.96 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.

10.97 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.

10.98 The Section 151 Officer reports that the Authority had no difficulty meeting this requirement in 2017/18, 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

10.99 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.

Capital Expenditure	2017/2018	2018/2019	2019/20	2020/21	Future years
	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Total	111.0	127.1	121.8	77.2	0.0

Source: Cheshire East Finance

10.100 Capital expenditure will be financed or funded as follows:

Capital Financing	2017/2018 Estimate £m	2018/2019 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	Future years Estimate £m
Capital receipts	2.2	4.3	4.3	10.0	0.0
Government Grants	34.9	57.3	93.3	19.1	0.0
External Contributions	6.3	7.5	9.9	32.4	0.0
Revenue Contributions	0.5	2.7	0.0	0.0	0.0
Total Financing	**43.9**	**71.8**	**107.5**	**61.5**	**0.0**
Prudential Borrowing	67.1	55.3	14.3	15.7	-
Total Funding	**67.1**	**55.3**	**14.3**	**15.7**	**0.0**
Total Financing and Funding	**111.0**	**127.1**	**121.8**	**77.2**	**0.0**

Source: Cheshire East Finance

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

Ratio of Financing Costs to Net Revenue Stream

10.102 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.

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

Ratio of Financing Costs to Net Revenue Stream	2017/2018 Estimate %	2018/2019 Estimate %	2019/2020 Estimate %	2020/21 Estimate %
Total	**3.24**	**3.91**	**4.70**	**5.36**

Source: Cheshire East Finance

Capital Financing Requirement

10.104 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.

Capital Financing Requirement	2017/2018 Estimate £m	2018/2019 Estimate £m	2019/2020 Estimate £m	2020/21 Estimate £m
Total	**347**	**390**	**393**	**403**

Source: Cheshire East Finance

Actual External Debt

10.105 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.

Actual External Debt as at 31/03/2017	£m
Borrowing	116
Other Long-term Liabilities	28
Total	**144**

Source: Cheshire East Finance

Incremental Impact of Capital Investment Decisions

10.106 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.

Incremental Impact of Capital Investment Decisions	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate
	£	£	£
Band D Council Tax	**11.50**	**22.26**	**20.46**

Source: Cheshire East Finance

Authorised Limit and Operational Boundary for External Debt

10.107 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.

10.108 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.

10.109 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).

10.110 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.

10.111 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, and without the additional headroom included within the Authorised Limit.

	2017/2018 Estimate £m	2018/2019 Estimate £m	2019/2020 Estimate £m	2020/21 Estimate £m
Authorised Limit for Borrowing	360	400	405	415
Authorised Limit for Other Long-Term Liabilities	27	25	24	23
Authorised Limit for External Debt	**387**	**425**	**429**	**438**
Operational Boundary for Borrowing	350	390	395	405
Operational Boundary for Other Long-Term Liabilities	27	25	24	23
Operational Boundary for External Debt	**377**	**415**	**419**	**428**

Source: Cheshire East Finance

Adoption of the CIPFA Treasury Management Code

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

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

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

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

10.114 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).

10.115 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.

	Existing level (or Benchmark level) at 31/10/16	2017/2018 Approved	2017/2018 Revised	2018/2019 Estimate	2019/2020 Estimate	2020/2021 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

10.116 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

10.117 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.

10.118 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.

10.119 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 2017/18.

Maturity structure of fixed rate borrowing	Level as at 31st March 2018 (based on Current Borrowing) %	Lower Limit for 2018/2019 %	Upper Limit for 2018/2019 %
under 12 months	38%	0%	60%
12 months and within 24 months	6%	0%	25%
24 months and within 5 years	5%	0%	35%
5 years and within 10 years	0%	0%	50%
10 years and within 20 years	22%	0%	100%
20 years and within 30 years	7%	0%	100%
30 years and within 40 years	22%	0%	100%
40 years and within 50 years	0%	0%	100%
50 years and above	0%	0%	100%

Source: Cheshire East Finance

Credit Risk

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

10.121 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.

10.122 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.

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

Annex E: Minimum Revenue Provision

10.124 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.

10.125 Capital expenditure is expenditure that provides ongoing 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.

10.126 The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2012.

10.127 CIPFA is currently out to consultation on the Treasury Management Code of Practice 2011 Edition the consultation period ended on 22nd December 2017 and any changes will apply from 2018/19 onwards.

10.128 Prior to 1st April 2008 the major proportion of MRP relates to the more historic debt liability that was outstanding at the time the Guidance was adopted. This will be charged at a 2% annuity rate over a 50 year period.

10.129 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.

10.130 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.

10.131 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.

10.132 For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

10.133 For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability. The MRP Statement will be submitted to Council before the start of the 2018/19 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.

11. Financial Summary Tables (Revenue)

The 2017/18 Budget, shown as the starting point for the following tables, takes account of any permanent changes made during the 2017/18 financial year to date. There may be differences from the budget position at the Third Quarter Review which includes both permanent and temporary budget changes. The table below summarises these changes. Further details are available on request.

Service	Current Net Budget 2017/18 at Three Quarter Review £m	Less Temporary Specific Grants Allocations £m	Less Other Temporary In Year Budget Adjustments £m	Permenant Base Budget Carried Forward to 2018/19 £m
SERVICE DIRECTORATES				
Directorate	1,539			1,539
Children's Social Care	33,178	-120		33,058
Education & 14-19 Skills	12,481	-123		12,358
Prevention & Support	9,594	-459	-25	9,110
Adult Social Care - Operations	28,090			28,090
Adult Social Care - Commissioning	67,534	-71		67,463
Public Health and Communities	2,673			2,673
People	155,089	-773	-25	154,291
Directorate	-1,080			-1,080
Planning & Sustainable Development	2,572	-95		2,477
Infrastructure & Highways (incl Car Parking)	13,515			13,515
Growth & Regeneration	15,917	-50	-60	15,807
Rural & Green Infrastructure	2,831			2,831
Place	33,755	-145	-60	33,550

Service	Current Net Budget 2017/18 at Three Quarter Review £m	Less Temporary Specific Grants Allocations £m	Less Other Temporary In Year Budget Adjustments £m	Permenant Base Budget Carried Forward to 2018/19 £m
SERVICE DIRECTORATES				
Directorate	1,970		-16	1,954
Customer Operations	8,870	-81		8,789
Legal & Democratic Services	5,413	-64		5,349
Human Resources	2,441		25	2,466
Finance & Performance	5,951		60	6,011
ICT	5,741			5,741
Communications	591			591
Client Commissioning				0
Leisure	2,183		16	2,199
Environmental & Bereavement	27,745			27,745
Corporate	60,905	-145	85	60,845
Total Services Net Budget	**249,749**	**-1,063**	**0**	**248,686**
CENTRAL BUDGETS				
Capital Financing	14,000			14,000
Transfer to Earmarked Reserves	-146			-146
Corporate Contributions / Central Budgets	1,163			1,163
Total Central Budgets	**15,017**	**0**	**0**	**15,017**
TOTAL NET BUDGET	**264,766**	**-1,063**	**0**	**263,703**

Cheshire East Council Revenue Budget Summary — REVENUE

	2018/19 Budget			2019/20 Budget			2020/21 Budget		
	Budget including Policy Proposals								
Service Area	**Expenditure £000**	**Income £000**	**Net £000**	**Expenditure £000**	**Income £000**	**Net £000**	**Expenditure £000**	**Income £000**	**Net £000**
People	380,107	-216,827	**163,280**	387,132	-216,494	**170,638**	394,781	-216,079	**178,702**
Place	64,502	-28,775	**35,727**	64,195	-29,682	**34,513**	64,808	-29,932	**34,876**
Corporate	167,381	-107,580	**59,801**	167,560	-107,739	**59,821**	169,218	-107,739	**61,479**
Total Cost of Service	**611,990**	**-353,182**	**258,808**	**618,887**	**-353,915**	**264,972**	**628,807**	**-353,750**	**275,057**
Central Budgets	12,263	-2,304	**9,959**	14,163	-1,008	**13,155**	14,163	-1,008	**13,155**
Previous Year Budget Deficit			**0**	-10,171		**-10,171**	-15,553		**-15,553**
Total Net Budget	**624,253**	**-355,486**	**268,767**	**622,879**	**-354,923**	**267,956**	**627,417**	**-354,758**	**272,659**
	Policy Proposals included above								
People	7,709	1,283	**8,992**	7,025	333	**7,358**	7,649	415	**8,064**
Place	2,857	-682	**2,175**	-307	-907	**-1,214**	613	-250	**363**
Corporate	-1,197	152	**-1,045**	179	-159	**20**	1,658		**1,658**
Central Budgets	-2,900	-2,156	**-5,056**	1,900	1,296	**3,196**			**0**
Financial Impact of Policy Proposals	**6,469**	**-1,403**	**5,066**	**8,797**	**563**	**9,360**	**9,920**	**165**	**10,085**

People Summary — REVENUE

Service Area	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
Budget including Policy Proposals									
Directorate	828	-220	**608**	869	-220	**649**	910	-220	**690**
Schools Grant Funded Expenditure	156,322	-156,322	**0**	156,322	-156,322	**0**	156,322	-156,322	**0**
Children's Social Care	37,809	-1,683	**36,126**	39,333	-1,683	**37,650**	40,857	-1,683	**39,174**
Education and 14-19 Skills	13,942	-1,504	**12,438**	13,894	-1,504	**12,390**	13,925	-1,504	**12,421**
Prevention and Support	10,277	-1,856	**8,421**	10,671	-1,856	**8,815**	11,065	-1,856	**9,209**
Adult Social Care: Commissioning	111,889	-36,175	**75,714**	117,862	-36,275	**81,587**	122,862	-36,275	**86,587**
Adult Social Care: Operations	29,362	-1,897	**27,465**	28,797	-1,897	**26,900**	29,732	-1,897	**27,835**
Public Health and Communities	19,678	-17,170	**2,508**	19,384	-16,737	**2,647**	19,108	-16,322	**2,786**
Total Cost of Service	**380,107**	**-216,827**	**163,280**	**387,132**	**-216,494**	**170,638**	**394,781**	**-216,079**	**178,702**
Policy Proposals included above									
Directorate	-1,932	1,000	**-932**	41		**41**	41		**41**
Children's Social Care	3,074		**3,074**	1,524		**1,524**	1,524		**1,524**
Education and 14-19 Skills	130	-50	**80**	-48		**-48**	31		**31**
Prevention and Support	-689		**-689**	394		**394**	394		**394**
Adult Social Care: Commissioning	8,350	-100	**8,250**	5,973	-100	**5,873**	5,000		**5,000**
Adult Social Care: Operations	-626		**-626**	-565		**-565**	935		**935**
Public Health and Communities	-598	433	**-165**	-294	433	**139**	-276	415	**139**
Financial Impact of Policy Proposals	**7,709**	**1,283**	**8,992**	**7,025**	**333**	**7,358**	**7,649**	**415**	**8,064**

Note: Appendix 8 shows a breakdown of Schools Grant Funding

People Directorate — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Directorate (Children & Families)	3,5	787	-220	**567**	787	-220	**567**	787	-220	**567**
Pay & Pensions	1,3,5	41		**41**	82		**82**	123		**123**
Total Cost of Service		**828**	**-220**	**608**	**869**	**-220**	**649**	**910**	**-220**	**690**
		Policy Proposals included above								
Policy Proposals										
Directorate (Children & Families):										
Children and Families Staffing Gap	3,5	17		**17**			**0**			**0**
End of Early Intervention short-term funding allocation (non Public Health element)	3,5	-2,000	1,000	**-1,000**			**0**			**0**
Reallocation of unachievable mileage target to services	3	10		**10**			**0**			**0**
Pay & Pensions	1,3,5	41		**41**	41		**41**	41		**41**
Financial Impact of Policy Proposals		**-1,932**	**1,000**	**-932**	**41**	**0**	**41**	**41**	**0**	**41**

Children's Social Care — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Head of Service	5	357	-110	**247**	357	-110	**247**	357	-110	**247**
Social Care - Cared for Children	5	27,139	-1,000	**26,139**	28,139	-1,000	**27,139**	29,139	-1,000	**28,139**
Social Care - Child Protection / Children in Need	5	5,370		**5,370**	5,370		**5,370**	5,370		**5,370**
Safeguarding including Domestic Abuse	5	2,330	-573	**1,757**	2,330	-573	**1,757**	2,330	-573	**1,757**
Children's Commissioning	5	2,061		**2,061**	2,061		**2,061**	2,061		**2,061**
Mileage	5	22	0	**22**	22		**22**	22		**22**
Pay & Pensions	5	530		**530**	1,054		**1,054**	1,578		**1,578**
Total Cost of Service		**37,809**	**-1,683**	**36,126**	**39,333**	**-1,683**	**37,650**	**40,857**	**-1,683**	**39,174**
		Policy Proposals included above								
Policy Proposals										
Children's Commissioning:										
Alignment of teams to create a People's Commissioning Service	5	-30		**-30**			**0**			**0**
Review of service provision for children with disabilities	5	-136		**-136**			**0**			**0**
Reduction in Children's commissioned services	5	-50		**-50**			**0**			**0**
Review Early Help Commissioned Services	5	-252		**-252**			**0**			**0**
Review Social Care Commissioning	5	-60		**-60**			**0**			**0**
Social Care - HoS:										
Efficiency Savings in Children's Social Care	5	-75		**-75**			**0**			**0**
Social Care - Cared for Children:										
Housing related accommodation and support facilities	5	40		**40**			**0**			**0**
Efficiency Savings in Children's Social Care	5	-50		**-50**			**0**			**0**
Review of service provision for children with disabilities	5	-64		**-64**			**0**			**0**
Care Placements	5	3,000		**3,000**	1,000		**1,000**	1,000		**1,000**
Revise Interagency Income Budget	5	500		**500**			**0**			**0**
Realignment of Children's Social Care Management and Staffing	5	-204		**-204**			**0**			**0**

Children's Social Care — REVENUE

		2018/19 Budget			2019/20 Budget			2020/21 Budget		
		Policy Proposals included above								
Policy Proposals										
Social Care - CiN/CP:										
Realignment of Children's Social Care Management and Staffing	5	-131		**-131**			**0**			**0**
Review Social Care Commissioning	5	-25		**-25**			**0**			**0**
Safeguarding:										
Allocation of Employee Budget Shortfall	5	59		**59**			**0**			**0**
Reallocation of unachievable mileage target to services	5	22		**22**			**0**			**0**
Pay & Pensions	5	530		**530**	524		**524**	524		**524**
Financial Impact of Policy Proposals		**3,074**	**0**	**3,074**	**1,524**	**0**	**1,524**	**1,524**	**0**	**1,524**

Education and 14-19 Skills — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Head of Service and Legacy Pension Costs	3	2,398		**2,398**	2,608		**2,608**	2,608		**2,608**
Education Participation and Pupil Support	3	681	-136	**545**	681	-136	**545**	681	-136	**545**
Education Infrastructure and Outcomes	3	1,241	-1,368	**-127**	1,241	-1,368	**-127**	1,241	-1,368	**-127**
Skills and Lifelong Learning	3	866		**866**	866		**866**	866		**866**
Client Commissioning - Transport	3	8,696		**8,696**	8,407		**8,407**	8,407		**8,407**
Pay & Pensions	3	60		**60**	91		**91**	122		**122**
Total Cost of Service		**13,942**	**-1,504**	**12,438**	**13,894**	**-1,504**	**12,390**	**13,925**	**-1,504**	**12,421**
		Policy Proposals included above								
Policy Proposals										
Client Commissioning - Transport:										
Children and Families Transport	3	134		**134**	-59		**-59**			**0**
Transport - parental subsidy for Available Walking Routes phase 2	3	70		**70**	-70		**-70**			**0**
Children & Families Transport Policy review	3	-410		**-410**	-160		**-160**			**0**
Head of Service and Legacy Pension Costs:										
Provide Schools Meal Subsidy	3	200		**200**	210		**210**			**0**
Education Participation and Pupil Support:										
Review Safeguarding Children in Education Settings Team	5		-50	**-50**			**0**			**0**
Allocation of Employee Budget Shortfall	3	74		**74**			**0**			**0**
Reallocation of unachievable mileage target to services	3	2		**2**			**0**			**0**
Pay & Pensions	3	60		**60**	31		**31**	31		**31**
Financial Impact of Policy Proposals		**130**	**-50**	**80**	**-48**	**0**	**-48**	**31**	**0**	**31**

Prevention and Support — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Early Intervention and Prevention	3	6,376	-662	**5,714**	6,376	-662	**5,714**	6,376	-662	**5,714**
Youth Engagement Service	3	1,813	-808	**1,005**	1,813	-808	**1,005**	1,813	-808	**1,005**
Children's Development and Partnerships	3, 5	258		**258**	258		**258**	258		**258**
SEND / Education Psychologists	3	1,429	-386	**1,043**	1,429	-386	**1,043**	1,429	-386	**1,043**
Pay & Pensions	3, 5	401		**401**	795		**795**	1,189		**1,189**
Total Cost of Service		**10,277**	**-1,856**	**8,421**	**10,671**	**-1,856**	**8,815**	**11,065**	**-1,856**	**9,209**
		Policy Proposals included above								
Policy Proposals										
Early Intervention and Prevention:										
Children and Families Staffing Gap	3, 5	50		**50**			**0**			**0**
Children and Families Staffing Gap	3, 5	60		**60**			**0**			**0**
Restructure Prevention and Support (Cheshire East Family Service)	5	-705		**-705**			**0**			**0**
Restructure Prevention and Support (Early Years)	5	-76		**-76**			**0**			**0**
Restructure Prevention and Support (Prevention Service)	5	-156		**-156**			**0**			**0**
Youth Support Service Restructure	5	-263		**-263**			**0**			**0**
Pay & Pensions	3, 5	401		**401**	394		**394**	394		**394**
Financial Impact of Policy Proposals		**-689**	**0**	**-689**	**394**	**0**	**394**	**394**	**0**	**394**

Adult Social Care: Commissioning — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
External Care Costs	5	98,346		**98,346**	104,319		**104,319**	109,319		**109,319**
Client Contributions	5		-22,761	**-22,761**		-22,861	**-22,861**		-22,861	**-22,861**
Staffing Team	5	1,495		**1,495**	1,495		**1,495**	1,495		**1,495**
Early Intervention and Prevention	5	1,069		**1,069**	1,069		**1,069**	1,069		**1,069**
Other	5	10,979	-6,274	**4,705**	10,979	-6,274	**4,705**	10,979	-6,274	**4,705**
Better Care Fund Income	5		-7,140	**-7,140**		-7,140	**-7,140**		-7,140	**-7,140**
Total Cost of Service		**111,889**	**-36,175**	**75,714**	**117,862**	**-36,275**	**81,587**	**122,862**	**-36,275**	**86,587**
		Policy Proposals included above								
Policy Proposals										
External Care Costs:										
Operational Pathway Redesign	5	-440		**-440**			**0**			**0**
Independent Living Fund - Attrition Factor Reductions	5	-29		**-29**	-27		**-27**			**0**
Growth in Demand for Adult Social Care	5	12,400		**12,400**	6,000		**6,000**	5,000		**5,000**
Reshape commissioning framework	5	-714		**-714**			**0**			**0**
Implement more flexible and responsive commissioning	5	-170		**-170**			**0**			**0**
Further saving to go against reversed Cross-Cuttings (Productivity and Contracts)	5	-425		**-425**			**0**			**0**
New assessment and review framework	5	-787		**-787**			**0**			**0**
Client Contributions:										
Increase Income	5		-100	**-100**		-100	**-100**			**0**
Early Intervention and Prevention:										
Review all funding and shift to "asset-based" model	5	-723		**-723**			**0**			**0**
Other:										
Review of Public Health contracts	5	-762		**-762**			**0**			**0**
Financial Impact of Policy Proposals		**8,350**	**-100**	**8,250**	**5,973**	**-100**	**5,873**	**5,000**	**0**	**5,000**

Adult Social Care: Operations — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Care4CE	5	15,077	-1,479	**13,598**	13,577	-1,479	**12,098**	13,577	-1,479	**12,098**
Staffing Teams	5	11,069	-418	**10,651**	11,069	-418	**10,651**	11,069	-418	**10,651**
Support To Social Work	5	1,634		**1,634**	1,634		**1,634**	1,634		**1,634**
Other	5	93		**93**	93		**93**	93		**93**
Pay and Pensions	5	1,489		**1,489**	2,424		**2,424**	3,359		**3,359**
Total Cost of Service		**29,362**	**-1,897**	**27,465**	**28,797**	**-1,897**	**26,900**	**29,732**	**-1,897**	**27,835**
		Policy Proposals included above								
				0			**0**			**0**
Policy Proposals				**0**			**0**			**0**
				0			**0**			**0**
Care4CE:				**0**			**0**			**0**
Commissioning all services currently provided by our in-house provider, Care4CE	5	-1,111		**-1,111**	-1,500		**-1,500**			**0**
Cease provision of services at Lincoln House and Mountview	5	-389		**-389**			**0**			**0**
Staffing Teams:										
Reducing Agency Spend	5	100		**100**			**0**			**0**
Operational and Commissioning Restructure	5	-900		**-900**			**0**			**0**
Reallocation of unachievable productivity target to services	5	1,654		**1,654**			**0**			**0**
Reallocation of unachievable post and print target to services	5	31		**31**			**0**			**0**
Growth in Demand for Adult Social Care	5	-1,500		**-1,500**			**0**			**0**
Pay & Pensions	5	1,489		**1,489**	935		**935**	935		**935**
Financial Impact of Policy Proposals		**-626**	**0**	**-626**	**-565**	**0**	**-565**	**935**	**0**	**935**

Public Health and Communities — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Partnerships and Communities	1	2,847	-479	**2,368**	2,847	-479	**2,368**	2,847	-479	**2,368**
Public Health	5	16,691	-16,691	**0**	16,258	-16,258	**0**	15,843	-15,843	**0**
Pay & Pensions	1,5	140		**140**	279		**279**	418		**418**
Total Cost of Service		**19,678**	**-17,170**	**2,508**	**19,384**	**-16,737**	**2,647**	**19,108**	**-16,322**	**2,786**
		Policy Proposals included above								
Policy Proposals										
Partnerships and Communities:										
Increase Community Grants	1	40		**40**			**0**			**0**
Review Environmental Enforcement Service based on outcomes (Summer 17) of Flytipping pilot and procurement of patrol company pilot	1	-118		**-118**			**0**			**0**
Restructure to create "front gate", across communities	5	-227		**-227**			**0**			**0**
Public Health										
Grant reductions	5	-433	433	**0**	-433	433	**0**	-415	415	**0**
Pay & Pensions	1,5	140		**140**	139		**139**	139		**139**
Financial Impact of Policy Proposals		**-598**	**433**	**-165**	**-294**	**433**	**139**	**-276**	**415**	**139**

Place Summary

REVENUE

	2018/19 Budget			2019/20 Budget			2020/21 Budget		
	Budget including Policy Proposals								
	Expenditure	Income	Net	Expenditure	Income	Net	Expenditure	Income	Net
Service Area	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Directorate	1,657	-1,469	**188**	1,826	-1,469	**357**	1,995	-1,469	**526**
Growth and Regeneration	22,148	-5,025	**17,123**	22,417	-5,275	**17,142**	22,642	-5,525	**17,117**
Infrastructure and Highways	22,770	-10,331	**12,439**	22,592	-10,988	**11,604**	22,693	-10,988	**11,705**
Planning and Sustainable Development	9,926	-6,925	**3,001**	9,324	-6,925	**2,399**	9,322	-6,925	**2,397**
Rural and Cultural Economy	8,001	-5,025	**2,976**	8,036	-5,025	**3,011**	8,156	-5,025	**3,131**
Total Cost of Service	**64,502**	**-28,775**	**35,727**	**64,195**	**-29,682**	**34,513**	**64,808**	**-29,932**	**34,876**
	Policy Proposals included above								
Directorate	1,267		**1,267**	169		**169**	169		**169**
Growth and Regeneration	1,315		**1,315**	269	-250	**19**	225	-250	**-25**
Infrastructure and Highways	-536	-540	**-1,076**	-178	-657	**-835**	101		**101**
Planning and Sustainable Development	624	-100	**524**	-602		**-602**	-2		**-2**
Rural and Cultural Economy	187	-42	**145**	35		**35**	120		**120**
Financial Impact of Policy Proposals	**2,857**	**-682**	**2,175**	**-307**	**-907**	**-1,214**	**613**	**-250**	**363**

Place Directorate

REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Directorate	2	1,488	-1,469	**19**	1,488	-1,469	**19**	1,488	-1,469	**19**
Pay & Pensions	2	169		**169**	338		**338**	507		**507**
Total Cost of Service		**1,657**	**-1,469**	**188**	**1,826**	**-1,469**	**357**	**1,995**	**-1,469**	**526**
		Policy Proposals included above								
Policy Proposals										
Directorate:										
Shortfall in salary budgets and establishment costs	2	105		**105**			**0**			**0**
Contract Savings and Place Directorate restructuring	2	-370		**-370**			**0**			**0**
Reallocation of unachievable contracts target to services	2	467		**467**			**0**			**0**
Reallocation of unachievable productivity target to services	2	877		**877**			**0**			**0**
Reallocation of Visitor Economy adjustment	2	19		**19**			**0**			**0**
Pay & Pensions	2	169		**169**	169		**169**	169		**169**
Financial Impact of Policy Proposals		**1,267**	**0**	**1,267**	**169**	**0**	**169**	**169**	**0**	**169**

Growth and Regeneration — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Assets	2	2,473	-2,163	**310**	2,445	-2,413	**32**	2,380	-2,663	**-283**
Regeneration	2	547	-87	**460**	547	-87	**460**	547	-87	**460**
Strategic Housing	5	3,350	-630	**2,720**	3,360	-630	**2,730**	3,313	-630	**2,683**
Farms	2	323	-698	**-375**	323	-698	**-375**	323	-698	**-375**
Client Commissioning - Skills and Growth	2	1,148		**1,148**	1,148		**1,148**	1,148		**1,148**
Facilities Management	2	14,052	-1,447	**12,605**	14,092	-1,447	**12,645**	14,182	-1,447	**12,735**
Pay & Pensions	2,5	255		**255**	502		**502**	749		**749**
Total Cost of Service		**22,148**	**-5,025**	**17,123**	**22,417**	**-5,275**	**17,142**	**22,642**	**-5,525**	**17,117**
		Policy Proposals included above								
Policy Proposals										
Assets:										
Create a new Investment Portfolio	2			**0**		-250	**-250**		-250	**-250**
Addressing Budget Shortfall in the Asset Management & FM Service	2	422		**422**	-28		**-28**	-65		**-65**
Facilities Management:										
Facilities Management budget shortfalls (NNDR)	2	110		**110**	90		**90**	90		**90**
Facilities Management budget shortfalls (Crewe Lifestyle Centre)	2	126		**126**			**0**			**0**
Facilities Management budget shortfalls (Cledford Lane Depot)	2	500		**500**			**0**			**0**
Facilities Management budget shortfalls (Legacy Buildings - Crewe Pool and Library)	2	100		**100**			**0**			**0**
Addressing Budget Shortfall in the Asset Management & FM Service	2	-95		**-95**	-50		**-50**			**0**
Strategic Housing:										
Homelessness Reduction Act - New Burden	2	37		**37**	10		**10**	-47		**-47**
Skills & Growth:										
Removal of Fairerpower payment	2	-140		**-140**			**0**			**0**
Pay & Pensions	2,5	255		**255**	247		**247**	247		**247**
Financial Impact of Policy Proposals		**1,315**	**0**	**1,315**	**269**	**-250**	**19**	**225**	**-250**	**-25**

Infrastructure and Highways — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Highways	4	14,343	-3,542	**10,801**	14,194	-3,542	**10,652**	14,194	-3,542	**10,652**
Strategic Infrastructure	2	1,982	-949	**1,033**	1,982	-949	**1,033**	1,982	-949	**1,033**
Car Parking	2	1,653	-5,840	**-4,187**	1,523	-6,497	**-4,974**	1,523	-6,497	**-4,974**
Client Commissioning - Transport	2	4,688		**4,688**	4,688		**4,688**	4,688		**4,688**
Pay & Pensions	2,4	104		**104**	205		**205**	306		**306**
Total Cost of Service		**22,770**	**-10,331**	**12,439**	**22,592**	**-10,988**	**11,604**	**22,693**	**-10,988**	**11,705**
		Policy Proposals included above								
Policy Proposals										
Client Commissioning - Transport:										
Changes to subsidised Bus Service	2	-1,176		**-1,176**			**0**			**0**
Strategic Infrastructure:										
HS2 Strategy	2	500		**500**			**0**			**0**
Highways:										
Lead Local Authority Flood Grant Funding	4	1		**1**	1		**1**			**0**
Street Lighting improvements	4	-50		**-50**	-50		**-50**			**0**
Highways Procurement	4	-100		**-100**	-100		**-100**			**0**
Car Parking:										
Parking Strategy Review	4	185	-540	**-355**	-130	-657	**-787**			**0**
Pay & Pensions	2,4	104		**104**	101		**101**	101		**101**
Financial Impact of Policy Proposals		**-536**	**-540**	**-1,076**	**-178**	**-657**	**-835**	**101**	**0**	**101**

Planning and Sustainable Development — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Director of Planning and Sustainable Development	4	295		**295**	295		**295**	295		**295**
Spatial Planning	4	1,722	-20	**1,702**	922	-20	**902**	722	-20	**702**
Neighbourhood Planning	4	427	-400	**27**	427	-400	**27**	427	-400	**27**
Development Management	4	2,929	-3,590	**-661**	2,929	-3,590	**-661**	2,929	-3,590	**-661**
Building Control	4		-1,755	**-1,755**		-1,755	**-1,755**		-1,755	**-1,755**
Client Commissioning: Civicance	4	1,785		**1,785**	1,785		**1,785**	1,785		**1,785**
Regulatory Services and Health	4	2,569	-1,160	**1,409**	2,569	-1,160	**1,409**	2,569	-1,160	**1,409**
Pay & Pensions	4	199		**199**	397		**397**	595		**595**
Total Cost of Service		**9,926**	**-6,925**	**3,001**	**9,324**	**-6,925**	**2,399**	**9,322**	**-6,925**	**2,397**
		Policy Proposals included above								
Policy Proposals										
Spatial Planning:										
Planning Reserve	4	225		**225**	-1,000		**-1,000**			**0**
Planning Reserve	4	200		**200**	200		**200**	-200		**-200**
Development Management:										
Increase planning fees - White Paper proposals	4		-100	**-100**			**0**			**0**
Pay & Pensions	4	199		**199**	198		**198**	198		**198**
Financial Impact of Policy Proposals		**624**	**-100**	**524**	**-602**	**0**	**-602**	**-2**	**0**	**-2**

Rural and Cultural Economy — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Head of Rural and Cultural Economy	2	119		**119**	119		**119**	119		**119**
Visitor Economy	2	754	-536	**218**	722	-536	**186**	710	-536	**174**
Cultural Economy	2	942	-34	**908**	892	-34	**858**	892	-34	**858**
Tatton Park	2	4,413	-4,098	**315**	4,413	-4,098	**315**	4,413	-4,098	**315**
Public Rights of Way	2	571	-166	**405**	556	-166	**390**	556	-166	**390**
Countryside	2	1,015	-191	**824**	1,015	-191	**824**	1,015	-191	**824**
Pay & Pensions	2	187		**187**	319		**319**	451		**451**
Total Cost of Service		**8,001**	**-5,025**	**2,976**	**8,036**	**-5,025**	**3,011**	**8,156**	**-5,025**	**3,131**
		Policy Proposals included above								
Policy Proposals										
Tatton Park:										
Tatton Vision Phase 1	2	-3	-42	**-45**			**0**			**0**
Visitor Economy:				**0**			**0**			**0**
Visitor Economy	2	-3		**-3**	-32		**-32**	-12		**-12**
Visitor Economy	2	16		**16**			**0**			**0**
Marketing Cheshire	2	-20		**-20**			**0**			**0**
Public Rights of Way:										
Increase Public Rights of Way Fees & Charges	2			**0**	-15		**-15**			**0**
Cultural Economy:										
Reduce funding to Macclesfield Silk Heritage Trust	2	-10		**-10**			**0**			**0**
Cheshire East Reflects	2	20		**20**	-50		**-50**			**0**
Pay & Pensions	2	187		**187**	132		**132**	132		**132**
Financial Impact of Policy Proposals		**187**	**-42**	**145**	**35**	**0**	**35**	**120**	**0**	**120**

Corporate Summary — REVENUE

Service Area	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
Budget including Policy Proposals									
Directorate	769	-685	**84**	586	-685	**-99**	653	-685	**-32**
Legal Services	7,455	-1,693	**5,762**	7,619	-1,693	**5,926**	7,783	-1,693	**6,090**
Customer Operations	85,893	-77,345	**8,548**	85,057	-77,345	**7,712**	85,411	-77,345	**8,066**
Finance and Performance	9,172	-2,994	**6,178**	9,416	-2,994	**6,422**	9,660	-2,994	**6,666**
Human Resources	3,364	-919	**2,445**	3,466	-919	**2,547**	3,568	-919	**2,649**
ICT Services	26,534	-21,028	**5,506**	27,024	-21,028	**5,996**	27,514	-21,028	**6,486**
Communications	669	-54	**615**	692	-54	**638**	715	-54	**661**
Client Commissioning	33,525	-2,862	**30,663**	33,700	-3,021	**30,679**	33,914	-3,021	**30,893**
Total Cost of Service	**167,381**	**-107,580**	**59,801**	**167,560**	**-107,739**	**59,821**	**169,218**	**-107,739**	**61,479**
Policy Proposals included above									
Directorate	-1,872		**-1,872**	-183		**-183**	67		**67**
Legal Services	573	-90	**483**	164		**164**	164		**164**
Customer Operations	-301		**-301**	-836		**-836**	354		**354**
Finance and Performance	165	-8	**157**	244		**244**	244		**244**
Human Resources	-20		**-20**	102		**102**	102		**102**
ICT Services	-235		**-235**	490		**490**	490		**490**
Communications	24		**24**	23		**23**	23		**23**
Client Commissioning	469	250	**719**	175	-159	**16**	214		**214**
Financial Impact of Policy Proposals	**-1,197**	**152**	**-1,045**	**179**	**-159**	**20**	**1,658**	**0**	**1,658**

Corporate Directorate — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Executive Director - Corporate	6	63		**63**	63		**63**	63		**63**
Business Manager	6	92		**92**	92		**92**	92		**92**
Chief Executive Office	6	462		**462**	462		**462**	462		**462**
PA Pool	6	551	-23	**528**	551	-23	**528**	551	-23	**528**
Professional Services and Commercial Services Manager	6	116		**116**	116		**116**	116		**116**
Transactional Shared Services	6	1,755	-649	**1,106**	1,755	-649	**1,106**	1,755	-649	**1,106**
Business Solutions	6	382	-13	**369**	382	-13	**369**	382	-13	**369**
ESG	1, 4, 6	-463		**-463**	-463		**-463**	-463		**-463**
Mutually Agreed Resignation Scheme (MARS)	6	-1,500		**-1,500**	-1,500		**-1,500**	-1,500		**-1,500**
Oracle System Review (cross cutter)	6	-250		**-250**	-500		**-500**	-500		**-500**
Admin Review (cross cutter)	6	-500		**-500**	-500		**-500**	-500		**-500**
Pay & Pensions	6	61		**61**	128		**128**	195		**195**
Total Cost of Service		**769**	**-685**	**84**	**586**	**-685**	**-99**	**653**	**-685**	**-32**
		Policy Proposals included above								
Policy Proposals										
Executive Director - Corporate										
Reduce costs of core processes (Oracle system review)	6	-250		**-250**	-250		**-250**			**0**
External income - Fees & Charges	6	-2		**-2**			**0**			**0**
PA Pool:										
Reduce Agency and Consultancy Costs	6	-1		**-1**			**0**			**0**
Service Area to be determined:										
Admin Review	6	-500		**-500**			**0**			**0**
Restructuring of Services	6	-150		**-150**			**0**			**0**
Reallocation of unachievable cross cutting savings	6	470		**470**			**0**			**0**
Mutually Agreed Resignation Scheme (MARS)	6	-1,500		**-1,500**			**0**			**0**
Pay & Pensions	6	61		**61**	67		**67**	67		**67**
Financial Impact of Policy Proposals		**-1,872**	**0**	**-1,872**	**-183**	**0**	**-183**	**67**	**0**	**67**

Legal Services — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Legal Services:										
Monitoring Officer	6	-102		**-102**	-102		**-102**	-102		**-102**
Legal Services	6	2,737	-547	**2,190**	2,737	-547	**2,190**	2,737	-547	**2,190**
Compliance	6	402		**402**	402		**402**	402		**402**
Democratic Services:										
Business Support and Civic Office	6	317	-10	**307**	317	-10	**307**	317	-10	**307**
Democratic Services	6	691	-50	**641**	691	-50	**641**	691	-50	**641**
Members Services	6	1,399		**1,399**	1,399		**1,399**	1,399		**1,399**
Coroners	6	567		**567**	567		**567**	567		**567**
Elections Service	6	551		**551**	551		**551**	551		**551**
Registrations Service	6	724	-1,086	**-362**	724	-1,086	**-362**	724	-1,086	**-362**
Pay & Pensions	6	169		**169**	333		**333**	497		**497**
Total Cost of Service		**7,455**	**-1,693**	**5,762**	**7,619**	**-1,693**	**5,926**	**7,783**	**-1,693**	**6,090**
		Policy Proposals included above								
Policy Proposals										
Monitoring Officer:										
Restructuring of Services	6	-200		**-200**			**0**			**0**
Contract Savings	6	-37		**-37**			**0**			**0**
Reduce Agency and Consultancy Costs	6	-24		**-24**			**0**			**0**
Legal Services:										
Childcare Team Costs (Transitional funding ends 2018/19)	6	490		**490**			**0**			**0**
External income - Fees & Charges	6		-90	**-90**			**0**			**0**
Service Area to be determined:										
Productivity - Unachievement of 17/18 cross cutting savings - Legal & Dem	6	175		**175**			**0**			**0**
Pay & Pensions	6	169		**169**	164		**164**	164		**164**
Financial Impact of Policy Proposals		**573**	**-90**	**483**	**164**	**0**	**164**	**164**	**0**	**164**

Customer Operations — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Customer Services Management	6	41		**41**	41		**41**	41		**41**
Customer Services	6	2,177	-9	**2,168**	2,177	-9	**2,168**	2,177	-9	**2,168**
Library Services	6	3,741	-405	**3,336**	3,741	-405	**3,336**	3,741	-405	**3,336**
Revenues	6	1,500	-1,110	**390**	1,500	-1,110	**390**	1,500	-1,110	**390**
Benefits Administration	6	2,352	-135	**2,217**	2,362	-135	**2,227**	2,362	-135	**2,227**
Service Development and Systems	6	778		**778**	778		**778**	778		**778**
Emergency Planning	6	173	-32	**141**	173	-32	**141**	173	-32	**141**
Online Services	6	260		**260**	260		**260**	260		**260**
Benefit Payments	6	75,572	-75,654	**-82**	75,572	-75,654	**-82**	75,572	-75,654	**-82**
Digital Savings	6	-1,060		**-1,060**	-2,260		**-2,260**	-2,260		**-2,260**
Pay & Pensions	6	359		**359**	713		**713**	1,067		**1,067**
Total Cost of Service		**85,893**	**-77,345**	**8,548**	**85,057**	**-77,345**	**7,712**	**85,411**	**-77,345**	**8,066**
		Policy Proposals included above								
Policy Proposals										
Customer Services Management:										
Contract Savings	6	-37		**-37**			**0**			**0**
Reduce Agency and Consultancy Costs	6	-17		**-17**			**0**			**0**
Benefits Administration:										
Withdrawal of temporary reduction in funding for Universal Information and Advice service	6			**0**	10		**10**			**0**
The Local Welfare Safety Net	6	-50		**-50**			**0**			**0**
Library Services:										
Community Library Provision - Close 3 Libraries	6	-46		**-46**			**0**			**0**
Service Area to be determined:										
Digital Customer Services	6	-800		**-800**	-800		**-800**			**0**
Digital Customer Services - New Recurring Technology	6	130		**130**			**0**			**0**
Digital Customer Services phase 2	6	-190		**-190**	-400		**-400**			**0**
Digital Unachievment from 17/18	6	350		**350**			**0**			**0**
Pay & Pensions	6	359		**359**	354		**354**	354		**354**
Financial Impact of Policy Proposals		**-301**	**0**	**-301**	**-836**	**0**	**-836**	**354**	**0**	**354**

Finance and Performance — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Head of Finance and Performance	6	-222		**-222**	-222		**-222**	-222		**-222**
Financial Strategy and Reporting	6	1,182	-12	**1,170**	1,182	-12	**1,170**	1,182	-12	**1,170**
Finance Partnering and Accountancy	6	1,802	-799	**1,003**	1,802	-799	**1,003**	1,802	-799	**1,003**
Projects Finance	6	264	-30	**234**	264	-30	**234**	264	-30	**234**
Performance Strategy and Reporting	6	54		**54**	54		**54**	54		**54**
Business Intelligence - People	6	348		**348**	348		**348**	348		**348**
Business Intelligence - Place and Corporate	6	318	-6	**312**	318	-6	**312**	318	-6	**312**
Project Management Office	6	1,397	-792	**605**	1,397	-792	**605**	1,397	-792	**605**
Procurement	6	556	-201	**355**	556	-201	**355**	556	-201	**355**
Audit	6	581	-31	**550**	581	-31	**550**	581	-31	**550**
Risk Management	6	71		**71**	71		**71**	71		**71**
Insurance	6	2,577	-1,123	**1,454**	2,577	-1,123	**1,454**	2,577	-1,123	**1,454**
Pay & Pensions	6	244		**244**	488		**488**	732		**732**
Total Cost of Service		**9,172**	**-2,994**	**6,178**	**9,416**	**-2,994**	**6,422**	**9,660**	**-2,994**	**6,666**
		Policy Proposals included above								
Policy Proposals										
Head of Finance and Performance:										
Contract Savings	6	-23		**-23**			**0**			**0**
Reduce Agency and Consultancy Costs	6	-6		**-6**			**0**			**0**
Finance Partnering and Accountancy:										
External income - Fees & Charges	6		-8	**-8**			**0**			**0**
Service Area to be determined:										
Restructuring of Services	6	-150		**-150**			**0**			**0**
Productivity - Unachievement of 17/18 cross cutting savings - Procurement	6	100		**100**			**0**			**0**
Pay & Pensions	6	244		**244**	244		**244**	244		**244**
Financial Impact of Policy Proposals		**165**	**-8**	**157**	**244**	**0**	**244**	**244**	**0**	**244**

Human Resources — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Head of Human Resources	6	2		**2**	2		**2**	2		**2**
HR Strategy and Policy	6	626		**626**	626		**626**	626		**626**
Health and Safety inc. Occ Health	6	527	-372	**155**	527	-372	**155**	527	-372	**155**
Workforce Development	6	1,009	-90	**919**	1,009	-90	**919**	1,009	-90	**919**
HR Delivery Non-Schools	6	738	-17	**721**	738	-17	**721**	738	-17	**721**
HR Delivery Schools	6	360	-440	**-80**	360	-440	**-80**	360	-440	**-80**
Pay & Pensions	6	102		**102**	204		**204**	306		**306**
Total Cost of Service		**3,364**	**-919**	**2,445**	**3,466**	**-919**	**2,547**	**3,568**	**-919**	**2,649**
		Policy Proposals included above								
Policy Proposals										
Head of Human Resources:										
Contract Savings	6	-64		**-64**			**0**			**0**
Reduce Agency and Consultancy Costs	6	-8		**-8**			**0**			**0**
Service Area to be determined:										
Restructuring of Services	6	-50		**-50**			**0**			**0**
Pay & Pensions	6	102		**102**	102		**102**	102		**102**
Financial Impact of Policy Proposals		**-20**	**0**	**-20**	**102**	**0**	**102**	**102**	**0**	**102**

ICT Services — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
ICT Strategy	6	8,356	-3,348	**5,008**	8,356	-3,348	**5,008**	8,356	-3,348	**5,008**
ICT Service Delivery	6	17,680	-17,680	**0**	17,680	-17,680	**0**	17,680	-17,680	**0**
Pay & Pensions	6	498		**498**	988		**988**	1,478		**1,478**
Total Cost of Service		**26,534**	**-21,028**	**5,506**	**27,024**	**-21,028**	**5,996**	**27,514**	**-21,028**	**6,486**
		Policy Proposals included above								
Policy Proposals										
ICT Strategy:										
Contract Savings	6	-589		**-589**			**0**			**0**
Reduce Agency and Consultancy Costs	6	-144		**-144**			**0**			**0**
Pay & Pensions	6	498		**498**	490		**490**	490		**490**
Financial Impact of Policy Proposals		**-235**	**0**	**-235**	**490**	**0**	**490**	**490**	**0**	**490**

Communications — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Communications	6	595	-54	**541**	595	-54	**541**	595	-54	**541**
Corporate Campaigns	6	10		**10**	10		**10**	10		**10**
Cheshire Shows	6	40		**40**	40		**40**	40		**40**
Pay & Pensions	6	24		**24**	47		**47**	70		**70**
Total Cost of Service		**669**	**-54**	**615**	**692**	**-54**	**638**	**715**	**-54**	**661**
		Policy Proposals included above								
Policy Proposals										
Pay & Pensions	6	24		**24**	23		**23**	23		**23**
Financial Impact of Policy Proposals		**24**	**0**	**24**	**23**	**0**	**23**	**23**	**0**	**23**

Client Commissioning — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
		Budget including Policy Proposals								
Environmental (including Bereavement)	4	30,931	-2,862	**28,069**	30,581	-3,021	**27,560**	30,206	-3,021	**27,185**
Leisure	5	2,103		**2,103**	1,991		**1,991**	1,943		**1,943**
Pay & Pensions	4,5	491		**491**	1,128		**1,128**	1,765		**1,765**
Total Cost of Service		**33,525**	**-2,862**	**30,663**	**33,700**	**-3,021**	**30,679**	**33,914**	**-3,021**	**30,893**
		Policy Proposals included above								
Policy Proposals										
Environmental:										
Household Waste Recycling Centre income generation and efficiencies	4	-576		**-576**			**0**			**0**
Ansa income generation & efficiencies	4	-90		**-90**	-1,140		**-1,140**	-435		**-435**
Environmental Services base budget	4	152		**152**			**0**			**0**
Housing Growth , Waste Contract Inflation and Tonnage Growth	4	588		**588**	350		**350**	350		**350**
Food Waste Recycling (Composting Plant)	4			**0**	440		**440**	-290		**-290**
Markets Income	4		250	**250**		-159	**-159**			**0**
Leisure:										
3% reduction in Operational Management Fee (ESAR)	5	-51		**-51**	-49		**-49**	-48		**-48**
Changes to "Everybody Options" Scheme Investment (ESAR)	5	-45		**-45**	-63		**-63**			**0**
Pay & Pensions	4,5	491		**491**	637		**637**	637		**637**
Financial Impact of Policy Proposals		**469**	**250**	**719**	**175**	**-159**	**16**	**214**	**0**	**214**

Central Budgets — REVENUE

Service Area	Outcome Reference	2018/19 Budget Expenditure £000	2018/19 Budget Income £000	2018/19 Budget Net £000	2019/20 Budget Expenditure £000	2019/20 Budget Income £000	2019/20 Budget Net £000	2020/21 Budget Expenditure £000	2020/21 Budget Income £000	2020/21 Budget Net £000
Budget including Policy Proposals										
Capital Financing		10,000		**10,000**	12,000		**12,000**	12,000		**12,000**
Past Pensions Adjustment		263		**263**	163		**163**	1,163		**1,163**
Income from Capital Receipts			-2,000	**-2,000**		-1,000	**-1,000**		-1,000	**-1,000**
Contingency		1,000		**1,000**	1,000		**1,000**	1,000		**1,000**
Community Budget		1,000		**1,000**	1,000		**1,000**			**0**
Use of / Contribution to Earmarked Reserve			-304	**-304**		-8	**-8**		-8	**-8**
Total Cost of Service		**12,263**	**-2,304**	**9,959**	**14,163**	**-1,008**	**13,155**	**14,163**	**-1,008**	**13,155**
Policy Proposals included above										
MRP Revision from Straight Line to Annuity Method		-4000		**-4,000**	2,000		**2,000**			**0**
Past Service Pension Income		-900		**-900**	-100		**-100**	1,000		**1,000**
Community Budgets funded from New Homes Bonus		1,000		**1,000**			**0**	-1,000		**-1,000**
Contingency Revenue Budget		1,000		**1,000**			**0**			**0**
Capital Receipts Income			-2,000	**-2,000**		1,000	**1,000**			**0**
Use of / Contribution to Earmarked Reserve			-156	**-156**		101	**101**			**0**
Financial Impact of Policy Proposals		**-2,900**	**-2,156**	**-5,056**	**1,900**	**1,101**	**3,001**	**0**	**0**	**0**

12. Reserves Strategy

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Executive Summary

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

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

12.2 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.

12.3 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.

12.4 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.

12.5 Cheshire East Council's Reserve Strategy was last approved at Council on 23rd February 2017.

12.6 The quarterly review process informs the Council's thinking on reserves and an updated Reserves Strategy for 2018/21 is being reported to Cabinet and Council in February 2018.

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

12.8 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.

J Willis

Jan Willis CPFA MBA

Interim Executive Director of Corporate Services
(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

12.9 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)

12.10 This represents the non ring-fenced 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:

12.11 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.

12.12 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)

12.13 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

12.14 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.

12.15 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.

12.16 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.

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

12.18 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 a percentage of budget (to aid understanding), so long as that advice is tailored to the circumstances of the Authority for that particular year.

12.19 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

12.20 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

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

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

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

12.23 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.

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

Opening Balances

12.25 The 2017/18 Budget anticipated that the Council would hold general reserves of £10.3m which was confirmed at final outturn.

12.26 At 1st April 2018, it is anticipated that the Council will hold general reserves of £10.2, as calculated in **Table 2.**

Table 2	Estimated Balance 1st April 2018 £m
Amount of General Fund Balance available for new expenditure (Source: 2016/17 Statement of Accounts)	**10.3**
The impact of performance against the 2017/18 Revenue Budget (Source: 2017/18 Three Quarter Year Review of Performance)	**-0.1**
	10.2

Estimated Movement in Reserves (2017/18 onwards)

12.27 **Table 3** (overleaf) summarises the current estimated movements in general reserves from 2017 to 2020.

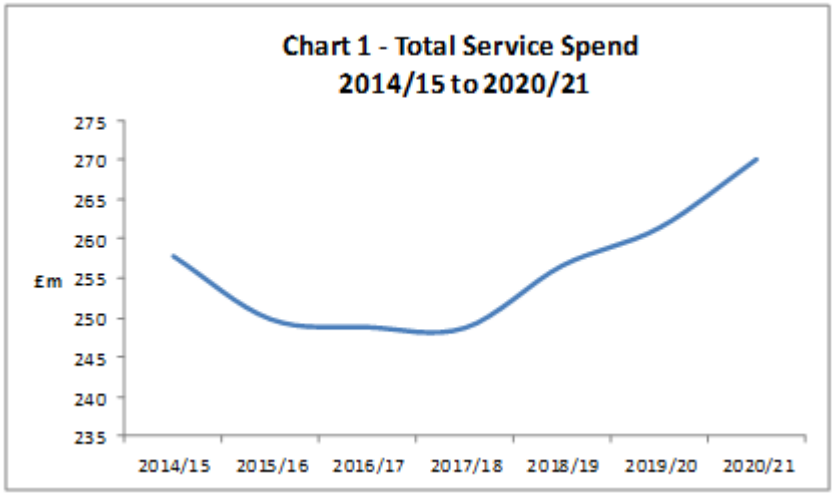
12.28 This position makes a clear assumption that any recently identified in-year, or future, emerging financial pressures will be met from within the Council's funding envelope.

12.29 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	2017/18 £m	2018/19 £m	2020/21 £m	2021/22 £m
Estimated Balance @ 1st April	10.3	10.2	10.2	10.2
Estimated Impact of Spending	-0.1	0.0	0.0	0.0
Planned Contribution to Earmarked Reserves	0.0	0.0	0.0	0.0
Forecast General Reserves @ 31st March	**10.2**	**10.2**	**10.2**	**10.2**
Risk Assessed Minimum Level – February 2018	10.0	10.0	10.0	10.0

Source: Cheshire East Finance

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

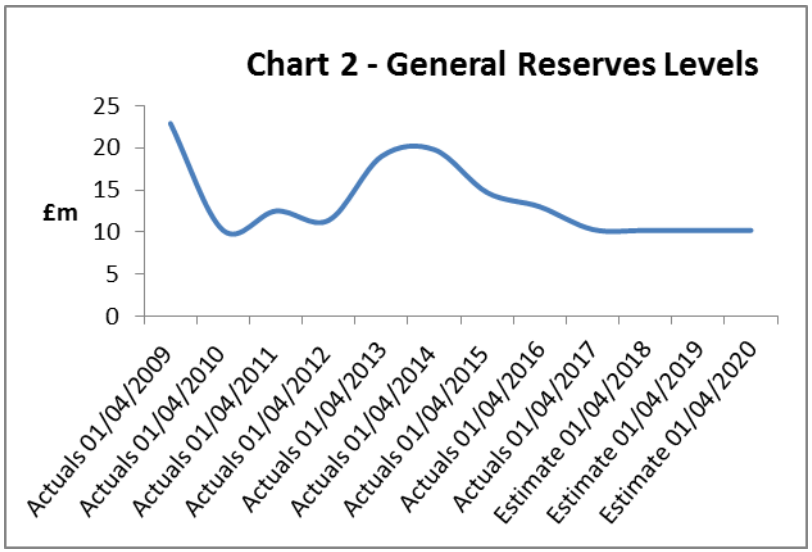


Source: Cheshire East Finance

12.31 Forecast reductions in net expenditure over the medium term reflect how the Council is reacting to reductions in Government funding. At the same time the Council minimised the impact on local residents by not raising Council Tax for five years up to 2015/16. This approach has required upfront investment in change management to sustain the financial resilience of the Council. For example, early intervention in social care requires upfront costs, and reducing staffing numbers usually requires expenditure on severance payments. The Council will also be investing in information technology to increase productivity.

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

12.33 **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

12.34 The level at which reserves are set for 2018/19, 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

12.35 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.

12.36 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.

12.37 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.

12.38 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.

12.39 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.

12.40 The updated Risk Assessment for 2018/19 provides for the Minimum Level to remain at £10.0m. This still remains a relatively prudent overall target for reserves at 3.8% 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, additional budget has been provided for in the Medium Term Financial Strategy, to reflect increasing contribution rates following the triennial valuation.

12.41 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%).

12.42 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**	**Sub-Total**	**Risk Assessment**
Health & Safety	Major loss of service	Increased cost to reduce further risk of breach / Robust risk assessments	**£125,000**	**£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	**£431,000**	**£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		
Budget Pressures	Opening Balances vary from current predictions	Impact on opening balances / apply prudent assumptions to opening balances	**£2,253,000**	**£2,200,000**
	Efficiency savings challenged by changing priorities, and reduced income from economic downturn and additional VR costs.	Impact of 2017/18 projected outturn / robust remedial plans and monitoring of progress		
		In-Year emerging issues / Robust plans and monitoring of progress		
	Higher than anticipated inflation arising in year	Increased inflation on contracts and services / contract management and robust remedial plans		
	Potential decrease in Council Tax and Business Rates collection rate	Lower than forecast income or increased reliefs/ robust assessment criteria and debt recovery procedures		

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**	**Sub-Total**	**Risk Assessment**
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	**£3,077,000**	**£3,100,000**
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	**£4,233,000**	**£4,200,000**
		OVERALL RISKS	**£10,119,000**	**£10,000,000**
		% of Net Revenue Budget		**3.8%**

Source: Cheshire East Finance

12.43 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 £10.0m.

12.44 It should be noted that these risks reflect the net effect of issues relating to sustainable performance against the 2018/19 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

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

12.46 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

12.47 The purpose of earmarked reserves is:

- To prevent an uneven impact from policy options, by allowing balances to be set aside for future year expenditure.
- To set aside amounts for projects which extend beyond one year.

12.48 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.

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

12.50 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

12.51 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.

12.52 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.

12.53 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.

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

12.55 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

12.56 At 1st April 2018, it is anticipated that balances on existing earmarked reserves held by Cheshire East Council will be £32.5m. It is estimated that balances will reduce by £4.0m by the end of 2018/19. **Table 6** (overleaf) shows the position on each earmarked reserve.

Table 6: Earmarked Reserves that are statutory or essential have been retained for 2018/19				
Service Description	**Estimated Available Balance at 1 April 2018**	**Forecast Movement in 2018/19**	**Estimated Balance at 31 March 2019**	**Reason / Use**
	£000	**£000**	**£000**	
People				
Adults, Public Health and Communities				
PFI Equalisation - Extra Care Housing	2,225	148	**2,373**	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
Public Health	40	352	**392**	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.
Communities Investment	238	-190	**48**	Amalgamation of promoting local delivery; grant support; new initiatives and additional funding from outturn to support community investment.
Fixed Penalty Notice Enforcement (Kingdom)	150	0	**150**	Surplus Fixed Penalty Notice receipts to be ring-fenced to provide a community fund to address environmental issues .
Transitional Funding - community cohesion	70	-70	**0**	Community Cohesion Strategy and Action Plan
Children's Services				
Domestic Abuse Partnership	139	-70	**69**	To sustain preventative services to vulnerable people as a result of partnership funding.
Early Intervention and Prevention Investment	423	-174	**249**	To continue the planned use of the Early Intervention short term funding allocation agreed for two years from 2016/17.
Parenting Journey	30	-30	**0**	The Parenting Journey is in conjunction with Wirral Community Trust Health Visiting Service to integrate Health Visiting, Early Years and Early Help assessments.
Transitional Funding-Developing the 'Cheshire East Way'	25	-25	**0**	Delivering better outcomes for children and young people.
Transitional Funding-Increase in Establishment	21	-21	**0**	Child Protection Social Workers
Transitional Funding-Independent Travel Training	75	-75	**0**	Independent Travel Training

Table 6: Earmarked Reserves that are statutory or essential have been retained for 2018/19				
Service Description	**Estimated Available Balance at 1 April 2018** £000	**Forecast Movement in 2018/19** £000	**Estimated Balance at 31 March 2019** £000	**Reason / Use**
Place				
Investment (Sustainability)	386	-386	**0**	To support investment that can increase longer term financial independence and stability of the Council.
Planning and Sustainable Development				
Air Quality	40	-40	**0**	Provide funding for a temporary Air Quality Officer post for two years.
Transitional Funding- air quality	39	-39	**0**	Air Quality Management
Infrastructure and Highways				
Highways Procurement	132	-132	**0**	To finance the development of the next Highway Service Contract.
Winter Weather	230	0	**230**	To provide for future adverse winter weather expenditure.
Growth and Regeneration				
Royal Arcade Crewe	300	-300	**0**	To provide for future costs relating to the Royal Arcade including repairs an maintenance.
Legal Proceedings on land and property matters	0		**0**	To enable legal proceedings on land and property matters.
Skills & Growth	202	-202	**0**	To achieve skills and employment priorities and outcomes.
Transitional Funding-Low Carbon Heat Growth Programme	51	-20	**31**	Low Carbon Heat Growth Programme
Homelessness & Housing Options	0	0	**0**	To prevent homelessness and mitigate against the risk of increased temporary accommodation costs.
Rural & Cultural Economy				
Tatton Park	13	0	**13**	Ring-fenced surplus on Tatton Park trading account.

Table 6: Earmarked Reserves that are statutory or essential have been retained for 2018/19				
Service Description	**Estimated Available Balance at 1 April 2018**	**Forecast Movement in 2018/19**	**Estimated Balance at 31 March 2019**	**Reason / Use**
	£000	**£000**	**£000**	
Corporate				
Legal Services				
Insurance (Cheshire East & Cheshire County Funds)	4,153	-85	**4,068**	To settle insurance claims and manage excess costs.
Democratic Services				
Elections	166	43	**209**	To provide funds for Election costs every 4 years.
Finance and Performance				
Collection Fund Management	7,767	1,000	**8,767**	To manage cash flow implications as part of the Business Rates Retention Scheme. Includes liabilities that will not be paid until future years.
Financing Reserve	10,750	-1,099	**9,651**	To provide for financing of capital schemes, other projects and initiatives.
Enabling Transformation	322	585	**907**	Funding for costs associated with service transformation; particularly in relation to staffing related expenditure. Note: the balance of £907,000 relates to the late notification of an additional Adult Social Care Support Grant (part of the Local Government Settlement 2018/19). The medium term impact of this funding will be confirmed as part of the Council's quarterly performance reporting process
Transitional Funding-External Funding Officer	61	-60	**1**	External Funding Officer
Cross Service				
Trading Reserve	1,099	0	**1,099**	The Authority's share of ASDVs net surplus to be spent in furtherance of the ASDV's objectives.
Service Manager carry forward	1,111	-778	**333**	Allocations for Cost of Investment or grant funded expenditure.
Revenue Grants - Dedicated Schools Grant	364	-1,500	**-1,136**	Unspent specific use grant carried forward into 2017/18.
Revenue Grants - Other	1,855	-788	**1,067**	Unspent specific use grant carried forward into 2017/18.
Total	**32,477**	**-3,956**	**28,522**	

Source: Cheshire East Council

4. Capital Reserves

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

12.58 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

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

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

12.61 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

12.62 General Fund Reserves – Risk Assessment Working Papers 2017.

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

12.63 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.

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

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

12.65 The balanced budget requirement is reinforced by section 114 of the Local Government Finance Act 1988 which requires the Chief Financial 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.

12.66 While it is primarily the responsibility of the local authority and its Chief Financial 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

12.67 It is the responsibility of the Chief Financial 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.

12.68 Local authorities, on the advice of their Chief Financial 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

12.69 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 Financial Officer and Councillor – or group of Councillors – responsible for finance
- Specify the reporting arrangements

A New Reporting Framework

12.70 The Chief Financial 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.

12.71 The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Chief Financial Officer. To enable the Council to reach its decision, the Chief Financial 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:

12.72 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 Financial 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.

12.73 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.

13. Abbreviations

13.1 This annex provides details of the abbreviations used in the Report in alphabetical order.

Term	Meaning
ASC	Adult Social Care
ASDV	Alternative Service Delivery Vehicles – part of the Council's commissioning approach to funding services
BCF	Better Care Fund
BRRS	Business Rates Retention Scheme – the system of local authority funding introduced on 1st April 2013
CAG	Corporate Assurance Group
CDRP	Crime and Disorder Reduction Partnership
CEC	Cheshire East Council
CEFS	Cheshire East Family Support
CERF	Cheshire East Residents First
CFB	Capital Financing Budget
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CSC	Children's Social Care
CTS	Council Tax Support
DfE	Department for Education
DSG	Dedicated Schools Grant – grant received from Government to fund schools
EIA	Equality Impact Assessment
EIP	Early Intervention and Prevention
ERP	Enterprise Resource Platform
ESG	Education Support Grant
FQR	First Quarter Review of Performance.

Term	Meaning
FTE	Full Time Equivalent
GP	General Practitioner
GVA	Gross Value Added
HLBC	High Level Business Case
HM	Her Majesty's
HR	Human Resources – one of the Council's corporate service areas
ICT	Information and Communication Technology – the service responsible for computers, networks, software, phones, etc.
LED	Light Emitting Diode
LGA	Local Government Association
LOBO	Lenders Option Borrows Option
LSCB	Local Safeguarding Children's Board
MARS	Mutually Agreed Resignation Scheme
MHCLG	Ministry of Housing, Communities and Local Government (formerly Department for Communities and Local Government – DCLG)
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
MYR	Mid-Year Review of Performance.
NEETs	Not in Education, Employment or Training
NFF	National Funding Formula
NHB	New Homes Bonus Grant
NHS	National Health Service
NJC	National Joint Council
NNDR	National Non Domestic Rates – the contribution to general local authority costs by businesses. The rate is set by central Government
PHE	Public Health England
PiP	Partners in Practice
PWLB	Public Works Loan Board – a Government agency providing loans to public bodies for capital works
RPI	Retail Price Index
RSG	Revenue Support Grant

Term	Meaning
S151	Section 151 (Officer)
SAGC	Skills and Growth Company
SBRR	Small Business Rate Relief
SCIES	Safeguarding Children in Education Settings
SEN	Special Educational Needs
SEND	Special Educational Needs and Disabilities
SLA	Service Level Agreement
SLE	Separate Legal Entity – a delivery model for delivering services in a different way
SOS	Signs of Safety
SSB	Supporting Small Business
TC	Town Centre
TQR	Third Quarter Review of Performance.
TUPE	Transfer of Undertakings (Protection of Employment) regulations
VIC	Visitor Information Centres

14. Forecasts (February 2017)

14.1 Forecasts presented to the Council in February 2017 reported a potential balanced budget in the medium term. Proposals in the Pre-Budget Consultation focused on ensuring that increased growth projections were fully reflected.

	Budget Book 2016/17 (revised at TQR) £m	Estimated Net Budget 2017/18 £m	Estimated Net Budget 2018/19 £m	Estimated Net Budget 2019/20 £m
Outcome 1 - Our Local Communities are strong and supportive	25.6	25.0	25.3	25.7
Outcome 2 - Cheshire East has a strong and resilient economy	32.2	30.0	28.1	28.1
Outcome 3 - People have the life skills and education they need in order to thrive	35.3	33.8	32.5	32.7
Outcome 4 - Cheshire East is a green and sustainable place	29.1	29.8	30.0	29.1
Outcome 5 - People live well and for longer	91.7	96.5	96.4	95.8
Outcome 6 - Efficiency	34.9	33.6	32.8	32.8
Total Outcomes	248.8	248.7	245.1	244.2
Corporate Contributions and Adjustments	1.1	1.2	1.2	1.2
Capital Financing	14.0	14.0	14.0	14.0
Use of / Contribution to Earmarked Reserve	2.8	-0.1	-0.1	-0.1
TOTAL:	266.7	263.8	260.2	259.3
CENTRAL BUDGETS				
Business Rate Retention Scheme	-39.7	-41.0	-42.7	-41.8
Revenue Support Grant	-26.3	-13.4	-5.4	0.0
Specific Grants	-18.8	-16.9	-9.8	-9.4
Council Tax	-179.4	-191.1	-202.3	-208.1
Sourced from Collection Fund	-2.5	-1.4	0.0	0.0
TOTAL: Central Budgets	-266.7	-263.8	-260.2	-259.3
Funding Position	**0.0**	**0.0**	**0.0**	**0.0**

15. Feedback

15.1 We want you to be involved in decision making in Cheshire East…

To register to be involved in consultations undertaken by Cheshire East Council, you can do so by joining the Digital Influence Panel.

Please use CTRL and Click on the light bulb to join.

15.2 If you would like to view the results of previous consultations undertaken by Cheshire East Council, please click here.