Cheshire East Council
Medium Term Financial Strategy
2021-25
Executive Summary

February 2021

An Open, Fairer, Greener Cheshire East

Cheshire East Council

This document is available to download on the Cheshire East Council website. It will form part of the 2nd February 2021 Cabinet Agenda and the recommended version will be distributed to all Members as part of the 17th February 2021 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.

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Executive Summary – Delivering Our Corporate Plan

Overview

The vision for Cheshire East Council is to create a Borough that is Open, Fairer and Greener. The Council provides essential services such as Social Care, Education, Highways, Economic Development and Waste that will lead the way in achieving this vision for local people. Council services are funded mostly from council tax, with additional contributions from business rates and government grants and managing these resources appropriately will enable our plans to be sustainable over the medium term.

The vision can be achieved by being a transparent organisation that cares for the people who need our support as we develop a locally sustainable place. The Corporate Plan that articulates the vision, and how we will make it a local reality, was developed through consultation during Autumn 2020.

Developing a financially sustainable strategy has been significantly more difficult in 2020/21. Population growth and inflation causes costs to increase over time, but in a largely predictable way. But the impact of COVID-19 has been unprecedented and unpredictable. Net Council spending doubled in the year and medium to long term settlements from government have been put on hold.

Cheshire East is the third largest Council in the Northwest of England, responsible for approximately 500 services and with a population of over 384,000. Our gross spending, without COVID-19, is expected to exceed £700m and includes capital spending and costs funded direct from government grants such as Dedicated Schools Grant. Net Spending reflects spending that is only funded from Council Tax, Business Rates and un-ringfenced government grants and is approximately £300m. Before COVID-19 it was already clear that the Council would have to make changes to the way services are delivered as large financial gaps were evident in the Medium-Term Financial Strategy (MTFS) 2020 to 2024. In producing the MTFS for 2021 to 2025 the Council has focused on how local resources and planning can address local demand for services.

The Council continuously seeks to engage with the communities of Cheshire East in delivering services to people who need them.

Impact of COVID-19

The response to COVID-19 distorts the local and national public finances throughout 2020 and into 2021. The legacy impact of the pandemic remains largely unknown. The Council was proactive in the way staff and our suppliers and partners responded to keep people safe and support the local economy. The response accelerated changes to ways of working and developed new relationships with residents and partner organisations like the NHS. Lessons will clearly be learnt, and many new ways of working could become ongoing features of our service provision for the future.

The impact continues to be felt across the whole borough. In financial terms the Council administered a ‘COVID-19 budget’, funded from Central Government Grants, that effectively doubled the Council’s net spending in 2020/21. This issue had to be addressed whilst still maintaining all the controls, monitoring and good financial management that should be expected. Spending and income were both affected, with examples such as increased support to social care markets and reductions in income for key services like leisure, libraries, registration and planning. The effects on the national economy have also been seen locally with pressure on local businesses owing to national restrictions, increased demand for services and the impact on household incomes. We

have seen a reduction in council tax and business rates payments as a result.

Cheshire East Council continues to respond to the Coronavirus pandemic. At the same time the Council has continued to strive to:

- deliver essential local services
- protect our most vulnerable people
- support our communities and the local economy

To assist in developing the Council's Medium-Term Financial Strategy additional grants, payable beyond 2020/21, are assumed to be spent entirely within guidance from Central Government and on COVID-19 related issues alone.

On this basis the figures within this report largely exclude COVID-19 related spending, income losses or grant funding from 1st April 2021. For transparency Paragraph 54 describes the expected financial impact from COVID-19 in 2021/22 and beyond.

Medium Term Financial Pressure

60% of the Council's net budget is spent on providing support for People based services, which are demand-led and becoming increasingly complex. Housing growth in the area also brings additional challenges for our key services such as increased waste collection and disposal and highway maintenance. There is also inflation in the Council's contracts and pay costs. This situation created a cumulative gap of £50m+ in the MTFS presented to Council in 2020.

Almost 95% of the Council's net budget is funded from local taxation due to our very low levels of Central Government support. Future settlements from Government seem highly unlikely to reverse this position. Growth in demand for services must therefore be funded locally, and this creates a requirement to continue to increase council tax levels in line with Government expectations. In recent years the Council has increased council tax to specifically fund the pressures in Adults' and Children's Social Care to help keep up with the demand in these vital services and this continues to be required.

Creating Financial stability over 4 years

To provide the best opportunity to achieve the Corporate Plan, and manage the ambitions of the area, the Council has created a Medium-Term Financial Strategy that balances spending on services against resources across each of the next four years.

The headlines of the MTFS are:

- Targeting modern cost-effective service provision that, through efficient development and management, will achieve value for money for residents. In line with consultation responses the target reduction from efficiencies is the primary approach to balancing the financial position.
- Addressing increasing demand, particularly within the social care system, through growth in associated budgets.
- Without additional income from Council Tax in 2021/22 Core Spending Power for the Council will reduce by 0.5% based on the Spending Review 2020.
- Council tax will **increase by 4.99%** in 2021/22 with forecast increases of up to 1.99% in 2022/23 and beyond. 3% (£6.9m) of the council tax increase in 2021/22 will be solely utilised to fund increasing care costs within Adult Social Care.
- Reviewing the Council Tax Support Scheme to protect families on low incomes from council tax increases.
- Grant from Central Government, other than for Social Care is anticipated to cease or reduce.

- Managing inflation pressures relating to pay, contracts and demand for services of c.£50m within the service budgets.
- Recovering costs of services we charge for, increasing income by c.£2m.
- Increasing net expenditure in all our front-line services to manage demand from local people and businesses.
- Managing efficiencies and savings of c.£28m in the service budgets.
- Supporting economic recovery through continued investment on development and regeneration.
- Providing additional funding to Children and Families in 2021 and 2022 to ensure that these services can be provided in a safe, sustainable and appropriate way.
- Balancing the increasing costs of services through a combined approach of local taxation increases, appropriate pricing for services and efficiencies in service provision.

Table 1: Running costs (Revenue) and Investment in assets (Capital) are both increasing in 2021/22

Table 1	2020/21* Budget £m	2021/22 Budget £m	Change £m
Revenue Budget	301.0	311.1	10.1
Capital Budget	127.5	171.3	43.8

* Approved Permanent Budget as at Quarter 3

Net Revenue Budget 2021/22

- Income is estimated to vary from 2020/21 as follows:
  - Increase in Council Tax levels (+£11.4m)
  - Growth in Council Taxbase (+£1.9m)
  - Decrease in New Homes Bonus (-£3.4m)
  - Increase in Social Care grants (+£0.4m)
  - Business Rates Retained (-£0.7m)
  - Other Specific grants (+£0.6m)
  - Council Tax Collection Fund Contribution change (-£0.1m)

- Net expenditure is estimated to increase by **£10.1m** from 2020/21 across each of the Council's new Corporate priorities as set out in **Table 2**:

Table 2	Change from 2020/21 Budget £m	2021/22 Budget £m
Aim 1 – Open	+1.1	
Aim 2 – Fair	+5.9	
Aim 3 – Green	+1.5	
Total Service Budget		297.4
Contribution from Earmarked Reserves	+3.0	2.3
Central Budgets	-1.4	11.4
Total	**10.1**	**311.1**

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

Capital Budget 2021/22 to 2024/25

The four-year capital programme includes investment plans of around £0.4bn. This is affordable through a mixture of Government grants, contributions from other external partners and Council resources.

- The forecasted funding sources are:
  - Government Grants (£159m / 43%)
  - Other external contributions (£60m / 16%)
  - Receipts from Council Assets (£4m / 1%)
  - Borrowing or Revenue Contributions (£148m / 40%)
- Expenditure is estimated in the following areas:
  - Highways (£177m)
  - Growth & Enterprise (£92m)
  - Children & Families (including Schools) (£44m)
  - Finance & Customer Services (£29m)
  - Environment & Neighbourhoods (£21m)
  - ICT (£8m)

In addition to these investment plans, a number of further schemes, totalling expenditure of £437m are proposed but these projects will only commence on completion of detailed business cases and when funding for these projects is secured and confirmed.

Strategic Management of Reserves

The Council holds relatively low levels of reserves as funding has been utilised to maintain services. Reserves are retained to enable the Council to invest in opportunities and to manage exposure to financial risk over time. The Council is planning to manage reserves over the medium term for several main purposes:

- General reserves will be held to manage in-year risks and opportunities across the medium term, they will be increased slightly over the medium term as the Council's budget increases and to recognise that forecasts in later years may be subject to change.
- Earmarked Reserves will reduce annual risks associated with the management of the Capital Programme and the Collection Fund.
- Earmarked Reserves will be used to support service development and modernisation during the life of the MTFS.

Good financial management in year reduces the overall need for high Total Revenue Reserves

Table 3	Forecast Closing Balance 2020/21 £m	Forecast Closing Balance 2021/22 £m	Change £m
General Reserves	10.3	10.3	-
Earmarked Reserves*	67.2**	21.8	(45.4)**
Total Revenue Reserves	**77.5**	**32.0**	**(45.4)**

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

**Earmarked reserves are inflated in 2020/21 by business rates of £30m which must be returned to Central Government in 2021/22

The Council's Reserves Strategy (**Annex 14**) provides more detail of the reasons for holding General or Earmarked Reserves at current levels.

A Listening Council

The budget report reflects the Council's ongoing commitment to transparency, engagement and consultation. The process of budget development continues to be open and clear although in 2020 this had to be developed to reflect changing guidance to keep people safe during the pandemic. The process demonstrates that we listen to residents and stakeholders. Please refer to **Annex 2** for further details.

The stakeholder engagement process included:

- An appropriate timescale that supported the development and sharing of draft Budget ideas.
- Regular elected Member involvement through virtual meetings and briefings.
- Stakeholder engagement via social media and an online consultation tool to gather feedback.
- Effective internal challenge processes including staff and trade union briefings.

During the consultation process the Council received notification of the Government provisional funding settlement. This confirmed the funding allocations for 2021/22 that were set out in the Spending Review 2020. The Local Government Finance Settlement confirmed a number of changes to the assumptions within the consultation document, most significantly:

- Ability to raise a council tax precept by an additional 3% to support raising demand and spending on Adult Social Care
- Reduction in New Homes Bonus (-£3.4m)
- New Social Care Grant (+£0.4m)
- Changes to other grants (+£0.6m)
- Likelihood of a public sector wage freeze that could affect Local Government Staff, except the lowest paid
- Restrictions to borrowing to achieve yield remove the financial targets linked to the Investment Strategy

In addition to these announcements additional COVID-19 funding was announced. This justified the Council's position to avoid factoring in additional costs to the local taxpayer from COVID-19 at this point.

In addition to stakeholder feedback the Council also reviewed the impact of its third quarter financial forecasts.

Based on the feedback, and revised information, some changes have been made compared to the position presented in the Consultation. 'New' proposals have been marked as such within the MTFS, but include increases in budgets, for example, for Children's

Services to reflect the ongoing demand pressures on this service. To reflect the ongoing capacity of the organisation to manage change whilst adapting to potential changes to post-COVID-19 services a number of significant proposals have been reprofiled to ensure they can be achieved in a planned and appropriate way, albeit later in the MTFS period.

The proposals within the MTFS are affordable based on a council tax increase of 4.99% in 2021/22 and 1.99% thereafter, which is in line with Government expectations. The Council's strategy to increase council tax over recent years to reflect growing expenditure in Adult Social Care has been successful as the service is performing within budget and further growth is being managed by raising the further precept available, which is again ring-fenced specifically for Adult Social Care. The Council is not proposing to exceed the referendum limit set by the Secretary of State. Since Local Government Reorganisation the cumulative increase in council tax by Cheshire East Council is significantly lower than inflation and is amongst the lowest of any unitary authority in England.

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 and invest

The 2021 to 2025 Medium Term Financial Strategy also includes a plan to review and improve the way the council delivers its services including proposed reviews of the council's estate, improving customer services and increasing income.

Furthermore, the Treasury Management Strategy, Capital Strategy, Investment Strategy and Reserves Strategy, provide a framework to support achievement of the Corporate Plan by:

- Investing available balances to achieve financial returns
- Utilising an appropriate approach to borrowing
- Providing opportunities for commercial development that supports outcomes and provides financial returns
- Maintaining adequate reserves to manage financial risks and prevent short term deficits.

The combination of the strategies provides longer term financial stability, whilst also allowing the Council to react to market conditions and maintain a balanced approach to managing investment opportunities and risks.

The Council continues to review the arrangements in relation to the Council's wholly owned companies to ensure they deliver the maximum benefit to the Council and the Borough.

The Medium-Term Financial Strategy (Full Report)

As the Finance, ICT and Communication Portfolio Holder, I have developed the medium-term strategy, with elected members and the professional support of Alex Thompson (Director of Finance and Customer Services, Section 151 Officer) alongside the Council's senior leadership team.

The issues faced by the Council from COVID-19 in 2020 and 2021 have not only had a significant effect on the services we provide but have also made it extremely difficult for us to plan for the future.

We published a consultation in December 2020 that identified a balanced position for 2021/22 and 2022/23, but emerging funding gaps in 2023/24 and beyond. The consultation also identified how some very challenging changes were needed to provide services over the medium term. In drafting that document we made it clear that we would review this position if funding announcements from government would allow us to.

For the first time, we are putting in place a sustainable financial plan for the next 4 years. We have worked to develop a set of proposals that can balance the resources of the Council over the Medium Term 2021 to 2025 using the flexibility presented in the Spending Review 2020. This will create a level of certainty that is essential to developing services that will remain sustainable for the long term.

The Full Report provides comprehensive 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 Medium Term 2021 to 2025.

Additional detailed analysis of the Council's financial position is contained within the Council's Value for Money publication. This illustrates the Council's financial position through the use of clear evidence and comparative data that helps with the overall understanding of financial information.

Effective management of the underlying budget has provided a solid financial platform during 2020/21, but current consultations on the Local Government Settlement provide no certainty of the models Central Government will use to determine future funding arrangements. We will continue to lobby with the rest of the local government sector for fair recognition and funding of the vital role local councils play.

Cllr Amanda Stott

Cllr Amanda Stott, Finance, ICT & Communication Portfolio Holder

Annex 1

Estimated Budget and funding for Cheshire East Council 2021/22 to 2024/25 (excluding ring-fenced grants).

Summary position for 2021/22 to 2024/25	Budget 2020/21 (Third Quarter Review) £m	Estimated Net Budget 2021/22 £m	Estimated Net Budget 2022/23 £m	Estimated Net Budget 2023/24 £m	Estimated Net Budget 2024/25 £m
People	180.8	**187.7**	**187.1**	**188.0**	**192.7**
Place	73.9	**73.6**	**74.8**	**76.0**	**77.7**
Corporate	34.2	**36.2**	**36.6**	**37.8**	**39.1**
Total Service Budgets	288.9	**297.4**	**298.6**	**301.7**	**309.5**
CENTRAL BUDGETS:					
Capital Financing	12.0	**14.0**	**18.0**	**19.0**	**20.0**
Past Pensions Adjustment from Actuary results	1.7	**-2.8**	**-4.7**	**-3.2**	**-3.2**
Income from Capital Receipts	-1.0	**0.0**	**0.0**	**0.0**	**0.0**
Bad Debt Provision increase	0.0	**0.2**	**0.2**	**0.2**	**0.2**
Use of (-)/Contribution to (+) General Reserves	0.0	**0.0**	**0.6**	**0.6**	**0.0**
Use of (-)/Contribution to (+) Earmarked Reserve	-0.7	**2.3**	**1.5**	**1.2**	**-0.3**
Total Central Budgets	12.0	**13.7**	**15.5**	**17.8**	**16.7**
TOTAL: SERVICE + CENTRAL BUDGETS	**301.0**	**311.1**	**314.1**	**319.5**	**326.1**
FUNDED BY:					
Council Tax	-229.5	**-242.8**	**-250.1**	**-257.6**	**-265.2**
Business Rate Retention Scheme	-49.8	**-49.1**	**-49.1**	**-49.1**	**-49.1**
Revenue Support Grant	0.0	**0.0**	**0.0**	**0.0**	**0.0**
Specific Grants	-21.5	**-19.2**	**-14.9**	**-12.8**	**-11.8**
Collection Fund Surplus(-)/Deficit(+)*	-0.1	**0.0**	**0.0**	**0.0**	**0.0**
TOTAL: FUNDED BY	**-301.0**	**-311.1**	**-314.1**	**-319.5**	**-326.1**
Funding Deficit / (Surplus)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

* To be managed through the Collection Fund Earmarked Reserve from 2021/22

Cheshire East Council
Medium Term Financial Strategy
2021-25

February 2021

An Open, Fairer, Greener Cheshire East

Cheshire East Council

Foreword from the Finance, ICT and Communication Portfolio Holder

Dealing with financial challenges

The Council is dealing with increasing demand for services, at a time of little certainty around the future of Local Government funding from Central Government. We have therefore created a Medium-Term Financial Strategy that focuses on locally predictable resources funding locally provided services that are sustainable.

We published a consultation in December 2020 that identified a balanced position for 2021/22 and 2022/23, but emerging funding gaps in 2023/24 and beyond. The consultation addressed short term requirements to balance the budget and identified how some very challenging changes were needed to provide services over the medium term. In drafting that document we made it clear that we would review this position if funding announcements from government would allow us to.

The Government's Spending Review presented an opportunity to review our position although this brought about the equally challenging decision about increasing council tax levels. The Chancellor announced a 4.5% increase in spending power for Local Authorities as part of the Spending Review 2020, however this is almost entirely funded by increases in Council Tax, which should be a local discretion. The Institute for Fiscal Studies have provided frequent updates on the impact of government funding announcements, members should refer to www.ifs.org.uk for more information. Provision of appropriate services over the period of the MTFS has been the overriding reason behind our decision to follow the Government's assumptions to fund service demands through council tax increases. But in doing so we have developed a balanced four-year strategy, which is something I am immensely proud of, and something that Cheshire East Council has not done before.

Consultation feedback made it clear that the Council should use council tax increases, price increases and efficiencies in combination to achieve a sustainable level of services. This MTFS does this. And as part of this approach we will also review the Council Tax Support Scheme to see how we can protect households on low incomes under this approach.

It is essential to balance resources against forecast spending levels, as the Council has relatively low levels of reserves. Reserves cannot therefore be used to manage the risk of potential reductions in income. There is only a single year funding settlement from Central Government. There are also pending reviews of key income sources such as business rates and the New Homes Bonus planned during the medium term. This situation supports the approach to balance costs against funding with very limited reliance on government funding.

Current service levels are being maintained in the immediate term in most instances. But the Council will embark on significant reviews of essential activity and consider opportunities to use digital technology wherever we can without reducing access to our service users.

Achieving our plans

The proposals in this document reflect the detailed work by members and officers prior to the publication of the consultation, as well as feedback from all stakeholders during the consultation. The proposals include important recognition of the Council's priority to reduce carbon emissions and focus on climate change.

The Council has also taken the opportunity to minimise the financial risks of underachieving large-scale savings programmes when the organisation's resources are still focused on the emergency response through appropriate profiling and timescales and adding sufficient financial capacity to manage well planned change. Estimates within this budget are based on business cases. This reflects the need to deliver essential services within spending limits in year and therefore reduce the likelihood of overspending requiring funding from reserves, which is not a sustainable option.

On a final note, it is important to recognise that this Medium-Term Financial Strategy will be managed under the Council's new Committee System. This new form of governance will increase the engagement of all members in achieving the Corporate Plan and balancing the budget. Taken together the new Corporate Plan and MTFS form a policy and financial framework for the next four years. Presenting a balanced four year position, with a new Corporate plan for a new system of governance is a strong position to be in that can ensure local services, and local decisions, will be shaped to improve lives for local people.

Cllr Amanda Stott

Cllr Amanda Stott, Finance, ICT & Communication Portfolio Holder

Report from the Director of Finance and Customer Services (Section 151 Officer)

Under Section 25(1) of the Local Government Act 2003, I am required to report on the robustness of the estimates in the budget and the adequacy of the proposed reserves. The Council must have regard to this report when making decisions in respect of the budget.

The financial impact of COVID-19 has been significant. In May 2020 the forecasts presented a concern to the Council, when estimates identified a shortfall between the costs of responding to the pandemic locally and the level of resources and reserves available. This concern was raised with members, and suitable reassurances were required from MHCLG that this was being addressed, but significant risk still remains.

The Council worked with the Local Government Association, County Council's Network and various Treasurer groups to liaise with government departments on the additional costs and lost income linked to responding to and recovering from the pandemic.

The Government has responded with varied funding support packages and guidance. Throughout the crisis the Council has put the safety of people first and worked closely with communities, service providers and businesses to ensure that recovery from the pandemic can be effective.

Financial support from Government in relation to COVID-19 continues, but by February 2021 it already totalled commitments in excess of £240m. This is provided in the form of reliefs and grants for local businesses, support for care homes, vulnerable people, and those on low incomes in the community. Additional support has been provided to the Council in respect of its income losses, and additional expenditure relating to managing the outbreak, with further funding expected in 2021/22.This response has alleviated the position where resources were inadequate.

The full financial impact of COVID-19 will remain unclear until the pandemic is over, and a more sustained level of services and funding has been re-established. Members should continue to be alert to the fact that the MTFS 2021 to 2025 only recognises that COVID-19 related costs associated with the Capital Programme and the Collection Fund may require local funding. In each of these areas the Council will be required to use Earmarked Reserves specifically linked to these activities to manage the impact over time, a position which is of course not sustainable.

To recognise the impact of the ongoing response to COVID-19 in 2020/21, and the effect this has on the capacity of the organisation, some savings proposals put forward in the budget consultation in December have been delayed in several areas to support more opportunities to review the post-COVID-19 service requirements. If the response to COVID-19 continues, or if more severe local impacts are recognised during the recovery process then forecast savings may be delayed further putting the balanced MTFS position at risk.

Robust Estimates

The process to produce the Council's Medium-Term Financial Strategy for 2021 to 2025 engaged a wide array of stakeholders throughout 2020/21. This process included virtual meetings with elected members and staff of the authority as well as presentations

to businesses and partners alongside the public consultation. All responses have been coordinated and the results provided to all members in advance of the February Council meeting. All changes proposed for the 2021/22 budget are backed with appropriate business cases and equality impact assessments. Changes to proposals since the consultation are clearly identified within this document.

The Medium-Term Financial Strategy relies upon the closing balances and performance within the 2020/21 financial year, which continues to be extremely challenging to predict during the response to the COVID-19 pandemic. Estimates suggest the underlying budget, without the impact of COVID-19 has performed well and presents a sound base for setting future budgets. The only areas highlighting significant financial pressures have been the Children's Social Care budget and funding for Housing Benefits.

Due to a trend of over-spending on Children's Services several proposals identified in the budget consultation have been deferred. Additional money has also been included to support a significant review of this service to enable development of a more robust and sustainable budget. It is still forecast that savings will be achievable within Children's Services over the medium term. Additional funding is also being provided, based on claims data for Housing Benefits to minimise the risk of any recurrence of this issue.

To address the potential continuing reduction in government funding council tax increases have been included in the MTFS in line with government expectations. Assumptions also include the reduction of government grants over the medium term. Although there is no indication from government on the content of future settlements, further reductions present a reasonable assumption based on recent trends and emerging methods of calculating grants. Assumptions have also been made for growth in costs associated with demand and inflation. Annual growth of at least £4m in Adult Social Care has been included to reflect the ongoing pressure in this service for example. In response to the spending review, which has restricted borrowing solely to achieve yield, proposals have also been removed in relation to the development of a commercial property portfolio. Further restrictions in this area are likely.

These assumptions and response to recognised issues creates a robust set of financial proposals. Implementation will remain challenging and will soon become the remit of the Council's new Committee System. Achievement of business cases will be particularly difficult if capacity is reduced due to any emerging issues. There does however remain adequate scope to ensure stakeholders continue to be engaged in any changes to service levels though.

Adequate Reserves

The Reserves Strategy provides information on the impact of the MTFS on the Council's reserves. In considering whether reserves are adequate I have reflected on ongoing work by CIPFA to produce a resilience index as well as considering local and national risks. It remains clear that Cheshire East Council's useable reserves are low compared to other similar authorities at only 3.3% of the net revenue budget.

Achieving spending in line with the 2020/21 budget has not increased the risk, which reflects the quality of the Council's response to this position in February last year. That said, overspending has continued in relation to Children's Social Care, this has not impacted reserves due to underspending elsewhere in the budget, and the assessment of robust estimates in this area is again a feature of the MTFS. Reversing the trend of overspending in these services is essential to the management of the MTFS.

General reserves are due to increase marginally over the next four years to £11.5m, which will be 3.5% of the net budget by 2024/25. This reflects the increasing size of the annual budget, but also the fact that forecast spending in later years of the MTFS may be subject to change based on new information. Even this level of reserves is low, so does not provide any scope for non-delivery of proposals within the MTFS.

Earmarked reserves will be required during the next four years to support the Capital Financing Budget and Collection Fund. This approach is strategic, but ultimately not sustainable in the long term. It reflects potential year-on-year variations that can occur in these budgets without incurring the potential negative impacts on services in one year which may be unnecessary in another. Capital Receipts will also be used to support one-off transformation activity in line with government guidance. This is confirmed, and not speculative, but again is a clear indication that one-off funding will be used to sustain the MTFS.

Although reserves are adequate to support the proposals within this four year strategy, members must recognise that there is virtually no scope for variation without alternative matching proposals coming forward to retain the balanced position.

Conclusion

Based on my engagement and observations of the process to determine a balanced budget for 2021/22 I can report that the budget presents a robust set of forecasts, subject to the achievement of proposals identified within this report.

Based on my assessment of the risks the Council is able to articulate at this point in time I am satisfied that the Reserves Strategy presents an adequate level of reserves to manage risks as part of a Medium-Term Financial Strategy.

I will monitor the impact of the closure of the 2020/21 financial year, and review in-year performance, in order to provide timely updates over the medium term. The greatest level of uncertainty will be the ongoing and legacy financial impacts of COVID-19.

Alex Thompson

Alex Thompson FCPFA, IRRV(Hons)

Director of Finance and Customer Services

(Section 151 Officer)

Table 1 – Four Year Summary Position

Estimated Budget and funding for Cheshire East Council 2021/22 to 2024/25 (excluding ring-fenced grants)

Summary position for 2021/22 to 2024/25	Budget 2020/21 (Third Quarter Review) £m	Estimated Net Budget 2021/22 £m	Estimated Net Budget 2022/23 £m	Estimated Net Budget 2023/24 £m	Estimated Net Budget 2024/25 £m
People	180.8	**187.7**	**187.1**	**188.0**	**192.7**
Place	73.9	**73.6**	**74.8**	**76.0**	**77.7**
Corporate	34.2	**36.2**	**36.6**	**37.8**	**39.1**
Total Service Budgets	288.9	**297.4**	**298.6**	**301.7**	**309.5**
CENTRAL BUDGETS:					
Capital Financing	12.0	**14.0**	**18.0**	**19.0**	**20.0**
Past Pensions Adjustment from Actuary results	1.7	**-2.8**	**-4.7**	**-3.2**	**-3.2**
Income from Capital Receipts	-1.0	**0.0**	**0.0**	**0.0**	**0.0**
Bad Debt Provision increase	0.0	**0.2**	**0.2**	**0.2**	**0.2**
Use of (-)/Contribution to (+) General Reserves	0.0	**0.0**	**0.6**	**0.6**	**0.0**
Use of (-)/Contribution to (+) Earmarked Reserve	-0.7	**2.3**	**1.5**	**1.2**	**-0.3**
Total Central Budgets	12.0	**13.7**	**15.5**	**17.8**	**16.7**
TOTAL: SERVICE + CENTRAL BUDGETS	**301.0**	**311.1**	**314.1**	**319.5**	**326.1**
FUNDED BY:					
Council Tax	-229.5	**-242.8**	**-250.1**	**-257.6**	**-265.2**
Business Rate Retention Scheme	-49.8	**-49.1**	**-49.1**	**-49.1**	**-49.1**
Revenue Support Grant	0.0	**0.0**	**0.0**	**0.0**	**0.0**
Specific Grants	-21.5	**-19.2**	**-14.9**	**-12.8**	**-11.8**
Collection Fund Surplus(-)/Deficit(+)*	-0.1	**0.0**	**0.0**	**0.0**	**0.0**
TOTAL: FUNDED BY	**-301.0**	**-311.1**	**-314.1**	**-319.5**	**-326.1**
Funding Deficit / (Surplus)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

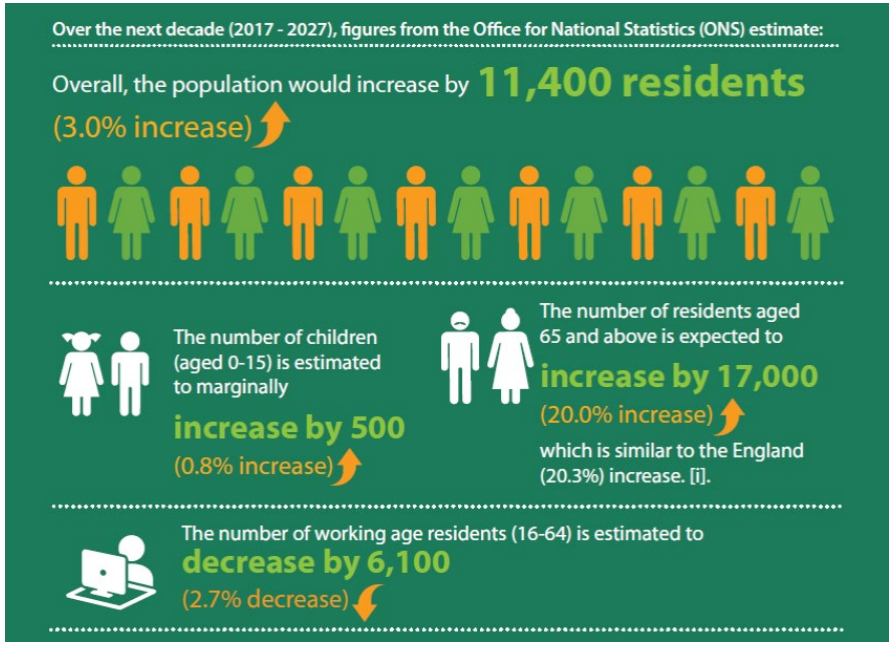
* To be managed through the Collection Fund Earmarked Reserve from 2021/22

Section 1 – Context & Budget Proposals

Cheshire East Council is responsible for providing approximately 500 local public services across an area of over 1,100km^2 for over 384,000 residents.

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 communities 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 successful outcomes for all of its residents.

For further information please see our borough profile.



[i] 2016 Sub-National Population Projections, Office for National Statistics, Crown Copyright.

Changes during the consultation period

(December 2020 to January 2021)

Ref No	Detailed List of Proposed Budget Changes – Service Budgets	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Ensure that there is transparency in all aspects of Council decision making -					
1	Local Election Costs	0.150			
Listen, learn and respond to our residents, promoting opportunities for a two-way conversation					
2	Census 2021	-0.020			
[NEW]	CSC Transformation and OFSTED Response	1.500	-1.500		
Support and sustain a financial future for the Council, through service development, improvement and transformation					
3 [REPLACED]	*Pay inflationary increase*	*4.591*	*3.825*	*3.907*	*3.998*
3 [REPLACEMENT]	Pay inflationary increase	1.662	3.753	3.833	3.922
4	Housing Benefit – Supported Accommodation	1.300			
5	Core Financial System	0.764	-0.459		
6	Mitigation of reduction in the Dedicated Schools Grant (Corporate Services)	0.117	0.042	0.033	0.027
7	Mitigation of the year-on-year reduction in the Dedicated Schools Grant (ICT)	0.033	0.065	0.089	0.109
8	Direct Payments	-1.000			
9 [REPLACED]	*Continuing Healthcare Reviews*	*-1.000*	*-1.000*		
9 [REPLACEMENT]	Continuing Healthcare Reviews	-0.500	-1.000	-0.500	

Ref No	Detailed List of Proposed Budget Changes – Service Budgets	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
10 [REPLACED]	*Prevention and Early Help Service – Reduction of frontline workers in Prevention*	*-0.265*	*-0.697*		
10 [REPLACEMENT]	Prevention and Early Help Service – Reduction in the cost of Prevention Services			-0.200	
11 [REPLACED]	*Reduce the numbers of Business Support Staff in line with the repurposing of Children & Family Centres*	*-0.200*			
11 [REPLACEMENT]	Reduce the numbers of Business Support Staff in line with the repurposing of Children & Family Centres		-0.200		
12 [REPLACED]	*Reduce Base budget assigned to Community Grants*	*-0.150*			
12 [REPLACEMENT]	Reduce Base budget assigned to Community Grants	-0.050	-0.100		
13 [REPLACED]	*Efficiency savings and Restructures within Corporate Services*	*-0.300*	*-0.250*		
13 [REPLACEMENT]	Efficiency savings and Restructures within Corporate Services	-0.200	-0.350		
14 [REPLACED]	*Review Terms and Conditions*	*-0.300*	*-0.100*	*-0.100*	
14 [REPLACEMENT]	Review Staff Terms and Conditions	-0.050	-0.350	-0.100	
15	Shared services review			-0.200	
16	Improved Debt Recovery and correcting budgeted court costs income targets to reflect actual levels	-0.290	0.225	0.050	0.050
17	Capital Programme Review	-1.000	1.000		
18	Member allowances and reduced mileage	-0.030			
19	Reduced travel and supplies and services for Early Help services	-0.026			
20	Reduce pensions budget to match latest forecasts	-0.140			
21	Review of corporate subscriptions	-0.035	-0.015		

Ref No	Detailed List of Proposed Budget Changes – Service Budgets	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
22	Flexible Resourcing for Service Delivery for Regulatory Services	-0.050			
23 [REPLACED]	*Urban Grass Cutting*	*-0.100*			
23 [REPLACEMENT]	Urban Grass Cutting	-0.067			
24 [REPLACED]	*Improving customer experience – Highways correspondence*	*-0.100*			
24 [REPLACEMENT]	Improving customer experience – Highways correspondence	-0.050	-0.050		
25	Transfer of Congleton Visitor Information Centre	0.001	-0.020	-0.010	-0.020
26	Regulatory Services and Environmental Health ICT procurement		-0.009		
27	CCTV migration to wireless networks		-0.085		
28	Constellation Partnership	-0.040			
[REPLACED] Maximise Commercial Opportunities for the Council					
[REPLACEMENT] Look at opportunities to bring more income into the borough					
29	Orbitas income and management fee	0.032	0.021		
30	Public Rights of Way Resources (Revenue implications of Capital)	0.010			
31	Everybody Sport and Recreation Annual Management Fee	-0.043	-0.042	-0.041	-0.040
32	Commercial Workstream	-0.100			
33	Commercialisation of the Highway Service Contract	-0.080			
34	Brighter Futures Together Programme Customer Experience	-0.120	-0.133	-0.081	
35	Contract savings in the Peoples Directorate	-0.500			
36	Client Income in the Peoples Directorate	-0.100			

Ref No	Detailed List of Proposed Budget Changes – Service Budgets	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
37	Establish an Education Psychologist traded service to enable a proactive early support and intervention offer		-0.025	-0.075	
38	Establish a traded service for non-statutory elements of Attendance Service		-0.035	-0.035	
39	Review of governance of ASDVs and seeking increased opportunities for savings/ commercial opportunities	-0.315	-0.225	-0.100	
40	Increase income from hire of Children's Centres	-0.010			
41	Ansa income generation and efficiencies - Food Waste Recycling	-0.259			
42	Strategic Leisure Review		-0.250		
[NEW]	Investment Income: Income Target Adjustment	0.575			
Support and develop our workforce to be confident, motivated, innovative, resilient and empowered					
43 [REPLACED]	*Infrastructure Investment Programme (Revenue implications of Capital)*	*0.310*	*0.410*	*0.520*	
43 [REPLACEMENT]	Infrastructure Investment Programme (Revenue implications of Capital)	0.059	0.127	0.224	
44	Unified Communications (Revenue implications of Capital)	0.251	0.283	0.296	
45	People Directorate - ICT Procurements 2020-24 (Revenue implications of Capital)	0.060	0.063	0.066	0.019
46	Place Directorate - ICT Procurements 2020-24 (Revenue implications of Capital)	0.011	0.011	0.011	0.011
47	Corporate Directorate - ICT Procurements 2020-24 (Revenue implications of Capital)	0.002	0.002	0.002	0.002
48 [REPLACED]	*Productivity and Efficiency in Adult Social Care*		*-1.000*		

Ref No	Detailed List of Proposed Budget Changes – Service Budgets	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
48 [REPLACEMENT]	Productivity and Efficiency in Adult Social Care		-0.500	-0.500	
49	Estates Transformation - Office Accommodation	-0.044	-0.100	-0.460	
50	Prevention and Early Help Service – Locality working and changes to the management structure of the Family Service		-0.140		
51	Neighbourhood Estate Review	-0.090	-0.260		
52	Increased Useage of Digital Technology	-0.125			
53	To review of use of School Improvement Grant to provide capacity to support maintained schools	-0.060			
54	Reduce central training budget	-0.080			
Reduce health inequalities across the Borough					
55	Pathfinder Cheshire East - Cheshire Community Action	-0.100			
56	Mental Health Floating Support	-0.120			
Reduce the reliance on long term care by improving services closer to home and more extra care facilities, including those with dementia					
57	Investment in Adult Social Care	4.000	4.000	4.000	4.000
58	Growth for Care Fees in Adult Social Care	2.441			
59	Extra Care Housing – Catering / Restaurant Provision	0.300			
60	Investment in Advocacy Service	0.112			
61 [REPLACED]	*Direction of travel for the Communities Team to focus more on the Intervention and Prevention Agenda to make cost savings, growth and future cost avoidance*	*-0.750*	*-0.750*		
61 [REPLACEMENT]	Direction of travel for the Communities Team to focus more on the Intervention and Prevention Agenda to make cost savings, growth and future cost avoidance	-0.250	-0.500	-0.750	

Ref No	Detailed List of Proposed Budget Changes – Service Budgets	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
62	Fund the Cygnet programme for cared for children from pupil premium	-0.015			
63	Day Opportunities, Redesign, Strategy and Savings	-0.030	-0.070	-0.150	
64 [REPLACED]	*Mental Health Services Review*	*-1.000*			
64 [REPLACEMENT]	Mental Health Services Review	-0.500	-0.500		
65	Review agreements linked to intermediate care beds	-0.268			
66	Reduced capacity in Family Information Service	-0.050			
67	Electronic Call Monitoring Reclamation	-0.245	-0.030		
68	Cheshire Care Record	-0.138			
69	Review the use of the Cheshire East Lifelong Learning Service grant to reduce the requirement of Council funding	-0.110			
70	To reduce costs of School Liaison and Governance service with less use of external support	-0.010			
Safeguarding our children from abuse, neglect and exploitation					
71 [REPLACED]	*Increase capacity in SEND service to meet continuing demands on the service*	*0.100*			
71 [REPLACEMENT]	Increase capacity in SEND service to meet continuing demands on the service	0.380			
72 [REPLACED]	*Move to Integrated Early Help Locality Service model*	*-0.167*			
72 [REPLACEMENT]	Move to Integrated Early Help Locality Service model		-0.167		
73 [REPLACED]	*Learning Disabilities Future Service Development and Review*	*-1.000*	*-1.000*	*-1.000*	
73 [REPLACEMENT]	Learning Disabilities Future Service Development and Review	-0.750	-1.000	-1.250	
74	Reduce supplies and services in Children's Centres by 20%	-0.032			

Ref No	Detailed List of Proposed Budget Changes – Service Budgets	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
75 [REPLACED]	*Reduction in cost of external placements for cared for children*	*-0.435*	*-1.571*	*-2.007*	
75 [REPLACEMENT]	Reduction in cost of external placements for cared for children		-1.530	-2.171	-0.707
Increase the life opportunities for young adults and adults with additional needs					
76	Development and Partnerships Service			-0.300	
Be the best Corporate Parents and improve outcomes for vulnerable children and young people					
77	Investment in Cared for Children and Care Leavers	1.300	1.300	1.300	
A collaborative way of working with partners and families to support children to achieve their full potential					
78	Reduction in contribution to Cheshire Youth Justice Service	-0.045			
A great place for people to live, work and visit					
79	Development of a Transit Site (Revenue implications of Capital)	0.027			
80	Tatton Park		-0.006	-0.028	-0.046
81 [REPLACED]	*Asset / Service Transfer*	*-0.150*	*-0.030*	*-0.020*	
81 [REPLACEMENT]	Asset / Service Transfer	-0.050	-0.030	-0.020	
Welcoming, safe and clean neighbourhoods					
82	Fixed Penalty Income target	0.118			
83	Housing Services	-0.045			
To reduce the impact on our environment					
84	Waste Contract Inflation and Tonnage Growth	0.810	0.644	0.657	0.613
85 [REPLACED]	*Environment Strategy and Carbon Neutrality*		*0.020*	*-0.081*	
85 [REPLACEMENT]	Environment Strategy and Carbon Neutrality	0.096	0.020	-0.081	
86	Tree Risk Management		0.500		

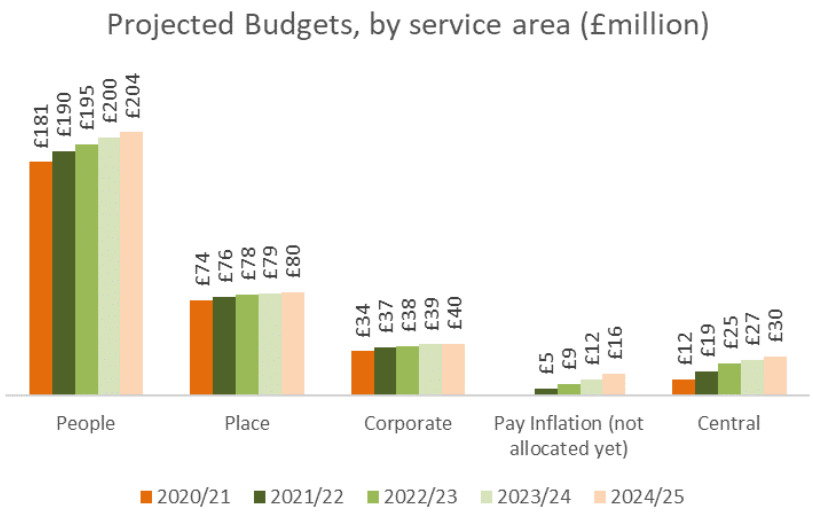
Ref No	Detailed List of Proposed Budget Changes – Service Budgets	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
87	Carbon Reduction - Replacement of existing illuminated signs and bollards with LED units		0.030	-0.004	-0.031
A transport network that is safe and promotes active travel					
88	Parking Strategy (Revenue implications of Capital) - Subject to separate consultation	-0.327	-0.955		
89 [REPLACED]	*Local Supported Buses - Subject to separate consultation*	*-0.117*			
89 [REPLACEMENT]	Local Supported Buses - Subject to separate consultation	-0.033	-0.117		
90	Community Transport	-0.025			
[NEW]	Review of Children and Families Transport Policies and delivery arrangements		-0.200	-0.300	-0.200
[NEW]	Transport Management Fee savings will not be delivered due to COVID-19 placing additional pressure on transport to school	1.000			
Total Proposed Service Budget Change (December 2020)		**4.689**	**3.185**	**6.239**	**8.692**
Total Revised Service Budget Change (February 2021)		**8.493**	**1.133**	**3.205**	**7.709**

Ref No	Detailed List of Proposed Budget Changes – Service Budgets	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
[REPLACED]	*Increased Council Tax Base - % increase planned at 1.99%*	*-4.567*	*-4.694*	*-4.835*	*-4.979*
[REPLACEMENT]	Increased Council Tax Base - % increase planned at 4.99%	-11.452	-4.833	-4.977	-5.126
[REPLACED]	*Increase Council Tax Base - New Homes*	*-1.838*	*-2.365*	*-2.412*	*-2.461*
[REPLACEMENT]	Increase Council Tax Base - New Homes	-1.892	-2.435	-2.483	-2.533
	Central Pension adjustment based on Actuary results	-4.567	-1.900	1.500	
[REMOVED]	*Use of Earmarked Reserve - Collection Fund deficit*	*-2.000*			*2.000*
[REPLACED]	*Use of (-) / Contribution to (+) Earmarked Reserves - General*	*2.237*	*-0.881*	*-0.820*	
[REPLACEMENT]	Use of (-) / Contribution to (+) Earmarked Reserves - General	3.022	-0.873	-0.853	-2.076
[REPLACED]	*Deficit on Collection Fund due to COVID-19*	*2.147*			*-2.000*
[REPLACEMENT]	Deficit on Collection Fund due to COVID-19	0.147			
[REPLACED]	*Minimum Revenue Provision*	*2.000*	*3.977*	*1.024*	*1.000*
[REPLACEMENT]	Minimum Revenue Provision	2.000	4.000	1.000	1.000
	Capital Receipts Income removed from base budget	1.000			
	Reduced commercial growth in Business Rates Retention Scheme	0.700			
	Bad Debt Provision	0.200			
[REPLACED]	*Contribution to General Reserves*		*1.000*		*-1.000*
REPLACEMENT	Contribution to General Reserves		0.600	0.600	
[REPLACED]	*Change to New Homes Bonus funding estimate*		*1.679*	*1.427*	*1.213*
REPLACEMENT	Change to New Homes Bonus funding estimate	3.352	3.920	1.960	0.980
{NEW}	Specific Grant changes - provisional local settlement announcement	-1.002	0.387	0.049	0.046

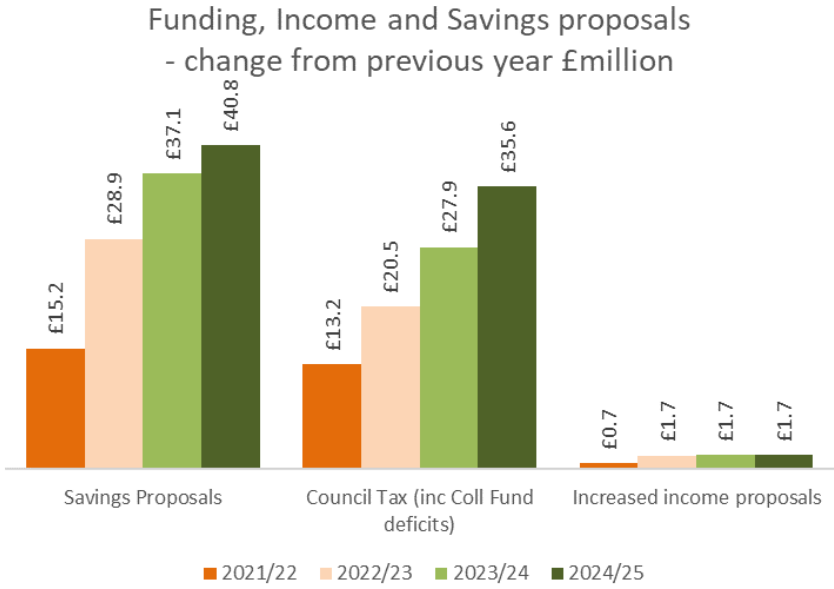
Ref No	Detailed List of Proposed Budget Changes – Service Budgets	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Total Proposed Central Budget Items (December 2020)		-4.689	-3.185	-4.116	-6.227
Revised Central Budget Items (February 2021)		-8.493	-1.133	-3.205	-7.709
Funding Deficit at Pre Budget Consultation (cumulative)		0.000	0.000	2.123	4.589
Funding Position (February 2021)		0.000	0.000	0.000	0.000

Summary List of Changes during consultation period	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Listen, learn and respond to our residents, promoting opportunities for a two-way conversation	+1.500	-1.500		
Support and sustain a financial future for the Council, through service development, improvement and transformation	-1.431	-0.075	-0.774	-0.076
Look at opportunities to bring more income into the borough	+0.575			
Support and develop our workforce to be confident, motivated, innovative, resilient and empowered	-0.251	+0.217	-0.796	
Reduce the reliance on long term care by improving services closer to home and more extra care facilities, including those with dementia	+1.000	-0.250	-0.750	
Safeguarding our children from abuse, neglect and exploitation	+1.132	-0.126	-0.414	-0.707
To reduce the impact on our environment	+0.096			
A transport network that is safe and promotes active travel	+1.084	-0.317	-0.300	-0.200
Increased Council Tax	-6.939	-0.209	-0.213	-0.219
Use of / Contribution to Reserves	+2.885	-0.392	+0.567	-3.076
Change in Grant Funding	+2.350	+2.628	+0.582	-0.187
Other Central Budget Adjustments	-2.000	+0.023	-0.024	+2.000
Total (Cumulative)	**0.000**	**0.000**	**-2.123**	**-4.589**

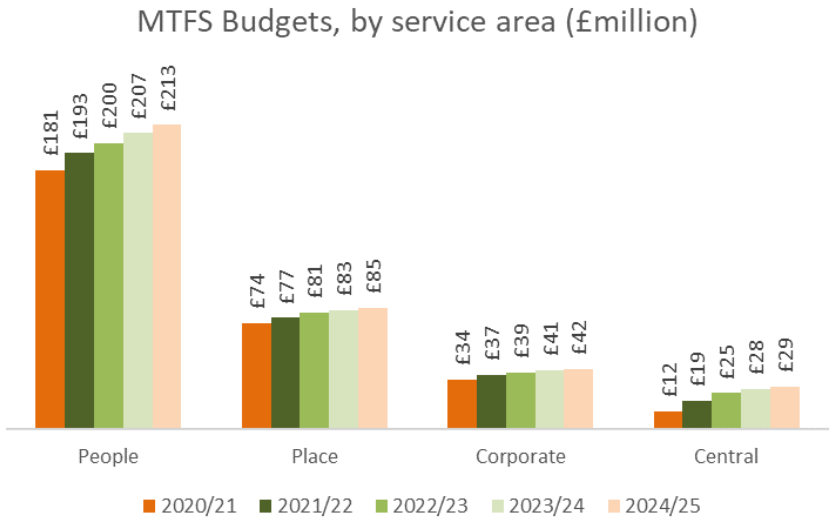
Without action budgets across all services were growing at unaffordable rates. Over the four-year period there was a forecast shortfall of c.£50m.



The response by the Council includes a mixture of savings, Council Tax increases and increases in income from services that are charged for.



Spending in People Services continues to be the most significant proportion of spending for CEC and sees the most significant increases over the medium term.



Engagement on the Budget

Cabinet and Council Meetings:

- Cabinet and Council December 2020 (Taxbase)
- Cabinet February 2021 (MTFS & Budget Consultation Report)
- Council February 2021 (MTFS & Budget Consultation Report)

All Member Workshop:

- Finance workshops covering the budget process, pressures, Council priorities and ideas for savings

Updates for staff on budget progress:

- Updates made available in Team Voice, on CEntranet and on the Cheshire East Council website. This included the Pre-Budget Consultation
- "Conversation" session held between staff and Director of Finance and Customer Services and Executive Director for Corporate Services (5th January 2021)

Overview and Scrutiny:

- Opportunity to examine service budget proposals during the consultation period
- Examination of in-year performance reports

Engagement events with stakeholder groups:

- Including businesses, Trades Unions, Town and Parish Councils, other key partners, voluntary, community and faith sector, and the Schools Forum
- These events highlighted how the Cheshire East Council budget will affect our stakeholders and help to answer questions they may have, to help us develop our relationship with our stakeholders and the wider community

Residents:

- Any comments? – Speak to your local Councillor
- Information included with Council Tax bills
- Media releases
- Digital Influence Panel
- Social media

Understanding the financial tables in this document

Budget changes in this document are expressed as **incremental changes** to the Council's Approved Budget for 2020/21.

Each proposed change is included in a table as described below:

Theme of the Potential Change(s) (such as "Transparency" or "Listen, Learn")	**2021/22** **£m***	**2022/23** **£m**	**2023/24** **£m**	**2024/25** **£m**
[x] Number and Title of Proposed change [REVISED] *if change from budget consultation* A narrative to describe what the proposal is *Impact on service budget =*	**-x.xxx**	**-x.xxx**	**-x.xxx**	**-x.xxx**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Revenue expenditure is incurred on the day-to-day running of the Council. Examples include salaries, energy costs, and consumable supplies and materials.

Capital expenditure is incurred on the acquisition of an asset, or expenditure which enhances the value of an asset.

Current budgets are detailed in the Medium-Term Financial Strategy.

Changes to Capital budgets are split by the year in which expenditure is incurred.

Figures represent an increase or decrease in spending compared to the 2020/21 Approved Budget.

Each subsequent year represents the change from the previous year.

Negative numbers represent a budget saving or additional income. Positive numbers represent budget growth or reduced income.

Open

We will provide strong community leadership and work transparently with our residents, businesses and partners to deliver our ambition in Cheshire East

Priority Aim 1: Open

Proposals to vary the Budget under our Priority to be Open are focused on these areas:

Transparency Ensure that there is transparency in all aspects of Council decision making	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[1] Local Election Costs All-out elections are held in every four years for all Borough Council seats across all Borough Wards of Cheshire East, and for all Town and Parish Councils within Cheshire East area. The next all-out elections are scheduled for May 2023. To date the elections have been funded by the Election Reserve i.e. the underspend, from the Electoral Services budget each year, being rolled forward to the fourth year with the agreement that any deficit will be funded. The underspend is not sufficient to meet the anticipated costs so this additional funding will ensure adequate provision. *Impact on service budget =*	**+0.150**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Listen, Learn Listen, learn and respond to our residents, promoting opportunities for a two-way conversation	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[2] Census 2021 In March the 2021 Census will take place. Activities are underway to support and promote participation and response supported by a one-year allocation of revenue funding received for 2020/21. No further funding is required for 2021/22 onwards and as such £20,000 can be removed. *Impact on service budget =*	**-0.020**			
[NEW] Children's Social Care Transformation and OFSTED Response This one-off investment will support the delivery of frontline services and care for our most vulnerable children. The directorate will target areas that require improvement following the ILACS (Inspection of Local Authority Children's Services) visit in December 2019 and it will provide a significant opportunity to ensure resources go towards improving the lives of children and families. *Impact on service budget =*	**+1.500**	**-1.500**		
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[3] Pay inflationary increase [REVISED] Increases in employee-related costs over the medium term. Items covered by this proposal include review of pay structures; spinal point incremental increases for eligible staff and annual nationally negotiated pay awards (also see **Annex 4** Workforce Development). *Impact on service budget =*	**+1.662**	**+3.753**	**+3.833**	**+3.922**
[4] Housing Benefit – Supported Accommodation To provide additional funding to cover the rising costs of Housing Benefit for Supported Exempt Accommodation. *Impact on service budget =*	**+1.300**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[5] Core Financial System Revenue funds are required to cover the running costs of the Council's existing business system (Oracle) during the period of decommissioning where there will be dual running with the new system. This need has arisen as a result of changes authorised through the B4B Programme governance and the early realisation of associated savings in previous years. Funds are also required to offset unachievable B4B programme savings attributed to Human Resources, and the Transactional Shared Service budget which has a shortfall due to pay inflation not being applied in previous years. *Impact on service budget =*	**+0.764**	**-0.459**		
[6+7] Mitigation of reduction in the Dedicated Schools Grant The central school services block (CSSB) within the DSG provides funding for local authorities to carry out central functions on behalf of maintained schools and academies. The block comprises two distinct elements: ongoing responsibilities and historic commitments. The DfE have begun to reduce the element of funding within the CSSB that some local authorities receive for historic commitments made prior to 2013/14, and which have been unwinding since. For CEC this impacts prudential borrowing repayments, budgets for ICT contracts and data intelligence. *Impact on service budget =*	**+0.150**	**+0.107**	**+0.122**	**+0.136**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[8] Direct Payments This proposal is to recover excess Direct Payments funds from people who hold a Direct Payment, in accordance with the Council's Direct Payment policy, via the completion of a telephone assessment. The same exercise has historically involved a paper-based reclaim exercise to request return of excess balances above the 4-week contingency permitted in the policy. It is envisaged that completing the exercise in this way will achieve three important outcomes: increased response rate, recovery of excess funds and revision to Personal Budget values. *Impact on service budget =*	**-1.000**			
[9] Continuing Healthcare Reviews [REVISED] NHS Continuing Health Care is arranged and funded by the NHS for people who have complex ongoing healthcare needs. We intend to undertake reviews of Nursing Home placements and complex care packages to identify those people who have a primary health need and are therefore eligible for Continuing Healthcare Funding. This is to ensure that those who are eligible receive Continuing Healthcare Funding. This will be done in conjunction with our NHS colleagues. *Impact on service budget =*	**-0.500**	**-1.000**	**-0.500**	
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[10] Prevention and Early Help Service – Reduction of the cost of Prevention Services [REVISED] Once locality working is well embedded, the volunteer service is delivering excellent outcomes and as a partnership our Council services are no longer having to lead on the high majority of prevention casework, we will be in a position to streamline our teams accordingly and reduce the number of family service workers. Reduced demand would allow us to reduce the number of frontline workers in the Family Service and Children's Centres. *Impact on service budget =*			**-0.200**	
[11] Reduce the numbers of Business Support Staff in line with the repurposing of Children and Family Centres [REVISED] This proposal reflects a change in the way we will operate Children's Centres and Family Centres moving forwards with less requirement to offer full time reception duty cover and with the recent investment, to enable staff to work remotely and offer more services in a virtual, digital capacity. This re-organisation is required in order to streamline Business Support which means we have flexibility to cover fewer bases and at different times of operation. This will support better integrated working with NHS services moving forwards. *Impact on service budget =*		**-0.200**		
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[12] Reduce Base budget assigned to Community Grants [REVISED] The Council currently spends up to £200,000 per annum on Community Grants, most recently known as the Bright Idea Fund. Given the Council's current financial situation the Community Grants will reduce to £150,000 per annum in 2021/22, and to £50,000 per annum in 2022/23. *Impact on service budget =*	**-0.050**	**-0.100**		
[13] Efficiency savings and Restructures within Corporate Services [REVISED] All areas of the Corporate Services Directorate will look at ways to achieve efficiency savings, reduce costs and generate income. This will include staff restructures to focus on priority activities, self-service and digital solutions and any other suitable ways to reduce the cost base. *Impact on service budget =*	**-0.200**	**-0.350**		
[14] Review Staff Terms and Conditions [REVISED] Seek to negotiate a review of staff terms and conditions of service across all service areas to ensure that the Council is aligned with legislative changes, best practice, remote and other new ways of working. *Impact on service budget =*	**-0.050**	**-0.350**	**-0.100**	
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2021/22** **£m***	**2022/23** **£m**	**2023/24** **£m**	**2024/25** **£m**
[15] Shared services review A review of each service, shared between Cheshire East and Cheshire West and Chester Councils, will take place to ensure they are delivering value for money, that there is merit in continued collaboration, they are efficient and effective in their operational delivery, and identify opportunities for efficiencies. *Impact on service budget* =			**-0.200**	
[16] Improved Debt Recovery and correcting budgeted court costs income targets to reflect actual levels To provide appropriate funding for services by reducing the level of debt owed to the Council through extended pre-payment and increased debt recovery. To also further reflect that improved debt collection over time reduces income from Court Costs, which are already forecasting a budget shortfall. *Impact on service budget* =	**-0.290**	**+0.225**	**+0.050**	**+0.050**
**Total impact on service budget* =*				
**Cumulative impact on service budget* =*				
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[17] Capital Programme Review The repayment and management of debt is frequently reviewed, to assess value for money and appropriateness, based on the current financial circumstances of the Council. The Council has implemented the option under its MRP policy to apply the annuity method instead of the straight-line method. This approach will deliver budgetary savings in the short term but does not alter the overall liability for the financing of the capital programme as the liability is deferred. The Council will seek to mitigate these future pressures through its longer-term financial strategies, the capital financing budget will be increased accordingly and will take account of available capital resources, including the use of anticipated capital receipts. *Impact on service budget =*	**-1.000**	**+1.000**		
[18] Member allowances and reduced mileage To make a one-off, but permanent, saving from the Members Allowances (Travel element of the) Democratic Services Budget of £30,000, to reflect the existing, and expected continued, lower level of claims for travel allowances due to changes in Member working arrangements. This change is attributed to the new virtual working arrangements permitted by legislation, whereby Members are no longer travelling to meetings. *Impact on service budget =*	**-0.030**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[19] Reduced travel, supplies and services for Early Help services As a result of COVID-19, improved locality working and partnership working and a successful volunteer service, we will be able to realise savings to the travel budget as staff will not be required to make as many journeys to delivery sites or families' homes. We are utilising improved ICT functionality so have less need to travel to the office for meetings and in some instances are using the technology to deliver services to families. *Impact on service budget =*	**-0.026**			
[20] Reduce pensions budget to match latest forecasts Reduce legacy pensions budget. *Impact on service budget =*	**-0.140**			
[21] Review of corporate subscriptions A review of the subscriptions, professional associations and journals that the corporate directorate subscribes to has been undertaken. The aim of the review was to identify any spend that is unnecessary, duplicated or surplus to requirements. A number of subscriptions have now been agreed as non-essential and will be cancelled within contractual obligations. *Impact on service budget =*	**-0.035**	**-0.015**		
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[22] Flexible Resourcing for Service Delivery for Regulatory Services This relates to the use of contract services as a flexible resource for the completion of low risk food hygiene inspections to enables us to have more resilience in this service and delivers a revenue saving as a result. *Impact on service budget =*	**-0.050**			
[23] Urban Grass Cutting [REVISED] The Council is responsible for numerous grassed areas which are classified as highway. The urban elements of this land are cut 13 times per year. It is proposed to reduce the number of cuts from 13 to 10 which will deliver a saving in the medium term of £67,000 per annum. The change from £100,000 to £67,000 takes account of cost of capital to implement this change. *Impact on service budget =*	**-0.067**			
[24] Improving customer experience – Highways correspondence [REVISED] This proposal is to improve customer experience and improve efficiency by changing the way the highways service deals with formal correspondence and enquiries. The proposal would result in efficiencies by improving engagement with customers including the use of direct to the public to information, policy detail and service requests available on-line. The profile of the saving has been adjusted to be delivered over two years. *Impact on service budget =*	**-0.050**	**-0.050**		
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[25] Transfer of Congleton Visitor Information Centre Cheshire East Council have begun discussions regarding a new operating model for Congleton Visitor Information Centre, with a view to the Congleton Town Council managing and operating the centre through the transfer of Visitor Information provision. This will provide a sustainable and cost-effective visitor information model going forward. *Impact on service budget =*	**+0.001**	**-0.020**	**-0.010**	**-0.020**
[26] Regulatory Services and Environmental Health ICT procurement The purchase of a replacement ICT system to support Regulatory Services in carrying out their enforcement and intervention activities as well as provide efficiencies through the automation of tasks and work allocation to officers. The system will store all activity records and produce reports and statutory returns on performance. As a result of this new system, from 2022/23, there is a forecast budget saving per annum of £9,000 which is the removal of the budget provided to the service to implement the system. *Impact on service budget =*		**-0.009**		
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Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	**2021/22** **£m***	**2022/23** **£m**	**2023/24** **£m**	**2024/25** **£m**
[27] CCTV migration to wireless networks The migration of the current CCTV service to a modern wireless network to improve efficiency and effectiveness and meet national codes of practice for CCTV delivery. Migration and a reduction in the fibre cable network will reduce current annual revenue expenditure following initial investment. *Impact on service budget =*		**-0.085**		
[28] Constellation Partnership Savings brought forward within Growth and Enterprise through a reduction in the contribution to the Constellation Partnership. *Impact on service budget =*	**-0.040**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Commercial Opportunities Look at opportunities to bring more income into the borough	2021/22 £m*	2022/23 £m	2023/24 £m	2024/25 £m
[29] Orbitas income and management fee Adjustments to the Council Company Orbitas Bereavement Services income target and management fee in line with the company's Service Delivery Plan and agreed by the commissioner. *Impact on service budget =*	**+0.032**	**+0.021**		
[30] Public Rights of Way Resources (Revenue implications of Capital) Additional investment to improved public rights of way. *Impact on service budget =*	**+0.010**			
[31] Everybody Sport and Recreation Annual Management Fee 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 years agreed figure. *Impact on service budget =*	**-0.043**	**-0.042**	**-0.041**	**-0.040**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Commercial Opportunities Look at opportunities to bring more income into the borough	2021/22 £m*	2022/23 £m	2023/24 £m	2024/25 £m
[32] Commercial Workstream The Fees and Charges Review and Change Project will contribute to the Brighter Futures Programme Commercial Workstream objective: Achieving financial sustainability through generating income. The Project will review the current status within service areas of the Council and deliver a change in policy and practice to maximise efficient and tangible income generation. *Impact on service budget* =	**-0.100**			
[33] Commercialisation of the Highway Service Contract By allowing Ringway Jacobs to undertake external works for 3rd party clients, added value will be released from the Highway Service Contract. 3rd party works will help to retain essential skills within Cheshire East Highways as the level of work the Council delivers through the contract is reduced due to funding pressures, it will also deliver an income stream/overhead reduction for the Council. *Impact on service budget* =	**-0.080**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Commercial Opportunities Look at opportunities to bring more income into the borough	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[34] Brighter Futures Together Programme Customer Experience This proposal will contribute to the Brighter Futures Programme Customer Experience Workstream objective: to become a customer centric organisation that puts all our customers at the heart of the everything we do, reflecting their feedback in the design and delivery of services. *Impact on service budget* =	**-0.120**	**-0.133**	**-0.081**	
[NEW] Investment Income: Income target adjustment Due to a change in Government Guidelines that were made in late 2020, the Council is no longer able use the Public Works and Loans Board to access capital for the purposes of acquiring land and property assets principally for investment purposes to generate a yield. Development of an investment portfolio for this purpose was included in the MTFS agreed in February 2020 but the change in national guidelines mean that this is no longer appropriate. As a result, there is a requirement to adjust the Council's budget to reflect this change. *Impact on service budget* =	**+0.575**			
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Commercial Opportunities Look at opportunities to bring more income into the borough	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[35] Contract savings in the People Directorate Cheshire East Council have an obligation to provide value for money from each of the commissioned services. With COVID-19 many of our providers have embraced digital working and this means we must find new ways to make efficiencies to meet increasing demand. This proposal involves looking at each of the commissioned services business processes to identify where improvements and efficiencies can be made. The commissioning staff will complete a comprehensive review of all contracts considering expenditure, performance, outcomes, service delivery and quality. *Impact on service budget =*	**-0.500**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Commercial Opportunities Look at opportunities to bring more income into the borough	2021/22 £m*	2022/23 £m	2023/24 £m	2024/25 £m
[36] Client Income in the People Directorate The Council has recommissioned a range of Adult Social Care services within the last two years, consequently fees and charges are not aligned to the unit rates paid. The proposal is to complete a review of all Adult Social Care fees and charges to ensure that fees levied to residents are aligned to the current costs. *Impact on service budget* =	**-0.100**			
[37] Establish an Education Psychologist traded service to enable a proactive early support and intervention offer The Education Psychology service has been undergoing a full review and developing plans to offer a traded service to schools. This would provide early intervention support to children and therefore also potentially reduce demand on the SEND service. *Impact on service budget* =		**-0.025**	**-0.075**	
[38] Establish a traded service for non-statutory elements of Attendance Service The service has been undergoing a full review and developing plans to offer a traded service to schools. This would provide early intervention support and improve the support offer to schools and families to improve the attendance of children at school. *Impact on service budget* =		**-0.035**	**-0.035**	
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Commercial Opportunities Look at opportunities to bring more income into the borough	2021/22 £m*	2022/23 £m	2023/24 £m	2024/25 £m
[39] Review of governance of ASDVs and seeking increased opportunities for savings / commercial opportunities The council owns or partly owns several companies. It will review the governance arrangements of the council wholly owned companies including the development of opportunities for efficiencies/ income generation. *Impact on service budget =*	**-0.315**	**-0.225**	**-0.100**	
[40] Increase income from hire of Children's Centres To increase income and rental charges for use of facilities in Children's Centres. *Impact on service budget =*	**-0.010**			
[41] Ansa income generation and efficiencies - Food Waste Recycling This project enabled the development of a composting plant to allow food waste recycling in 2019 and for the waste collection routes to be reorganised to reduce costs. The work to deliver the saving has all been implemented. *Impact on service budget =*	**-0.259**			
[42] Strategic Leisure Review A strategic review will be undertaken of the subsidised Leisure provision paid by the council through the management fee to Everybody Sport and Recreation to ensure the investment is achieving health and wellbeing outcomes for residents. *Impact on service budget =*		**-0.250**		
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Workforce Support and develop our workforce to be confident, motivated, innovative, resilient and empowered	**2021/22** **£m***	**2022/23** **£m**	**2023/24** **£m**	**2024/25** **£m**
[43] Infrastructure Investment Programme (Revenue implications of Capital) [REVISED] To enable the delivery of a modern business architecture, including all ICT systems which underpin and support innovation, and affordable frontline delivery. *Impact on service budget* =	**+0.059**	**+0.127**	**+0.224**	
[44] Unified Communications (Revenue implications of Capital) Modernisation of communication systems including telephony and video conferencing, to further enable the Flexible and Mobile Working strategy. *Impact on service budget* =	**+0.251**	**+0.283**	**+0.296**	
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Workforce Support and develop our workforce to be confident, motivated, innovative, resilient and empowered	2021/22 £m*	2022/23 £m	2023/24 £m	2024/25 £m
[45] People Directorate - ICT Procurements 2020-24 (Revenue implications of Capital) For the legal and IT resources to support the compliant re-procurement of Directorate software applications and underpinning ICT contracts that require renewal over the next three years, and ongoing software maintenance and support to ensure Directorates have continuity of existing ICT systems for the delivery of their service. *Impact on service budget* =	**+0.060**	**+0.063**	**+0.066**	**+0.019**
[46] Place Directorate - ICT Procurements 2020-24 (Revenue implications of Capital) For the legal and IT resources to support the compliant re-procurement of Directorate software applications and underpinning ICT contracts that require renewal over the next three years, and ongoing software maintenance and support to ensure Directorates have continuity of existing ICT systems for the delivery of their service. *Impact on service budget* =	**+0.011**	**+0.011**	**+0.011**	**+0.011**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Workforce Support and develop our workforce to be confident, motivated, innovative, resilient and empowered	2021/22 £m*	2022/23 £m	2023/24 £m	2024/25 £m
[47] Corporate Directorate - ICT Procurements 2020-24 (Revenue implications of Capital) For the legal and IT resources to support the compliant re-procurement of Directorate software applications and underpinning ICT contracts that require renewal over the next three years, and ongoing software maintenance and support to ensure Directorates have continuity of existing ICT systems for the delivery of their service. *Impact on service budget =*	**+0.002**	**+0.002**	**+0.002**	**+0.002**
[48] Productivity and Efficiency in Adult Social Care [REVISED] The COVID-19 pandemic has highlighted how adult social care can operate differently. There are opportunities on the horizon such as the development of the Integrated Care Partnership (ICP) and integration commissioning that will enable the staff to work differently. New ways of working and integrated posts will be adopted which will result in more efficient ways of working. *Impact on service budget =*		**-0.500**	**-0.500**	
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Workforce Support and develop our workforce to be confident, motivated, innovative, resilient and empowered	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[49] Estates Transformation - Office Accommodation This involves a strategic review and transformation of the existing main office estate as part of the Estates and ICT transformation programme. This will improve the design of the office environment, support flexible working, reduce overall carbon emissions by the council and deliver net savings for the Council. *Impact on service budget* =	**-0.044**	**-0.100**	**-0.460**	
[50] Prevention and Early Help Service – Locality working and changes to the management structure of the Family Service We are currently aligning our services across Early Help to deliver on a Locality basis. We are using our partnership model, Together in Communities, to improve the understanding and accountability of all partners regarding their roles and responsibilities around identifying and offering whole family early intervention and support. We are also looking to commission a volunteer model to support the step-down arrangements and to provide ongoing support that some families will require when they no longer meet the threshold for more intensive early help. *Impact on service budget* =		**-0.140**		
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Workforce Support and develop our workforce to be confident, motivated, innovative, resilient and empowered	**2021/22** **£m***	**2022/23** **£m**	**2023/24** **£m**	**2024/25** **£m**
[51] Neighbourhood Estate Review This proposal involves a review of all council buildings that provide customer facing services within towns and neighbourhoods across the Borough. The aim would be to examine the potential to deliver services in a more coordinated and efficient way and reduce the Council's overall costs and carbon emissions associated with the running of these buildings. *Impact on service budget* =	**-0.090**	**-0.260**		
[52] Increased Useage of Digital Technology As a result of the COVID-19 pandemic we have adopted new ways of working using more digital technology. This has seen a reduction in staff travel and therefore a reduction in mileage claims. Increased usage of digital technology and digital platforms will continue to reduce staff mileage claims. *Impact on service budget* =	**-0.125**			
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Workforce Support and develop our workforce to be confident, motivated, innovative, resilient and empowered	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[53] To review of use of School Improvement Grant to provide capacity to support maintained schools The Local Authority receives an external grant to support school improvement functions for the maintained schools' sector. This business case proposes to utilise a proportion of this grant to contribute towards staffing costs of those staff who directly support our maintained schools to improve outcomes for their learners. *Impact on service budget =*	**-0.060**			
[54] Reduce central training budget A saving on the corporate training budget achieved through a shift towards using, wherever possible, more cost-effective means of providing courses e.g. online training. *Impact on service budget =*	**-0.080**			
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Fair

We aim to reduce inequalities, promote fairness and opportunity for all and support our most vulnerable residents

Priority Aim 2: Fair

Proposals to vary the Budget under our Priority to be Fair are focused on these areas:

Health Inequalities Reduce health inequalities across the Borough	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[55] Pathfinder Cheshire East - Cheshire Community Action The Pathfinder contract is due to end on 30th November 2020 following a contractual period of two years. Commissioners proposed not to extend the contract further into the extension period. It is proposed that people contacting social care will still be supported via upskilling frontline staff (Local Area Coordinators, Community Development Officers libraries), especially on financial matters/form filling/signposting. Other social prescribers (including Community Connectors) will have further training on financial inclusion to bridge further gaps. The People Helping People service also provides support which aims to prevent social isolation within our communities. *Impact on service budget* =	**-0.100**			
[56] Mental Health Floating Support Mental Health Floating Support focuses on early intervention and prevention, supporting the development of innovative solutions to best meet the needs aiming to improve the health and wellbeing of individuals and their families. Interventions will promote people's independence and thereby reduce demand on social care and health services. The funding of this will be picked up by the public health ring-fenced grant. *Impact on service budget* =	**-0.120**			
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Reduce Reliance Reduce the reliance on long term care by improving services closer to home and more extra care facilities, including those with dementia	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[57] Investment in Adult Social Care 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 service budget =*	**+4.000**	**+4.000**	**+4.000**	**+4.000**
[58] Growth for Care Fees in Adult Social Care Cheshire East Council has a duty under the Care Act 2014 to "promote the efficient and effective operation of a market in services for meeting care and support needs." In delivering this obligation, councils must ensure the sustainability of the market and that there are sufficient high-quality services available to meet the care and support needs of adults in the area. This Business Case proposes a fee uplift for Accommodation with Care and Complex Care providers for 2021/22. *Impact on service budget =*	**+2.441**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Reduce Reliance Reduce the reliance on long term care by improving services closer to home and more extra care facilities, including those with dementia	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[59] Extra Care Housing – Catering / Restaurant Provision There are currently two* PFI (Private Finance Initiative) extra care housing schemes in Cheshire East where the Council provides the cost of catering / restaurant service. - Oakmere in Handforth with 53 apartments - Willowmere in Middlewich with 71 apartments - *Beechmere in Crewe had a major fire in August 2019 and the entire site was destroyed. It had 132 apartments and is scheduled to be re-built, however, no dates have yet been confirmed for this. The restaurant facilities at all PFI extra care housing schemes are currently subsidised by the Council and this proposal is to continue the subsidy. Options to reduce this subsidy will continue to be explored. *Impact on service budget* =	**+0.300**			
[60] Investment in Advocacy Service This is to provide additional growth to meet the demands for advocacy services. Local authorities have an obligation to provide statutory advocacy services. This support enables an individual (usually a vulnerable person) to understand, communicate their choice and to participate in decision making which affects them. *Impact on service budget* =	**+0.112**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Reduce Reliance Reduce the reliance on long term care by improving services closer to home and more extra care facilities, including those with dementia	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[61] Direction of travel for the Communities Team to focus more on the Intervention and Prevention Agenda to make cost savings, growth and future cost avoidance [REVISED] The current and future cost savings will be made by reconfiguring the Communities Team to focus on low level prevention activity and mobilising the local community to support low level domiciliary care tasks. The appropriate management structure would be more integrated within Commissioning which will allow a seamless approach to gathering local need and intelligence and matching this to future integrated commissioning intentions. *Impact on service budget =*	**-0.250**	**-0.500**	**-0.750**	
[62] Fund the Cygnet programme for cared for children from pupil premium The Virtual School for Cared for Children supports cared for children and care leavers with transition to employment through the procurement of an external provider who facilities access to employment. It is proposed that contribution to this programme is reduced. The reduction will be supported through pupil premium grant received from the Department for Education to support progress and achievement of cared for children. *Impact on service budget =*	**-0.015**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Reduce Reliance Reduce the reliance on long term care by improving services closer to home and more extra care facilities, including those with dementia	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[63] Day Opportunities Redesign, Strategy and Savings Our strategic vision for day opportunities in the future within Cheshire East is to support safe, purposeful and personalised activities that enable citizens to play a valued role in their community and to live as independently as they choose. Ensuring that vulnerable adults can access activities appropriate to their needs, and with choice and control is paramount. By ensuring that all day opportunities adopt a more personalised and flexible approach we can potentially reduce the level of expenditure and see more people take up Direct Payments. *Impact on service budget =*	**-0.030**	**-0.070**	**-0.150**	
[64] Mental Health Services Review [REVISED] We are proposing to undertake a full review and reassessment of all the Local Authority's section 117 aftercare arrangements under the Mental Health Act (1983), as permitted under the Act and acknowledging that people can recover from episodes of mental health and therefore can be enabled to live their lives more independently. As required by the legislation, this will be done in consultation with our NHS colleagues. *Impact on service budget =*	**-0.500**	**-0.500**		
[65] Review agreements linked to intermediate care beds Review documentation and give notice on the historic agreement. *Impact on service budget =*	**-0.268**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Reduce Reliance Reduce the reliance on long term care by improving services closer to home and more extra care facilities, including those with dementia	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[66] Reduced capacity in Family Information Service This service provides the statutory function to advise parents and carers about the availability of Childcare and support services for children for Cheshire East families. The proposal is to review the role of the FIS officers and look at how their frontline advice and guidance can be delivered in a different way, utilising those staff already front facing with families such as Business Support Assistants and Family Service Workers. *Impact on service budget =*	**-0.050**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Reduce Reliance Reduce the reliance on long term care by improving services closer to home and more extra care facilities, including those with dementia	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[67] Electronic Call Monitoring Reclamation This business case outlines how the Contract Management Team intend to monitor providers performance and potential cost reclamation against Key Performance Indicators for fulfilment of commissioned hours via the Electronic Monitoring System. The system is utilised to monitor the commissioned prime providers delivering care and support across the Borough of Cheshire East against their Key Performance Indicators (KPI) as set out in the Care At Home contract specification, pricing schedule and Performance Monitoring Framework. The system aims to drive up the quality of the service that care providers deliver to people whose care is commissioned by the Council. The quality of the service actually delivered is measured against the commissioned care packages in terms of the start time of the call, call duration and continuity of carers. In cases where the care call is less than 80% of the commissioned call time and overall less than 90% the contract allows Commissioners to recover any costs attributed to the failure to adhere to the call duration KPI. *Impact on service budget =*	**-0.245**	**-0.030**		
[68] Cheshire Care Record Cheshire East Council is a partner in the digital platform that shares data called the Cheshire Care Record. This is used by Health and Social Care practitioners to enable a holistic view of a person's health and social care needs. The budget has some flexibility in it to reduce the amount required to maintain its useage. *Impact on service budget =*	**-0.138**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Reduce Reliance Reduce the reliance on long term care by improving services closer to home and more extra care facilities, including those with dementia	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[69] Review the use of the Cheshire East Lifelong Learning Service grant to reduce the requirement of Council funding The Skills & Lifelong Learning Service supports Post-19 learners in developing skills for employment through accredited courses and wider community engagement. The principle funding stream is an Education and Skills Funding Agency grant currently supplemented by council funding. The intention is to reach the position where the service team functions entirely on grant. *Impact on service budget* =	**-0.110**			
[70] To reduce costs of School Liaison and Governance service with less use of external support Schools are supported by the Local Authority through our school liaison services as well as being part of a comprehensive traded service including governance. The function of this service will be reviewed to achieve efficiencies. *Impact on service budget* =	**-0.010**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Safeguard Children Safeguarding our children from abuse, neglect and exploitation	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[71] Increase capacity in SEND service to meet continuing demands on the service [REVISED] The number of new Education, Health and Care Plan requests continues to increase significantly above the national rate. Previous investment in the Special Educational Needs and Disability Service should enable the service to deliver on new needs assessment requests but further investment is essential to enable the service to fulfil the statutory requirements for ongoing annual reviews. *Impact on service budget* =	**+0.380**			
[72] Move to Integrated Early Help Locality Service model [REVISED] To redesign Early Help Services on to a locality delivery model, streamlining management arrangements to increase integration and reduce duplication. *Impact on service budget* =		**-0.167**		
[73] Learning Disabilities Future Service Development and Review [REVISED] We intend to review our commissioned services to ensure that they offer the very best experience and life chances for people with learning disabilities. This will involve working with our NHS colleagues and care providers ensuring a person-centred approach at all times. *Impact on service budget* =	**-0.750**	**-1.000**	**-1.250**	
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Safeguard Children Safeguarding our children from abuse, neglect and exploitation	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[74] Reduce supplies and services in Children's Centres by 20% As a result of COVID-19, improved locality working and partnership working and a successful volunteer service, we will be able to realise savings to the travel budget as staff will not be required to make as many journeys to delivery sites or family's homes. We are utilising improved ICT functionality so have less need to travel to the office for meetings and in some instances are using the technology to deliver services to families. *Impact on service budget =*	**-0.032**			
[75] Reduction in cost of external placements for cared for children [REVISED] We know that outcomes for children who enter the care system, particularly those who enter it late, are not optimised. The sooner we can support children and their families, to help them stay safely together, the better the chances are for all those family members to do well and have the best chance of a good life. If we continue to strengthen our frontline practice ensuring we have the right plans and care arrangements for our children, with permission to be creative and flexible in our approach, a reduction in the budget will follow. We will achieve this through: 1. Safely reducing the number of cared for children 2. Resetting the current placement imbalance by reducing the number of children living in children's homes and with external foster carers. This will increase the number of cared for children living locally in Cheshire East. *Impact on service budget =*		**-1.530**	**-2.171**	**-0.707**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Best Start All children to have the best start in life with ongoing opportunities to maximise their potential	**2021/22** **£m***	**2022/23** **£m**	**2023/24** **£m**	**2024/25** **£m**
[76] Development and Partnerships Service This service supports achieving better outcomes for children, young people and families through delivery of service development, improvement and transformation initiatives, effective partnership working through the coordination of the key children's partnership boards, coordination of external support and validation including inspection, and support to the cross service business functions for the People directorate. This proposal is to reduce the Development and Partnerships Service by 50% in 2023-24 to generate a cost saving as this service is not statutory. The roles of the service would need to be absorbed by existing services which may impact on our ability to carry out these functions and our ability to carry out service development and transformation. *Impact on service budget =*			**-0.300**	
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Corporate Parenting Be the best Corporate Parents and improve outcomes for vulnerable children and young people	**2021/22** **£m***	**2022/23** **£m**	**2023/24** **£m**	**2024/25** **£m**
[77] Investment in Cared for Children and Care Leavers The Children's 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 increasing numbers of children and young people entering the care system, fee levels paid to external care providers, a current over-reliance on the Independent Fostering Agency (IFA) market due to lower rates of in-house fostering availability and lower levels of in-house foster carer recruitment. 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 group of children. *Impact on service budget =*	**+1.300**	**+1.300**	**+1.300**	
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Collaboration A collaborative way of working with partners and families to support children to achieve their full potential	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[78] Reduction in contribution to Cheshire Youth Justice Service To reduce by 25% the Council's contribution to deliver a single Youth Justice service across the Cheshire Constabulary area. *Impact on service budget =*	**-0.045**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Green

We will lead our communities to protect and enhance our environment, tackle the climate emergency and drive sustainable development

Priority Aim 3: Green

Proposals to vary the Budget under our Priority to be Green are focused on these areas:

Great Place A great place for people to live, work and visit	**2021/22** **£m***	**2022/23** **£m**	**2023/24** **£m**	**2024/25** **£m**
[79] Development of a Transit Site (Revenue implications of Capital) Cheshire East Council are required to assess the accommodation needs of our Gypsy and Traveller Community and identify land to meet this need. We are proposing to develop a transit site which will provide a safe environment and avoid the occurrence of unauthorised encampments, which can have a detrimental impact on both residents and businesses. *Impact on service budget =*	**+0.027**			
[80] Tatton Park These planned savings result from income and efficiencies generated through the investment programme in the facilities at Tatton Park, which will improve the visitor experience and reduce the overall subsidy the Council makes to Tatton Park. *Impact on service budget =*		**-0.006**	**-0.028**	**-0.046**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Great Place A great place for people to live, work and visit	**2021/22** **£m***	**2022/23** **£m**	**2023/24** **£m**	**2024/25** **£m**
[81] Asset / Service Transfer [REVISED] Council wishes to engage with Community organisations and Local Councils to explore opportunities to support service delivery and efficiencies e.g. through community asset transfers and partnership approaches to supporting services. Based on engagement with partner organisations we have reduced the savings target as a more deliverable target. *Impact on service budget =*	**-0.050**	**-0.030**	**-0.020**	
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Neighbourhoods Welcoming, safe and clean neighbourhoods	**2021/22** **£m***	**2022/23** **£m**	**2023/24** **£m**	**2024/25** **£m**
[82] Fixed Penalty Income target A Medium Term Financial Strategy (MTFS) target has been set against the Environmental Enforcement Service. This business case is seeking growth to support the removal of the MTFS saving, as the service is being decommissioned. *Impact on service budget =*	**+0.118**			
[83] Housing Services Savings brought forward within Strategic Housing through the recommissioning of Housing Related Support contracts. *Impact on service budget =*	**-0.045**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Environment To reduce the impact on our environment	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[84] Waste Contract Inflation and Tonnage Growth Housing growth to date and future projections will see a corresponding increase in collection costs and recycling and waste. In addition, annual contract inflation and a rise in the quantity of waste per household is increasing waste handling and disposal costs. *Impact on service budget* =	**+0.810**	**+0.644**	**+0.657**	**+0.613**
[85] Environment Strategy and Carbon Neutrality [REVISED] We have committed to be carbon neutral by 2025 and to influence carbon reduction across the Borough. Our Environment Strategy and Carbon Action Plan sets out how we will achieve this, and this funding is to enable its delivery. This is a priority for the council as outlined in the draft corporate plan and the response to consultation supports this growth being included in the budget. *Impact on service budget* =	**+0.096**	**+0.020**	**-0.081**	
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Environment To reduce the impact on our environment	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[86] Tree Risk Management Additional investment is required to fund the implementation of the Council's tree risk management strategy. *Impact on service budget =*		**+0.500**		
[87] Carbon Reduction - Replacement of existing illuminated signs and bollards with LED units Illuminated traffic signs and bollards are an integral feature of the highway providing guidance and direction for all road users. Installed over the last 50 years they are an ageing, energy inefficient asset that requires replacement with low energy LED illumination or no energy de-illumination to current standards. *Impact on service budget =*		**+0.030**	**-0.004**	**-0.031**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Transport A transport network that is safe and promotes active travel	**2021/22 £m***	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
[88] Parking Strategy (Revenue implications of Capital) - Subject to separate consultation The council has undertaken consultation which includes some key proposals including introducing consistent car parking charges across all towns including consistent hourly rates and is seeking views on the appropriate pricing level, how car parking services can be improved e.g. different payment options and introducing more on street parking restrictions to help control parking in busy areas. Following this round of consultation – specific proposals will be developed and be subject to separate statutory consultation to inform decisions regarding car parking changes. *Impact on service budget =*	**-0.327**	**-0.955**		
[89] Local Supported Buses - Subject to separate consultation [REVISED] This initiative seeks to secure income and efficiencies in the delivery of supported local bus services. The first phase for 2021/22 is to increase income through advertising and changes to charges for flexi link (subject to engagement with users). The review of subsidised buses will not commence until we understand the impact of COVID-19 on bus services and potential changes in regulations. The consultation highlighted this area as being of interest to residents and therefore moving this into future years to understand the underlying issues is recommended hence the saving has been moved to 2022/23. *Impact on service budget =*	**-0.033**	**-0.117**		
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Transport A transport network that is safe and promotes active travel	**2021/22** **£m***	**2022/23** **£m**	**2023/24** **£m**	**2024/25** **£m**
[90] Community Transport The Council has reviewed the Council's flexible transport Flexi-Link service and changes have been made in the way it is commissioned and delivered. This has enabled the service to be improved and the savings have been delivered already. *Impact on service budget =*	**-0.025**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Transport A transport network that is safe and promotes active travel	2021/22 £m*	2022/23 £m	2023/24 £m	2024/25 £m
[NEW] Review of Children and Families Transport Policies and delivery arrangements TSS will be asked to produce an efficiency plan to generate future efficiencies in the delivery of home to school transport. The shareholders' board will need to hold TSS to account to deliver these efficiencies. *Impact on service budget =*		**-0.200**	**-0.300**	**-0.200**
[NEW] Transport Management Fee savings will not be delivered due to COVID-19 placing additional pressure on transport to school There have been historic pressures in this budget since TSS formed and despite plans to address them the pressure of COVID-19 has resulted in these not been achieved. This growth should enable TSS to deliver a balance budget in the next year addressing any pressures through efficiencies. *Impact on service budget =*	**+1.000**			
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Subsequent years are the incremental change from the previous year*				

Section 2 - Financial Stability

Introduction

1. Proposals to vary the Council's service-based expenditure and income plans, as set out in **Section 1** of this report, highlight the significant variations required over the medium term to support local residents and businesses. To achieve a balanced position the Council must reflect the impact of the service ambitions on the Central budgets and match this to the available resources from Council Tax, Business Rates, Grants and an appropriate use of reserves.

2. Producing a balanced MTFS, matching expenditure to resources over the medium term, creates a financially sustainable position. The 2021 to 2025 MTFS is the first that Cheshire East Council has produced where a balanced position is presented across all financial years of the strategy.

3. The Government's Spending Review in November 2020 only confirmed a single year of funding levels for Local Government. But it did include the addition of extra support for Adults and Children's Social Care for 2021/22 to help combat the continuing increasing pressures in these key service areas.

4. The national Review of Relative Needs and Resources (formerly Fairer Funding Review) and changes planned to the Business Rates Retention Scheme are being delayed a further year until 2022/23.

The key areas being covered in this section include:

Source of Funding	Paragraphs
Balance of National vs Local Funding	5 to 13
Government Grant Funding of Local Expenditure	14 to 54
Collecting Local Taxes for Local Expenditure	55 to 94
Charges to Local Service Users	95 to 98
Investment, Borrowing and the Capital Programme	99 to 118
Other Economic Factors	119 to 122
Managing the Reserves Position	123 to 124

Balance of National vs Local Funding

5. Cheshire East Council continues to be heavily reliant on local funding and much less reliant on Central Government grant. This is highlighted by the fact that funding for Council services from council tax and business rates will be c.95% of the total net funding for 2021/22. Net funding excludes ring-fenced grants for Schools, Public Health and Housing Benefits.

6. 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 if local funding can be retained at an appropriate level.

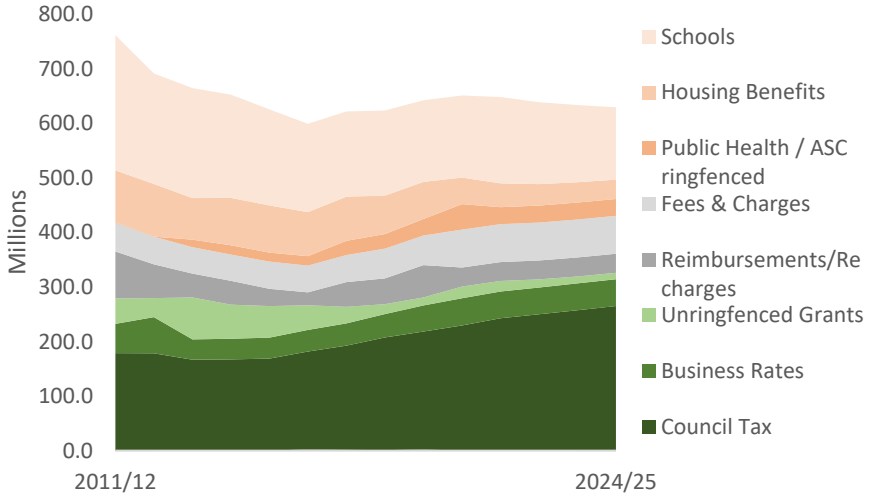
7. The Government Spending Review 2020 was dominated by the effects of COVID-19 and was a further one-year settlement (following the one-year settlement in the Spending Review 2019). Core spending power (the measure that Central Government uses to measure any increase in available revenue funding for local authorities) is set to increase by £2.1bn for Local Government for 2021/22. According to the Ministry for Housing, Communities and Local Government this included the following:
    a. 2% increase in "core" council tax, plus a further 3% increase in the Adult Social Care precept;
    b. £300m additional social care funding; and
    c. £200m for indexation

8. These were confirmed as part of the Provisional Local Government Finance Settlement announced on 17th December 2020 but the flexibilities around council tax rises was increased to allow for a further 3% Adult Social Care precept to be levied in 2021/22.

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

10. The 2021/22 Budget Report is based on the Provisional Local Government Finance Settlement released on 17th December 2020. The final settlement is expected in early 2021 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 continues the trend of being more reliant on local funding sources



Source: Cheshire East Finance

11. **Table 2** sets out the revised funding forecast for Cheshire East Council for the period 2020/21 to 2024/25. This shows how local funding sources are being increased to fund the majority of the

growth in service budgets, and how Government grants are contributing to a lesser extent in monetary terms.

Funding Available to Services

Table 2	2020/21 £m	2024/25 £m	Change £m	Change %
Council Tax	-229.5	-265.2	+35.7	**+15.6%**
Government Grants	-21.6	-11.8	-9.8	**-45.4%**
Business Rates Retention	-49.8	-49.1	-0.7	**-1.4%**
Collection Fund Contribution (-) / Deficit (+) *Managed through Earmarked Reserve from 2021/22	-0.1	*		
Funding Available to Services	**-301.0**	**-326.1**	**+25.2**	**+8.4%**

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

12. The Business Rates Retention Scheme and control over council tax levels are placing greater responsibility on all Councils to determine their own funding levels.

13. 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 taxbase** - Each new home brings additional council tax revenue, New Homes Bonus and, since 1st March 2019, a community infrastructure levy where relevant. However, homes also bring additional costs, such as education, waste collection and highways. The Council ensures that any subsidy from its general funding sources is carefully examined to achieve maximum value to ensure council tax increases for residents are kept to a minimum overall.
- **Promoting Economic Growth** - business growth can result in additional income being retained for local investment, subject to certain thresholds. Therefore, the Council continues to invest in driving 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 taxbases** - 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

14. The detailed funding settlement from Government impacts on longer term financial planning. Key dates for 2021/22 include:

- The Spending Round announcement on 25th September 2020.
- The release of the Provisional Settlement on 17th December 2020 confirming the approach to grants, council tax and calculation of business rates estimates.
- Final Settlement announced early February 2021.

These have set out changes to:

- General funding levels – confirming the continuation of no Revenue Support Grant for the Council, Social Care grants at just above 2020/21 levels, and one more year of new NHB funding.
- Additional funding announcements, payable to local authorities, for the following areas:
    - Social care and support
    - Disabled Facilities Grant
    - Highways
    - Strategic Housing Deals

15. The Government Grants provided to local authorities can be categorised under several main headings:

- Revenue Support Grant (£0m in 2021/22)
- Specific Grants (unring-fenced revenue) (£19.2m in 2021/22)
- Specific Grants (ring-fenced revenue) (£234.2m in 2021/22)
- Capital Grants (main programme) (£63.4m in 2021/22)

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

Revenue Support Grant (RSG)

16. The Council will continue to receive no Revenue Support Grant in 2021/22 and means that all grants rolled into RSG over the years, including previous Social Care new burdens, and Council Tax Freeze Grants, have also been reduced to nil.

17. Negative RSG arose as part of the four-year settlement from 2016/17 to 2019/20. It is defined as a 'downward adjustment of an authority's business rates top-up and tariff'. It occurs when an authority's required reduction in core funding exceeded the available amount of RSG for that authority meaning that the reduction has to be sought from their retained business rates share.

18. This is the position that Cheshire East is in due to RSG ceasing by 2019/20 and negative RSG is now in the region of £2.6m.

19. Central Government has funded this negative adjustment each year rather than physically removing funding from all authorities in this position therefore, to date, no negative RSG has been paid by the authority. This has been confirmed again for 2021/22.

Unring-fenced Specific Grants

20. A number of separately identified but unring-fenced Specific Grants have been retained totalling an estimated £19.2m in 2021/22 and reducing down to £11.8m by 2024/25. The detailed list is shown in **Annex 8** and summarised in **Table 3.** Note that Table 3 shows the original budget for 2020/21 and Annex 8 shows the revised in-year position including grants received after the budget was set.

21. Other than RSG, the list of Specific Grants mainly relates to funding for the New Homes Bonus (NHB) and Social Care Grants. Together they equate to 84% of the total unring-fenced specific grants expected in 2021/22.

22. As part of the Spending Review / Provisional Local Government Finance Settlement announced on 17th

December 2020, there were funding allocations for 2021/22 of £8.0m to support social care for Cheshire East. This is made up of the continuation of the Social Care Support grant from 2020/21 (£7.6m) and a further allocation of £0.4m which is the authorities share of the £300m announced new monies.

Specific grant levels are reducing over time

Table 3	2020/21 £m	2024/25 £m	Change £m	Change %
Revenue Support Grant	0.0	0.0	0.0	
New Homes Bonus	-11.2	-1.0	-10.2	
Social Care Grants	-7.6	-8.0	+0.4	
Independent Living Fund	-0.8	-0.8	-	
Other Grants	-1.9	-2.0	-	
Total Specific Grants	**-21.6**	**-11.8**	**-9.8**	**-45.4%**

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

23. The 2021/22 allocation of NHB is again to be paid for one year only which extends the 2020/21 single year allocation. Legacy payments will continue and phase out as planned with the final NHB payment to be made in 2022/23. The scheme is due to be replaced in 2022/23 with something that will reward "ambitious local authorities" as per the Provisional Settlement announcement on 17th December. It will be subject to further consultation in the new year.

Ring-fenced Specific Grants

Dedicated Schools Grant (DSG)

24. The Government announced the revised allocations of DSG for 2021/22 on 17th December 2020. DSG is a ring-fenced grant provided to the Council to meet certain educational costs

25. Under the national funding formula (NFF) arrangements DSG is allocated in funding blocks, namely the Schools Block, Early Years Block, High Needs Block and Central Schools Services Block.

26. The Schools Block allocation to the Council is based on the schools' block NFF. This takes October 2020 pupil data and provides a basic per pupil amount plus additional funding for issues such as deprivation and low attainment. The NFF also applies a minimum per pupil level of funding of £4,180 Primary and £5,415 Secondary in 2021/22. Those values must be used in any local formula.

27. Local authorities can continue to provide funding to schools through a local formula for 2021/22. The Schools Forum have agreed that a local formula using the NFF values and allocating any additional funding via the basic entitlement should be submitted for consideration at the 2nd February 2021 Cabinet.

28. For 2021/22 the Schools Forum has not agreed to a transfer of 0.5% from the Schools Block to High Needs to recognise pressures in that area. As a result, the Council has applied to the DfE to reverse that decision. The outcome is not yet known, and an update will be provided to Cabinet. The

transfer has **not** been assumed for the model submitted to Cabinet.

29. Subject to confirmation from the DfE and Cabinet approval that formula will be used to allocate funding to schools for 2021/22. The per pupil figures in **Table 4** assume that the formula is approved.

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 two-year-olds.
- 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 mainstream schools, special schools and the pupil referral unit. The block includes top-up funding for pupils and students occupying places in such settings.

32. 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 Council has received additional high needs funding for 2021/22 of £4m. The 2021/22 DSG figure in **Table 4** includes that amount. Under current forecasts that will be used to bring the DSG Reserve back to balance, but it will not be sufficient to meet demands placed on high needs funding.

34. The Central Schools Services Block is based on a NFF that includes:

- Historic commitments
- Ongoing responsibilities
- An area cost adjustment

35. The historic commitments element of the central block has been subject to a further 20% reduction by the DFE for 2021/22. This is being reviewed to establish what the options are as historic commitments includes prudential borrowing costs.

36. **Table 4** shows the DSG received for 2020/21, the indicative DSG for 2021/22, and per pupil funding levels. (This excludes the adjustment for Academy recoupment).

37. Other than the high needs transfer all the schools block funding is passported directly through to schools.

Dedicated Schools Grant are allocated in four notional blocks in 2021/22

Table 4	Actual 2020/21 £m	Dec 20 2021/22 £m	Change £m	Change %
Total Dedicated Schools Grant	**Restated**			
Comprising:				
Schools Block	235.7	245.3	9.6	**4.1**
Central School Services Block	2.7	2.6	-0.1	**-3.7**
Early Years Block	22.9	23.2	0.3	**1.3**
High Needs Block	40.0	44.0	4.0	**10**
Per Pupil Funding	**£ / pupil 2020/21**	**£ / pupil 2021/22**		
Dedicated Schools Grant:				
Schools Block				
Primary	4,278	4,417		
Secondary	5,471	5,644		
Central Schools Block (ongoing responsibilities)	31.26	32.16		
Early Years Block 3 and 4 hourly rate	4.38	4.44		
2-Year-old hourly rate	5.36	5.44		

Figures quoted are before the Academy recoupment and before any High Needs reduction.

Figures are prior to de-delegation and assumes High Needs Transfer and Growth Funding are removed.

Sources:
Cheshire East Council
DFE

Teachers Pay and Pensions Funding

38. The DSG figures for 2021/22 for the schools, high needs and central blocks have been adjusted to reflect the rolling in of the previously separate grants for teachers' pay and pensions funding. As a result, the 2020/21 figures have also been restated to reflect this change. The restated figures are included in **Table 4**.

Dedicated Schools Grant (DSG) ~ Academy Funding

39. The Department for Education 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.

40. The Schools Block funding receivable for the 82 academies which opened before or during 2020/21 has not been removed from the total DSG award to be received (as reflected in **Table 4**). The funding for these academies of approximately £163m (based on 2021/22 funding) will be deducted from the Authority's DSG as part of the academy recoupment process (see **Annex 8).**

Sixth Form Funding

41. Total sixth form funding of £2.5m is receivable for maintained schools (this is an estimated figure to be confirmed when actual sixth form pupil numbers are known). In 2020/21 a balance of £13.0m was allocated directly to academies by the Education and Skills Funding Agency. The allocation for 2021/22 is not yet known.

Pupil Premium Grant

42. The indicator for eligibility will be Free School Meals received in any of the prior six years by any pupil. The allocations for 2021/22 are expected to be the same as in 2020/21 at £1,345 for primary-aged pupils and £955 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 £2,345 and children whose parents are in the armed forces continue to attract £310 per annum. It is estimated that Cheshire East Council will receive £4.5m in relation to the Pupil Premium for 2021/22.

Physical Education Grant

43. The Council expects to receive £1.1m for 2021/22. This is an estimate after any reduction for academies.

Universal Infant Free School Meals (UIFSM)

44. The Council expects to receive £1.9m for 2021/22. 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

45. This is a grant for local authorities to continue to monitor and broker school improvement provision for low-performing maintained schools and intervene in certain cases. The Council has received funding up to March 2021. However, there is no further information on the grant for 2021/22. The current grants register assumes £0.3m will be received in 2021/22.

Milk Subsidy Grant

46. This grant has not yet been confirmed for 2021/22, however based on previous allocations, the current grants register assumes £21,000 will be received in 2021/22.

DSG Reserve Forecasts

47. The Council holds a DSG Reserve created from some additional DSG funding provided several years ago. Over the last few years the pressure on high needs has been gradually reducing the reserve balance and overspending in 2019/20 took the reserve into a deficit position. Current forecasts suggest the reserve will continue to be in deficit in the medium term and plans are being taken forward to reduce the spend pressures over that period. However, as funding levels do not reflect activity it is not clear when the reserve can be returned to surplus.

48. The reserve position can be summarised as:

Dedicated Schools Grant Reserve

Table 5	2020/21 £m
Brought Forward Position	-2.1
Forecast Overspend for High Needs	-5.5
Early Years – additional hours	Tba
Predicted Carry Forward	**-7.6**

Source:
Cheshire East Council

49. It is expected that high needs will continue to form a pressure on the reserve in 2021/22.

Public Health Grant

50. 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, infection control and One You services.

51. Public Health grant has been ring-fenced from 2013 and will continue to be so during 2021/22 to ensure expenditure is incurred in line with the public health framework.

52. Estimated allocations for 2021/22 set the grant levels at £16.7m. Confirmation of the final allocations has not yet been received.

53. The grant is being considered as one of a number of funding streams that could be rolled into the business rates Retention Scheme if and when it moves to 75% retention by local authorities.

COVID-19 related Grants

54. Following announcements in the Spending Review the Council expects to receive some £8.5m in un-ringfenced grant for 2021/22, to help manage the immediate and long-term impacts of the pandemic on the Council's budget, as well as compensation for a proportion of any losses in sales, fees and charges income compared to what would normally be received in the months April to June 2021. Furthermore, £3.4m is anticipated for the Local Council Tax Support Scheme, to help support residents on low incomes.

Collecting Local Taxes for Local Expenditure

Business Rate Retention Scheme (BRRS)

55. Locally collected non-domestic taxes that are directly retained by the Council will provide approximately 16% of the Council's net funding in 2021/22. The Council anticipated collection of approximately £148m (before accounting adjustments) in business rates in 2020/21, based on the Council's NNDR1 return to Central Government on 31st January 2020. However, this estimate was calculated before the severe impact on businesses and the taxbase as a result of the coronavirus pandemic.

56. The projected in-year deficit on the Business Rates collection fund as a result of COVID-19 is c.£8.4m. As part of the Spending Review announcements in November 2020, 75% of the irrecoverable losses will be compensated for by MHCLG. The remaining deficit will then be spread over the coming three financial years to ensure that the 2021/22 revenue budget does not have to fund it all in one year.

57. Under the BRRS arrangements 50% of the net rates collected 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 £24.7m must be paid to Government which is used to top-up funding allocations to other local authorities.

58. 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. Since 2017/18, a growth estimate per annum of £0.5m in retained rates for the authority was also been factored in to take account of the steady rise in business rate growth in recent years.

59. For 2021/22 this approach is being paused due to the overall reduction in the taxbase and uncertainty around growth in future years, in part, due to the ongoing pandemic situation.

Annex 6 sets out the position in further detail, but for budgeting purposes the total business rates funding available for the revenue budget has been maintained at the same overall level as the 2020/21 budgeted level.

60. Since the baseline funding level for business rates retention was set back in 2013/14, there have been many policy changes around reliefs for different business types. With each policy change, all local authorities are compensated for their share of business rates foregone. In 2021/22 £6.6m of this compensation has been included within the business rates budget with the remaining compensation being credited to the Collection Fund earmarked reserve to continue to support any future risks around business rate funding. This is an increase on previous years due to the fact that projected net business rates collected are likely to continue to be negatively affected due to COVID-19.

Business Rates Retention

Table 6	2020/21 £m	2024/25 £m	Change £m	Change %
Business Rates Retention Scheme – Baseline Funding	-42.5	-42.5		
Growth in retained rates (cumulative)	-3.1	-		
S31 compensation grants	-4.2	-6.6		
Business Rates Retention Scheme – Total Funding	**-49.8**	**-49.1**	**-0.7**	**-1.4**

Sources:
Cheshire East Council

61. During 2020/21, 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. This arrangement is due to cease for 2021/22 owing to the uncertainty around losses in income across the Pool.

62. The Impact Assessment at **Annex 3** identifies how changes in business rates could affect local business.

Council Tax

63. Locally collected domestic taxes that are directly retained by the Council will provide approximately 77% of the Council's net funding in 2021/22. The Council therefore takes a very careful approach to managing the domestic taxbase in a way that reflects local growth ambitions and supports sustainable services in the medium term.

64. Growth in the local taxbase supports the ambition in the Corporate Plan of creating economic independence from Government grant. In 2021/22, there continues to be no general Government grant support to the revenue budget of Cheshire East Council. The speed of this change has been 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 continue to increase council tax levels in line with Government expectations.

65. The ability to raise additional council tax for use solely on Adult Social Care (ASC) was accepted in 2017/18, and 2018/19. 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. The Provisional Finance Settlement in December 2019 confirmed a further 2% ASC precept could be levied in 2020/21 to help alleviate the

continuing growth pressure and this was accepted by the authority.

66. A further 3% for 2021/22 was announced as part of the Provisional Settlement in December 2020.

67. The Provisional Finance Settlement also confirmed the referendum limit on base increases was to be set at 2%, this excludes the Adult Social Care precept. As such it is proposed that council tax is increased by 4.99% (including 3% ring-fenced for Adult Social Care pressures) for 2021/22 to give a Band D charge of £1,579.03 for 2021/22.

68. The proposed increases over the rest of medium term are currently 1.99% at this time.

69. The calculation of the council tax for 2021/22 is shown in **Table 7**.

The calculation of the Cheshire East Council Band D Council Tax

Table 7		2021/22 £m	2021/22 £m
Total Net Revenue Budget 2021/22			311.1
Specific Grants			-19.2
Revenue Budget recommended to Council on 17th February 2021			291.9
Less:			
Business Rates Retention Scheme	-16.8% [1]	-49.1	
Revenue Support Grant	0.0% [1]	0.0	-49.1
Amount to be raised from Council Tax	**83.3%** [1]		**242.8**
No. of Band D Equivalent Properties			**153,796.10**
Band D Council Tax			**£1,579.03**

Sources:
Cheshire East Council
[1] Percentage of Cheshire East Net Budget

The impact on each council tax band and the number of dwellings in each band is shown in **Table 8**.

Impact of Council Tax on each Band

Table 8				
Band	**A**	**B**	**C**	**D**
Council Tax £	1,052.69	1,228.14	1,403.58	1,579.03
No of Dwellings	31,010	37,232	35,361	26,735
Band	**E**	**F**	**G**	**H**
Council Tax £	1,929.92	2,280.82	2,631.72	3,158.06
No of Dwellings	21,370	14,374	12,533	1,890

Source:
Cheshire East Council

Council Taxbase

70. The council taxbase quantifies the number of properties from which the Council is able to collect council tax. The taxbase 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 taxbase equals the expected income from local taxation.

71. The gross taxbase for 2021/22 (before making an allowance for non-collection) is calculated as 155,349.60. After taking into account current high collection rates, the non-collection rate has been maintained at 1.00% for 2021/22. This results in a final taxbase of **153,796.10** Band D equivalent domestic properties.

72. The taxbase for 2021/22 reflects an increase of 0.78% on the 2020/21 equivalent position. This reflects the overall increase in properties in Cheshire East after allowing for the impact of increased council tax support due to the ongoing pandemic situation. The council taxbase was approved by Council on 16th December 2020.

73. Cheshire East has a relatively high council taxbase 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%).

74. The taxbase has been calculated in accordance with the Council's local policy to offer no reduction for empty properties except that Discretionary reductions will continue to be allowed, for landlords, under Section 13A of the Local Government Finance Act 1992. From 1st April 2020, the period eligible for exemption is being maintained at four weeks.

75. In common with most Billing Authorities, Cheshire East Council charges a council tax premium of 100% on property that has been empty for two years or more in order to encourage homes to be brought back into use. The Local Government Finance Act 1992 (amended) enables Councils to charge a premium on empty properties.

76. The Autumn Budget 2017 allowed Councils to increase the premium from 100% to 200% with effect from April 2020. This change was implemented with effect from 1st April 2020. There was further flexibility granted for properties over 10 years old by allowing a 300% charge to be levied from April 2021. Cheshire East will be recommending that this change is also implemented.

The impact of the Council Tax Support Scheme

77. 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.

78. The impact of council tax support reductions has slowly decreased in Cheshire East in recent years, 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. A further review of the scheme to make it simpler to administer and easier for claimants to understand took place in 2019/20 and the revised scheme was introduced in 1st April 2020.

79. However, the global COVID-19 pandemic changed the long-term trend of reducing Council Tax Support payments and rising unemployment levels has meant that the budget available for support payments is now insufficient. Local estimates have put the budget required for 2021/22 at £18.0m. This is an increase of £1.2m on the 2020/21 budget of £16.8m. This has been addressed when setting the 2021/22 taxbase level and will be reviewed in future years to ensure the budget remains aligned with need.

80. Government funding of £3.4m is due to be received during 2021/22 to help support claimants and protect households on low incomes and changes to the CTS scheme may be considered and consulted upon in light of this funding announcement.

Collection Fund

81. Receipts from council taxpayers 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).

82. 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 taxbase vary from the predicted changes, or if collection rates exceed forecasts.

83. COVID-19 has impacted on the collection funds hard with increased Council Tax Support payments and increased potential uncollectable debts resulting in both funds being in a forecast deficit position by 31st March 2021.

84. The estimated balance on the council tax collection fund has been forecast to be a £1.8m cumulative deficit at 31st March 2021. £1.5m of this deficit is to be borne by the Council but new government regulations have allowed the 2020/21 in year impact to be spread evenly over a three-year period. Therefore a £0.5m deficit will be due to be repaid in 2021/22 and will be managed through the Collection Fund earmarked reserve.

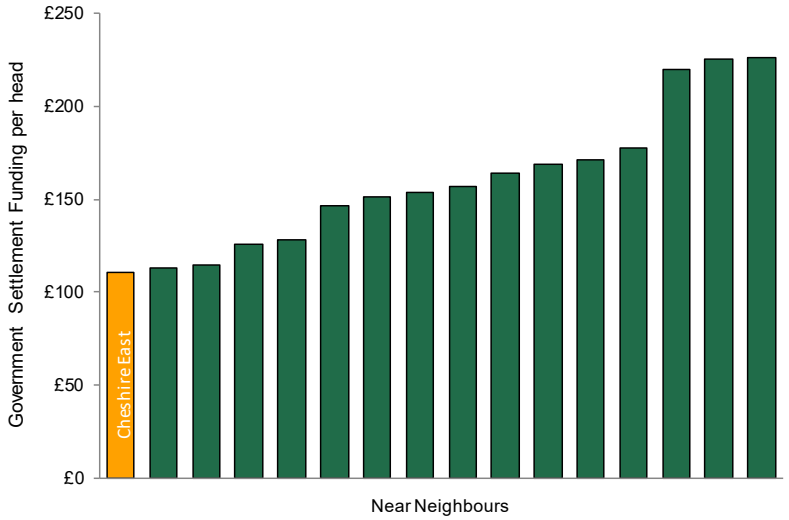
85. The year-end balance on the business rates collection fund is estimated to be a cumulative deficit position of £9.5m (excluding the impact of the Extended Retail Relief), of which £4.6m will be borne by Cheshire East. The same spreading arrangements are required for the business rates collection fund therefore £1.9m will be due to be repaid in 2021/22.

86. For a further detailed breakdown of the Collection Fund position for both Council Tax and Business Rates see **Annex 6**.

Funding Comparisons to similar Councils

87. 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 Settlement Funding per head compared to its Near Neighbours



Sources:
Cheshire East Council
CIPFA Council Tax Demands and Precept Statistics 2019/20
Ministry for Housing, Communities and Local Government

What is the Council doing about it?

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

Responding to Key Consultations

89. 2020/21 has seen several consultations affecting Local Government. The Council has had the opportunity to input into the relevant responses collated by the Society of County Treasurers, Society of Unitary Treasurers and the Local Government Association (Cheshire East Council is a member of all three) and therefore, in some cases, relied on their collective responses to make any relevant comments.

90. For consultations where the Council felt it important to submit a local response, this was done so, for example The Comprehensive Spending Review. The consultations that have taken place so far in 2020/21 are as follows:

- Council Tax and Business Rates
  - Business Rates Call for Evidence (closed September 2020)
- Pensions
  - Reforming Local Government Exit Pay (closed November 2020)
- Accounting and Audit
  - Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (closed October 2020)
- General
  - Comprehensive Spending Review (closed September 2020)

Membership of Collective Groups

91. 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

92. The Council is also continuing to make use of the Pixel Financial Management Service to assist with financial forecasts and strategy.

Monitoring Developments

93. The Council is monitoring news alerts and public sector journals for any developments with the new business rates retention scheme and Review of Relative Needs and Resources (formerly Fairer Funding Review) now due to be implemented from 2022/23 (postponed a further year due to the global pandemic). The Council will actively feed into consultations around the new funding arrangements where possible.

Ongoing briefing with Members of Parliament

94. 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

95. 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.

96. Approximately 10% of the Council's gross income is received through Fees & Charges and the prices are reviewed at least annually.

97. 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.

98. 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

99. The capital programme is ambitious, 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.

100. The Council applies an agreed Treasury Management Strategy (**Annex 12**) to ensure capital financing is affordable in the medium term. During 2017/18 the Council revised its approach to calculating the Minimum Revenue Provision (MRP) to release revenue funding and mitigate overspending on services. Whilst within the existing policy, this consisted of a change from using the straight line to the annuity method under the Asset Life (Option 3).

101. The capital financing budget for 2021/22 is shown in **Table 9**. This includes repayment of debt and interest payable on the Council's long-term loans. Costs are partly offset by the interest earned on the Council's investments. The Capital Financing budget has increased to £14m in 2021/22.

Capital Financing Budget

Table 9	2021/22 £m
Repayment of Outstanding Debt	13.5
Contribution from Services	-1.6
Transfer from Financing Reserve	-1.9
Interest on Loans	4.9
Less: Interest Receivable on Cash Balances	-0.9
Net Capital Financing Budget	**14.0**

Sources:
Cheshire East Council

102. Charges for the amount borrowed are made to the Council's income and expenditure account and, for 2021/22, 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.

103. Details of the Council's Minimum Revenue Provision Policy are shown at **Annex 11**.

104. The Council currently has external borrowing of £154m of which £74m is temporary borrowing with other local authorities. The amount of interest paid on the Council's portfolio of loans is a mix of long-term fixed rates of interest and low rate short term rates of interest (average 2.6%). Currently long-term interest rates are around 1.6%.

105. The rate of interest to be earned on the Council's cash balances that are temporarily invested is budgeted to be £0.9m.

106. The Council sets out the approach to these issues in its Treasury Management Strategy which is set out in **Annex 12** of this report.

Capital Programme Planning

107. The 2020/21 capital programme was approved by Council on 20th February 2020. Updates have been provided via quarterly reports to Cabinet during 2020/21.

108. The Third Quarter Review of Performance and the revised profile of spend for 2021/22 onwards forms the base for the 2021-25 programme, which is detailed in **Annex 11**.

109. 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.

110. 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 Procedure Rules. Further details on the governance arrangements for the capital programme are set out in **Annex 11.**

Capital Programme Financing

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

Capital Programme Summary

Table 10	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total 2021-25 £m
Committed Schemes	148.5	91.9	34.5	34.0	**308.9**
New Schemes	22.8	14.4	13.1	12.1	**62.4**
Total Capital Programme	**171.3**	**106.3**	**47.6**	**46.1**	**371.3**
Financing:					
Government Grants	74.6	45.9	24.4	13.9	**158.8**
External Contributions	23.1	15.4	3.9	18.1	**60.5**
Revenue Contributions	1.3	0.6	0.0	0.0	**1.9**
Capital Receipts	1.0	1.0	1.0	1.0	**4.0**
Prudential Borrowing	71.3	43.4	18.3	13.1	**146.1**
Total Sources of Funding	**171.3**	**106.3**	**47.6**	**46.1**	**371.3**

Sources:
Cheshire East Council

112. 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 £4m capital receipts for the period 2021-25 is a prudent approach based on the work plans of the Asset Management team and their most recently updated Disposals Programme.

113. The schemes in the Capital Programme, both existing and new proposals, have undergone a prioritisation exercise 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.

114. 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

115. 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, IT & 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 11**.

Capital Programme Addendum

Table 11	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total 2021-25 £m
Directorate:					
People	2.9	14.2	19.4	19.0	55.5
Place	29.2	86.1	112.3	18.7	246.3
Corporate	33.9	35.5	35.1	30.8	135.3
Total Capital Schemes	66.0	135.8	166.8	68.5	437.1

Sources:
Cheshire East Council

Borrowing for Capital Expenditure

116. 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.

117. The level of Prudential Borrowing required in 2021/22 and in future years is detailed in **Annex 11** Prudential Borrowing Indicators. The revenue consequences have been considered as part of the medium-term strategy to ensure they can be afforded in future years.

Government Capital Grants

118. **Annex 9** provides a list of Government grants that are supporting the Cheshire East capital programme.

Other Economic Factors

119. The Council makes an assessment of its financial position over the next four 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 2021-25 launched on-line in December 2020 and updated through the year as more accurate forecasts become available. Allowance will be made in the 2021/22 budget for other economic factors, such as pay inflation of £1.7m, which is mainly as a result of under budgeting for the 2020/21 pay inflation. There is no general increase planned in pay budgets except for lower paid workers in line with the Spending Review announcement on pay a "pause" for 2021/22.

120. The Budget Report for 2021/22 reflects inflationary pressure in business rates and utility bills, but otherwise continues the theme of not including a central allowance for non-pay inflationary pressures on the basis that this is being mitigated by effective contract management, service efficiency proposals or increased charges.

Employer Pensions Contributions

121. A valuation of the Cheshire Pension Fund was undertaken to determine the employer contribution rates for the Local Government Pension Scheme which comes into effect from 1st April 2020. Forecast contribution rates for 2021/22 to 2023/24 are unchanged from the 2020/21 rate to reflect the improved position on the Fund.

122. Past deficit fixed contribution requirements into the Fund are decreasing over the next three years so the over recoupment from service budgets is being used to support the wider revenue budget.

Managing the Reserves Position

123. The Council Reserves Strategy 2021/22 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 at **Annex 14**.

124. 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 Reserves Strategy.

Summary of Financial Stability

125. **Table 12** summarises the position for 2021/22 to 2024/25.

Table 12	Estimated Net Budget 2021/22 £m	Estimated Net Budget 2022/23 £m	Estimated Net Budget 2023/24 £m	Estimated Net Budget 2024/25 £m
Total Service Expenditure	**297.4**	**298.6**	**301.8**	**309.5**
Central Budgets:				
Capital Financing	14.0	18.0	19.0	20.0
Past Pensions Adjustment	-2.8	-4.7	-3.2	-3.2
Bad Debt Provision increase	0.2	0.2	0.2	0.2
Top up to General Reserves	-	0.6	0.6	-
Use of (-) / Contribution to (+) Earmarked Reserve	2.3	1.4	1.1	-0.4
Total Central Budgets	**13.7**	**15.5**	**17.7**	**16.6**
TOTAL: SERVICE + CENTRAL BUDGETS	**311.1**	**314.1**	**319.5**	**326.1**
Funded by:				
Council Tax	-242.8	-250.1	-257.6	-265.2
Business Rates Retention	-49.1	-49.1	-49.1	-49.1
Specific Grants	-19.2	-14.9	-12.8	-11.8
TOTAL: FUNDED BY	**311.1**	**314.1**	**319.5**	**326.1**
FUNDING DEFICIT	**0.0**	**0.0**	**0.0**	**0.0**

126. Service expenditure for 2021/22 is shown as **£311.1m**. This represents an increase of £10.1m (3.4%) on the Budget at the Third Quarter Review (FINANCE) 2020/21 position.

127. The Funding Available to Services in 2021/22 is estimated at **£311.1m** to give a balanced position.

128. 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 2021/22 to 2024/25

129. 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, although in recent years this has proven to be a significant challenge requiring in-year mitigating activity.

130. 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.

131. The Medium-Term Financial Strategy reflects a balanced position for each of the next four years with a mix of specific policy proposals in each Service alongside a medium-term approach to Council Tax increases.

132. The Council adopts a standard five measures approach to balancing the MTFS 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:

Table 13 – Forecasting the Medium-Term Budget

Measure One:

Challenge Financial Assumptions

- The September 2020 Spending Round (SR) set out public spending totals for the financial year 2021/22. This followed on from the SR2019 meaning that this is now the second year in a row that a one-year spending review has been published. This is due to the ongoing pandemic situation making it difficult to accurately budget for the medium term. It is expected that a comprehensive multi-year spending review (CSR) will occur in 2021 along with the fundamental review of Local Government Funding and the Business Rates Retention Scheme.
- The usual overall ambition 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 is not due to increase for 2021/22 as the national multiplier has been frozen at 2020/21 levels to assist businesses further through the pandemic recovery phase. No growth forecasts have been assumed over the medium term due to the current volatility in Business Rate income.
  - The Provisional Local Government Finance Settlement in December 2017 announced the Government's intention to increase the local share of business rates retention to 75% in 2020/21. Along with the Review of Relative Needs and Resources (formerly Fairer Funding Review), this has now been delayed further until 2022/23. The increased retention will be through incorporating existing grants into the scheme 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 as tariff payments will be adjusted where retained rates exceed grants rolled in to ensure each local authority is no better or worse off under the new arrangements. A greater share of the growth in business rates will be able to be retained after this time but will be negated to some degree at the start of the revised scheme as baseline funding levels (above which growth can be earned) are due to be fully or partially reset back to 2013/14 levels.

Table 13 – Forecasting the Medium-Term Budget

Revenue Support Grant (RSG)

- RSG reduced to nil from 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 on base increases (maintained at 2% for 2021/22 for base/unring-fenced increases).

New Homes Bonus (NHB)

- Legacy payments from previous allocations will continue as planned and the Spending Review November 2020 announced one further round of NHB allocations for 2021/22 but this will be another single payment and will attract no further legacy payments.

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.
- During the November 2020 Spending Round, additional national funding for social care was announced (£300m), on top of the previous Social Care funding (£1bn) and these have been included in this budget (£8.0m). Future funding levels have been maintained at similar levels as the assumption is that current social care grant funding will be provided at similar levels as part of the Fair Funding Review for 2022/23 onwards.

Council Tax Estimates

- Core Spending power also assumes all authorities will increase council tax in line with the maximum allowed before referendum limits. For 2021/22 this is 4.99% (including 3% ring-fenced for Adult Social Care) for all unitary authorities with responsibility for social care).

There are indications that revisions to the way government approaches overall funding for local government, under the Review of Relative Needs and Resources or Business Rate Retention, would focus on population, rewarding development and ignoring income from commercial activity. This could have a positive effect on Cheshire East Council in the medium to long term, but the Council cannot rely on this possibility to deliver funding for services in the short term, especially while reserves are at such a low level. Recent allocations related to COVID-19 have, however, focused on deprivation as a key indicator for the allocation of government support. Historically this approach has not provided significant support to Cheshire East Council relative to other local authorities. To reflect this risk the financial assumptions within the MTFS therefore forecast a 50% overall reduction in non-ringfenced grant funding over the medium term.

Table 13 – Forecasting the Medium-Term Budget

Measure Two:

Review Local Taxation

The Council retains the opportunity to review current funding assumptions:

- Income from Local taxation has been hit hard by the COVID-19 pandemic that impacted on council collection targets from March 2020. The increase in non-collection will continue into 2021/22 while the economy and employment levels slowly recover. Central Government support has been provided in part and the ability to spread deficits in collection fund budgets over the period 2021/22 to 2023/24 is welcome to avoid large additional impacts in the 2021/22 budget balance.

- Council tax will rise in line with Government expectations and to support Adult Social Care by the acceptance of raising a further 3% ring-fenced precept (4.99% in total). This approach supports the development of a balanced Medium-Term Financial Strategy.

- Increases for later years will be reviewed annually but current assumptions are for 1.99% over the medium term, which is in-line with national target inflation. This approach matches assumptions of potential increases in costs also linked to inflation.

- The Council will continue to review its taxbase in light of 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 carry on increasing the domestic and non-domestic taxbases over time.

- The taxbase has been calculated in accordance with the Council's local policy to offer no reduction for empty properties except that Discretionary reductions will continue to be allowed, for landlords for a maximum period of four weeks, under Section 13A of the Local Government Finance Act 1992.

- The Autumn Budget 2017 allowed Councils to increase the premium from 100% to 200% with effect from April 2020. This change was implemented with effect from 1st April 2020. There was further flexibility granted for properties over 10 years old by allowing a 300% charge to be levied from April 2021. Cheshire East will be recommending that this change is also implemented.

Table 13 – Forecasting the Medium-Term Budget

- 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. The Scheme was reviewed and consulted on during 2015 and a revised scheme was implemented from April 2016. A further review of the scheme to make it simpler to administer and easier to understand for claimants took place during 2019/20 and the revised scheme was introduced on 1st April 2020. Government funding of £3.4m is due to be received during 2021/22 to help support claimants and protect households on low incomes which will support further review of the scheme.
- 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 (BRS) to raise funds for specific local purposes. The total maximum BRS which may be levied by a levying authority is 2p per pound of rateable value and supplements are not applicable to properties with a rateable value of £50,000 or below, authorities do have the discretion to increase that threshold.
- There is potential to work with local businesses to introduce business improvement districts for specific purposes.

Table 13 – 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.
- The Reserves Strategy (see **Annex 14**) aims to maintain adequate reserve levels over the medium term, although emerging risks or opportunities may require short-term use of reserves.
- The strategy is that variations between outturn and the core budget will, in the first instance, be managed through the MTFS Earmarked Reserve. Variations in the Capital Financing Budget will be managed through the Financing Earmarked Reserve and variations in the Collection Fund will be managed through the Collection Fund Reserve. If any of the activities are unmanageable through the use of these reserves, then the impact would have to be managed through the use of General Reserves.
- General Reserves remain relatively low, but the strategy is to increase them during the next four years to recognise potential risks linked to the overall size of the budget and potential emerging changes in the medium-term forecasts.

Table 13 – Forecasting the Medium-Term Budget

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 2021/22, many of these programmes will deliver further savings through to 2024/25 as highlighted by further savings figures in the later three years.
- Some of the financial areas continually under review by budget holders and the Finance Team are:
  - General pay inflation will be assumed at 0% for 2021/22 due to the "pause" in wage increases for public sector workers (except low paid workers) as announced as part of the Spending Review in November 2020 and then 2.5% thereafter. Provision is made in the MTFS for potential increases in pay for low paid workers for 2021/22.
  - Reviewing management control and staffing structures. Expenditure on employees' accounts for c.22% of the Council's revenue gross 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.4% of the Council's net budget, continue to reflect changes that are making the Council a smaller organisation. This will be supported by the implementation of the Business World system during 2021/22.
  - 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 commissioned.
- 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.

Table 13 – Forecasting the Medium-Term Budget

- Engaging with voluntary, community and faith groups and local town and parish councils is essential to explore ways of transforming service delivery at a local level. Through the commissioning of services and allocation of grants many of the third sector providers are already financially engaged with Cheshire East Council which can often provide support to the 50,000 people that volunteer within the sector per annum. 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 ambitions to work more collaboratively facilitating conversations between the Public Sector, Business and Industry and the third sector to maximise social value and corporate social responsibility.

- Carrying out a further Capital Challenge to ensure the benefits of the ambitious programme are realised and that spending profiles are accurate.

- Promoting a digital strategy across the Council, where suitable, to improve access to services, improve the customer experience and ensure services are cost effective and customer focused.

- 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. This has developed significantly in the last year due to the coronavirus pandemic forcing a change in working patterns and increased flexible home working. This will also help with the drive to rationalise the Council's assets to minimise costs associated with utilities and rates and maximise receipts that can support economic growth outcomes.

Annexes to the Medium-Term Financial Strategy Report 2021-25

February 2021

An Open, Fairer, Greener Cheshire East

Cheshire East Council

1. Corporate Plan 2021 to 2025

2a. Business Planning Process - Engagement

Introduction

2.1 Cheshire East Council conducted an engagement process on its Medium-Term Financial Plans through a number of stages running from December 2020 to Council in February 2021. Engagement will continue as proposals are implemented.

2.2 The budget consultation launched on-line on the 2nd December 2020, included details of the proposals against each (draft) Corporate Plan aim. This consultation was made available to various stakeholder groups and through a number of forums.

2.3 Where consultation with specific stakeholder groups is required in relation to specific proposals, this is being identified as part of the proposals High-Level Business Case. Therefore, some of the proposals remain "subject to consultation", and 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 2021-25 was affected by COVID-19 and this meant that the standard timescale for consultation on the Pre-Budget position was launched in December rather than November. The engagement exercise used existing meetings, as well as specific events, to provide a briefing on the Council's financial position, direction of travel in line with new priorities, the Budget Setting Process, and updates on progress for various stakeholder groups. It was based around the proposals that were included in the Council's Pre-Budget Consultation 2021-25, launched online on 2nd December 2020 and agreed by Cabinet on 1st December 2020.

2.8 The key events are outlined over the page.

2.9 All the feedback received by the Council is set out in the separate report (**Annex 2b – separate document**).

Key Engagement Events

Event	Date	Comments
Corporate Leadership Team Budget Sessions	May to Nov 2020	Confirm potential funding deficit for 2021/22 and the process to manage it. Set out budget setting timetable. Discuss high level proposals around demand pressures and proposed mitigating actions. Discuss funding strategy.
Cabinet	9th June 2020	Revenue 2019/20 Outturn.
Joint Corporate Leadership Team and Cabinet Member briefings and workshops	Various Dates throughout 2020/21	Confirm forecast funding position for 2021/22 to 2024/25. Debate, analyse and develop options for changes to current budget. Agree financial strategy for recommendation to Council.
Spending Round 2020	25th September 2020	Announcements from Central Government
Corporate Overview and Scrutiny Committee	1st October 2020	Received the Mid-Year Review (Finance) 2020/21 Report.
Cabinet	6th October 2020	Received the Mid-Year Review (Finance) 2020/21 Report.

Event	Date	Comments
Cabinet	1st December 2020	Pre-Budget Consultation report.
Cheshire East Council website	2nd December 2020	Pre-Budget Consultation launched on Council's website.
All Member Workshop	11th November 2020	Budget process, pressures and Council priorities.
Third Quarter – Review Meetings	28th October to 27th November 2020	Provided updated baseline spending calculations for services and potential impact on calculations proposed within the MTFS.
Message from Chief Executive	23rd November 2020	Issued to all staff and Members to headline release of Pre-Budget Consultation.
Team Voice	25th November 2020	Issued to all staff and Members to headline release of Pre-Budget Consultation.
Trades Unions	14th December 2020	Considered Pre-Budget Consultation. Followed up with individual sessions to explain proposals for People, Place and Corporate.
Cabinet	1st December 2020	Consider the Domestic Taxbase for recommendation to Council.
Cheshire East Business Forum	10th December 2020	Considered Pre-Budget Consultation.
Schools Forum	10th December 2020	Considered Pre-Budget Consultation.
Provisional Funding announcements	17th December 2020	From Central Government.
Council	16th December 2020	Agree the Domestic Taxbase.

Event	Date	Comments
Individual Portfolio Holders	January 2021	Review of draft Capital Programme.
Managers discussion	5th January 2021	Considered Pre-Budget Consultation
Town and Parish Councils	6th / 8th / 12th January 2021	Engagement events with local town and parish councils.
Corporate Overview and Scrutiny Committee	7th January 2021	Consider the Pre-Budget Consultation (relevant areas of the budget)
Pre Budget Consultation	8th January 2021	Pre Budget Consultation period closes.
Health and Adult Social Care and Communities Overview and Scrutiny Committee	14th January 2021	Considered Pre-Budget Consultation (relevant areas of the budget)
Environment and Regeneration Overview and Scrutiny Committee	18th January 2021	Considered Pre-Budget Consultation (relevant areas of the budget)
Children and Families Overview and Scrutiny Committee	25th January 2021	Considered Pre-Budget Consultation (relevant areas of the budget)
Corporate Overview and Scrutiny Committee	28th January 2021	Received MTFS Report/Review Final Budget Proposals alongside feedback from other Overview and Scrutiny Committees.

Event	Date	Comments
Cabinet	2nd February 2021	Received the Third Quarter Review of Performance Report. Consider MTFS Report and Consultation feedback and recommend proposals to Council.
Final Funding announcements	February 2021	From Central Government.
Council	17th February 2021	Debate and approval of 2021/22 budget.

2b. Budget Consultation Report

See separate document.

3. Impact Assessment

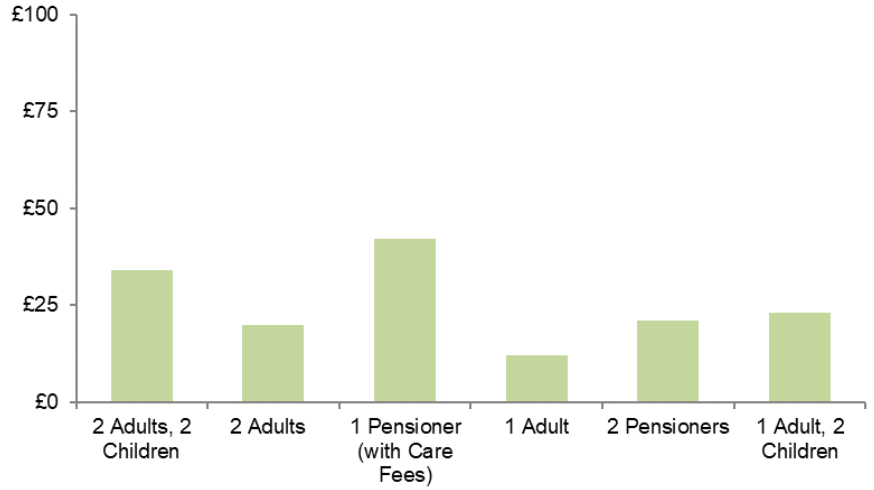
Household Calculator

3.1 The 2021/22 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 2020, were to be applied.

Chart 1: Households would face £42 increases in costs if simple inflation was applied to charges



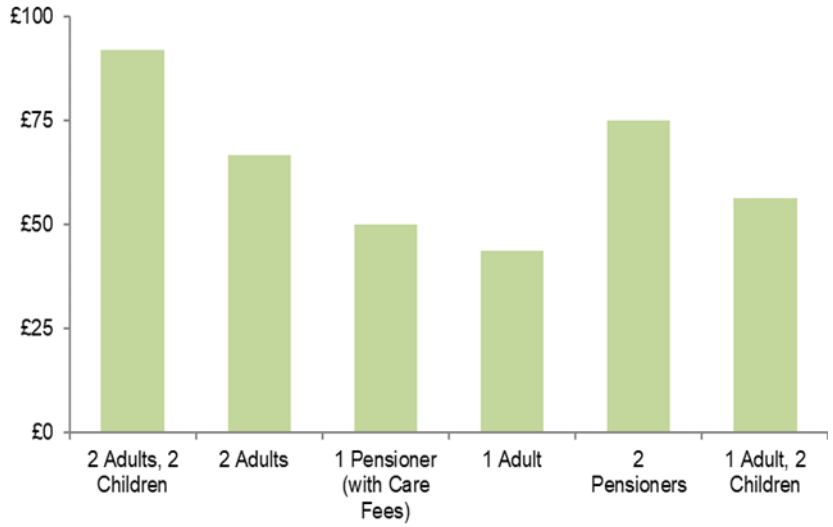
Source: Cheshire East Finance

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 £64. This is £39 higher than an average increase of £25 if RPI at 0.9% had been applied across all services. This is wholly due to the council tax increase of 4.99%. Fees and charges in these typical household examples are still in the process of being agreed for 2021/22.

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 C 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 2021/22 Budget Proposals on Businesses and the Economy

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)

The Council takes a proactive role in engaging with and supporting local businesses. which is particularly important as we continue to manage our response to the COVID-19 pandemic.

Our overall approach to economic recovery includes the following priorities:

- Supporting businesses in the Borough including a focus on the sectors most impacted by the pandemic such as the hospitality and retail sector but also building on the opportunities for growth in sectors such as life sciences, digital and energy.
- Developing a future pipeline of development and regeneration projects that can stimulate the local economy particularly to support town centres.
- Supporting our residents to secure employment through training and support.
- Ensuring that the Borough has an effective place marketing and inward investment marketing approach in place so that it is able to promote itself for inward investment in the future.
- Continuing to support our town centres and businesses that operate from them to encourage residents and visitors to have confidence in their towns and encourage active travel through our intervention.

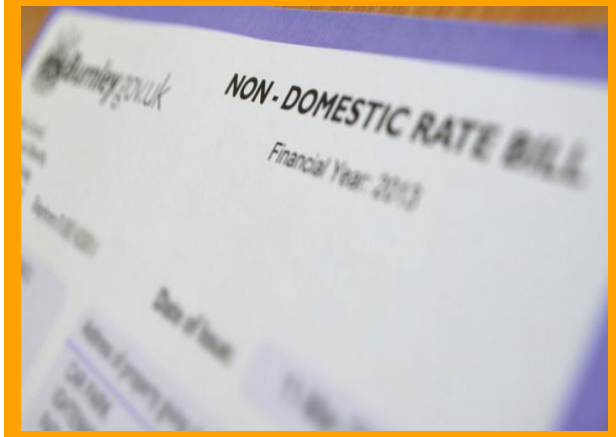
Since March 2020, the Council has had to switch its focus from supporting new business growth opportunities to supporting businesses to survive the immediate impacts of the crisis. This has included providing information and signposting for businesses to government schemes such as; Small Business Grants, Business Rates Relief, Coronavirus Business Interruption Loan Scheme (CBILS), Bounce Back Loan Scheme, Job Retention Scheme, Self-Employment Income Support Scheme as well as administering and assessing applications to the Local Discretionary Grant Scheme.

Town Centres

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 prospective HS2 station location. Over the 2019-23 period, at least £23.7m will be invested through the use of external funding, the Council's capital budget and the strategic use of its own land and property. The principal focus of this investment is a new bus station, multi-storey car park and public realm improvements at Royal Arcade which will help stimulate commercial investment and release other sites for development. Additional external funding is actively being sought through the Government's Future High Streets Fund, Towns Fund and Heritage Lottery Funds. By taking a mixed-use approach that incorporates leisure, retail and commercial uses alongside quality 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.

A number of regeneration projects are being pursued within Macclesfield aligned with the Strategic Regeneration Framework (SRF) for Macclesfield Town Centre. This framework sets a vision for Macclesfield as a place which 'celebrates its quirkiness' and capitalises on the strengths of its location; close to the Manchester conurbation but on the doorstep of the Peak District, and its accessibility via its mainline train station. In light of COVID-19 many of the objectives in the SRF are even more pertinent - the emphasis on pursuing the provision of appropriate in town residential development to support town centre viability for example may be even more critical if populations of the future seek to spend more time working from home, and the focus on enhancing the environmental quality of the public realm or the contribution of culture and heritage will be even more key to attract the local population to spend more leisure time in the centre.

Work is also to be progressed over the course of the MTFS to develop Town Centre Vitality Plans for the Borough's Key Service Centres. These will identify a range of initiatives and projects which would support the revitalisation of town centres and are likely to identify projects for which capital funding may be required in future years.



Business Rates multipliers for 2021/22

- Multipliers for business rates normally increase each year by CPI.
- The Government have announced that the multiplier will not increase for 2021/22. We are waiting for formal notice to confirm this.
- Multipliers for 2020/21 were set as follows:-
    - Standard Multiplier at 51.2p* in the £.
    - Small Business Multiplier 49.9p** in the £.

* Includes supplement to fund small business rate 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.

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 in April 2017. Any relief under the transition scheme will be automatically calculated and will appear on rate demands.

Small Business Rate Relief (SBRR)

- 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.

Expanded Retail Discount

In response to the coronavirus pandemic, in the Budget on 11 March 2020, the Government announced that it would increase the retail discount to 100% and extend it to include the leisure and hospitality sectors. Government also extended the relief so that properties that had to close as a result of the restriction measures due to COVID-19 were eligible for the relief. This discount was fully funded by the Government.

In 2020/21 £62.7m has been granted in retail discount to business rate accounts.

Nursery Discount

In response to the coronavirus pandemic the Government announced a business rates nursery discount for 2020/21. This relief applied to properties occupied by providers on Ofsted's Early Years Register where the property is used for the provision of the Early Years Foundation Stage. The discount was 100% of the rates charge for the year and was fully funded by the Government.

In 2020/21 £0.9m has been granted in discount to business rate accounts.

Government have not made any announcements with regard to extending Expanded Retail Discount and Nursery Discount into 2021/22.

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Supplementary Business Rates

There are no proposals for Cheshire East Council to charge supplementary rates in 2021/22.

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 taxpayer'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

For Example: Town and Parish Councils, Health, Fire, Police, Schools, Colleges, Universities, Community, Voluntary and Faith Organisations, Housing Providers, Community Partnerships and Businesses working across themes and places to overcome challenges.

The opening of a new, locally developed service to support people in Nantwich with Dementia: Cheshire East Nantwich Soroptimists, Age UK Cheshire, Wishing Well, Safe in Hands, Cheshire Police, Richard Village, Right at Home, Morrisons and associated volunteers.

The Council is fully committed to create platforms for cross sector partnership working to ensure resource is maximised to provide the best possible services. Developing a shared vision across Cheshire East on key priorities is best practice to achieve the most effective outcomes for our residents. The keys areas of cross sector working, including examples, are as follows:

1. By developing integrated approaches across the Public Sector, we are seeing joined up offers for local people whilst having a greater understanding of the local needs of our population.
    - The Integrated Care Partnership across Cheshire East will explore how commissioning activities can be developed focusing on population health.
    - The eight Care Communities partnerships across health and social care are understanding the local health inequalities and identifying solutions to keep people fit and well.
    - Our ongoing partnership operations with Cheshire Police is making Cheshire East a safer place to live.
    - The fast-growing partnership arrangements with Cheshire Fire and Rescue to gather local intelligence and undertake safe and well checks are having an impact on the prevention agenda.

2. By working collaboratively with business and industry we are working to protect our businesses, grow our opportunities for local people, whilst improving the environmental impact across the borough.
    - A Social Value movement across Cheshire East has developed a network through a Social Value award, this allows all partners to show their commitment to making their organisation and the impact they have, to be even greater on the environment, the economy and in our communities.
    - By developing trusted relationships through Regulatory Services, Economic Growth and Regeneration we support business and industry to flourish across Cheshire East.

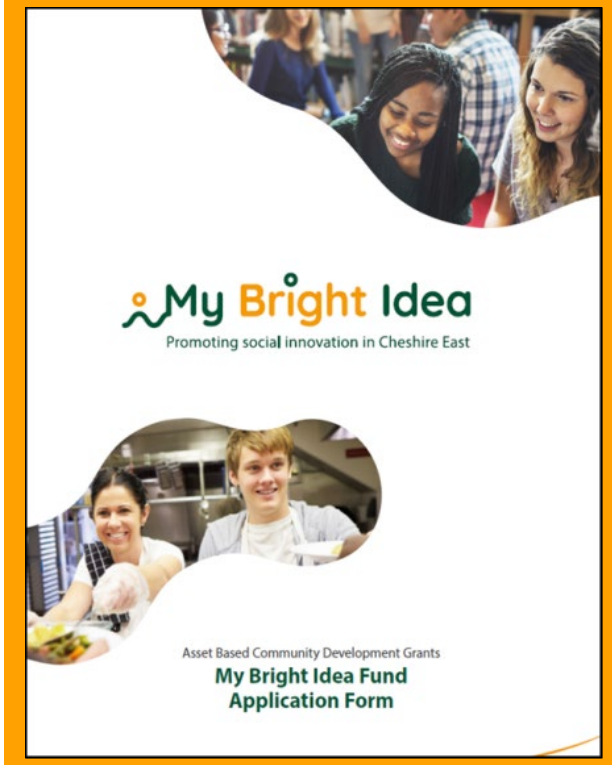
Congleton Police, Congleton Town Council and Cheshire Without Abuse are now able to offer monthly domestic abuse advice and support clinics in the Old Saw Mill building, one of Congleton's Connected Community Centre's supported by Cheshire East Council.

3. By working closely with the Voluntary, Community and Faith Sector we are gaining even more insight on the needs of residents and how Council statutory services can be complimented by more localised approaches that build on the skills that exist within communities.
    - The Voluntary, Community and Faith Sector Leaders group are now key stakeholders in any of the Council's co-production activities.
    - The Social Action Partnership is working across the VCFSE sector creating purpose-built partnerships that enhance the local offer and provide either more or joined up resources within communities.
    - 15 Local Neighbourhood Partnerships representing the beating heart of their communities where resource, ideas and opportunities are shared each month, which result in the development of local activities.

This cross-sector working will allow us to unite on key priorities such as building our local economy, investing in our local environment and developing opportunities that meet the needs of our communities.

The Council is keen to build on existing relationships and will always seek opportunities to develop new relationships to achieve a range of shared priorities.

Cheshire East Council My Bright Idea Fund to allow local people to apply to resolve local priorities (below).



- Town and Parish Councils: The funding of Cheshire Association of Local Councils to support the relationships and strong communication between Cheshire East Council and Town and Parish Councils can provide consistent approaches to local communities.

- Neighbourhood Partnerships: The development of 15 place based Neighbourhood Partnerships brings together a range of partners including the Voluntary, Community and Faith sector, Public sector, Private sector and local residents, to understand local priorities based on accessible data and local intelligence. As a partnership they collaboratively create and tailor projects to suit the communities' needs building on existing assets.

- Connected Communities Centres: by recognising our key partners that have accessible venues in our communities, we have developed a social franchise model to host a range of activities and support local residents. Each of the 30 centres deliver services tailored to their community, from coffee mornings, computer classes and line dancing, to learning a language, sharing a problem and offering space and support for local residents to turn their interests and passions into a group or activity that will benefit their wider community.

- Local Residents: Local people are Cheshire East Council's key stakeholders. We work to consult and engage on various issues and changes the Council make across the borough. One example of how we encourage our communities to remain strong and supportive is the availability of the Cheshire East Bright Idea fund which allows the Voluntary, Community and Faith sector as well as local people to apply for funding to improve their local community.

The Local Environment

The Council committed to be carbon neutral by 2025, and to work to encourage businesses, residents and organisations in Cheshire East to reduce their carbon footprint, by reducing energy consumption and promoting healthy lifestyles. Our Environment Strategy and Carbon Action Plan sets out the Councils' policy on the Environment and how it will achieve carbon neutrality by 2025 and influence carbon reduction across the borough.

Since 2010 the Council has reduced its carbon emissions by 55% but recognises there is still much more work to do to achieve carbon neutrality. We are committed to address this remaining carbon footprint by 2025 and to influence the wider borough. This will be achieved though further Council carbon reduction measures, sustainable energy production and carbon offset through locally focused environmental schemes such as large-scale tree planting sequestration (long term removal of carbon from the atmosphere). In doing so we seek to work in partnership with business and communities to influence carbon reduction together for the whole of the borough.

Equality and Diversity

Our aim is to make equality an integral part of the way the Council works by putting it at the centre of everything we do.

We recognise that promoting equality and diversity will improve public services for everyone. We want Cheshire East to be an area of equitable opportunity, where everyone has a fair chance and people from all backgrounds take part in community life.

To do this it is important to consider all individuals when carrying out day to day work. Services do this by providing evidence in the form of an Equality Impact Analysis form that they have considered the effect of their work on different groups protected from discrimination by the Equality Act 2010.

The Equality Impact Analysis (EIA) process ensures that services consider if there are any negative consequences for each of the 'protected characteristics' as detailed in the Equality Act 2010. These are 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:

- All new functions, policies, procedures and services as they are developed
- Significantly altered functions, policies, procedures and services
- On existing functions and policies.
- All consultations before they are published.

EIA's are published on our website and can be found at Equality Impact Assessment Webpage.

For all 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.

3.9 Under the Equality Act 2010, decision makers must show 'due regard' to the need to:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between those between those who share a protected characteristic and those who do not share it; and
- Foster good relations between those groups.

3.10 The protected characteristics are: age, disability, sex, race, religion and belief, sexual orientation, gender re-assignment, pregnancy and maternity, and marriage and civil partnership.

3.11 Having "due regard" is a legal term which requires the Council to consider what is proportionate and relevant in terms of the decisions they take.

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

3.13 The proposals within the MTFS include positive and negative impacts.

3.14 Positive impacts include investment in services for children and adults (protected characteristics primarily age and disability). Specific examples are investments in Children and Families modernisation, Ofsted response, SEND, children's social care and care leavers. There is significant investment in adult social care, support to care providers and for supporting accommodation (protected characteristics primarily age and disability). There is a specific proposal for investment in a transit site (protected characteristic race and belief).

3.15 There a number of savings proposals which could have a negative impact on those with protected characteristics and where appropriate mitigation will be required. These include reviews of Direct Payments, Day Opportunities, Mental Health Services, Learning Disabilities, Local Supported Buses and Parking Strategy. They will be subject to more detailed work and consultation before any decisions are made.

3.16 The new Corporate Plan's vision reinforces the Council's commitment to meeting its equalities duties, promoting fairness and working openly for everyone. Cheshire East is a diverse place and we want to make sure that people are able to live, work and enjoy Cheshire East regardless of their background, needs or characteristics.

4. Workforce Strategy

Working for a Brighter Future Together

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

4.2 Providing high quality services is increasingly challenging for public services where there is a need to respond to both increasing demand on services and increasing financial challenges.

4.3 As the climate within which we operate becomes increasingly more difficult, it is a key priority to support our people to meet the needs of residents by embedding further our cultural vision. This means ensuring; we have a shared purpose, we are supported and well-led, we are treated fairly and highly valued and that we succeed together.

4.4 Supporting the Council's new ways of working and making the best use of technology, whilst also recognising the diverse nature and the complexity of the roles our people play are integral to this work.

Workforce Priorities

4.5 Putting the right people in the right places at the right times is at the heart of the Council's success. To support the delivery of the Council's Corporate Plan within the context of the Vision and Employee Deal, three priority areas are:

- **Our Culture – enabling our workplace vision**
- **Our organisational and workforce development**
- **Our employee experience**

Workforce, Pay and Pensions

4.6 The National Employers final offer of 2.75% for 2020/21 has been accepted by the Trade Unions and the updated pay rates and arrears from April 2020 were paid in October salaries. Further work has been undertaken with the trade unions in respect of the Council's NJC Pay Structure and a final proposal has been submitted and this will be subject to consultation with the workforce shortly. Final proposals have also been submitted to the trade unions in respect of the changes to the JNC pay structure and the removal of performance related pay.

4.7 The legislation to implement the £95,000 cap on exit payments in the public sector completed the Parliamentary process and was signed into law on 14 October 2020. The new regulations and therefore the cap, came into force on 4 November 2020. Changes to the Local Government Pension Scheme rules which are required to accommodate the £95,000 cap have been subject to a separate consultation and legal challenge are not likely to be implemented for some months which creates a conflict between the existing regulations. The LGA and the Trade Unions continue to raise concerns about the implementation of this legislation with MHCLG and HM Treasury and there are applications for Judicial Review pending.

4.8 Through the Finance Act (2017), the payment of an apprenticeship levy became a statutory requirement in April 2017 and both the levy and apprenticeship new starts target are ongoing annually. The Council's liability remains at 0.5%

of the pay bill which is forecast to be approximately £0.7m per year.

4.9 Based on current headcount, the 2.3% of the workforce to be made up of apprentices is estimated to be 167 apprenticeship new starts for the Council each year, including ASDVs and maintained schools. 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. The apprenticeship levy does also provide the Council with dedicated funding for the development of existing staff and the training of new apprentice recruits, often in those areas with identified skills gaps.

4.10 A valuation of the Cheshire Pension Fund was undertaken to determine the employer contribution rates for the Local Government Pension Scheme which will come into effect from 1st April 2020. Forecast contribution rates will see no increase in employee costs for 2021/22.

4.11 Headcount and Full Time Equivalents (FTEs) have reduced steadily since Cheshire East Council was formed, following Local Government Reorganisation in 2009.

Date	Headcount	% change from previous year	FTE	% change from previous year
30-Apr-09	6,522	n/a	4,891.5	n/a
30-Apr-10	6,155	-5.63	4,582.8	-6.31
30-Apr-11	5,860	-4.79	4,385.4	-4.31
30-Apr-12	5,449	-7.01	4,080.2	-6.96
30-Apr-13	5,103	-6.35	3,880.7	-4.89
30-Apr-14	4,403	-13.72	3,232.7	-16.70
30-Apr-15	3,812	-13.42	2,883.5	-10.80
30-Apr-16	3,763	-1.29	2,891.7	0.28
30-Apr-17	3,623	-3.72	2,835.3	-1.95
30-Apr-18	3,587	-0.99	2,824.5	-0.38
30-Apr-19	3,556	-0.86	2,767.5	-2.02
30-Sep-18	3,580	-0.20	2,771.0	-1.89
30-Sep-19	3,593	+0.36	2,801.0	+1.08
30-Sep-20	**3,592**	-0.03*	**2,829.5**	+1.00*

* As compared to September 2019

Financial Sustainability Support and sustain a financial future for the Council, through service development, improvement and transformation	2021/22 £m*	2022/23 £m*	2023/24 £m*	2024/25 £m*
[3] Pay Inflationary Increases Increases in employee related costs over the medium term. Items covered by this proposal include review of pay structures; spinal point incremental increases for eligible staff and annual nationally negotiated pay awards. Pay inflation in 2021/22 only refers to employees earning less than £24,000pa. Pay inflation beyond 2021/22 is assumed at 2.5% for all employees. All pay inflation figures are subject to national negotiation. *Impact on service budget =*	**+1.662**	**+3.753**	**+3.833**	**+3.922**
**Values represent a +/- variation to the Cheshire East Council approved budget for 2020/21.* *Values are not cumulative*				

5. Risk Management

5.1 The Council continues to implement and embed an effective risk management framework and appropriate risk appetite to ensure that it is better placed to manage its performance; achieve its corporate objectives; and provide an enhanced level of service and outcomes to the community. Risk management is a key principle of effective corporate governance and operating within the framework ensures that there is a mechanism in place to support effective decision making and appropriate risk responses.

5.2 Cheshire East recognises that in pursuit of its objectives and outcomes that it may choose to accept an increased degree of risk. Where the Council chooses to accept an increased level of risk it will do so, subject always to ensuring that the potential benefits and threats are fully understood before developments are authorised, that it has sufficient risk capacity and that sensible measures to mitigate risk are established.

5.3 In this constantly evolving environment, with a need to continually adapt internal organisation to meet legal requirements, economic challenges, urban changes, demographic and social changes, it is possible for managers and decision makers to miss risks that may arise suddenly or unexpectedly. The Council uses its risk management framework to help protect against this and the Corporate Leadership Team and Cabinet regularly review the Council's strategic risks and give assurance on the effectiveness of risk management through the Council's Audit and Governance Committee.

5.4 The highest rated risks on the Council's strategic risk register are around shifting costs for both the Council and its key partners and suppliers, and increased demand, which places additional strain on the Council's capacity, resources and its financial resilience.

5.5 At a strategic level, the Corporate Leadership Team and Cabinet are included as part of the process to review existing risks as well identifying new and emerging risks. Operationally 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.

5.6 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.

5.7 In 2020/21 two strategic risks have had significant impacts on other strategic risks and on the council as a whole. COVID 19 has created financial and service pressures at an unprecedented level and continue to be an area of high risk and uncertainty. The risks to the Council associated with recent EU exit are being actively managed. These risks are being monitored, reviewed and reported regularly to the Audit and Governance Committee and the Cabinet.

5.8 As covered in other areas of the Reserves Strategy, financial risk is managed for example by estimating variations, demand led budgets, provisions in the Capital Strategy, limits within the Treasury Management Strategy. Financial and budgetary

matters are reported regularly to the Audit and Governance Committee which provides oversight. In the table below are the highest rated strategic risks (scored 12 and above) which have implications for financial management and potential impact on reserves.

Highest Rated Strategic Risks Scoring 12 and above (out of 16)		
Ref		**Short Risk Title**
01		Demand for People services
02		NHS funding
03		Financial Resilience
04		Cyber Security
05		Business Continuity
06		Capacity and Demand
07		EU Transition
09		Capital Projects
11		Pandemic
12		Failure and Fragility in Social Care Markets
16		Economic Risk

6. Local Taxbase and Collection Fund

Council Tax

6.1 Locally collected domestic taxes that are directly retained by the Council will provide approximately 77% of the Council's net funding in 2021/22. The Council therefore takes a very careful approach to managing the domestic taxbase in a way that reflects local growth ambitions and supports sustainable services in the medium term.

6.2 Growth in the local taxbase supports the ambition in the Corporate Plan of creating economic independence from Government grant. In 2021/22, there continues to be no general Government grant support to the revenue budget of Cheshire East Council. The speed of this change has been 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 continue to increase council tax levels in line with Government expectations.

6.3 Taxbase levels have risen steadily in recent years as can be seen in the table below

Table 1 - Taxbase increases	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
No. of properties as at Oct in previous year	169,189	170,942	173,087	175,059	178,158	180,505
Estimated new homes	1,600	1,500	1,800	2,200	2,200	1,800
Cheshire East Taxbase	142,186.60	144,201.51	147,003.80	149,517.54	152,597.84	153,796.10
Growth in taxbase	2.47%	1.42%	1.94%	1.71%	2.06%	0.79%

6.4 The taxbase for 2021/22 was approved by full Council on 16th December 2020 and further information can be obtained from the Domestic Taxbase report.

Business Rates

6.5 The Government introduced the business rates retention scheme on 1st April 2013. There continues to be 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.

6.6 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.

6.7 As part of the last five 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 but then in March 2020, the coronavirus pandemic locked the economy down and businesses have been dramatically affected. This has affected the in-year performance of business rates for 2020/21 and is likely to continue to impact over the medium term.

6.8 Central government use compensation S31 grants to reimburse Local Authorities for the cost of any discounts or exemptions that have been granted since the start of the scheme in April 2013. For 2020/21, a very large Extended Retail Relief scheme was introduced to help support

businesses through the pandemic. For Cheshire East this has accounted for around half of the original business rates that were due to be collected.

6.9 An in-year deficit is forecast to materialise due to lower collection which will increase year end arrears and result in a higher loss in collection provision being required, reductions in ratable value and higher than average refunds in year. The Extended Retail Relief has also created an in-year deficit in the region of c.£60m on its own. Therefore, the full deficit is likely to be in the region of c.£70m of which half is repayable by the authority.

6.10 Central Government have already compensated local authorities for their share of the Extended Retail Relief so this portion of the deficit can be immediately repaid in full in 2021/22. This will leave a residual deficit in the region of £9.5m.

6.11 Central Government have also confirmed as part of the Spending Review in November 2020 that 75% of irrecoverable losses in the Collection Fund will be funded. Regulations have also been brought in to allow the remaining in year deficit to be spread over the following three years to assist with the impact on the revenue budget (see Collection Fund section later in the Annex)

6.12 For 2020/21 the NNDR1 return was forecasting retained rates of £3.1m above the funding baseline (of £42.5m) giving a contribution to the revenue budget of £45.6m. This budget above the baseline was accounting for the growth projections since the start of the BRRS plus levy savings that were forecast as part of the 2020-24 Medium Term Financial Strategy report. The shortfall against this budget as an on-going result of the pandemic will now be covered by the Collection Fund Earmarked Reserve which was set up to provide protection against fluctuation in rates.

6.13 Business rates compensation grants, payable by Central Government, for any new exemptions or discounts granted since the baseline funding levels were set back in April 2013 are also being used in part to support the revenue budget in 2020/21 which took the total business rates income to £49.8m.

6.14 For 2021/22, despite the reduced starting point with the taxbase, the usual process of forecasting growth in Rateable Value has been undertaken as set out below.

Available Data

6.15 The Council has gathered information from several sources to judge likely levels of economic growth or decline 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

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

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

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

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

Results

6.20 Retained rates income forecast from growth in the taxbase for 2021/22 is forecast to be £0.76m. After the central share and levy payments have been made it results in a net increase for Cheshire East of £0.31m as per **Table 2**.

6.21 However, due to the unprecedented times that businesses are currently facing, it is prudent not to include any increase in overall business rates income for 2021/22 and beyond.

6.22 For 2021/22 the government has announced that the multiplier usually used to increase business rate bills by inflation are to be frozen at 2020/21 levels also.

6.23 For 2021/22, the retained rates are still in the process of being calculated (at the time of writing the MTFS). The assumption is that the use of the S31 compensation grants will continue into next year also, with any remaining amount being credited to the Collection Fund Earmarked reserve to help fund the risk around future business rates funding. Therefore, the resulting overall funding from business rates will be retained at £49.1m for 2021/22.

6.24 The revised business rates retention scheme that was due to be implemented from April 2021 has now been delayed by a further year due to the impact on Central Government resources. This also contributed to the decision not to increase business rates income over the medium term.

Table 2 - Estimated Increased Net Business Rates Income

Business Type	2021/22 £m	2022/23 £m	2023/24 £m
Retail	0.64	2.22	1.16
Offices	0.20	0.00	0.00
Manufacturing	-0.18	0.00	0.00
Leisure	0.10	0.03	0.00
Other	0.00	0.01	0.00
Industrial	0.00	0.00	0.00
Total Net Growth	**0.76**	**2.26**	**1.16**
Total Retention for Cheshire East	**0.31**	**0.90**	**0.46**

Collection Fund

6.25 Receipts from council taxpayers 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).

6.26 If receipts are more than the budgeted precepts of the billing authority (Cheshire East) and the major preceptors, then this creates a surplus in the fund which can be released in the following financial year. If receipts are less, then this would result in a deficit which would need to be paid back by all parties in their proportionate shares in future years.

6.27 COVID-19 has had a severe impact on both the Council Tax and Business Rates collection funds and the tables below set out the estimated position on each fund as at the end of 2020/21.

Collection Fund 2020/21 - Council Tax	**£m**
Balance brought forward	**£m**
2019/20 Outturn (Surplus) / Deficit	**-0.229**
Demand on Collection Fund (precepts)	
Cheshire East (inc. Parish Precepts)	**238.254**
Cheshire Police and Crime Commissioner	**32.113**
Fire Authority	**12.099**
Total Payments due to Preceptors	**282.466**
2019/20 surplus estimation declared in Jan 20 - to be allocated out in 2020/21	**0.174**
Total Payments due to Preceptors	**0.174**
Net payment due to Preceptors	**282.640**

Net Income due into the Collection Fund (estimate as at Dec 2020)	**280.496**
Discretionary reliefs to be funded by General Fund	
Foster Carers / Care Leavers	**0.083**
Total	**0.083**

Estimated Total Overall Deficit	**1.832**

Impact on Collection Fund Earmarked Reserve (before 75% compensation)	**£m**
2021/22	**0.485**
2022/23	**0.531**
2023/24	**0.531**

Collection Fund 2020/21 - Business Rates	£m
Balance brought forward	
2019/20 Outturn (Surplus) / Deficit	**1.013**
Demand on Collection Fund	
Central Government	**70.743**
Cheshire East	**69.328**
Fire Authority	**1.415**
Total payments due to Preceptors	**141.486**
2019/20 surplus estimation declared in Jan 20 - to be allocated out in 2020/21	**0.064**
Total Payments due to Preceptors	**0.064**
Net payment due to Preceptors	**141.550**

Net Income due into the Collection Fund (estimate as at Dec 2020)	73.108

Items to be excluded from Collection Fund share to preceptors	
Cost of Collection	**-0.573**
EZ Growth Disregard	**-0.517**
Renewable Energy Disregard	**-0.116**
	-1.206

Estimated Total Overall Deficit	70.661

Impact on Collection Fund Earmarked Reserve (before 75% compensation)	£m
2021/22 (after contribution from S31 compensation grant of £29.9m for Extended Retail Relief)	**-1.900**
2022/23	**-1.372**
2023/24	**-1.372**

6.28 New legislation has been passed during 2020/21 to allow these “exceptional balances” to be spread equally over the period 2021/22 to 2023/24 to avoid all the costs being incurred in one year.

6.29 For Business Rates the loss in income is extremely significant due mainly to the Extended Retail Relief which awarded over £60m to all eligible retail establishments This deficit will be borne 49% by the billing authority and S31 compensation funding has already been received to offset this deficit.

6.30 It has also been announced as part of the Spending Review in November 2020 and then confirmed as part of the Local Government Provisional Settlement on 17th December that 75% of the “irrecoverable losses” due to COVID-19 will be fully funded by way of a further S31 grant.

6.31 The prior year deficit for business rates and the in-year deficit (c.25%) residual balances will be managed through the use of the Collection Fund Earmarked Reserve.

7. The Budget Setting Process for the 2021/22 Financial Year

Set Parameters	Gather Evidence	Consult and Refine	Approve
Apr to May 2020	**June to Nov 2020**	**Dec 2020 to Jan 2021**	**Feb 2021**

Assumptions reported to Cabinet / Council in Feb 2020

Revenue Budget 2019/20	£m
Cost of services	312.8
Local Taxation	-285.5
Government Funding	-15.2
Council Tax Collection Fund	0.0
Total	12.2

Develop Pre Budget Consultation to close the gap

Review Assumptions	£m
Net change to cost of services and central budgets	-3.7
Pension Income due to Actuary results	-4.6
Local Tax Base Decrease due to additional Council Tax Support	0.5
Assumption in grant funding that we will be "no worse off" compared to 2020/21 due to rolled forward settlement	-6.4
Council Tax Collection Fund deficit (to be taken in 2021/22)	2.0
Total	-12.2

Changes Post Pre Budget Consultation

Confirm Proposals	£m
Net change in policy proposals	3.6
Change in use of Earmarked reserves	2.8
New Homes Bonus refinement following provisional settlement	3.4
Grant changes following provisional settlement	-0.9
Additional Adult Social Care precept	-6.9
Council Tax Collection Fund	-2.0
Total	0.0

Medium Term Financial Strategy

Budget Report	£m
Cost of services	311.1
Local Taxation	-291.9
Government Funding	-19.2
Total	0.0

8. Revenue Grant Funding

Corporate Grants Register 2021-25	Revised Budget 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
SPECIFIC USE (Held within Services)					
People					
Schools					
Dedicated Schools Grant	290,497	311,122	311,122	311,122	311,122
Less Academy Recoupment	155,381	163,150	171,308	179,873	188,867
Dedicated Schools Grant (Cheshire East)	135,116	147,972	139,814	131,249	122,255
Pupil Premium Grant (maintained schools only)	4,423	4,423	4,423	4,423	4,423
Year 7 Catch-up	81	81	81	81	81
Sixth Forms Grant (maintained schools only)	2,366	2,452	2,452	2,452	2,452
Universal Infant Free School Meals	1,873	1,910	1,910	1,910	1,910
Primary Physical Education Sports Grant	1,092	1,084	1,084	1,084	1,084
Free School Meals (FSM) Supplementary Grant	170	167	167	167	167
Teachers Pay Grant	1,037	0	0	0	0
Teachers Pension Grant	3,079	0	0	0	0
COVID-19 Coronavirus Schools Fund (Schools Emergency Support)	257	0	0	0	0
COVID-19 Catch Up Premium	353	0	0	0	0
School Improvement Monitoring and Brokering Grant	259	259	259	259	259
Milk Subsidy	21	21	21	21	21
Supplementary Pension Grant - Centrally Employed Teachers	78	0	0	0	0
Additional Dedicated Home to School and College Transport	295	0	0	0	0
COVID-19 Wellbeing for Education Return Grant	55	0	0	0	0
Total Schools	**150,555**	**158,369**	**150,211**	**141,646**	**132,652**
Children and Families	2,019	1,696	1,661	1,661	1,661
Adult Social Care and Health [(1)]	29,708	12,603	12,576	12,576	12,576
Public Health	21,364	16,757	16,757	16,757	16,757
Total People	**203,646**	**189,425**	**181,205**	**172,640**	**163,646**

Corporate Grants Register 2021-25	Revised Budget 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
Place					
Growth and Enterprise	1,506	0	0	0	0
Environment and Neighbourhood Services	159	0	0	0	0
Highways and Infrastructure	1,340	348	348	348	348
Directorate	2,047	787	787	787	787
Total Place	**5,052**	**1,135**	**1,135**	**1,135**	**1,135**
Corporate					
Finance and Customer Services	48,964	43,626	39,315	37,371	35,524
Total Corporate	**48,964**	**43,626**	**39,315**	**37,371**	**35,524**
TOTAL SPECIFIC USE	**257,662**	**234,186**	**221,655**	**211,146**	**200,305**
GENERAL PURPOSE (Held Corporately)					
PEOPLE - Children and Families					
Staying Put Implementation Grant	113	0	0	0	0
Extended Rights to Free Transport	201	201	201	201	201
Extended Personal Adviser Duty Implementation	42	0	0	0	0
Extension of the role of Virtual School Heads	60	60	60	60	60
Domestic Abuse Duty Capacity Building Fund	50	0	0	0	0
PEOPLE - Adult Social Care and Independent Living					
Social Care Support Grant	7,616	7,979	7,979	7,979	7,979
Independent Living Fund	861	818	818	818	818
Local Reform & Community Voices, Social Care in Prisons and War Pension Scheme Disregard	340	340	340	340	340
Controlling Migration Fund	0	0	0	0	0
PLACE					
Neighbourhood Planning Grant for Local Planning Authorities	100	0	0	0	0
Homelessness Reduction Act - new burdens	116	0	0	0	0
Letting Agents Transparency & Redress Schemes	1	0	0	0	0
Environmental Service Feasibility Study (NW Local Energy Hub)	67	0	0	0	0

Corporate Grants Register 2021-25	Revised Budget 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
CORPORATE					
Business Support Grant	116,307	0	0	0	0
Housing and Council Tax Benefit Administration	1,022	1,022	970	921	875
NNDR Administration Allowance	571	569	569	569	569
New Homes Bonus	11,193	7,841	3,920	1,960	980
Lower Tier Services Grant	0	335	0	0	0
Individual Electoral Registration	34	0	0	0	0
COVID-19 Council Tax Hardship Fund	2,063	0	0	0	0
CENTRAL ITEMS (2)					
COVID-19 Additional Business Rates Reliefs payments for 2020/21 (Tranche 1)	58,786	0	0	0	0
COVID-19 Additional Business Rates Reliefs payments for 2020/21 (Tranche 2)	1,775	0	0	0	0
COVID-19 Compensation for Sales, Fees and Charges Income	6,100	0	0	0	0
COVID-19 Emergency Funding (Tranche 2)	10,539	0	0	0	0
COVID-19 Emergency Funding (Tranche 3)	2,711	0	0	0	0
COVID-19 Emergency Funding (Tranche 4)	2,578	0	0	0	0
COVID-19 Winter Grant Scheme	880	0	0	0	0
Business Rates Reliefs Grant 2020/21	9,188	0	0	0	0
TOTAL GENERAL PURPOSE	**233,314**	**19,165**	**14,857**	**12,848**	**11,822**
TOTAL GRANT FUNDING	**490,976**	**253,351**	**236,512**	**223,994**	**212,127**

(1) In respect of Private Finance Initiatives (PFI), Cheshire East Council are currently reflecting the total PFI grant monies received, even though Beechmere Extra Care Housing building, which was destroyed in a fire, no longer stands. No agreement has been reached with the HM Treasury on any possible reduction of grant income and Cheshire East Council continues to pay the residual unitary charge excluding Beechmere to Avantage. Any decision will be dependent on the outcome of the fire investigation. Discussions are continuing with the private sector partner, who has recently restructured, with regard to both the reinstatement of Beechmere and the remediation of the other four sites which make up the PFI scheme.

(2) Further COVID-19 grant support is anticipated during 2021/22 but will be utilised entirely for related pressures in expenditure or income losses. £3.371m is expected for the Local Council Tax Support Scheme to help support residents on low income and a further tranche of general COVID-19 funding is expected totalling £8.5m. In addition the Council expects to receive grant in compensation for a proportion of any losses in sales, fees and charges income, compared to what would normally be received in the months April to June 2021

9. Capital Grant Funding

	Expected Receipt 2021/22	Application of Grants in 2021/22	Expected Receipt 2022/23	Application of Grants in 2022/23	Expected Receipt 2023/24	Application of Grants in 2023/24	Expected Receipt 2024/25	Application of Grants in 2024/25
	£000	£000	£000	£000	£000	£000	£000	£000
SPECIFIC PURPOSE (Held Corporately)								
PEOPLE								
Education and 14-19 Skills								
Early Years Sufficiency Fund - 2018/19	0	0	0	290	0	0	0	0
Special Provision Fund	0	815	0	0	0	0	0	0
School Condition Grant	1,560	2,132	1,560	1,560	1,560	1,560	1,400	1,400
Schools Nursery Fund	0	30	0	0	0	0	0	0
Devolved Formula Capital Grant	390	537	390	390	385	385	370	370
Basic Need Grant	5,977	14,738	0	10,926	0	2,800	0	0
TOTAL PEOPLE	**7,927**	**18,252**	**1,950**	**13,166**	**1,945**	**4,745**	**1,770**	**1,770**
PLACE								
Growth and Enterprise								
Connecting Cheshire Digital 2020 - Super Fast Broadband	4,515	4,515	1,179	1,179	0	0	0	0
Disabled Facilities Grant	2,065	2,065	2,065	2,065	0	0	0	0
Homes England Grant - Gypsy Traveller Site	550	550	0	0	0	0	0	0
Homes England Grant - North Cheshire Garden Village	3,732	3,732	10,500	10,500	7,468	7,468	0	0
PROW CMM A6 MARR	0	98	0	0	0	0	0	0
Schools Capital Maintenance	0	135	0	0	0	0	0	0
Homes England Grant - South Macclesfield Development Area	3,534	3,534	6,466	6,466	0	0	0	0

	Expected Receipt 2021/22	Application of Grants in 2021/22	Expected Receipt 2022/23	Application of Grants in 2022/23	Expected Receipt 2023/24	Application of Grants in 2023/24	Expected Receipt 2024/25	Application of Grants in 2024/25
	£000	£000	£000	£000	£000	£000	£000	£000
SPECIFIC PURPOSE (Held Corporately)								
Infrastructure and Highways								
Department for Transport S31 Grant - A500	825	825	0	0	0	0	0	0
Department of Transport Incentive Fund	1,987	1,987	1,987	1,987	1,987	1,987	1,987	1,987
Department of Transport Integrated Transport Grant	8,409	8,963	8,409	8,704	8,409	8,409	8,409	8,409
Department of Transport Maintenance Grant	1,751	1,751	1,751	1,751	1,751	1,751	1,751	1,751
Department of Transort - Pothole and Challenge Fund	0	200	0	0	0	0	0	
Department of Transport S31 Grant - Middlewich Eastern Bypass								
Housing Infrastructure Fund (MHCLG) - Northwest Crewe Package	5,807	5,807	0	0	0	0	0	0
National Productivity Investment Fund (NPIF) - Flower Pot Junction, Macclesfield	2,498	2,498	0	0	0	0	0	0
National Productivity Investment Fund (NPIF) - North West Crewe Spine Road Project	4,173	4,173	0	0	0	0	0	0
Local Growth Fund - Poynton Relief Road	12,037	12,037	0	0	0	0	0	0
Department for Transport - Safer Road Fund A532	603	603	0	0	0	0	0	0
Department for Transport - Safer Road Fund A536	1,860	1,777	0	83	0	0	0	0
Local Growth Fund - Sustainable Travel Access Programme	1,132	1,132	0	0	0	0	0	0
TOTAL PLACE	**55,478**	**56,382**	**32,357**	**32,735**	**19,615**	**19,615**	**12,147**	**12,147**
TOTAL SPECIFIC PURPOSE - CAPITAL GRANT FUNDING	**63,405**	**74,634**	**34,307**	**45,901**	**21,560**	**24,360**	**13,917**	**13,917**

10. Financial Summary Tables (Revenue)

The 2020/21 Budget, shown as the starting point for the following tables, takes account of any permanent changes made during the 2020/21 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.

	Third Quarter 2020/21 Net Budget £000	Less 2020/21 Temporary Grant Budgets £000	Other Budget Amendments £000	2021/22 Base Budget £000
PEOPLE				
Directorate	881	-	-	881
Adult Social Care Operations	28,033	-	(443)	27,590
Children's Social Care	40,190	(155)	(50)	39,985
Commissioning	88,758	(43)	-	88,715
Education & 14-19 Skills	15,088	(262)	-	14,826
Prevention & Early Help	8,352	(50)	50	8,352
Public Health	-	-	-	-
	181,302	(510)	(443)	180,349
PLACE				
Directorate	978	-	-	978
Environment & Neighbourhood Service	41,299	(654)	443	41,088
Growth & Enterprise	20,551	(192)	(30)	20,329
Highways & Infrastructure	11,945	-	-	11,945
	74,773	(846)	413	74,340
CORPORATE				
Directorate	794	-	(261)	533
Finance & Customer Services	8,678	(15)	162	8,825
Governance and Compliance Services	10,018	(47)	-	9,971
Transformation	14,781	-	129	14,910
	34,271	(62)	30	34,239
TOTAL SERVICE BUDGET	**290,346**	**(1,418)**	**-**	**288,928**
CENTRAL BUDGETS				
Capital Financing	12,000	-	-	12,000
Corporate Contributions	717	-	-	717
Contribution to / from Reserves	(694)	-	-	(694)
	12,023	-	-	12,023
TOTAL BUDGET	**302,369**	**(1,418)**	**-**	**300,951**
CENTRAL BUDGETS FUNDING				
Business Rates Retention Scheme	(49,786)	-	-	(49,786)
Specific Grants	(22,932)	1,418	-	(21,514)
Council Tax	(229,504)	-	-	(229,504)
Sourced from Collection Fund	(147)	-	-	(147)
TOTAL CENTRAL BUDGETS FUNDING	(302,369)	1,418	-	(300,951)
FUNDING POSITION	**-**	**-**	**-**	**-**

CHESHIRE EAST COUNCIL - Summary REVENUE BUDGET

	Budget including Policy Proposals					
	2021/22			2022/23	2023/24	2024/25
Directorate	**Expenditure £000**	**Income £000**	**Net £000**	**Net £000**	**Net £000**	**Net £000**
People	252,448	-65,210	**187,238**	**186,686**	**187,441**	**192,262**
Place	108,294	-33,328	**74,966**	**75,230**	**76,370**	**78,104**
Corporate	112,635	-76,421	**36,214**	**36,633**	**37,943**	**39,097**
Total Cost of Service	**473,377**	**-174,959**	**298,418**	**298,549**	**301,754**	**309,463**
Central Items	19,340	-6,662	**12,678**	**15,505**	**17,752**	**16,676**
Total Cost of Service	**492,717**	**-181,621**	**311,096**	**314,054**	**319,506**	**326,139**

	Policy Proposals included above					
Policy Proposals						
People	6,958	-67	**6,891**	**-552**	**755**	**4,821**
Place	261	366	**627**	**264**	**1,140**	**1,734**
Corporate	775	1,200	**1,975**	**419**	**1,310**	**1,154**
Central Items	4,222	-3,567	**655**	**2,827**	**2,247**	**-1,076**
Financial Impact of Policy Proposals	**12,216**	**-2,068**	**10,148**	**2,958**	**5,452**	**6,633**

PEOPLE - Directorate Summary REVENUE BUDGET

	Budget including Policy Proposals					
	2021/22			2022/23	2023/24	2024/25
Service Area	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Adult Social Care Operations	33,298	-5,333	**27,965**	**28,166**	**28,385**	**29,122**
Children's Social Care	45,782	-2,860	**42,922**	**41,586**	**41,119**	**40,826**
Commissioning	128,002	-36,923	**91,079**	**92,003**	**93,480**	**97,610**
Directorate	1,108	-220	**888**	**913**	**938**	**964**
Education and 14-19 Skills	18,519	-2,414	**16,105**	**16,060**	**15,871**	**15,897**
Prevention and Early Help	8,691	-412	**8,279**	**7,958**	**7,648**	**7,843**
Public Health	17,048	-17,048	**0**			
Total Cost of Service	**252,448**	**-65,210**	**187,238**	**186,686**	**187,441**	**192,262**

	Policy Proposals included above					
Policy Proposals						
Adult Social Care Operations	261	118	**379**	**201**	**219**	**737**
Children's Social Care	2,937		**2,937**	**-1,336**	**-467**	**-293**
Commissioning	2,462	-100	**2,362**	**924**	**1,477**	**4,130**
Directorate	7		**7**	**25**	**25**	**26**
Education and 14-19 Skills	1,354	-75	**1,279**	**-45**	**-189**	**26**
Prevention and Early Help	-63	-10	**-73**	**-321**	**-310**	**195**
Financial Impact of Policy Proposals	**6,958**	**-67**	**6,891**	**-552**	**755**	**4,821**

PEOPLE - Adult Social Care Operations — REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	Income £000	Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Care4CE		19,725	-4,489	**15,236**	**15,236**	**15,236**	**15,236**
East Adult Social Care		4,089		**4,089**	**3,839**	**3,589**	**3,589**
South Adult Social Care		4,674		**4,674**	**4,424**	**4,174**	**4,174**
Adult Social Care Operations		465	-793	**-328**	**-328**	**-328**	**-328**
Mental Health and Learning Disability		2,507		**2,507**	**2,507**	**2,507**	**2,507**
Adult Safeguarding		1,452	-51	**1,401**	**1,401**	**1,401**	**1,401**
Pay Inflation		386		**386**	**1,087**	**1,806**	**2,543**
Total Cost of Service		**33,298**	**-5,333**	**27,965**	**28,166**	**28,385**	**29,122**

		Policy Proposals included above					
Policy Proposals							
Fixed Penalty Income target	Green		118	**118**			
Productivity and Efficiency in Adult Social Care	Open			**0**	**-500**	**-500**	
Increased Useage of Digital Technology	Open	-125		**-125**			
Pay Inflation	Open	386		**386**	**701**	**719**	**737**
Financial Impact of Policy Proposals		**261**	**118**	**379**	**201**	**219**	**737**

PEOPLE - Children's Social Care — REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	Income £000	Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Cared for Children and Care Leavers		33,538	-2,292	**31,246**	**31,016**	**30,145**	**29,438**
Children in Need and Child Protection		6,903		**6,903**	**6,903**	**6,903**	**6,903**
Children's Safeguarding		2,556	-568	**1,988**	**1,988**	**1,988**	**1,988**
Childrens Contracts		1,078		**1,078**	**1,078**	**1,078**	**1,078**
Head of Service		1,570		**1,570**	**70**	**70**	**70**
Pay Inflation		137		**137**	**531**	**935**	**1,349**
Total Cost of Service		**45,782**	**-2,860**	**42,922**	**41,586**	**41,119**	**40,826**

		Policy Proposals included above					
Policy Proposals							
Investment in Cared for Children and Care Leavers	Fair	1,300		**1,300**	**1,300**	**1,300**	
Reduction in cost of external placements for cared for children	Fair			**0**	**-1,530**	**-2,171**	**-707**
Children's Social Care Transformation and OFSTED Response	Open	1,500		**1,500**	**-1,500**		
Pay Inflation	Open	137		**137**	**394**	**404**	**414**
Financial Impact of Policy Proposals		**2,937**	**0**	**2,937**	**-1,336**	**-467**	**-293**

PEOPLE - Commissioning — REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	Income £000	Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Integrated Commissioning		121,530	-8,314	**113,216**	**114,116**	**115,466**	**119,466**
Buiness & Finance		1,826	-25,354	**-23,528**	**-23,528**	**-23,528**	**-23,528**
ASC Commissioning		2,748	-3,095	**-347**	**-447**	**-447**	**-447**
Contract Management and Quality		971		**971**	**971**	**971**	**971**
Children's Commissioning		867	-160	**707**	**707**	**707**	**707**
Pay Inflation		60		**60**	**184**	**311**	**441**
Total Cost of Service		**128,002**	**-36,923**	**91,079**	**92,003**	**93,480**	**97,610**

Policy Proposals	Aim Reference	Policy Proposals included above					
Electronic Call Monitoring Reclamation	Fair	-245		**-245**	**-30**		
Investment in Adult Social Care	Fair	4,000		**4,000**	**4,000**	**4,000**	**4,000**
Investment in Advocacy Service	Fair	112		**112**			
Extra Care Housing – Catering / Restaurant Provision	Fair	300		**300**			
Growth for Care Fees in Adult Social Care	Fair	2,441		**2,441**			
Direction of travel for the Communities Team to focus	Fair	-250		**-250**	**-500**	**-750**	
Reduce Base budget assigned to Community Grants	Open	-50		**-50**	**-100**		
Pathfinder Cheshire East - Cheshire Community Action	Fair	-100		**-100**			
Learning Disabilities Future Service Development and	Fair	-750		**-750**	**-1,000**	**-1,250**	
Direct Payments	Open	-1,000		**-1,000**			
Day Opportunities Redesign, Strategy and Savings	Fair	-30		**-30**	**-70**	**-150**	
Cheshire Care Record	Fair	-138		**-138**			
Mental Health Floating Support	Fair	-120		**-120**			
Mental Health Services Review	Fair	-500		**-500**	**-500**		
Continuing Healthcare Reviews	Open	-500		**-500**	**-1,000**	**-500**	
Contract savings in the People Directorate	Open	-500		**-500**			
Review agreements linked to intermediate care beds	Fair	-268		**-268**			
Client Income in the People Directorate	Open		-100	**-100**			
Pay Inflation	Open	60		**60**	**124**	**127**	**130**
Financial Impact of Policy Proposals		**2,462**	**-100**	**2,362**	**924**	**1,477**	**4,130**

PEOPLE - Directorate

REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	Income £000	Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Directorate		1,101	-220	**881**	**881**	**881**	**881**
Pay Inflation		7		**7**	**32**	**57**	**83**
Total Cost of Service		**1,108**	**-220**	**888**	**913**	**938**	**964**
		Policy Proposals included above					
Policy Proposals							
Pay Inflation	Open	7		**7**	**25**	**25**	**26**
Financial Impact of Policy Proposals		**7**	**0**	**7**	**25**	**25**	**26**

PEOPLE - Education and 14-19 Skills — REVENUE BUDGET

Service Area	Aim Reference	2021/22 Expenditure £000	2021/22 Income £000	2021/22 Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Budget including Policy Proposals							
Education Infrastructure and Outcomes		1,036	-1,035	**1**	**1**	**1**	**1**
Client Commissioning - Transport		8,809		**8,809**	**8,809**	**8,809**	**8,809**
Education Partnership and Pupil Support		2,165	-500	**1,665**	**1,405**	**995**	**795**
Head Of Service and Legacy Pension Costs		2,218		**2,218**	**2,218**	**2,218**	**2,218**
Skills and Lifelong Learning		1,019	-879	**140**	**140**	**140**	**140**
Special Educational Needs and Disabilities		3,038		**3,038**	**3,038**	**3,038**	**3,038**
Pay Inflation		234		**234**	**449**	**670**	**896**
Total Cost of Service		**18,519**	**-2,414**	**16,105**	**16,060**	**15,871**	**15,897**
Policy Proposals included above							
Policy Proposals							
Reduce pensions budget to match latest forecasts	Open	-140		**-140**			
To review use of School Improvement Grant to provide capacity to support maintained schools	Open		-60	**-60**			
Increase capacity in SEND service to meet continuing demands on the service	Fair	380		**380**			
Review the use of the Cheshire East Lifelong Learning Service grant to reduce the requirement of Council funding	Fair	-110		**-110**			
Establish an Education Psychologist traded service to enable a proactive early support and intervention offer	Open			**0**	**-25**	**-75**	
To reduce costs of School Liaison and Governance service with less use of external support	Fair	-10		**-10**			
Fund the Cygnet programme for cared for children from pupil premium	Fair		-15	**-15**			
Establish a traded service for non-statutory elements of Attendance Service	Open			**0**	**-35**	**-35**	
Review of Children and Families Transport Policies and	Green			**0**	**-200**	**-300**	**-200**
Transport Management Fee savings will not be delivered	Green	1,000		**1,000**			
Pay Inflation	Open	234		**234**	**215**	**221**	**226**
Financial Impact of Policy Proposals		**1,354**	**-75**	**1,279**	**-45**	**-189**	**26**

PEOPLE - Prevention and Early Help — REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	Income £000	Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Children's Development and Partnerships		642		**642**	**642**	**342**	**342**
Preventative Services		7,515	-389	**7,126**	**6,619**	**6,419**	**6,419**
Youth Engagement Service		444	-23	**421**	**421**	**421**	**421**
Pay Inflation		90		**90**	**276**	**466**	**661**
Total Cost of Service		**8,691**	**-412**	**8,279**	**7,958**	**7,648**	**7,843**

		Policy Proposals included above					
Policy Proposals							
Increase income from hire of Children's Centres	**Open**		-10	**-10**			
Reduction in contribution to Cheshire Youth Justice Service	**Fair**	-45		**-45**			
Prevention and Early Help Service – Locality working and changes to the management structure of the Family Service	**Open**			**0**	**-140**		
Prevention and Early Help Service – Reduction in the cost of Prevention Services	**Open**			**0**		**-200**	
Reduced travel, supplies and services for Early Help services	**Open**	-58		**-58**			
Reduced capacity in Family Information Service	**Fair**	-50		**-50**			
Development and Partnerships Service	**Fair**			**0**		**-300**	
Move to Integrated Early Help Locality Service model	**Fair**			**0**	**-167**		
Reduce the numbers of Business Support staff	**Open**			**0**	**-200**		
Pay Inflation	**Open**	90		**90**	**186**	**190**	**195**
Financial Impact of Policy Proposals		**-63**	**-10**	**-73**	**-321**	**-310**	**195**

PEOPLE - Public Health — REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	Income £000	Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Intelligence and Health Care		16,823		**16,823**	**16,823**	**16,823**	**16,823**
Health Improvement		225		**225**	**225**	**225**	**225**
Grant Income			-17,048	**-17,048**	**-17,048**	**-17,048**	**-17,048**
Total Cost of Service		**17,048**	**-17,048**	**0**	**0**	**0**	**0**

	Policy Proposals included above					
Policy Proposals						
Financial Impact of Policy Proposals	**0**	**0**	**0**	**0**	**0**	**0**

PLACE - Directorate Summary REVENUE BUDGET

	Budget including Policy Proposals					
	2021/22			2022/23	2023/24	2024/25
Service Area	Expenditure £000	Income £000	Net £000	Net £000	Net £000	Net £000
Directorate	1,469	-529	**940**	**951**	**962**	**974**
Environment and Neighbourhood Services	52,512	-10,613	**41,899**	**43,373**	**44,603**	**45,991**
Growth and Enterprise	31,223	-10,337	**20,886**	**20,803**	**20,626**	**20,909**
Highways and Infrastructure	23,090	-11,849	**11,241**	**10,103**	**10,179**	**10,230**
Total Cost of Service	**108,294**	**-33,328**	**74,966**	**75,230**	**76,370**	**78,104**

	Policy Proposals included above					
Policy Proposals						
Directorate	-37		**-37**	**11**	**11**	**12**
Environment and Neighbourhood Services	803	8	**811**	**1,474**	**1,230**	**1,388**
Growth and Enterprise	-18	575	**557**	**-83**	**-177**	**283**
Highways and Infrastructure	-487	-217	**-704**	**-1,138**	**76**	**51**
Financial Impact of Policy Proposals	**261**	**366**	**627**	**264**	**1,140**	**1,734**

PLACE - Directorate

REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	Income £000	Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Directorate		1,466	-529	**937**	**937**	**937**	**937**
Pay Inflation		3		**3**	**14**	**25**	**37**
Total Cost of Service		**1,469**	**-529**	**940**	**951**	**962**	**974**
		Policy Proposals included above					
Policy Proposals							
Constellation Partnership	Open	-40		**-40**			
Pay Inflation	Open	3		**3**	**11**	**11**	**12**
Financial Impact of Policy Proposals		**-37**	**0**	**-37**	**11**	**11**	**12**

PLACE - Environment and Neighbourhood Services — REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	Income £000	Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Development Management		3,758	-4,087	**-329**	**171**	**171**	**171**
Building Control & Planning Systems		1,847	-1,755	**92**	**92**	**92**	**92**
Director of Environmental & Neighbourhood Services		135		**135**	**135**	**135**	**135**
Spatial Planning		861		**861**	**861**	**861**	**861**
Neighbourhood Planning		226	-180	**46**	**46**	**46**	**46**
Environmental		34,827	-2,852	**31,975**	**32,560**	**33,036**	**33,649**
Regulatory Services		4,008	-1,372	**2,636**	**2,542**	**2,542**	**2,542**
Libraries		3,944	-305	**3,639**	**3,639**	**3,639**	**3,639**
Leisure Commissioning		1,763		**1,763**	**1,471**	**1,430**	**1,390**
Emergency Planning		213	-57	**156**	**156**	**156**	**156**
Head of Neighbourhood Services		545	-5	**540**	**540**	**540**	**540**
Pay Inflation		385		**385**	**1,160**	**1,955**	**2,770**
Total Cost of Service		**52,512**	**-10,613**	**41,899**	**43,373**	**44,603**	**45,991**

Policy Proposals	Aim Reference	Policy Proposals included above					
Ansa income generation and efficiencies - Food Waste Recycling	Open	-259		**-259**			
Waste Contract Inflation and Tonnage Growth	Green	810		**810**	**644**	**657**	**613**
Review of governance of ASDVs and seeking increased opportunities for savings / commercial opportunities	Open	-160		**-160**	**-100**	**-100**	
Environment Strategy and Carbon Neutrality	Green	96		**96**	**20**	**-81**	
Regulatory Services and Environmental Health ICT	Open			**0**	**-9**		
Orbitas income and management fee	Open	24	8	**32**	**21**		
Everybody Sport and Recreation Annual Management Fee	Open	-43		**-43**	**-42**	**-41**	**-40**
Strategic Leisure Review	Open			**0**	**-250**		
Flexible Resourcing for Service Delivery for Regulatory Services	Open	-50		**-50**			
CCTV migration to wireless networks	Open			**0**	**-85**		
Tree Risk Management	Green			**0**	**500**		
Pay Inflation	Open	385		**385**	**775**	**795**	**815**
Financial Impact of Policy Proposals		**803**	**8**	**811**	**1,474**	**1,230**	**1,388**

PLACE - Growth and Enterprise — REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	2021/22 Income £000	2021/22 Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Assets		2,051	-1,634	**417**	**387**	**367**	**367**
Facilities Management		14,758	-1,516	**13,242**	**12,882**	**12,422**	**12,422**
Farms		345	-708	**-363**	**-363**	**-363**	**-363**
Economic Development		1,662	-510	**1,152**	**1,152**	**1,152**	**1,152**
Housing		3,830	-883	**2,947**	**2,947**	**2,947**	**2,947**
Rural & Cultural Management		133		**133**	**133**	**133**	**133**
Tatton Park		4,869	-4,160	**709**	**703**	**675**	**629**
Public Rights of Way		713	-162	**551**	**551**	**551**	**551**
Cultural Economy		918		**918**	**918**	**918**	**918**
Countryside		1,001	-212	**789**	**789**	**789**	**789**
Visitor Economy		770	-552	**218**	**198**	**188**	**168**
Pay Inflation		173		**173**	**506**	**847**	**1,196**
Total Cost of Service		**31,223**	**-10,337**	**20,886**	**20,803**	**20,626**	**20,909**

		Policy Proposals included above					
Policy Proposals							
Tatton Park	Green			**0**	**-6**	**-28**	**-46**
Public Rights of Way Resources (Revenue implications of Capital)	Open	10		**10**			
Estates Transformation - Office Accommodation	Open	-44		**-44**	**-100**	**-460**	
Asset / Service Transfer	Green	-50		**-50**	**-30**	**-20**	
Housing Services	Green	-45		**-45**			
Development of a Transit Site (Revenue implications of	Green	27		**27**			
Transfer of Congleton Visitor Information Centre	Open	1		**1**	**-20**	**-10**	**-20**
Investment Income: Income Target Adjustment	Open		575	**575**			
Neighbourhood Estate Review	Open	-90		**-90**	**-260**		
Pay Inflation	Open	173		**173**	**333**	**341**	**349**
Financial Impact of Policy Proposals		**-18**	**575**	**557**	**-83**	**-177**	**283**

PLACE - Highways and Infrastructure REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	Income £000	Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Car Parking		1,797	-6,492	**-4,695**	**-5,650**	**-5,650**	**-5,650**
Transport Policy		577	-52	**525**	**525**	**525**	**525**
Transport Commissioning		4,363	-25	**4,338**	**4,096**	**4,096**	**4,096**
Highways		14,596	-4,208	**10,388**	**10,368**	**10,364**	**10,333**
HS2		720	-102	**618**	**618**	**618**	**618**
Infrastructure		1,004	-970	**34**	**34**	**34**	**34**
Pay Inflation		33		**33**	**112**	**192**	**274**
Total Cost of Service		**23,090**	**-11,849**	**11,241**	**10,103**	**10,179**	**10,230**

		Policy Proposals included above					
Policy Proposals							
Community Transport	Green		-25	**-25**			
Review of governance of ASDVs and seeking increased opportunities for savings / commercial opportunities	Open	-155		**-155**	**-125**		
Parking Strategy (Revenue implications of Capital) - Subject to separate consultation	Green	-215	-112	**-327**	**-955**		
Urban Grass Cutting	Open	-100		**-100**			
Improving customer experience – Highways correspondence	Open	-50		**-50**	**-50**		
Commercialisation of the Highway Service Contract	Open		-80	**-80**			
Carbon Reduction - Replacement of existing illuminated signs and bollards with LED units	Green			**0**	**30**	**-4**	**-31**
Local Supported Buses - Subject to separate consultation	Green			**0**	**-117**		
Pay Inflation	Open	33		**33**	**79**	**80**	**82**
Financial Impact of Policy Proposals		**-487**	**-217**	**-704**	**-1,138**	**76**	**51**

CORPORATE - Directorate Summary REVENUE BUDGET

	Budget including Policy Proposals					
	2021/22			2022/23	2023/24	2024/25
	Expenditure	Income	Net	Net	Net	Net
Service Area	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Directorate	347	-2	**345**	**33**	**-128**	**-88**
Finance and Customer Services	59,583	-49,727	**9,856**	**10,311**	**10,653**	**11,085**
Governance and Compliance Services	13,590	-3,390	**10,200**	**10,431**	**10,668**	**10,911**
Transformation	39,115	-23,302	**15,813**	**15,858**	**16,750**	**17,189**
Total Cost of Service	**112,635**	**-76,421**	**36,214**	**36,633**	**37,943**	**39,097**

	Policy Proposals included above					
Policy Proposals						
Directorate	-188		**-188**	**-312**	**-161**	**40**
Finance and Customer Services	-269	1,300	**1,031**	**455**	**342**	**432**
Governance and Compliance Services	229		**229**	**231**	**237**	**243**
Transformation	1,003	-100	**903**	**45**	**892**	**439**
Financial Impact of Policy Proposals	**775**	**1,200**	**1,975**	**419**	**1,310**	**1,154**

CORPORATE - Directorate REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	Income £000	Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Chief Executive		392		**392**	**392**	**392**	**392**
Executive Director of Corporate Services		143	-2	**141**	**141**	**141**	**141**
Corporate Efficiencies & Restructure Savings		-200		**-200**	**-550**	**-550**	**-550**
Shared Service Review				**0**		**-200**	**-200**
Pay Inflation		12		**12**	**50**	**89**	**129**
Total Cost of Service		**347**	**-2**	**345**	**33**	**-128**	**-88**
		Policy Proposals included above					
Policy Proposals							
Efficiency savings and Restructures within Corporate	**Open**	-200		**-200**	**-350**		
Shared services review	**Open**			**0**		**-200**	
Pay Inflation	**Open**	12		**12**	**38**	**39**	**40**
Financial Impact of Policy Proposals		**-188**	**0**	**-188**	**-312**	**-161**	**40**

CORPORATE - Finance and Customer Services — REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	Income £000	Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Finance		3,739	-1,027	**2,712**	**2,712**	**2,712**	**2,712**
Procurement		714	-194	**520**	**520**	**520**	**520**
Customer Services		6,774	-1,269	**5,505**	**5,597**	**5,566**	**5,616**
B4B Best For Business System Savings		-240		**-240**	**-240**	**-240**	**-240**
Housing Benefit Payments		48,455	-47,237	**1,218**	**1,218**	**1,218**	**1,218**
Pay Inflation		141		**141**	**504**	**877**	**1,259**
Total Cost of Service		**59,583**	**-49,727**	**9,856**	**10,311**	**10,653**	**11,085**
		Policy Proposals included above					
Policy Proposals							
Improved Debt Recovery and correcting budgeted court costs income targets to reflect actual levels	**Open**	-290		**-290**	**225**	**50**	**50**
Housing Benefit – Supported Accommodation	**Open**		1,300	**1,300**			
Brighter Futures Together Programme Customer	**Open**	-120		**-120**	**-133**	**-81**	
Pay Inflation	**Open**	141		**141**	**363**	**373**	**382**
Financial Impact of Policy Proposals		**-269**	**1,300**	**1,031**	**455**	**342**	**432**

CORPORATE - Governance and Compliance Services REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	Income £000	Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Governance and Democratic Services		5,893	-1,459	**4,434**	**4,434**	**4,434**	**4,434**
Legal Services		3,894	-706	**3,188**	**3,188**	**3,188**	**3,188**
Audit and Risk		3,548	-1,225	**2,323**	**2,323**	**2,323**	**2,323**
Director		146		**146**	**146**	**146**	**146**
Pay Inflation		109		**109**	**340**	**577**	**820**
Total Cost of Service		**13,590**	**-3,390**	**10,200**	**10,431**	**10,668**	**10,911**
		Policy Proposals included above					
Policy Proposals							
Local Election Costs	**Open**	150		**150**			
Member allowances and reduced mileage	**Open**	-30		**-30**			
Pay Inflation	**Open**	109		**109**	**231**	**237**	**243**
Financial Impact of Policy Proposals		**229**	**0**	**229**	**231**	**237**	**243**

CORPORATE - Transformation — REVENUE BUDGET

Service Area	Aim Reference	2021/22 Expenditure £000	2021/22 Income £000	2021/22 Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Budget including Policy Proposals							
Human Resources		3,416	-694	**2,722**	**2,372**	**2,272**	**2,272**
B4B Best For Business System Savings		-260		**-260**	**-260**	**-260**	**-260**
Business Change		3,639	-1,256	**2,383**	**2,475**	**2,597**	**2,733**
ICT - Strategy		30,565	-21,205	**9,360**	**9,387**	**9,986**	**10,018**
Transactional Services		1,389	-147	**1,242**	**1,242**	**1,242**	**1,242**
Mutually Agreed Resignation Scheme		116		**116**	**116**	**116**	**116**
Pay Review		34		**34**	**53**	**60**	**60**
Director of Transformation		129		**129**	**129**	**129**	**129**
Pay Inflation		87		**87**	**344**	**608**	**879**
Total Cost of Service		**39,115**	**-23,302**	**15,813**	**15,858**	**16,750**	**17,189**
Policy Proposals included above							
Policy Proposals							
Census 2021	Open	-20		**-20**			
People Directorate - ICT Procurements 2020-24 (Revenue implications of Capital)	Open	60		**60**	**63**	**66**	**19**
Place Directorate - ICT Procurements 2020-24 (Revenue implications of Capital)	Open	11		**11**	**11**	**11**	**11**
Corporate Directorate - ICT Procurements 2020-24 (Revenue implications of Capital)	Open	2		**2**	**2**	**2**	**2**
Unified Communications (Revenue implications of Capital)	Open	251		**251**	**283**	**296**	
Infrastructure Investment Programme (Revenue implications of Capital)	Open	59		**59**	**127**	**224**	
Reduce central training budget	Open	-80		**-80**			
Review of corporate subscriptions	Open	-35		**-35**	**-15**		
Review Staff Terms and Conditions	Open	-50		**-50**	**-350**	**-100**	
Core Financial System	Open	764		**764**	**-459**		
Mitigation of reduction in the Dedicated Schools Grant	Open	150		**150**	**107**	**122**	**136**
Commercial Workstream	Open		-100	**-100**			
Performance Related Pay / M grade change	Open	-196		**-196**	**19**	**7**	
Pay Inflation	Open	87		**87**	**257**	**264**	**271**
Financial Impact of Policy Proposals		**1,003**	**-100**	**903**	**45**	**892**	**439**

Central Items

REVENUE BUDGET

Service Area	Aim Reference	Budget including Policy Proposals 2021/22 Expenditure £000	Income £000	Net £000	2022/23 Net £000	2023/24 Net £000	2024/25 Net £000
Capital Financing		15,401	-1,401	**14,000**	**19,000**	**20,000**	**21,000**
Income from Use of Capital Receipts				**0**			
Past Service Pensions		1,717	-4,567	**-2,850**	**-4,750**	**-3,250**	**-3,250**
Transfer to/(from) Earmarked Reserves		2,022	-694	**1,328**	**1,055**	**802**	**-1,274**
Bad Debt Provision		200		**200**	**200**	**200**	**200**
Total Cost of Service		**19,340**	**-6,662**	**12,678**	**15,505**	**17,752**	**16,676**
		Policy Proposals included above					
Policy Proposals							
Minimum Revenue Provision	**Open**	2,000		**2,000**	**4,000**	**1,000**	**1,000**
Central Pension adjustment	**Open**		-4,567	**-4,567**	**-1,900**	**1,500**	
Bad Debt Provision	**Open**	200		**200**			
Capital Receipts Income	**Open**		1,000	**1,000**			
Use of Earmarked Reserves	**Open**	3,022		**3,022**	**-873**	**-853**	**-2,576**
Top up to General Reserves	**Open**			**0**	**600**	**600**	**500**
Capital Programme Review	**Open**	-1,000		**-1,000**	**1,000**		
Financial Impact of Policy Proposals		**4,222**	**-3,567**	**655**	**2,827**	**2,247**	**-1,076**

11. Capital Strategy

Executive Summary

11.1 This capital strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

11.2 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

11.3 The strategy includes a programme of capital investment which is aimed at delivering sustainable and inclusive economic growth in the Borough and supporting the delivery of essential front-line services. The Capital Programme therefore includes:

- Investment in projects to enable the delivery of the aim to be a Carbon Neutral Council by 2025
- Town centre redevelopment and regeneration projects
- Investment in strategic infrastructure to improve walking, cycling and rail capacity in the Borough, and capacity on the road network to reduce congestion and improve air quality
- Investment to enable the delivery of housing sites in the Borough which meet the needs of residents including affordable housing and housing for vulnerable and older people
- Investment in assets to support key front-line services such as improvement to our leisure centres, expansion of our schools and planned investment to maintain the highway network

11.4 The arrival of HS2 services to the Borough provide a significant opportunity for regeneration and economic growth for these towns and the borough. The Council has been working alongside Government, Network Rail and regional partners including Cheshire & Warrington Local Enterprise Partnership and Transport for the North to develop proposals for a Crewe HS2 Hub Station.

11.5 The preferred concept scheme is expected to be presented to Cabinet in 2021 ahead of a future Full Council investment decision to finance the scheme through new prudential borrowing. This investment decision will be subject to prior key government decisions and funding commitments to secure the necessary funding and revenue streams to support the associated borrowing.

Five Principles

11.6 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 priorities
2. The financial implications of capital projects are aligned with the Medium-Term Financial Strategy
3. Capital projects will be focused 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

11.7 The overarching aim of the Capital Strategy is to provide a framework within which the Council's capital investment plans will be delivered. The plans are driven by the Corporate Plan. All capital schemes therefore contribute to the achievement of the Council's aims and priorities.

Frank Jordan

Frank Jordan
Executive Director – Place

Comment from the Section 151 Officer

11.8 The Capital Strategy forms a key part of the Council's Medium-Term Financial Strategy (MTFS) alongside the Treasury Management and Investment Strategies. Each of these strategies will be reviewed each year and will support my opinion in determining the robustness of the Council's financial plans.

11.9 In particular the capital strategy:

- 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
- takes account of the significant revenue implications associated with capital investment

11.10 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

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

Alex Thompson

Alex Thompson FCPFA, IRRV(Hons)

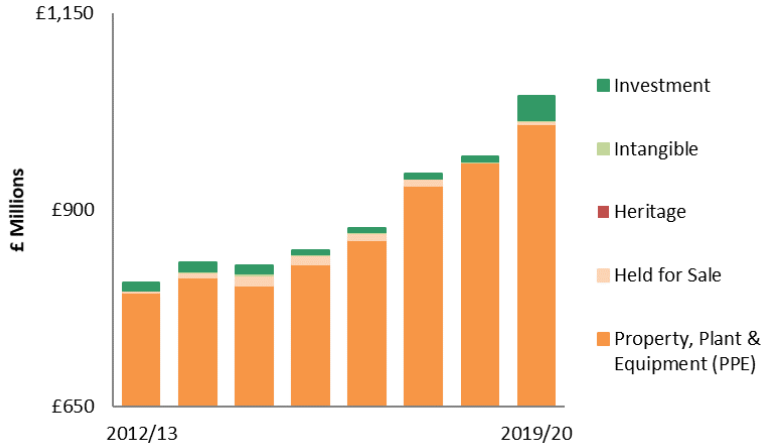
Director of Finance and Customer Services

(Section 151 Officer)

1. Introduction

11.12 As a public sector organisation, with assets valued to be in excess of £1billion, Cheshire East Council maintains a robust capital strategy that is clearly related to the corporate priorities; linked with infrastructure and asset planning; and includes a consistent approach to funding capital investment.

Property, Plant and Equipment is the most significant category of assets for the Council



11.13 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.

11.14 The programme is approved in line with the Council's Constitution and covers a minimum period of four 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.

11.15 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, 2019).

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

11.17 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).

11.18 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.

11.19 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.

11.20 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.

11.21 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

11.22 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 focused 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 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 with an appropriate gateway review and robust management of risk relating to capital projects.
5.	There will be a corporate approach to generating and applying capital resources.

11.23 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 Capital Expenditure

11.24 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.

11.25 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.

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

11.27 The Council agrees a rolling four year programme each year consistent with the Capital Strategy and the resources available. The proposed capital programme includes investment plans of £0.4bn. 59% of the funding is planned to come from Government grants or contributions from other external partners. In addition, 41% will come from the Council's work to maximise the value of asset sales to support development in the local area.

11.28 The budget process has also identified £437m of future projects which will require business cases to be developed prior to being submitted for approval to be added to the Capital Programme.

11.29 The starting point for the Capital Strategy is the Corporate Plan and identification of the aims for capital investment that will help to achieve the Council's key vision of being open, fair and green leading to the following strategic priorities:

1. An open and enabling organisation;
2. A Council which empowers and cares about people;
3. A thriving and sustainable place.

11.30 The capital programme includes investment in private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services; all of which contribute to achieving these priorities.

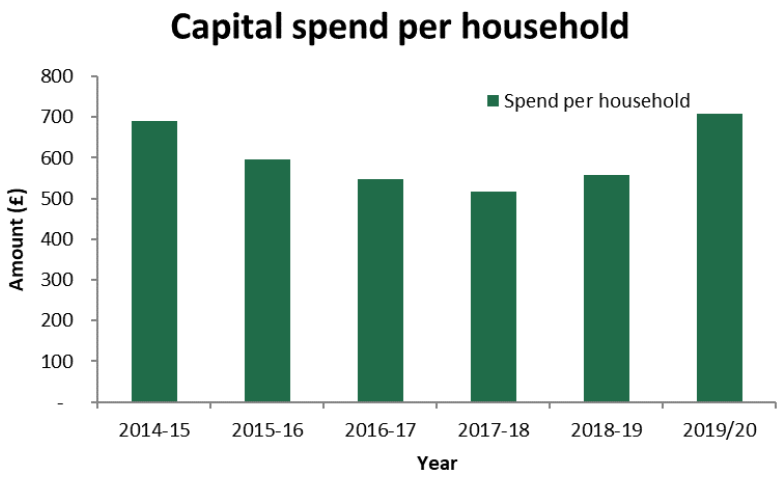
Carbon Action Plan

11.31 Cabinet approved its Environment Strategy and Carbon Action Plan in May 2020 which committed the Council to be Carbon Neutral by 2025.

11.32 The Carbon Action Plan sets out not only how the Council will reach its carbon neutral target, but also how it will encourage all businesses, residents and organisations to reduce emissions. Various actions include:

- Introduce carbon pricing or more rigorous carbon consideration into capital investment decisions;
- embed carbon reduction into the Asset Management strategy;
- ensure all new buildings are built to a much higher sustainable buildings standard;

- assess the suitability of retrofit options for each category of council influenced buildings, including leisure centres and schools for efficiency and ventilation measures;
- continue to progress district heating at Crewe Town Centre, Handforth Garden village – and Alderley park;
- plan and develop natural climate solutions such as tree planting and peatland management to sequester carbon on at least 100 ha of council owned land by 2025.



11.33 The key vision of the Council is outlined in the Corporate Plan and therefore capital investment must be prioritised and targeted to the projects that are key to achieving the strategic priorities of Open, Fair and Green.

11.34 The Council has adopted the Five Case Business Model, which was developed by HM Treasury and the Welsh Government specifically for public sector business case development. The business cases for major projects include full option appraisal and links to core strategy to ensure they are delivering on key Council objectives.

11.35 The Five Case Business Model includes:

- Strategic Case (Contribution to the Corporate Plan)
- Economic Case
- Commercial Case
- Financial Case
- Management Case

Assessing all these areas within the business case will ensure that all aspects of a potential scheme are analysed and the impact on all stakeholders identified. Therefore, the Council will be able to gain a full understanding on how a specific scheme will impact on the overall strategy, the local economy, officers and resources of the Council.

11.36 The ‘full’ model is appropriate for major infrastructure projects but not for all proposals; equally, the ‘light touch’ version is insufficiently detailed for many of our key major change projects. We have therefore taken the ‘best of both’ to construct an iterative, scalable version that is not a ‘one size fits all’ but sufficiently flexible for our need. The Section 151 Officer will determine the level of training required by business case authors.

11.37 The Annexes to the Business Case will provide supporting information, including benefits realisation, risks, constraints and dependencies, contractual arrangements, costs and funding, governance arrangements and key milestones.

11.38 High Level Business Cases are submitted as part of the Business Planning process and the Section 151 Officer will analyse these in accordance with the 5 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	Essential replacement and enhancement of existing assets Investment in infrastructure that meets the strategic priorities of the Local Plan and attracts Government infrastructure investment 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 replacement and enhancement of existing assets Projects with positive financial returns Part funded projects of strategic importance to Council priorities
Low	Unfunded projects without financial returns

11.39 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 (see para. 11.41). Low priority projects are unlikely to be recommended for approval, unless specific strategic importance is associated with the project, or public demand is significant.

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

11.41 The capital programme is presented in two separate parts; the main programme includes capital schemes in progress and new schemes with approval to commence spend in April 2021. The addendum includes proposals which are included for planning purposes but are awaiting more detailed business cases to be developed.

11.42 Before work can commence on schemes listed on the addendum, the business case will be required to provide significant certainty linked to:

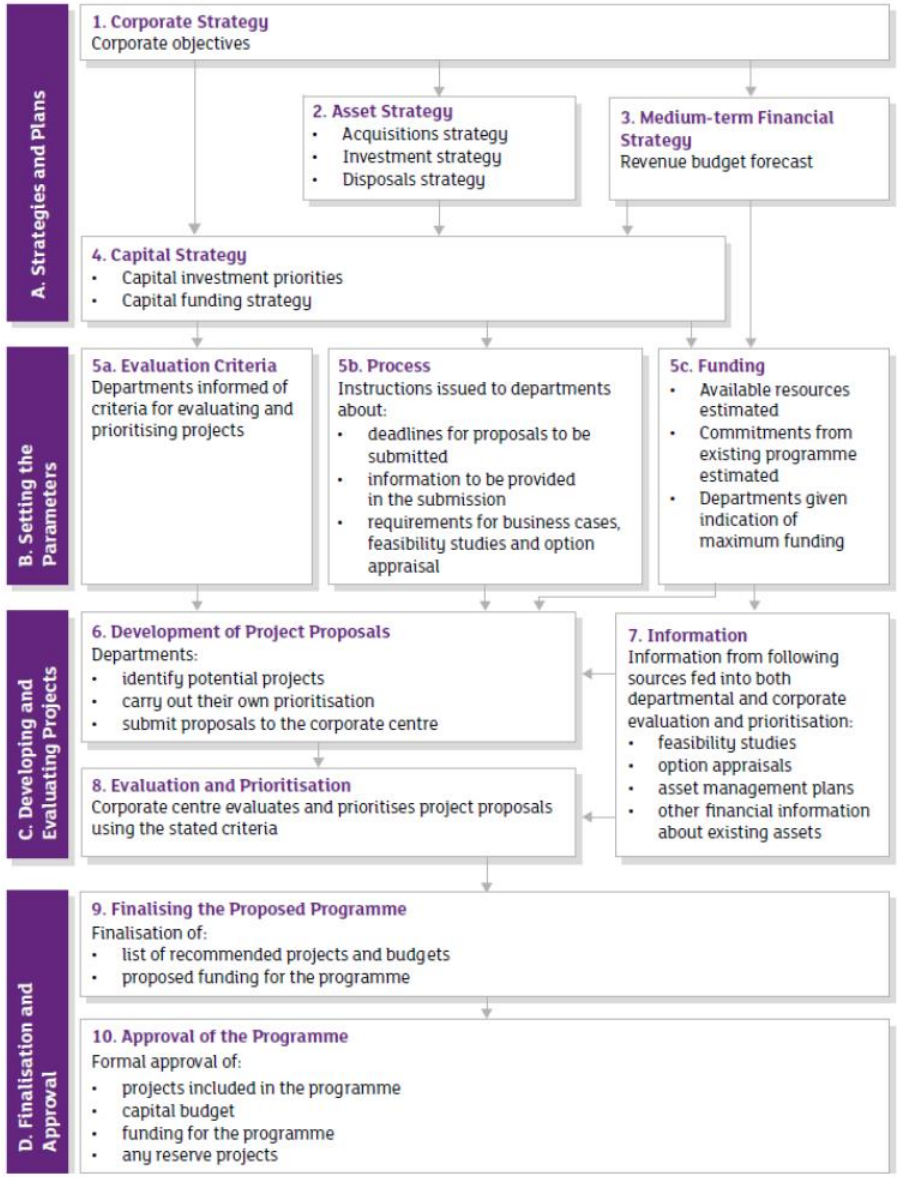
- Strategic impact of the scheme
- Expenditure profiles
- Funding sources or associated return on investment

11.43 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 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.

11.44 On 7th July 2020 Cabinet granted approval for the making of a compulsory purchase order to facilitate the delivery of the Middlewich Eastern Bypass. This scheme will deliver an improved highway network for Middlewich to relieve congestion in Middlewich town centre thereby supporting economic growth and housing delivery in the town and surrounding area.

11.45 Since the July 2020 approval officers have been focussed on refining the land and interests that are necessary to deliver the scheme in order to satisfy the requirement that there be a 'compelling case in the public interest' for land and interests to be acquired. Members will note that the scheme costs have increased since the approval given in July 2020 from £60.2m to £73.5m. The budget for this scheme is shown in both the approved programme and the addendum and will be updated when the scheme receives DfT approval of the final business case.



3. Financial Controls

Setting Financial Parameters

11.46 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 four years to achieve the corporate priorities and objectives and the revenue and capital resources which will be needed to deliver those improvements.

11.47 As part of the revenue budget setting process, the estimated financing costs for the capital programme and for existing debt are calculated to update the Capital Financing budget (CFB). The flexible use of capital receipts will also be considered and these values set the parameters of affordability for projects within the Capital Programme.

11.48 The Section 151 Officer will invite bids for Capital Expenditure on an annual 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.

11.49 The Council's strategic management of the capital programme will allow new schemes to be added to the programme, and/or schemes to be transferred from the addendum to the main programme. These will be reported to Cabinet on a quarterly basis through the Finance Update reports.

11.50 If the value of the CFB is likely to vary from the strategy in any year the Section 151 Officer will consider options to top-up or draw down temporarily from the Financing Earmarked Reserve and will report this approach to members.

11.51 Underspends on the CFB due to programme slippage will automatically be transferred to the Financing Reserve.

11.52 Current forecasts are that the CFB will continue at 4% to 7% of the Net Revenue budget in the medium term.

11.53 **Table 1,** provides the Financial Parameters for the period 2021/22 to 2024/25, followed by the strategy behind each element of the calculation.

Table 1: Financial Parameters for 2021/22 to 2024/25

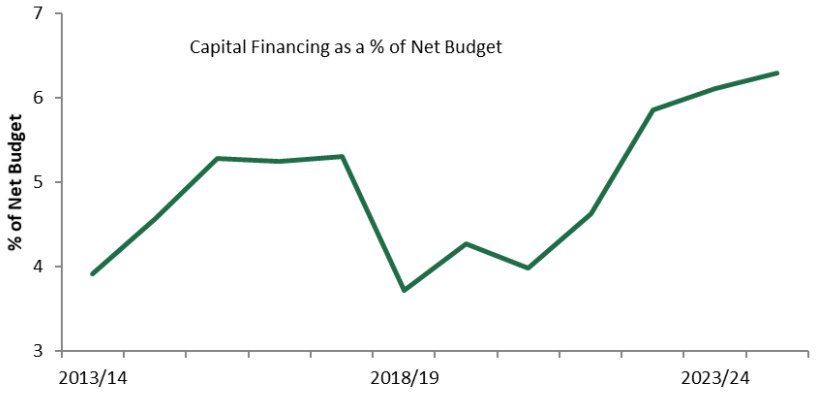
Parameter	Value (£m)			
	2021/22	2022/23	2023/24	2024/25
Repayment of Borrowing				
Minimum Revenue Provision*	13.5	16.8	19.0	20.2
External Loan Interest	4.9	4.8	4.7	4.7
Investment Income	(0.9)	(0.9)	(0.9)	(0.9)
Contributions from Services Revenue Budgets	(1.6)	(1.9)	(2.1)	(2.1)
Total Capital Financing Costs	**15.9**	**18.8**	**20.7**	**21.9**
Use of Financing EMR	**(1.9)**	**(0.8)**	**(1.7)**	**(1.9)**
Actual CFB in MTFS	**14.0**	**18.0**	**19.0**	**20.0**
***Capital Receipts targets**	**1.0**	**1.0**	**1.0**	**1.0**
Flexible use of Capital Receipts	**0.6**	**0.0**	**0.0**	**0.0**

* Anticipated MRP based on achieving capital receipts targets

Repayment of Borrowing

11.54 The use of prudential borrowing allows the Council to spread the cost of funding the asset over its useful economic life. Using prudential borrowing as a funding source increases the Council's capital financing requirement (CFR), and will create revenue costs through interest costs and minimum revenue provision.

11.55 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). This ensures that the revenue costs of repaying debt are spread over the life of the asset, similar to depreciation.



11.56 The projection of the Council's Capital Financing Requirement (CFR) and external debt, based on the proposed capital budget and treasury management strategy is shown in **Annex B**. This highlights the level to which the Council is internally

borrowed (being the difference between the CFR and external debt), and the expected repayment profile of the external debt.

11.57 The nature and scale of the Council's capital programme means that it is a key factor in the Council's treasury management, including the need to borrow to fund capital works. The treasury management strategy for the Council is included in **Annex 12** of this report.

11.58 The Council's current strategy is to use available cash balances, known as 'internal borrowing' and to borrow short term loans. As short-term interest rates are currently much lower than long-term rates this is likely to be more cost effective.

Investment Income

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

11.60 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.

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

Contributions from Services

11.62 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.

11.63 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.

11.64 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.

11.65 The Council's strategy is to use revenue contributions to the Capital Programme to reduce the overall Capital Financing Budget.

Use of Financing Earmarked Reserve

11.66 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.

11.67 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.

11.68 The Council's current strategy is to draw-down £6.3m from the Financing Earmarked Reserve for the period 2021/22 to 2024/25.

Capital Receipts from Asset Disposals

11.69 The Council has a substantial land and property estate, mainly for operational service requirements and administrative buildings.

11.70 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.

11.71 Capital receipts from asset disposal represent a finite funding source and it is important that a planned and structured manner of disposals is created to support the priorities of the Council. Cash receipts from the disposal of surplus assets are to be used to fund new capital investment or offset future debt or transitional costs, included within the new flexibilities provisions, as and when received.

11.72 The Council will continue to maintain a policy of not ring-fencing the use of capital receipts to fund new investment in specific schemes or service areas unless a suitable business case is made available, but instead subject to any claw back provisions, to allocate resources in accordance with key aims and priorities. Capital receipts have been a important source of finance in previous financial years.

11.73 In considering the 2021/22 capital programme, a prudent approach has been taken and there has been no assumption of any significant additional capital receipts. A minimum amount of £1m additional capital receipts has been anticipated in 2021/22.

11.74 The Council's current strategy is to realise net receipts of £4m for the period 2021/22 to 2024/25 and that these receipts will reduce the overall Capital Financing Budget.

Flexible use of Capital Receipts

11.75 Following the 2015 Spending Review, in March 2016 MHCLG published statutory guidance on the flexible use of capital receipts for a three-year period covering 2016/17 to 2018/19. This guidance allows Local Authorities to use capital receipts to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings for either the Council or other public sector delivery partners. As part of the 2018/19 Provisional Local Government Finance Settlement, the Secretary of State announced an extension of this flexibility for a further three years to 2022 and updated the previous direction accordingly.

11.76 Up to £0.6m of capital receipts may be utilised for the B4B programme to replace the core financial system in 2021/22.

Government Grants

11.77 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.

11.78 Overall Government funding has reduced in recent years, but the Council still receives Government grants including:

- DfT Local Transport Plan
- Local Growth Fund
- Housing Infrastructure Fund
- Disabled Facilities Grants
- DfE Devolved Formula Capital; Schools Condition and Basic Needs Allocations

11.79 The Council's strategy is to ring-fence capital grants to the service that they are allocated to.

Developer Contributions

11.80 Developer contributions will be sought to ensure that the necessary physical, social, public realm, economic and green infrastructure is in place to deliver development. Contributions will be used to mitigate the adverse impacts of development and to help facilitate the infrastructure needed to support sustainable development.

11.81 Development proposals will be expected to provide a contribution to the cost of infrastructure including initial design, capital costs and ongoing revenue such as the maintenance of services and facilities.

11.82 The Council's strategy is to forward fund anticipated Section 106 contributions for major infrastructure schemes.

Community Infrastructure Levy (CIL)

11.83 The Community Infrastructure Levy (CIL) is a planning charge on new development which became operational in Cheshire East on 1st March 2019. The Levy allows the Council to raise financial contributions from certain chargeable development in the Borough such as housing (except affordable housing, self-build housing and apartments) and retail development at the Crewe Grand Junction and Handforth Dean retail parks. The CIL regulations require Councils to spend the monies raised on the infrastructure needed to support the development of their area. The definition of infrastructure allows a broad range of facilities to be funded such as play areas, open spaces, parks and green spaces, cultural and sports facilities, as well as those relating to transport, health and education. CIL monies can be used in conjunction with S106 contributions and other monies to deliver infrastructure.

11.84 The Council passes on either 15% or 25% of its CIL receipts to the town or parish council where the CIL chargeable development has taken place, with the higher amount being paid to those Councils with a Neighbourhood Plan. The Council will use the MTFS process to allocate the remaining CIL receipts and this will be done within the general framework detailed below:

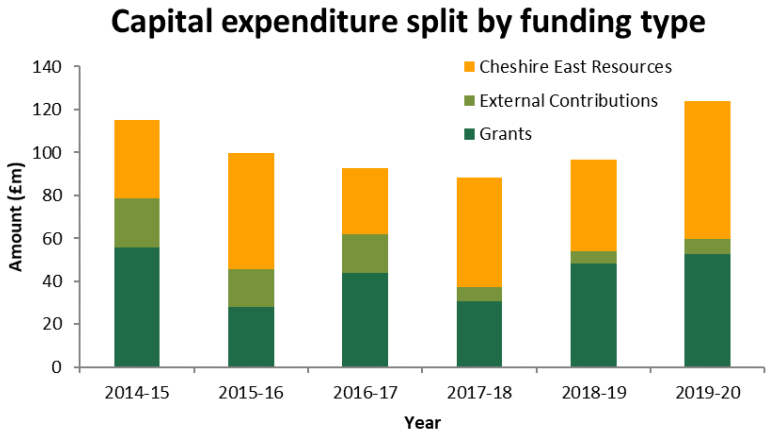
- Up to 5% of the receipts will go towards the costs of administering CIL and the rest will be used to deliver the Council's planned infrastructure priorities;

- The Council's infrastructure priorities will be identified in its annual Infrastructure Funding Statement (IFS) which will be published on the Councils website by the end of December each year. This will also contain details on the amount of CIL receipts received, spent and remaining unspent in the previous financial year;
- CIL monies will only be used to fund the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of Cheshire East;
- The MTFS process requires a business case to be made for the funding of projects. Where CIL monies are being sought, the business case for the proposed infrastructure must identify how it will support the planned development of the area. This should include reference to how it relates to and meets the priorities identified in the current IFS, the Council's Local Plan and the Infrastructure Delivery Plan;
- CIL spending decisions will be primarily based on achieving the delivery of published infrastructure priorities and the growth identified in the Local Plan. Other considerations will include the extent to which non CIL funding sources can be leveraged into the infrastructure project and assurance that the ongoing operational and maintenance costs of the project will be met over the life of the infrastructure; and
- The reasons and decisions made on all CIL funding bids considered through the MTFS process will be published to ensure transparency.

Funding Capital Expenditure

11.85 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.

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



11.87 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.

11.88 Main forecasted income sources are:

- Government Grants (£159m / 43%)
- Other external contributions (£60m / 16%)
- Receipts from Council Assets (£4m / 1%)

- Borrowing or Revenue Contributions (£148m / 40%)

11.89 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.

11.90 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.

11.91 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.

11.92 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.

11.93 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'.

Contingencies in the Capital Programme

11.94 In the initial stages of development, major capital projects will have significant uncertainties. For example, these may relate to the planning process, the views / interest of stakeholders who must be consulted, ground conditions, or the costs of rectifying or demolishing existing buildings (for example the cost of asbestos removal).

11.95 For this reason, the Council will develop a structured process of identifying and managing risk. In the initial stages of a project these are necessarily broad estimates due to the number of unknown factors. As projects progress the unknown factors will become clearer and project managers will focus on managing these in the most effective way possible, utilising contingencies to do so as needed.

11.96 The process for managing risk and identifying contingency budgets is currently more developed within the Place Directorate particularly for Highways & Infrastructure schemes. During 2021/22 this will be rolled out across the whole of the capital programme, with project managers receiving training and the use of standard templates. This will

ensure a consistent approach to adopting best practice industry standards across the Council.

11.97 The process of identifying risk will be two stage, firstly at the project development stage with further refinement at the contract award stage.

11.98 The monitoring of risk and the application of contingency budgets will form part of the quarterly monitoring process.

4. Investment & Risk Strategy

11.99 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.

11.100 A risk management framework in place and the core of this framework is set out in the Corporate Risk Management Strategy. 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.

11.101 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 taxpayers against year on year fluctuations in expenditure.

11.102 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.

11.103 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.

11.104 Cheshire East's strong taxbase 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.

5. Governance

11.105 It is important given the risks surrounding Capital Projects that the appropriate governance arrangements are in place:

- The Capital Strategy, including the overall Capital Programme to be presented annually as part of the Medium-Term Financial Strategy at full Council.
- Updates to the capital programme will be reported to Cabinet on a quarterly basis.
- All schemes are subject to approval in accordance with the Finance Procedure Rules.
- A senior officer group exists known as the Assets Board which meets monthly and is chaired by the Executive Director for Place. The Board will play a key role in the development and implementation of the capital strategy

and review performance of the capital programme on a quarterly basis.

- The board provides the strategic oversight of the Council's land and property assets including recommendations and reports on acquisition, disposal, development and management strategies.
- The Assets Board delegates responsibility for the detailed tasks to a sub-group ~ Capital Programme Board. The board's membership includes project managers from each directorate supported by the enabling services

Capital Programme Board – Terms of Reference

- The detailed appraisal of projects, taking into consideration the Councils priorities and annual aims and objectives.
- To provide a forum for establishing and providing robust challenge of the business cases and debate around the capital programme.
- Undertake gateway reviews and risk management reviews of major capital projects.
- Undertake a detailed annual review of the capital programme.
- Review the capital programme on an ongoing basis and to ensure it is achieving the agreed outcomes.
- Receive post project completion reports to assess benefit realisation and lessons learnt.

11.106 The Capital Programme Board will assess all submissions for capital expenditure with the exception of schemes fully funded by external resources (e.g. specific grant, developer contributions); these will be approved in accordance with Finance Procedure Rules (paragraph 2.45, Supplementary Capital Estimates and paragraphs 3.31 to 3.34, Capital Block Provisions).

11.107 The Capital Programme Board provides monthly updates and makes recommendations to the Assets Board who will refer decisions to the appropriate decision maker, whether this is an Officer under delegated responsibility, Cabinet or Council.

Knowledge and Skills

11.108 The Capital Strategy and Treasury Management and Investment Strategies are managed by a team of professionally qualified accountants with extensive Local Government finance experience between them. They all follow a Continuous Professional Development plan (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

11.109 The Council's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities. He is a professionally qualified accountant and follows an ongoing CPD programme.

11.110 The Senior Responsible Officers and Project Managers who manage a capital project receive training which provides up to date information on the CIPFA Code of Practice, the Prudential Code, principles of capital accounting including eligible capital expenditure, capital funding and the capital financing budget.

Background Papers

Cheshire East Reports –

- Statement of Accounts
- Medium Term Financial Strategy
- Quarterly Review of Finance Reports
- Financial Resilience - Value for Money
- Finance Procedure Rules

Arlingclose Ltd, Independent Treasury Management Advisors –

- Capital Strategy Template

Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (CIPFA, 2019)

Local Authority Capital Accounting: A Reference Manual for Practitioners (CIPFA, 2019)

The Prudential Code for Capital Finance in Local Authorities (CIPFA, 2019)

Annex A: Capital Programme

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2021/22 - 2024/25

	Prior Years £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Total Budget £000
Committed Schemes - In Progress						
People	19,912	22,812	12,949	3,745	1,770	**61,188**
Place	361,543	111,098	70,025	23,403	25,166	**591,235**
Corporate	81,744	14,536	8,945	7,260	7,030	**119,516**
Total Committed Schemes - In Progress	**463,199**	**148,447**	**91,918**	**34,408**	**33,966**	**771,938**

CAPITAL PROGRAMME 2021/22 - 2024/25

	Prior Years £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Total Budget £000
New Schemes						
People	0	250	1,250	1,000	0	**2,500**
Place	0	22,577	13,122	12,147	12,147	**59,993**
Corporate	0	0	0	0	0	**0**
Total New Schemes	**0**	**22,827**	**14,372**	**13,147**	**12,147**	**62,493**
Total Capital Schemes	**463,199**	**171,274**	**106,290**	**47,555**	**46,113**	**834,431**

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2021/22 - 2024/25

Funding Requirement

	Prior Years	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	Total Budget
	£000	£000	£000	£000	£000	£000
Indicative Funding Analysis: (See note 1)						
Government Grants	230,464	74,634	45,901	24,360	13,917	**389,276**
External Contributions	28,351	23,122	15,357	3,860	18,056	**88,746**
Revenue Contributions	66	1,252	625	0	0	**1,944**
Capital Receipts	320	1,000	1,000	1,000	1,000	**4,320**
Prudential Borrowing (See note 2)	203,997	71,266	43,408	18,335	13,140	**350,146**
Total	**463,199**	**171,274**	**106,290**	**47,555**	**46,113**	**834,431**

Note 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 four years 2021-25 assumes a prudent approach based on the work of the Asset Management team and their most recently updated Disposals Programme.

Note 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 2021/22 - 2024/25

	Prior Years £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Total Budget £000
Addendum						
People		2,940	14,225	19,375	19,000	**55,540**
Place		29,250	86,077	112,281	18,655	**246,263**
Corporate		33,866	35,518	35,083	30,800	**135,267**
Total Addendum		**66,056**	**135,820**	**166,739**	**68,454**	**437,070**

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 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.

CAPITAL PROGRAMME 2021/22 - 2024/25

Scheme Description	Forecast Expenditure						Forecast Funding				
	Prior Years £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
Committed Schemes - In Progress											
Borough Wide Schemes											
Electronic Call Monitoring System	10	379	0	0	0	**389**	0	0	379	0	0
Foster Carer Capacity Scheme	0	0	283	0	0	**283**	0	0	0	0	283
Devolved Formula Grant	6,269	537	390	385	370	**7,951**	1,682	0	0	0	0
Schools Condition Capital Grant	5,532	2,179	1,560	1,560	1,400	**12,231**	6,652	0	0	0	47
Special Provision Fund Capital Grant	193	830	0	0	0	**1,023**	815	0	0	0	14
SEN Placement Expn - Phase 2	100	1,835	0	0	0	**1,935**	0	0	0	0	1,835
Early Years Sufficiency Capital Fund	847	0	290	0	0	**1,137**	290	0	0	0	0
Crewe Area Schemes											
Adelaide Academy	30	317	0	0	0	**347**	300	0	0	0	17
Beechwood Nursery Expansion	101	600	0	0	0	**701**	600	0	0	0	0
Monks Coppenhall SEN Expansion	0	100	0	0	0	**100**	0	0	0	0	100
Congleton Area Schemes											
Congleton Planning Area	813	787	2,400	0	0	**4,000**	3,102	85	0	0	0
Holmes Chapel Area Schemes											
Holmes Chapel Planning Area	50	1,950	0	0	0	**2,000**	1,950	0	0	0	0
Macclesfield Area Schemes											
Ash Grove Nursery Expansion	196	30	0	0	0	**226**	30	0	0	0	0
Expansion of Park Lane School	1,372	1,271	0	0	0	**2,643**	0	0	0	0	1,271
Macclesfield Planning Area - Secondary	500	2,950	0	0	0	**3,450**	2,950	0	0	0	0
Puss Bank SEN Expansion	472	52	0	0	0	**524**	0	0	0	0	52
Middlewich Area Schemes											
Middlewich Planning Area	0	750	750	0	0	**1,500**	1,500	0	0	0	0

CAPITAL PROGRAMME 2021/22 - 2024/25											
	Forecast Expenditure						Forecast Funding				
Scheme Description	Prior Years £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
Committed Schemes - In Progress											
Nantwich Area Schemes											
Nantwich Planning Area - Primary	0	800	900	1,800	0	**3,500**	2,901	599	0	0	0
Nantwich Planning Area - Secondary	200	250	250	0	0	**700**	500	0	0	0	0
Sandbach Area Schemes											
Elworth CoE Primary School	1,191	325	0	0	0	**1,515**	60	265	0	0	0
Sandbach High School - Basic Need	691	432	0	0	0	**1,123**	156	276	0	0	0
St Johns CoE Primary School	338	138	0	0	0	**476**	18	121	0	0	0
Wilmlsow Area Schemes											
Wilmslow High School BN	1,007	6,300	4,725	0	0	**12,032**	10,677	300	0	0	48
Wilmslow Primary Planning Area	0	0	1,400	0	0	**1,400**	1,250	150	0	0	0
Total Committed Schemes - In Progress	**19,912**	**22,812**	**12,949**	**3,745**	**1,770**	**61,188**	**35,433**	**1,796**	**379**	**0**	**3,668**
New Schemes											
Crewe Area Schemes											
Shavington Planning Area - Secondary	0	250	1,250	1,000	0	**2,500**	2,500	0	0	0	0
Total New Schemes	**0**	**250**	**1,250**	**1,000**	**0**	**2,500**	**2,500**	**0**	**0**	**0**	**0**
Total Capital Schemes	**19,912**	**23,062**	**14,199**	**4,745**	**1,770**	**63,688**	**37,933**	**1,796**	**379**	**0**	**3,668**

CAPITAL PROGRAMME 2021/22 - 2024/25						
Scheme Description	**Proposed Budget 2021/22**	**Proposed Budget 2022/23**	**Proposed Budget 2023/24**	**Proposed Budget 2024/25**	**Total Proposed Budget**	**Funding**
	£000	**£000**	**£000**	**£000**	**£000**	
Addendum Schemes						
Borough Wide Schemes						
Childcare Sufficiency Capital Programme	234	0	0	0	**234**	TBC
Develop Supported Living and Social Care Services	450	5,875	5,875	0	**12,200**	TBC
Provision of Sufficient School Places - SEND	1,500	3,300	1,500	0	**6,300**	TBC
School Catering Service : Investment in essential kitchen infrastructure.	440	0	0	0	**440**	TBC
Crewe Area Schemes						
Shavington Planning Area - New Primary School	0	0	3,200	0	**3,200**	TBC
Congleton Area Schemes						
Congleton Plannng Area - Primary	100	800	900	0	**1,800**	TBC
Congleton Plannng Area - Secondary	0	1,000	0	0	**1,000**	TBC
Congleton Plannng Area - New school	0	0	3,200	0	**3,200**	TBC

CAPITAL PROGRAMME 2021/22 - 2024/25						
Scheme Description	**Proposed Budget 2021/22**	**Proposed Budget 2022/23**	**Proposed Budget 2023/24**	**Proposed Budget 2024/25**	**Total Proposed Budget**	**Funding**
	£000	**£000**	**£000**	**£000**	**£000**	
Addendum Schemes						
Handforth Area Schemes						
Handforth Planning Area - New Schools	0	0	0	15,000	**15,000**	TBC
Macclesfield Area Schemes						
Macclesfield Planning Area - New School	0	0	0	4,000	**4,000**	TBC
Macclesfield Planning Area - Secondary	450	2,400	1,200	0	**4,050**	TBC
Nantwich Area Schemes						
Nantwich Planning Area -Primary	0	0	200	0	**200**	TBC
Nantwich Planning Area - Secondary	0	0	3,300	0	**3,300**	TBC
Wilmlsow Area Schemes						
Wilmlsow Planning Area - New Primary School	0	850	0	0	**850**	TBC
Total Addendum Schemes	**2,940**	**14,225**	**19,375**	**19,000**	**55,540**	

CAPITAL PROGRAMME 2021/22 - 2024/25

Scheme Description	Forecast Expenditure						Forecast Funding				
	Prior Years £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
Committed Schemes - In Progress											
Borough Wide Schemes											
Air Quality Action Plan	328	44	0	0	0	**372**	44	0	0	0	0
Car Parking Improvements (including Residents Parking	273	20	28	0	0	**321**	0	0	0	0	48
Connecting Cheshire 2020	1,207	4,810	1,234	0	0	**7,250**	5,646	0	0	0	398
Connecting Cheshire Phase 2	5,366	536	332	0	0	**6,234**	0	313	0	177	378
Connecting Cheshire	28,929	300	295	0	0	**29,524**	48	0	0	247	300
Corporate Landlord - Operational	999	18	5	0	0	**1,022**	0	0	0	0	23
Countryside Capital Projects	600	5	0	0	0	**605**	5	0	0	0	0
Environment S106 Schemes	1,684	151	0	0	0	**1,835**	0	151	0	0	0
Highway Pothole/Challenge Fund	8,171	200	0	0	0	**8,371**	200	0	0	0	0
Highways Contract Team Programme Delivery	272	145	0	0	0	**417**	145	0	0	0	0
Highway S106 Schemes	993	494	34	0	0	**1,520**	0	528	0	0	0
Highway S278 Schemes	2,168	647	104	0	0	**2,919**	0	751	0	0	0
Kerbside wheeled bins	1,817	50	50	50	0	**1,967**	0	0	0	0	150
Litter and Recycling Bins	58	50	50	50	0	**208**	0	0	0	0	150
Park Development Fund	511	115	0	0	0	**626**	0	0	0	0	115
Parking Meters	0	350	0	0	0	**350**	0	0	0	0	350
Part 1 Claims	36	38	38	0	0	**112**	76	0	0	0	0
Pay and Display Parking Meters	531	89	0	0	0	**620**	0	0	0	0	89
Programme Management	659	100	0	0	0	**759**	100	0	0	0	0
Public Rights of Way: Capital Structures Investments	62	37	0	0	0	**99**	0	0	0	0	37
Public Rights of Way Capital Works	788	10	0	0	0	**798**	10	0	0	0	0
Public Rights of Way: Flood Damage Capital Investment	93	29	0	0	0	**122**	0	0	0	0	29
Rural & Green S106 Schemes	74	21	22	0	0	**117**	0	43	0	0	0
Schools Capital Maintenance	3,468	135	0	0	0	**3,603**	135	0	0	0	0
Septic Tanks	317	319	0	0	0	**636**	0	0	0	0	319
Sustainable Travel Access Prog	1,445	1,679	0	0	0	**3,124**	1,132	309	0	0	238
Winter Service Facility	299	109	436	0	0	**843**	0	0	0	0	545

CAPITAL PROGRAMME 2021/22 - 2024/25

Scheme Description	Forecast Expenditure						Forecast Funding				
	Prior Years £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
Committed Schemes - In Progress											
Crewe Area Schemes											
A500 Dualling Scheme	8,503	825	0	0	0	**9,328**	825	0	0	0	0
Safer Roads Scheme A532	427	603	0	0	0	**1,030**	603	0	0	0	0
Archive Option Development	276	120	0	0	0	**396**	0	0	0	0	120
Crewe Green Link Road PH2	24,898	850	0	0	0	**25,748**	0	653	0	0	197
Crewe Green Roundabout	7,021	240	238	0	0	**7,500**	0	478	0	0	0
Crewe HS2 Hub Project Dev	7,078	5,622	0	0	0	**12,700**	0	0	0	0	5,622
Crewe Town Centre Regeneration	11,795	975	15,139	314	3,781	**32,004**	0	0	0	0	20,209
Hough Bridge	290	0	10	0	0	**300**	0	10	0	0	0
Jack Mills Way	280	20	0	0	0	**300**	0	20	0	0	0
Leighton Green	1,548	200	150	198	0	**2,096**	0	0	0	0	548
North-West Crewe Package	6,375	17,876	10,921	128	1,200	**36,500**	9,980	13,050	0	0	7,095
Sydney Road Bridge	10,249	0	252	0	0	**10,501**	50	202	0	0	0
Congleton Area Schemes											
Astbury Marsh Caravan Park	100	147	0	0	0	**247**	0	0	0	0	147
Congleton Link Road	69,289	4,654	2,111	3,383	11,005	**90,443**	0	20,255	0	0	899
Congleton Household Waste Recycling Centre Development	20	30	0	0	0	**50**	0	0	0	0	30
Congleton Leisure Centre	953	5,647	4,700	0	0	**11,300**	0	0	0	0	10,347
Safer Roads Scheme A536	450	1,777	83	0	0	**2,310**	1,860	0	0	0	0
Handforth Area Schemes											
A6 MARR CMM Handforth	460.328	140	200	0	0	**800**	258	48	0	0	34
A6MARR Design Checks & TA	333	140	0	0	0	**473**	72	68	0	0	0
North Cheshire Garden Village	5,470	3,732	10,500	10,025	0	**29,727**	21,700	0	0	0	2,557
PROW CMM A6 MARR	2	98	0	0	0	**100**	98	0	0	0	0
Macclesfield Area Schemes											
Flowerpot Phs 1 & pinch point	1,002	3,565	919	15	0	**5,500**	2,498	0	0	0	2,000
Macclesfield Movement Strategy	31	0	69	0	0	**100**	69	0	0	0	0
Macclesfield Town Centre	639	1,580	0	0	0	**2,219**	0	0	0	0	1,580
Pastures Wood Farm - Carbon Offet Scheme	17	8	0	0	0	**25**	0	0	8	0	0
South Macclesfield Development Area	3,011	3,534	10,395	7,873	0	**24,814**	10,000	0	0	0	11,802

CAPITAL PROGRAMME 2021/22 - 2024/25

Scheme Description	Forecast Expenditure						Forecast Funding				
	Prior Years £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
Committed Schemes - In Progress											
Middlewich Area Schemes											
A54/A533 Leadsmithy St, M'wich	129	335	99	0	0	**563**	0	434	0	0	0
Gypsy and Traveller Sites	1,170	2,096	0	0	0	**3,266**	550	0	0	45	1,501
Middlewich Eastern Bypass	12,955	12,563	0	0	0	**25,518**	0	12,563	0	0	0
Middlewich Rail Study	0	0	20	0	0	**20**	20	0	0	0	0
Nantwich Area Schemes											
A51/A500 Corridor Nantwich	237	13	0	0	0	**250**	0	0	0	0	13
Nantwich Pool Improvements	157	1,567	0	0	0	**1,724**	0	0	0	0	1,567
St Annes Car Park	173	5	0	0	0	**178**	0	0	0	0	5
Poynton Area Schemes											
Poynton Relief Road	17,163	17,326	6,638	349	9,180	**50,657**	12,037	6,200	0	1,000	14,257
Poynton Leisure Centre	419	3,500	687	0	0	**4,606**	0	0	0	0	4,187
A556 Knutsford to Bowdon	358	146	0	0	0	**504**	0	146	0	0	0
Rolling Programme											
Countryside Vehicles	518	101	0	0	0	**619**	0	0	0	0	101
Disabled Facilities	14,680	2,400	2,400	0	0	**19,480**	4,130	0	0	0	670
Farms Strategy	1,762	300	300	1,018	0	**3,380**	0	0	0	1,600	18
Home Repairs for Vulnerable People	100	300	200	0	0	**600**	0	0	0	0	500
Premises Capital (FM)	26,098	4,375	0	0	0	**30,473**	0	0	0	0	4,375
Other Schemes											
A6 MARR CMM - Disley	1,641	280	200	0	0	**2,122**	0	40	0	0	440
Alderley Edge By-Pass Scheme	60,255	356	0	0	0	**60,611**	0	0	0	0	356
Bereavement Service Data System	0	35	0	0	0	**35**	0	0	35	0	0
Planning & Building Control Replacement System	464	67	0	0	0	**531**	0	0	0	0	67
Old Mill Rd/ The Hill Junction	108	640	576	0	0	**1,325**	0	1,216	0	0	0
Roundabout London Rd Holmes Chapel (S106)	75	339	189	0	0	**603**	0	528	0	0	0
Tatton Park Investment Phase 2	1,414	1,470	401	0	0	**3,285**	0	0	0	0	1,871
Total Committed Schemes - In Progress	**361,543**	**111,098**	**70,025**	**23,403**	**25,166**	**591,235**	**72,290**	**58,005**	**43**	**3,070**	**96,284**

CAPITAL PROGRAMME 2021/22 - 2024/25											
	Forecast Expenditure						Forecast Funding				
Scheme Description	Prior Years £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
New Schemes											
Rolling Programme											
Integrated Transport Block - LTP	0	1,987	1,987	1,987	1,987	**7,948**	7,948	0	0	0	0
Maintenance Block - LTP	0	8,409	8,409	8,409	8,409	**33,636**	33,636	0	0	0	0
Incentive Fund - LTP	0	1,751	1,751	1,751	1,751	**7,004**	7,004	0	0	0	0
Managing and Maintaining Highways	0	6,000	0	0	0	**6,000**	0	0	0	0	6,000
Traffic Signs and Bollards - LED Replacement	0	625	625	0	0	**1,250**	0	0	1,250	0	0
Other Schemes											
Green Investment Scheme	0	3,600	350	0	0	**3,950**	0	0	0	0	3,950
Replacement CCTV Cameras	0	205	0	0	0	**205**	0	0	205	0	0
Total New Schemes	**0**	**22,577**	**13,122**	**12,147**	**12,147**	**59,993**	**48,588**	**0**	**1,455**	**0**	**9,950**
Total Capital Schemes	**361,543**	**133,675**	**83,147**	**35,550**	**37,313**	**651,228**	**120,878**	**58,005**	**1,498**	**3,070**	**106,234**

Place

CAPITAL

CAPITAL PROGRAMME 2021/22 - 2024/25						
Scheme Description	**Proposed Budget 2021/22 £000**	**Proposed Budget 2022/23 £000**	**Proposed Budget 2023/24 £000**	**Proposed Budget 2024/25 £000**	**Total Proposed Budget £000**	**Funding**
Addendum Schemes						
Borough Wide Schemes						
Everybody Sport & Leisure Investment , 5 Towns Programme	4,159	5,160	508	0	**9,827**	TBC
Housing Development Fund	940	0	0	0	**940**	TBC
Kerbside wheeled bins	0	0	0	50	**50**	TBC
Litter and Recycling Bins	0	0	0	50	**50**	TBC
Multi Site Solar PV Scheme	342	342	0	0	**684**	TBC
Public Rights of Way: Capital Structures	0	131	43	0	**174**	TBC
Public Right of Way Resources	68	35	35	0	**138**	TBC
Towns Centre Vitality Programme	109	0	0	0	**109**	TBC

CAPITAL PROGRAMME 2021/22 - 2024/25						
Scheme Description	Proposed Budget 2021/22 £000	Proposed Budget 2022/23 £000	Proposed Budget 2023/24 £000	Proposed Budget 2024/25 £000	Total Proposed Budget £000	Funding
Addendum Schemes						
Crewe Area Schemes						
A5020 Weston Gate roundabout	50	1,000	1,450	0	**2,500**	TBC
A500 Dualling Scheme	6,146	28,806	21,813	2,608	**59,373**	Dft Grant £50.6m; S106 contributions £4.3m; CEC £4.5m
Car Parking Facility - Crewe	865	0	0	0	**865**	TBC
Crewe Surface Access Strategy	2,575	5,200	57,440	0	**65,215**	TBC
Crewe Town Centre Civic Heat Network	3,371	0	0	0	**3,371**	TBC
Demolition of Crewe Library (linked to	1,200	0	0	0	**1,200**	TBC
New Archives Premises	0	983	2,500	2,500	**5,983**	TBC
Weston Cemetery Extension	173	0	0	0	**173**	TBC
Congleton Area Schemes						
Congleton Link Road	0	389	0	0	**389**	TBC
Congleton Household Waste Recycling	2,000	2,000	0	0	**4,000**	TBC
North Congleton Acquisitions	1,951	0	0	0	**1,951**	TBC

CAPITAL PROGRAMME 2021/22 - 2024/25						
Scheme Description	Proposed Budget 2021/22 £000	Proposed Budget 2022/23 £000	Proposed Budget 2023/24 £000	Proposed Budget 2024/25 £000	Total Proposed Budget £000	Funding
Addendum Schemes						
Knutsford Area Schemes						
A537 Adams Hill junction imp	50	250	0	0	**300**	TBC
Brook St/Hollow Ln Junction	50	450	0	0	**500**	TBC
Tatton Park Investment	0	227	0	0	**227**	TBC
Nantwich Area Schemes						
A51 Shropshire Union Canal Embankment	0	3,500	0	0	**3,500**	TBC
A51/A500 Corridor Nantwich	80	0	0	0	**80**	TBC
Alvaston roundabout junction	50	500	1,050	0	**1,600**	TBC
Burford junction improvements	50	875	1,575	0	**2,500**	TBC
Peacock roundabout junction	0	163	587	0	**750**	TBC
Macclesfield Area Schemes						
Investment in Heritage Assets	94	0	0	0	**94**	TBC
Macclesfield Town Centre Regeneration	1,000	3,600	0	0	**4,600**	TBC
Premises Capital (West Park Museum)	0	900	0	0	**900**	TBC
Safer Roads Scheme A537	1,245	1,245	0	0	**2,490**	TBC

Place

CAPITAL

CAPITAL PROGRAMME 2021/22 - 2024/25						
Scheme Description	**Proposed Budget 2021/22 £000**	**Proposed Budget 2022/23 £000**	**Proposed Budget 2023/24 £000**	**Proposed Budget 2024/25 £000**	**Total Proposed Budget £000**	**Funding**
Addendum Schemes						
Middlewich Area Schemes						
Clive Green Lane Upgrade	40	0	0	0	**40**	TBC
Middlewich Eastern Bypass	0	24,841	16,966	6,733	**48,540**	Dft Grant £39.9m; S106 contributions £1.8m; CEC £6.9m
Middlewich Southern Link OBC	1,875	625	0	0	**2,500**	TBC
Middlewich Southern Link Road	50	0	0	0	**50**	TBC
Rolling Programme						
Countryside Vehicles	352	304	264	264	**1,184**	TBC
Disabled Facilities Grant	0	0	2,500	2,500	**5,000**	TBC
Home Repairs for Vulnerable People	0	0	200	200	**400**	TBC
Premises Capital (FM)	0	3,500	3,500	3,500	**10,500**	TBC

Place

CAPITAL

CAPITAL PROGRAMME 2021/22 - 2024/25						
Scheme Description	**Proposed Budget 2021/22 £000**	**Proposed Budget 2022/23 £000**	**Proposed Budget 2023/24 £000**	**Proposed Budget 2024/25 £000**	**Total Proposed Budget £000**	**Funding**
Addendum Schemes						
Other Schemes						
A34/A538 West junction	0	501	1,500	0	**2,001**	TBC
B5077/B5078 North Junction	0	300	100	0	**400**	TBC
Carbon Offset Investment	250	250	250	250	**1,000**	TBC
Electric Vehicle Car Pool Scheme	60	0	0	0	**60**	TBC
Rail Studies	55	0	0	0	**55**	TBC
Total Addendum Schemes	**29,250**	**86,077**	**112,281**	**18,655**	**246,263**	

Corporate CAPITAL

CAPITAL PROGRAMME 2021/22 - 2024/25

Scheme Description	Forecast Expenditure						Forecast Funding				
	Prior Years £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000	Total Budget £000	Government Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000
Committed Schemes - In Progress											
Rolling Programme											
Care Act Phase 2	3,655	1,055	1,604	0	0	**6,314**	0	0	0	453	2,206
Core Financials	7,522	1,167	0	0	0	**8,689**	0	0	0	477	690
IADM (Information Assurance and Data Management)	13,465	1,500	0	0	0	**14,965**	0	0	0	0	1,500
Infrastructure Investment Programme (IIP)	27,073	1,777	0	0	0	**28,850**	0	0	0	0	1,777
Unified Communications Project	366	300	310	230	0	**1,206**	0	0	0	0	840
Vendor Management	487	519	0	0	0	**1,006**	0	0	0	0	519
Other Schemes											
Best4Business Programme	22,552	1,188	0	0	0	**23,740**	0	594	0	0	594
Strategic Capital Projects	6,624	7,030	7,031	7,030	7,030	**34,745**	0	0	0	0	28,121
Total Committed Schemes - In Progress	**81,744**	**14,536**	**8,945**	**7,260**	**7,030**	**119,516**	**0**	**594**	**0**	**930**	**36,247**
Total Capital Schemes	**81,744**	**14,536**	**8,945**	**7,260**	**7,030**	**119,516**	**0**	**594**	**0**	**930**	**36,247**

CAPITAL PROGRAMME 2021/22 - 2024/25						
Scheme Description	**Proposed Budget 2021/22 £000**	**Proposed Budget 2022/23 £000**	**Proposed Budget 2023/24 £000**	**Proposed Budget 2024/25 £000**	**Total Proposed Budget £000**	**Funding**
Addendum Schemes						
Transformation						
Core Financials	0	500	500	500	**1,500**	TBC
Corporate Contracts Renewals	233	43	74	61	**411**	TBC
Digital Strategy	2,773	1,219	583	239	**4,814**	TBC
Information Assurance and Data Management Phase 3	0	1,500	1,500	0	**3,000**	TBC
Infrastructure Investment Programme (IIP)	0	2,050	2,400	0	**4,450**	TBC
People ICT Systems Procurement	326	4	6	0	**336**	TBC
Place ICT System Procurement	534	202	20	0	**756**	TBC
Finance and Customer Services						
Strategic Commercial Activities	30,000	30,000	30,000	30,000	**120,000**	TBC
Total Addendum Schemes	**33,866**	**35,518**	**35,083**	**30,800**	**135,267**	

Annex B: Prudential Indicators revisions to: 2020/21 and 2021/22 – 2024/25

Background

11.111 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.

Estimates of Capital Expenditure

11.112 In 2021/22, the Council is planning capital expenditure of £171.3m as summarised below:

Capital Expenditure	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Total	127.5	171.3	106.3	47.6	46.1

Source: Cheshire East Finance

Capital Financing

11.113 All capital expenditure must be financed either from external sources (Government grants and other contributions), the Council's own resources (revenue reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of capital expenditure is as follows:

Capital Financing	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Capital receipts	1.0	1.0	1.0	1.0	1.0
Government Grants	64.5	74.6	45.9	24.4	13.9
External Contributions	6.9	23.1	15.4	3.9	18.1
Revenue Contributions	0.3	1.3	0.6	0.0	0.0
Total Financing	**72.7**	**100.0**	**62.9**	**29.3**	**33.0**
Prudential Borrowing	54.8	71.3	43.4	18.3	13.1
Total Funding	**54.8**	**71.3**	**43.4**	**18.3**	**13.1**
Total Financing and Funding	**127.5**	**171.3**	**106.3**	**47.6**	**46.1**

Source: Cheshire East Finance

Replacement of debt finance

11.114 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets may be used to replace debt finance. Planned MRP repayments are as follows:

Replacement of debt finance	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Total	**11.0**	**13.5**	**16.8**	**19.0**	**20.2**

Source: Cheshire East Finance

11.115 The Council's full MRP Statement is available in **Annex C**.

Estimates of Capital Financing Requirement

11.116 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. The CFR is expected to increase by £58m during 2021/22. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Capital Financing Requireme	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Total	**412**	**470**	**490**	**484**	**463**

Source: Cheshire East Finance

Asset disposals

11.117 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation project until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £4.8m of capital receipts in the coming financial years as follows.

Capital Receipts	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Asset Sales	1.0	1.0	1.0	1.0	1.0
Loans Repaid	0.2	0.2	0.2	0.2	0.2
Total	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**

Source: Cheshire East Finance

Gross Debt and the Capital Financing Requirement

11.118 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.1%) and long-term fixed rate loans where the future cost is known but higher (currently 1.5 –1.7%).

11.119 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases are show below, compared with the capital financing requirement.

Gross Debt and the Capital Financing Requirement	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Borrowing	130	78	77	77	77
Finance Leases	1	1	1	0	0
PFI Liabilities	21	20	19	18	17
Total Debt	**152**	**99**	**97**	**95**	**94**
Capital Financing Req.	**412**	**470**	**489**	**484**	**463**

11.120 Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. As can be seen from the above table, the Council expects to comply with this in the medium term.

Liability Benchmark

11.121 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £20m at each year end. This benchmark is currently £228m and is forecast to rise to £312m over the next four years.

Borrowing and the Liability Benchmark	2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Outstanding Debt	130	78	77	77	77
Liability Benchmark	228	298	327	328	312

Source: Cheshire East Finance

11.122 The table shows that the Council expects to remain borrowed below its liability benchmark.

Affordable borrowing limit

11.123 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	2020/21 limit £m	2021/22 limit £m	2022/23 limit £m	2023/24 limit £m	2024/25 limit £m
Authorised Limit for Borrowing	425	490	510	500	480
Authorised Limit for Other Long-Term Liabilities	22	21	20	18	17
Authorised Limit for External Debt	**447**	**511**	**530**	**518**	**497**
Operational Boundary for Borrowing	415	480	500	490	470
Operational Boundary for Other Long-Term Liabilities	22	21	20	18	17
Operational Boundary for External Debt	**437**	**501**	**520**	**508**	**487**

Source: Cheshire East Finance

Investment Strategy

11.124 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

11.125 The Council's policy on treasury investments is to prioritise security and liquidity over yield; that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with money market funds, other local authorities or selected high quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in shares and property, to balance the risk of loss against the risk of returns below inflation.

Treasury Management Investments	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£m	£m	£m	£m	£m
Short term	20	0	0	0	0
Long term	20	20	20	20	20
Total Investments	**40**	**20**	**20**	**20**	**20**

Source: Cheshire East Finance

11.126 Further details on treasury investments are in pages of the Treasury Management Strategy, **Annex 12**.

11.127 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury activity are reported to Cabinet as part of the Finance Update reports. The Audit and Governance Committee is responsible for scrutinising treasury management decisions.

11.128 Further details on investments for service purposes and commercial activities are in the Investment Strategy, **Annex 13**.

Revenue budget implications

11.129 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by an investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from council tax, business rates and general Government grants.

Ratio of Financing Costs to Net Revenue Stream	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Financing Costs (£m)	12.0	14.0	18.0	19.0	20.0
Proportion of net revenue stream %	**4.23**	**4.50**	**5.73**	**5.95**	**6.13**

Source: Cheshire East Finance

11.130 Further details on the revenue implications of capital expenditure are on paragraphs 11.53 – 11.58 of the 2021-2025 Medium Term Financial Strategy (**Appendix C, Annex 11**).

11.131 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable. The longer-term revenue implications have been considered and built into the revenue budget forecasts post the period of the current Medium-Term Financial Strategy.

Annex C: Minimum Revenue Provision

11.132 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry for Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

11.133 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

11.134 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the guidance.

- For capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date, MRP will be charged at 2% annuity rate over a 50-year period.
- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets, as the principal repayment on an annuity rate of 2%, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

  (Option 3 in England and Wales)
- 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.
- 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.

11.135 Capital expenditure incurred during 2021/22 will not be subject to an MRP charge until 2022/23.

12. Treasury Management Strategy

1. Background

12.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

12.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

12.3 In preparing this strategy the Council has had regard to the advice received from its appointed Treasury Management advisors, Arlingclose Ltd who have helped shape the content of this strategy. The current contract for advice expires 31st December 2021.

12.4 Investments held for service purposes or for commercial profit are considered in the Investment Strategy (see **Annex 13**).

2. External Context

12.5 **Economic background:** The impact on the UK from coronavirus, together with its exit from the European Union and future trading arrangements with the bloc, will remain a major influence on the Authority's treasury management strategy for 2021/22.

12.6 The Bank of England (BoE) maintained Bank Rate at 0.10% in November and also extended its Quantitative Easing programme by £150 billion to £895 billion. The Monetary Policy Committee voted unanimously for both, but no mention was made of the potential future use of negative interest rates. Within the latest forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.

12.7 UK Consumer Price Inflation (CPI) for September 2020 registered 0.5% year on year, up from 0.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 1.3% from 0.9%. The most recent labour market data for the three months to August 2020 showed the unemployment rate rose to 4.5% while the employment rate fell to 75.6%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In August, the headline 3-month average annual growth rate for wages were 0% for total pay and 0.8% for regular pay. In real terms, after

adjusting for inflation, total pay growth fell by -0.8% while regular pay was up 0.1%.

12.8 Gross Domestic Product (GDP) growth fell by -19.8% in the second quarter of 2020, a much sharper contraction from -2.0% in the previous three months, with the annual rate falling -21.5% from -1.6%. All sectors fell quarter-on-quarter, with dramatic declines in construction (-35.7%), services (-19.2%) and production (-16.3%), and a more modest fall in agriculture (-5.9%). Monthly GDP estimates have shown the economy is recovering but remains well below its pre-pandemic peak. Looking ahead, the BoE's November Monetary Policy Report forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

12.9 GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in October, the third successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time with further monetary stimulus expected later in 2020.

12.10 The US economy contracted at an annualised rate of 31.7% in Q2 2020 and then rebounded by 33.1% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.

12.11 Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization.

12.12 **Credit outlook:** After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

12.13 The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

12.14 Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, as does the UK not achieving a Brexit deal, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

12.15 **Interest rate forecast:** The Authority's treasury management adviser, Arlingclose Ltd, is forecasting that Bank Base Rate will remain at 0.10% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period

ends. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose Ltd central forecast.

12.16 Gilt yields are expected to remain very low in the medium-term while short-term yields are likely to remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.5% and 0.75% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

12.17 A more detailed economic and interest rate forecast provided by Arlingclose Ltd is attached at **Annex A**.

12.18 For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 2.1%, which takes into account strategic fund investments, and that new borrowing in the form of short term loans will be borrowed at an average of 0.20%.

3. Local Context

12.19 As at 31st October 2020 the Authority currently has borrowings of £177m and treasury investments of £64m. This is set out in further detail at **Annex B.** Forecast changes in these sums are shown in the balance sheet analysis in **Table 1**.

Table 1: Balance Sheet Summary and Forecast

	31/03/21 Estimate £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m	31/03/25 Estimate £m
General Fund CFR	412	470	490	484	463
Less: Other long-term liabilities *	(22)	(21)	(20)	(18)	(17)
Loans CFR	**390**	**449**	**470**	**466**	**446**
Less: External borrowing **	(130)	(78)	(77)	(77)	(77)
Internal (over) borrowing	**260**	**371**	**393**	**389**	**369**
Less: Usable reserves	(102)	(96)	(90)	(87)	(85)
Less: Working capital	(80)	(75)	(73)	(71)	(69)
Treasury Investments (or New borrowing)	**(78)**	**(200)**	**(230)**	**(231)**	**(215)**

* leases and PFI liabilities that form part of the Authority's debt
** shows only loans to which the Authority is committed and excludes optional refinancing

12.20 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

12.21 The Authority has an increasing CFR due to the capital programme and will therefore be required to borrow up to £84m over the forecast period.

12.22 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2021/22.

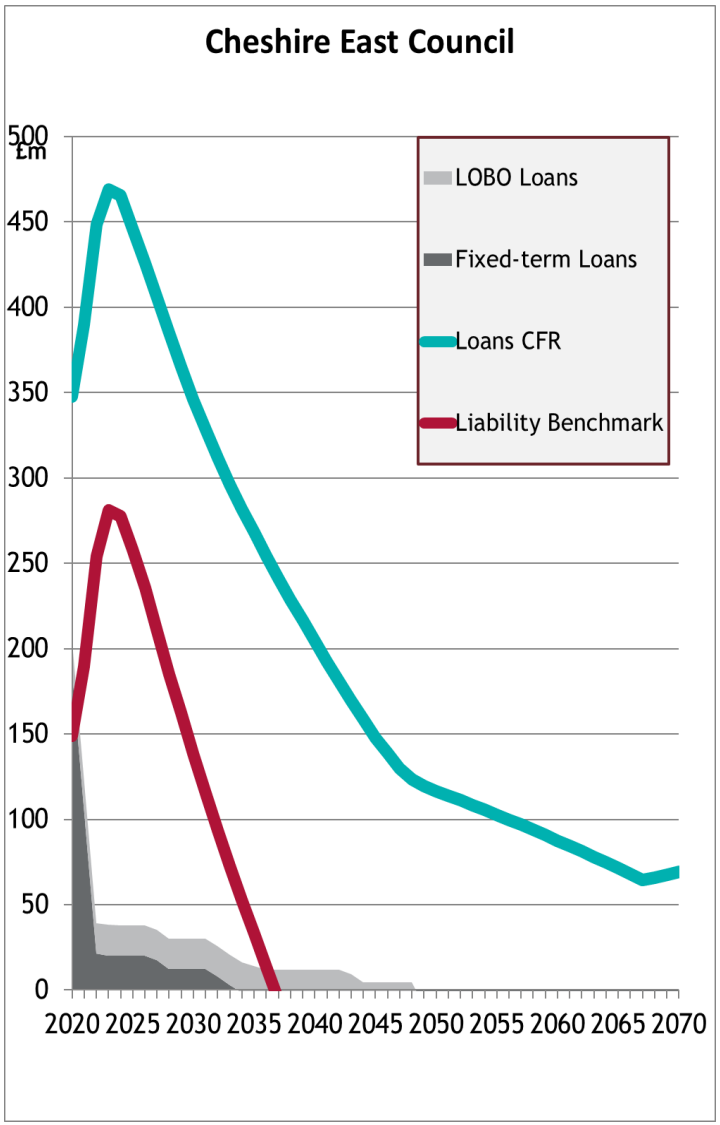
12.23 **Liability Benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £20m at each year-end to maintain a core strategic investment.

Table 2: Liability Benchmark

	31/03/21 Estimate £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m	31/03/25 Estimate £m
Loans CFR	390	449	470	466	446
Less: Usable reserves	(102)	(96)	(90)	(87)	(85)
Less: Working capital	(80)	(75)	(73)	(71)	(69)
Plus: Minimum investments	20	20	20	20	20
Liability Benchmark	**228**	**298**	**327**	**328**	**312**

12.24 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes minimum revenue provision on new capital expenditure based on a 25-year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in **Chart 1** below.

Chart 1: Liability Benchmark Chart



4. Borrowing Strategy

12.25 The Authority currently holds loans of £177m. PWLB debt has been reducing by £6m per year whilst cash flow shortfalls caused by internal borrowing and prepayment of the pension fund deficit is being funded through cheaper short-term borrowing. The Authority may also borrow additional sums to pre-fund future years' requirements providing this does not exceed the authorised limit for borrowing.

12.26 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

12.27 Given the significant cuts to public expenditure and in particular to Local Government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to use both internal resources and to borrow short-term loans instead.

12.28 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Our treasury advisors will assist the Authority with this 'cost of carry' and breakeven analysis. Its output

may determine whether the Authority borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

12.29 The Authority will consider sources other than PWLB when raising long term loans including banks, pension funds and Local Authorities and will investigate the possibility of issuing bonds and similar instruments in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

12.30 Alternatively, the Authority may arrange forward starting loans during 2021/22, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

12.31 In addition, the Authority may borrow further short-term loans to cover unexpected or planned temporary cash flow shortages.

12.32 The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB Lending facility (formerly the Public Works Loan Board)
- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Cheshire Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- Salix Finance Ltd energy efficiency loans

12.33 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

12.34 **Municipal Bond Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report.

12.35 **LOBO's:** The Authority holds £17m of LOBO (Lender's Option Borrower's Option) loans where the lender has the

option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBO's have options during 2021/22, and although the Authority understands that the lender is unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

12.36 **Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

12.37 **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or reduction in risk.

5. Treasury Investment Strategy

12.38 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £20m and £100m with abnormally high levels as a result of COVID-19 related grants received prior to expenditure. Levels of around £40m are expected to be maintained in the forthcoming year.

12.39 The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

12.40 **Negative interest rates:** the COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

12.41 Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority increased its diversification into higher yielding asset classes by £20m during 2020/21 with the remaining surplus cash invested for liquidity purposes in short-term unsecured bank deposits, money market funds and with other Local Authorities.

12.42 Under the new IFRS9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

12.43 The Authority may invest its surplus funds with any of the counterparties in table 3 below, subject to the cash limits (per counterparty) and time limits shown.

Table 3: Treasury Investment Counterparties and Limits

Sector	Time Limit	Counterparty Limit	Sector Limit
UK Government	50 years	Unlimited	n/a
Local Authorities and other Government Entities	55 years	£12m	Unlimited
Secured Investments*	£25 years	£12m	Unlimited
Banks (unsecured)*	13 months	£6m	Unlimited
Building Societies (unsecured)*	13 months	£6m	£12m
Registered Providers (unsecured)*	5 years	£6m	£25m
Money Market Funds*	n/a	£12m	Unlimited
Strategic Pooled Funds	n/a	£12m	£50m
Real Estate Investment Trusts	n/a	£12m	£25m
Other investments*	5 years	£6m	£12m

This table must be read in conjunction with the notes below.

12.44 *** Minimum Credit Rating:** Treasury Investments in sectors marked with an Asterix will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

12.45 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years

12.46 **Secured Investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

12.47 **Banks and Building Societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

12.48 **Registered Providers (unsecured):** Loans to, and bonds issued or guaranteed by registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing and, as providers of public services, they retain the likelihood of receiving Government support if needed.

12.49 **Money Market Funds:** Pooled funds that offer same day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risk, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

12.50 **Strategic Pooled Funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

12.51 **Real estate investment trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

12.52 **Other Investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

12.53 **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower that BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept to the lowest practical levels per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

12.54 **Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and;
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

12.55 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

12.56 **Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential Government support, reports in the quality financial press and analysis and advice from the Authority's treasury management advisor. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

12.57 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

12.58 **Investment Limits:** The Authority's revenue reserves available to cover investment losses are forecast to be £102m on 31st March 2021. In order that no more than 6% of available reserves will be put at risk in the case of a single default, the maximum that will be lent unsecured to any one organisation (other than the UK Government) will be £6m. Secured investments will have a higher limit of £12m per organisation. A group of banks under the same ownership will be treated as a single organisation for limit purposes. The limits on fund managers, investments in brokers' nominee accounts and Real Estate Investment Trusts (REIT's) are higher as the investment is diversified over a greater range of counterparties within those funds. These funds are generally held to generate higher ongoing returns but with a long-term view on the value of the fund which may fluctuate significantly; e.g. REIT's underlying value will reflect the property market movements in whichever sector or geographic region in which that REIT operates. For foreign countries and other sectors with a total limit, the individual organisation limits still apply. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional Investment Limits

Type of Counterparty	Cash Limit
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£12m per country

12.59 **Liquidity management:** The Authority maintains a cash flow forecasting model to determine the maximum period for which funds may prudently be committed. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

6. Treasury Management Indicators

12.60 The Authority measures and manages its exposures to treasury management risks using the following indicators.

12.61 **Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% **rise** in interest rates	£582,500
Upper limit on one-year revenue impact of a 1% **fall** in interest rates	£0

12.62 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The Council is expected to remain a net borrower in 2021/22 so a fall in rates would lead to savings rather than incurring additional cost.

12.63 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper	Lower
Under 12 months	70%	0%
12 months and within 24 months	35%	0%
24 months and within 5 years	35%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	100%	0%
20 years and above	100%	0%

12.64 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The upper limit for loans maturing in under 12 months is relatively high as there is no shortage of liquidity in the market and short-term funding is currently considerably cheaper than alternatives. This will enable the Council to finance temporary cashflow shortfalls at year end more economically. This will be kept under review as it does increase the risk of higher financing costs in the future.

12.65 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

Price Risk Indicator	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£25m	£15m	£10m

12.66 The Authority has not adopted the voluntary measures disclosures on security of investments or liquidity.

12.67 Security of investments can be measured by the credit rating assigned to the counterparty but for many of our investments (principally other Local Authorities and strategic high yielding funds) there are no assigned credit ratings. Also, the credit rating assigned to Money Market Funds is typically AAA, but the underlying investments are considerably lower. Any measure adopted would therefore add little value.

12.68 Liquidity is a self-imposed measure generally on the minimum value of funds which the Council must keep as being immediately available in order to meet unexpected payments. Alternatively, a measure linked to borrowing may be considered. In practice the Councils cash varies throughout the year meaning that at certain times the focus of liquidity is on investments and at other times on borrowing. Setting a minimum amount to hold for liquidity purposes may mean that the Council has to borrow unnecessarily to cover short periods. For example, if a liquidity limit of £10m is set and cash is predicted to fall to say £4m for a few days we would have to borrow the additional £6m usually at a slightly higher cost than we receive for investment due to commissions payable. In the unlikely event that an unexpected payment would result in a need to borrow then availability of funds from inter LA markets is high, and borrowing would be limited to need. Cash flow forecasting is carried out daily thereby allowing any borrowing to be planned and limited to need.

7. Other Items

12.69 The CIPFA code requires the Authority to include the following in its treasury management strategy.

12.70 **Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

12.71 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

12.72 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

12.73 In line with the CIPFA code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

12.74 **External Funds:** The Authority acts as the accountable body for Cheshire & Warrington Local Enterprise Partnership and for the Evergreen Fund. The Council holds significant cash balances on their behalf prior to expenditure which is either invested short term or has reduced the need for external borrowing. The Authority shares the interest benefit based on the average rate achieved on the Councils in-house (non-strategic) investments.

12.75 **Markets In Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services including advisers, banks, brokers and fund managers, allowing it to access a greater range of services without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, this seems to be the most appropriate status.

8. Financial Implications

12.76 Anticipated investment income in 2021/22 is £840,000, based on an average investment portfolio of £40 million at an interest rate of 2.10%. The budget for debt interest paid in 2021/22 is £3.9 million, based on an average debt portfolio of £278 million at an average interest rate of 1.40%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

Annex A: Economic and Interest Rate Forecast

Underlying assumptions:

- The medium term global economic outlook remains weak. Second waves of COVID-19 cases have prompted more restrictive measures and further lockdowns in Europe and the UK. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.

- The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise.

- Although these measures supported a sizeable economic recovery in Q3, the imposition of a second national lockdown in England during November will set growth back and likely lead to a fall in GDP in Q4.

- Signs of a slowing economic recovery were already evident in UK monthly GDP and PMI data, even before the latest restrictions. Despite some extension to fiscal support measures, unemployment is expected to rise when these eventually come to an end in mid-2021.

- This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets continue to price in a chance of negative Bank Rate.

- Longer term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, the development of a vaccine or if the UK leaves the EU without a deal.

Forecast:

- Arlingclose Ltd expects bank Rate to remain at the current 0.10% level.

- Additional monetary loosening through increased financial asset purchases was delivered as we expected. Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.

- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.

- Downside risks remain in the near term, as the government continues to react to the escalation in infection rates and the Brexit transition period comes to an end.

Treasury Advisor, Arlingclose Ltd, 3 Year Interest Rate Forecast

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	-0.10	-0.20	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.05	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	-0.40	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.15	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60
10yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.30	0.30	0.35	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.55	0.55	0.55
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
20yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.70	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30
50yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.60	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30

Annex B: Existing Investment and Debt Portfolio Position

	23/10/2020 Actual Portfolio £m	23/10/2020 Average Rate £m
External Borrowing:		
PWLB - Fixed Rate	62	4.44%
Local Authorities	74	0.65%
LOBO Loans	17	4.63%
Other	1	-
Total External Borrowing	**154**	**2.61%**
Other Long-Term Liabilities:		
PFI	22	-
Finance Leases	1	-
Total Gross External Debt	**177**	**-**
Treasury Investments:		
Managed in-house		
Short-term investments		
Instant Access	38	0.04%
Notice Accounts	6	0.57%
Managed externally		
Multi Asset Fund	5	4.92%
Property Fund	8	3.61%
Equity Fund	2	6.04%
Global Income Fund	4	5.07%
Corporate Bond Fund	1	3.18%
Total Investments	**64**	**1.47%**
Net Debt	**113**	**-**

13. Investment Strategy

1. Purpose

13.1 The purpose of the Investment Strategy is to:

- set out the Council's approach to managing investment in 2021/22
- establish financial limits for various classifications of investment
- recognise the role and responsibilities of the Investment Strategy Board and its position as the main conduit through which investment opportunities should be recommended to Cabinet

13.2 The definition of an **investment** covers all the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.

13.3 The Council has a Capital Strategy (prepared in line with the requirements of the Prudential Code); and a Treasury Management Strategy (prepared in line with the requirements of the Treasury Management Code) – relevant disclosures are made within each document.

13.4 Consequently, this Investment Strategy is part of a suite of related documents and focuses predominantly on matters not covered by the Capital Strategy and Treasury Management Strategy.

Statutory Background

13.5 On 2nd February 2018 the Ministry of Housing, Communities & Local Government (MHCLG) published updated statutory guidance on capital finance, in respect of Local Government investments and the minimum revenue provision. The MHCLG guidance may be found at: https://assets.publishing.service.gov.uk/

13.6 The guidance was issued to reflect concerns raised by MHCLG and Treasury Select Committees over changes in patterns of local authority behaviour. Some local authorities have invested in non-financial assets, with the primary aim of generating profit.

13.7 There is ongoing concern from MHCLG that local authorities being exposed to high levels of financial risk through borrowing and investment decisions could have a detrimental impact on services if investments do not perform as expected. The requirement to produce this annual Investment Strategy, to be approved by Full Council, is an attempt to recognise this and ensure that Members have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving.

13.8 More recently, in the November 2020 Autumn Statement the Chancellor of the Exchequer went further and has effectively prohibited the future purchase of commercial assets primarily for generating a yield. Careful attention will be needed to ensure that yield is an incidental, rather than the principal factor, in any future decision to acquire an investment asset.

13.9 Local authorities will be required to submit a capital financing and spending plan to Government covering a three-year period. Where there are any plans to acquire assets primarily for yield, irrespective of the source of financing for that particular asset, then the Public Works Loan Board (PWLB) will not advance any lending to the Authority. At this time there is no information on how and by what means a conclusion will be arrived at in terms of self-certification or external review.

Introduction

13.10 The Authority invests its money for three broad purposes:

1. because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
2. to support local public services by lending to or buying shares in other organisations (**service investments**), and
3. to earn investment income (known as **commercial investments** where this is the main purpose).

13.11 Often there may be a crossover of purposes for investments within the Authority. Whilst a return may be a by-product of an investment this is rarely the overriding reason for making or retaining an investment. It will normally be linked to other long term strategic or regeneration factors.

13.12 This Investment Strategy meets the requirements of the statutory guidance issued by MHCLG in February 2018 and focuses on the second and third of the above categories.

2. Treasury Management Investments

13.13 The Authority typically receives its income, such as taxes and grants, before it pays for expenditure such as through payroll and invoices. It also holds reserves for future expenditure and collects local taxes on behalf of Central Government. These activities, plus the timing of borrowing decisions, can lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £20m and £50m during the 2021/22 financial year.

13.14 The Constitution of the Authority delegates the power to manage and make Treasury Management Investments to the Section 151 Officer via the Treasury Management Strategy.

13.15 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

13.16 **Further details:** Full details of the Authority's policies and plans for 2021/22 for treasury management investments are covered in the Treasury Management Strategy (**Annex 12**).

3. Service Investments: Loans

13.17 **Contribution:** The Council lends money to other organisations to support local public services and stimulate economic growth. These are shown below in Table 1.

13.18 Interest bearing loans have been provided to Everybody Sport & Recreation for the purpose of investing in new equipment, with the aim of increasing the usage of leisure facilities and improving the health of residents. These are included within the Local Charities category.

13.19 In March 2013, Astra Zeneca announced it was relocating its R&D function from Alderley Park to Cambridge. In order to retain the expertise in the region and to stimulate local economic growth the Council has invested in Alderley Park Holdings Ltd by way of equity investment and interest free loan. The loan was an integral component of the 10% equity stake and therefore needs to be viewed in conjunction with the equity investment.

13.20 In addition, the Council has committed to investing £5m (and has lent £3.9m as at November 2020) in the Greater Manchester & Cheshire Life Science Fund, a venture capital fund investing in a range of life science businesses. Partners in the Fund include the Greater Manchester Combined Authority, Cheshire & Warrington Local Enterprise Partnership and Alderley Park Ltd. The Fund has a regional focus and seeks to target companies looking to re-locate a material part of their business within the Greater Manchester and Cheshire & Warrington areas, which includes Alderley Park where the Fund is based.

13.21 The nature of the loans is that they do not attract an interest rate and returns are dependent upon the success of individual investments made by the Fund. It should be noted that whilst the investment in the Life Science Fund is high risk it is also long-term in nature, so year-by-year fluctuations are to be expected but gains or losses will only crystallize when funds are extracted.

13.22 The Council may consider making further Service Investment Loans in 2021/22, subject to business cases and where the balance of security, liquidity and yield have been considered as part of robust risk assessment.

13.23 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £'000

Category of borrower	31/03/20 Actual £000	31/03/21 Forecast £000	31/03/21 Forecast £000	31/03/21 Forecast £000	2021/22 £000
		Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0	0	0	0	2,000
Suppliers	24	24	1	23	500
Local businesses	5,087	5,657	61	5,596	30,000
Local charities	601	567	42	525	2,500
TOTAL	**5,712**	**6,248**	**104**	**6,144**	**35,000**

13.24 Accounting standards require the Authority to set aside loss allowances for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's Statement of Accounts are shown net of this loss allowance. The loss allowance figure does not necessarily reflect our anticipation or expectation that loans will need to be written down. Rather, the allowance represents a prudent accounting treatment required by CIPFA guidance. The Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

13.25 The GM Life Science Fund is "revalued" annually based upon the net asset valuation of the Fund and this largely accounts for the notional negative return of the loan category in 2019/20. The position has recovered during 2020/21.

13.26 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans. Each application for a loan requires completion of a business case. This is followed by a process of due diligence taking into account creditworthiness and financial standing and the Council's corporate objectives. External advisors are used where appropriate, dependent on materiality and scope of the loan arrangement. Each application is considered on a case by case basis.

13.27 As Accountable Body for the Cheshire & Warrington Local Enterprise Partnership, the Council is also contracting party to loans provided to organisations from the Growing Places Fund. This £12m Fund was established with Government grants and is "owned" by the Local Enterprise Partnership; consequently, these investments are not made using Cheshire East's resources and are not reflected in the table above, as regards investments made, or affecting upper limits of lending.

4. Service Investments: Shares

13.28 **Contribution:** The Council invests in the shares of its subsidiaries and local businesses to support local public services and stimulate local economic growth.

13.29 As noted above, the Authority has invested in Alderley Park Holdings Limited in order to maintain and stimulate this key strategic industry of life sciences within the Borough. Cheshire East is a 10% shareholder in Alderley Park, and has invested in the development of the site along with Bruntwood (51% shareholder) and Manchester Science Partnerships (MSP; 39% shareholder).

13.30 This should be seen as a long-term strategic investment. Although the internal valuation of our stake has fallen (i.e. reduction in net asset value) in the last two years, due in large part to the general fall in value of property-based companies, the following observations should be noted.

13.31 The valuation is still greater than the purchase price and the underlying assets at Alderley Park remain strong, with a pipeline of future investments in place.

13.32 The reduction in value largely arises from accounting transactions/ re-valuations. A gain or loss to the Council's Revenue and Capital Receipts accounts would only crystallise in the event of divesting our equity stake. As it is a long-term strategic asset there is ample time for the sector to recover.

13.33 The Council also has shares in its subsidiary, wholly owned companies. However, they are of nominal value, and consequently whilst the turnover of the group of companies is significant (£61m in aggregate) the share values are not considered material in the context of this Investment Strategy.

13.34 As reflected in this strategy a key objective of future investments will be to generate a return to benefit the Council's Revenue Account. However, the Council may consider acquiring shares in companies if there is a compelling business case demonstrating strong potential for growth in capital value.

13.35 **Security:** One of the risks of investing in shares is that they fall in value, meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £'000

Category of company	31/03/20 actual £000	31/03/21 forecast £000	31/03/21 forecast £000	31/03/21 forecast £000	2021/22 £000
	Value in accounts	Amounts invested	Gains or losses	Value in accounts	Approved Limit (at cost)
Local businesses	3,110	1,070	2,340	3,410	10,000
TOTAL	**3,110**	**1,070**	**2,340**	**3,410**	**10,000**

13.36 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding shares by: assessing the proposition, taking into consideration the market (the nature and level of competition, how the market/ customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements); using external advisors, where specialist knowledge/ intelligence is required in each case; and being part of the entities' governance arrangements, having a seat on the Board, and receiving and analysing information on financial and operational performance against plan, and updated business plans, on a regular basis.

13.37 Investments in shares are approved via a detailed business case and due diligence that is approved by Cabinet.

13.38 **Liquidity:** With regard to the existing equity stake in Alderley Park, it was deemed to be a long-term investment, supporting a business and site development plan through to at least 2025. As described above, regular monitoring and receipt of updated business plans will help to inform considerations with regards to the selling of shares; and it is important to note, as a minority shareholder in Alderley Park, that shares must first be offered to other shareholders in those private enterprises (and consequently the prospects for disposing of shares should be seen as good as evidenced by the sale of shares in Manchester Science Partnerships in 2019).

13.39 In the event of considering whether to make further Service Investments via shares, the Council will consider maximum investment periods on a case-by-case basis, taking into consideration the prospects for funds being accessible when required (e.g. to repay borrowing; or for other capital financing purposes) by making an assessment of liquidity, given the nature of the proposed investment (e.g. the type of organisation; the market in which it operates).

13.40 **Non-specified Investments:** Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the Government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

5. Commercial Investments: Property

13.41 For the purpose of this paper it should be noted that MHCLG defines property to be an investment if it is held primarily or partially to generate a profit. In order to comply with this the Authority includes several assets in Table 3 that might otherwise be excluded as they are not being held to primarily generate a yield or return.

13.42 Central government continues to express concern over the level of commercial investments held by local authorities and the risk that this presents to residents in the event that an authority becomes over exposed.

13.43 In the most recent spending review the Chancellor of the Exchequer started a process to prohibit the purchase of commercial assets primarily for generating a yield. Careful attention will need to ensure that yield is only an incidental factor in any future decision to invest in a commercial property investment.

13.44 As part of the related Government monitoring authorities will be required to submit a capital financing and spending plan covering a three-year period. Where there are any plans to acquire assets primarily for yield, irrespective of the source of financing for that particular asset, then the Public Works Loan Board (PWLB) will not advance any lending to the Authority.

13.45 **Contribution:** The Council invests in local commercial and residential property and land, for a number of reasons. The intention of making a profit that will be spent on local public services is largely a by-product and is not the primary reason.

13.46 Historically, the most significant commercial investment acquired by the Authority is land and buildings on the North and East side of Weston Road in Crewe, purchased in April 2019. This accounts for 90% of the value in the accounts in this particular asset classification.

13.47 We have revisited the historic purchase costs of the assets included in the categories below. For those that were inherited by Cheshire East Council we have used the valuation at 2009/10. This is to allow for a simple calculation of yield. The value of properties is updated annually, and it is possible that COVID-19 has impacted some valuations, but we will not have an assessment of this until the end of the financial year.

Table 3: Property held for investment purposes in £'000

Property	Actual	Actual 31/03/20	31/03/21	Forecast	2021/22
	Purchase cost £'000	Value in accounts (includes gains/ (losses) to date) £'000	Gains or (losses) £'000	Value in accounts £'000	Approval Limit £'000
Industrial Units	1,492	1,965	0	1,965	
Enterprise Centres	245	350	0	350	
Retail	23,300	24,870	0	24,870	
Residential	110	240	0	240	
Total	**25,147**	**27,425**	**0**	**27,425**	**100,000**

13.48 **Security:** In accordance with Government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

13.49 **Where value in accounts is at or above purchase cost:** A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2020/21 year end accounts preparation and audit process value these properties below their purchase cost, then an updated Investment Strategy will be presented to Full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

13.50 **Where value in accounts is below purchase cost:** The fair value of the Authority's investment property portfolio is no longer sufficient to provide security against loss, and the Authority is therefore taking mitigating actions to protect the capital invested. These actions include annually reviewing the Commercial Properties portfolio; and where the fair value is below the original purchase price alternative actions are considered (e.g. changing the use of the asset to earn additional investment income; refurbishing the asset to make it more attractive to the market; or re-purposing the asset for use by the Council as an operational property where services to the public will be provided from). If no alternative service uses are considered viable it will be classed as surplus to requirements and steps will be taken to market the asset for sale to realise a capital receipt.

13.51 **Risk assessment:** The Authority assesses the risk of loss before acquiring and whilst holding property investments by:

- Before entering into any commercial property investment the Authority assesses the local market conditions, by establishing the supply and demand of the need for a certain type of commercial property investment, what competition currently exists locally, nationally and globally dependent on the type of activity that will take place in the asset (for example retail units, industrial units or residential properties). These decisions are made alongside the expertise, knowledge and market evidence collected from our Economic Development Service.
- The Authority also ensures that when setting rental income on the assets a cost of use and sensitivity analysis is completed, to future proof the running and

maintenance costs of the assets so that rents are set at a level where they are competitive in the local market but will also ensure that the income will provide that additional financial security.

- Whilst holding the commercial properties we continually review market prices, look out for changes in the market, and assess the competition.
- The Authority constantly monitors any changes in the political environments, locally, nationally and globally to assess any potential impact on the local rental markets.

13.52 Through the MTFS process of approving the Investment Strategy, the Approved Limit (in Table 3 above – for 2021/22 this is £100 million) is set by Council. Should any investments be identified then the Portfolio Holder for Finance, IT and Communication in conjunction with the Section 151 Officer can move funds within the Approved Limit into the main Capital Programme.

13.53 Currently, due to the nature of the transactions which can require the Authority to move in line with the market, the approval to acquire specific commercial property is delegated to the Executive Director of Place in conjunction with the Portfolio Holder for Environment and Regeneration.

13.54 This Investment Strategy acknowledges the role of the Investment Board as the body that should consider future investments and make recommendations to Cabinet for ultimate approval of individual investments. As the Authority moves to a Committee-based structure in 2021, consideration will be needed to determine how fresh governance and decision-making processes on investments will be established.

13.55 The £100m limit has not been split across sectors so that individual investment opportunities can be considered on their merits. However, given that significant commercial retail property has been purchased more emphasis will need to be given towards the category of any future investment to ensure that the portfolio is diversified and not overly reliant upon a single sector.

13.56 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority constantly monitors the use of all assets and where there is a market for a particular asset or asset type will look into realising the capital receipt on those assets if it outweighs the long-term benefits of holding the asset for a potential rental stream.

6. Commercial Investments: Loans

13.57 **Contribution:** The Authority has worked alongside Cheshire West and Chester Council and Warrington Borough Council to each provide the Cheshire & Warrington Local Enterprise Partnership (LEP) with a £10m loan facility that will be used to invest in economic development schemes across the Enterprise Zones in the sub-region. The existing Strategic Capital Projects budget has been utilised for this purpose.

13.58 The first loans totalling £8m in respect of Alderley Park Glasshouse and Blocks 22-24 are due to be made in December 2020. The purpose is to stimulate economic development, and payback of the loans will be achieved from business rates retained by the LEP under Enterprise Zone regulations.

13.59 When considering making commercial investment loans, there will always be a Council policy-related objective (e.g. regeneration; economic development) in addition to the objective of financial benefit (yield) to the Council's Revenue Account (i.e. interest received) being greater than the costs to the Revenue Account (e.g. debt financing).

13.60 In considering commercial loan investment opportunities, the Council will adopt a prudent approach, with two underlying objectives:

- **Security** – protecting the capital sum invested from loss
- **Liquidity** – ensuring the funds invested are available when needed

Category of borrower	2021/22 Approved Limit £000
Partner Organisations	20,000

13.61 **Risk assessment:** The Authority assesses the risk of loss before entering into commercial loans with a thorough due diligence process by: assessing the proposition, taking into consideration the market (the nature and level of competition, how the market/ customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements); using external advisors, where specialist knowledge/ intelligence is required in each case; and receiving and analysing information on financial and operational performance against plan, and updated business plans, on a regular basis.

13.62 Each application for a loan will require completion of a business case. Each loan application is considered on a case by case basis. For commercial loans, the intent is that they will be approved in line with those rules being developed in accordance with Section 10 below. Currently, the approval route will be based upon the source of the funding identified for the Loan.

7. Loan Commitments and Financial Guarantees

13.63 As Accountable Body for the Cheshire & Warrington Local Enterprise Partnership, the Council is acting as Entrusted Entity to a £20m European Regional Development Fund (ERDF)-supported 'Evergreen' Development Fund, which has commenced and is in the process of making its first investment. The Council, as contracting party, provides guarantees in respect of the amounts provided through ERDF.

13.64 The Fund is designed to provide loan finance to specific projects across Cheshire and will not generate a return for the Authority. As such the balances are not included in the investment tables above. The workings of the fund are subject to detailed scrutiny and are managed by a firm of experienced fund managers with a strong track record of providing loans that minimise the risk of default. The Council, as contracting party, will provide guarantees in respect of the amounts provided through ERDF though this will be offset by the professional indemnity insurance held by the fund manager.

8. Proportionality

13.65 A major concern for external governing bodies is the extent to which Authorities are dependent upon investment income to fund services.

13.66 The Authority is only partially dependent on return-generating investment activity to achieve a balanced revenue budget, in respect of Place Services. Within the Authority the proportion is consistently below 2.5% and is deemed immaterial. Such is the low proportion that it represents, should it fail to achieve the expected net return, the Authority's contingency plans for continuing to provide these services include effective budget management and tight cost control.

9. Borrowing in Advance of Need

13.67 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. This has been strengthened in recent Government announcements effectively prohibiting investing for yield. The Council currently follows this guidance and ensures that investments are made to meet the strategic needs of the Authority, its residents and local businesses.

10. Capacity, Skills and Culture

13.68 **Elected members and statutory officers:** Adequate steps are taken to ensure that those elected Members and statutory officers involved in the investment decision making process have appropriate capacity, skills and information to enable them to: 1. take informed decisions as to whether to enter into a specific investment; 2. to consider individual assessments in the context of the strategic objectives and risk profile of the local authority; and 3. to enable them to

understand how the quantum of these decisions have changed the overall risk exposure of the local authority.

13.69 The Authority has established an Investment Board comprised of Members, supported by Executive Officers and where necessary, external advisors, and acts on recommendations from officers that consider opportunities to enhance the Revenue & Capital Budgets of the Council through strategic investments, whether that involves using capital/cash resources or borrowing and lending powers.

13.70 The Investment Board is not a formal decision making body and instead makes recommendations. There is an ongoing requirement to refer matters to Cabinet for decision, to ensure that approval of individual investment decisions is made in accordance with existing procudeure rules.

13.71 The Board is made up of the following individuals:

- The Leader of the Council (Chair)
- Deputy Leader of the Council
- Portfolio Holder for Finance, IT & Communications
- Portfolio Holder for Environment & Regeneration

13.72 Support is provided by:

- Executive Director Place
- S151 Officer
- Monitoring Officer

13.73 The Authority continues to identify best practice from across the sector and will incorporate this into the evolving Investment Strategy. The future governance arrangements for considering and approving investments are currently being reviewed and it is likely that further recommendations in this regard will come forward in the new financial year, as the Council moves to implement its new committee structure.

13.74 It is recognised that in order to support decision making there will be a need to engage external advisors from time to time. The Authority has appointed Arlingclose Ltd as treasury management advisors and receives specific advice on investment, debt and capital finance issues. Other consultants, such as property consultants, are engaged as required.

13.75 **Commercial deals:** Steps have been taken to ensure that those negotiating and reporting commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate. A team of officers from Place, Finance, Legal, and Procurement are responsible for ensuring that the framework is followed. Where appropriate staff are provided with additional training and up to date skills via CIPFA and other providers.

13.76 **Corporate governance:** Corporate governance arrangements have been put in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the Council's corporate values and Constitution.

13.77 The MHCLG requirement to produce an Investment Strategy, approved annually by Full Council is a key component of the corporate governance framework.

13.78 The Investment Strategy is presented and approved annually as part of the Medium-Term Financial Strategy at Full Council. Updates to the Investment Programme will be reported to Cabinet on a quarterly basis.

11. Investment Indicators

13.79 The Authority has set the following quantitative indicators to allow elected Members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

13.80 **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 4: Total investment exposure in £'000

Total investment exposure	31/10/20 Actual	31/03/21 Forecast	31/03/22 Forecast
Treasury management investments	51,100	20,000	20,000
Service investments: Loans	6,037	6,248	6,114
Service investments: Shares	3,110	3,410	3,410
Commercial investments: Property	27,425	27,425	57,425
Commercial Investments: Loans	0	8,000	20,000
TOTAL INVESTMENTS	**87,672**	**65,083**	**106,949**
Commitments to lend	1,159	914	914
TOTAL EXPOSURE	**88,831**	**65,997**	**107,863**

13.81 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Currently the Authority's investments are mainly funded by usable reserves and income received in advance of expenditure with only a small amount funded by borrowing.

Table 5: Investments funded by borrowing in £'000

Investments funded by borrowing	31/03/20 Actual	31/03/21 Forecast	31/03/22 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	10,000
Service investments: Shares	0	0	0
Commercial investments: Property	20,950	20,950	25,000
Commercial Investments: Loans	0	8,000	20,000
TOTAL FUNDED BY BORROWING	**20,950**	**28,950**	**55,000**

13.82 **Rate of return received:** In part this indicator shows, for Treasury Management and Commercial Property investments, the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the nature of the local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

13.83 The return for the Service Investments: Loans and Shares is not a true realised return but is instead the % fluctuation in the underlying value of the new assets within the Life Science Fund and Alderley Park Holdings Limited. As such they do not reflect actual cashflows.

13.84 The major assets included within Commercial Investments: Properties, representing over 90% of the value in that classification, are two commercial retail properties in Crewe. Whilst we will see fluctuations year-on-year given the pressures on 'bricks and mortar retail', the Council will only experience an impact on its Revenue Account if a tenant goes into liquidation or is subject to a (lower) rent review.

13.85 From the perspective of the Council one of the tenants affected is a home improvements retailer and the second is a national supermarket retailer. Both of these have thus far weathered the local economic effects of the COVID-19 pandemic though we might expect further reductions in asset value in this financial year.

13.86 Much of the investment returns for Commercial Investments relates to rent on these two assets. Rental income on both has held up during the year. The change in reported return from 2019/20 is due in part to fully accounting for revenue financing costs on the primary asset. This has reduced the net income figure used for the returns calculation, when compared to that previously reported. There are also some adjustments for rents factored in as a result of COVID-19. The hope is that these will be a one-off adjustment and returns will recover next year.

Table 6: Investment rate of return (net of all costs)

Investments net rate of return	2019/20 Actual	2020/21 Forecast	2021/22 Forecast
Treasury management investments	2.12%	1.61%	2.10%
Service investments: Loans	-12.59%	11.67%	0.38%
Service investments: Shares	-26.25%	28.04%	0.00%
Commercial investments: Property	6.66%	2.80%	3.24%

12. Glossary of Terms

Investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations. For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly owned companies or associates, to a joint venture, or to a third party. The term does not include *pension funds* or *trust fund investments,* which are subject to separate regulatory regimes and therefore are not covered by this guidance.
A **credit rating agency** is one of the following three companies: Standard and Poor's, Moody's Investors Service Ltd and Fitch Ratings Ltd.
A **loan** is a written or oral agreement where a local authority temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment.
Specified Investments An investment is a specified investment if all of the following apply: • The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling • The investment is not a long-term investment (the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option) • The making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended]* • The investment is made with a body or in an investment scheme described as high quality; or with one of the following bodies: – i. The United Kingdom Government; – ii. A local authority in England or Wales (as defined in section 23 of *the 2003 Act*) or a similar body in Scotland or Northern Ireland; or – iii. A parish council or community council • should define high credit quality (definition incorporates ratings provided by credit rating agencies)
The **Treasury Management Code** means the statutory code of practice issued by CIPFA: *"Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition".*
The **Prudential Code** means the statutory code of practice, issued by CIPFA: *"The Prudential Code for Capital Finance in Local Authorities, 2017 Edition".*
The **Capital Strategy** is the strategy required by the updates to the Prudential Code and Treasury Management Code.

14. Reserves Strategy

Executive Summary

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

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

14.2 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 reserves in the short term.

14.3 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.

14.4 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.

14.5 Cheshire East Council's Reserve Strategy was last approved at Council on 20th February 2020.

14.6 The quarterly review process informs the Council's thinking on reserves and an updated Reserves Strategy for 2021-25 is being reported to Cabinet and Council in February 2021.

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

14.8 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.

Alex Thompson

Alex Thompson FCPFA, IRRV(Hons)

Director of Finance and Customer Services

(Section 151 Officer)

1. Introduction

Types of Reserves

14.9 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)

14.10 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:

14.11 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.

14.12 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)

14.13 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

14.14 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.

14.15 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.

14.16 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.

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

14.18 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.

14.19 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

14.20 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

14.21 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

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

14.23 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.

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

Opening Balances

14.25 The 2020/21 Budget anticipated that the Council would hold general reserves of £10.3m.

14.26 Following a review of the risk assessed minimum level requirement general reserves will remain at £10.3m.

14.27 At 1st April 2021, it is anticipated that the Council will hold general reserves of £10.3m, as calculated in **Table 2.**

Table 2	Estimated Balance 1st April 2021 £m
Amount of General Fund Balance available for new expenditure	**10.3**
The impact of performance against the 2020/21 Revenue Budget	**0.0**
(Source: Third Quarter Review (FINANCE) 2020/21)	
	10.3

Estimated Movement in Reserves (2020/21 onwards)

14.28 **Table 3** summarises the current estimated movements in general reserves from 2021 to 2024.

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

14.30 During 2019 CIPFA published a financial management code designed to support the Local Government sector as it faces continued financial challenge, the Code recognises ‘that using

the financial reserves to finance a deficit or to avoid difficult decisions around spending cuts provides temporary relief, but is *not sustainable in the long term*.'

14.31 This guidance from CIPFA follows the National Audit Office (NAO) report on financial sustainability in local authorities. This indicated that there is a heightened risk of more Council's over the coming years falling into special measures as a result of not reconciling the pressure on budgets.

14.32 The reserves position will continue to be monitored and reviewed during 2021/22 to ensure the risk assessed level of £10.3m remains adequate, with the strategy being to increase them over the next three years to £11.5m. This is due to a cumulative impact of the overall increase in the size of the budget and the ability to make accurate predictions for later years without indications from government of future settlements. General reserves of £10.3m as a proportion of net revenue expenditure is 3.3%.

Table 3: The level of reserves will be maintained in the medium term	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Estimated Balance @ 1st April	10.3	10.3	10.3	10.9	11.5
Estimated Impact of Spending	0.0	0.0	0.0	0.0	0.0
Planned Contribution	0.0	0.0	0.6	0.6	0.0
Forecast General Reserves @ 31st March	**10.3**	**10.3**	**10.9**	**11.5**	**11.5**
Risk Assessed Minimum Level	10.3	10.3	10.9	11.5	11.5

Source: Cheshire East Finance

14.33 The level at which reserves are set for 2021/22, 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

14.34 The risks facing each local area will vary. In the case of Cheshire East, the impact of rising demand for services, the economic climate, Brexit, 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.

14.35 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.

14.36 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.

14.37 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.

14.38 The Risk Assessment for 2021/22 provides for the Minimum Level to be set at £10.3m. This is considered a relatively prudent overall target for reserves at 3.3% 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.
- Maintained schools are predicting significant deficit budget positions in their three-year forecasts as a result of staffing costs and special educational needs costs increasing at a faster rate than funding.

14.39 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 0.75%).

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

a. The risk may impact within the medium term.

b. Risks are potential one-off events.

c. The risk will have genuine financial consequences beyond insurance cover.

d. Mitigating actions will be in place to minimise the potential requirement for financial support.

e. If a risk becomes 100% likely it will be allocated to earmarked reserves or included within appropriate Revenue Budget estimates.

f. Emerging risks will be addressed from in-year surplus or virement before any request to allocate general reserves.

Table 4: A robust level of reserves is guided by an assessment of potential risks							
Class of Risk	**Knock on Effects**	**Effect on Budget / Mitigating Action**	**% Risk (a)**	**Value of Risk Area (b)**	**Value of risk retained (a x b)**	**Sub-Total**	**Risk Assessment**
Health & Safety	Major loss of service	Increased cost to reduce further risk of breach / Robust risk assessments	7.0%	£1,000,000	£70,000	**£120,000**	**£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	25.0%	£200,000	£50,000		
Fire / Structural damage	Major loss of service	Premises not operational / Robust disaster recovery plan	10.0%	£1,000,000	£100,000	**£410,000**	**£400,000**
	Severe Weather	Additional staffing, transport and materials costs / robust emergency plans	28.0%	£1,000,000	£280,000		
	Insurance claims create rising premiums or cost to insurance reserves	Budget growth to cover premiums or self insurance costs / Good claims management	5.0%	£594,000	£30,000		
Budget Pressures	Opening Balances vary from current predictions	Impact on opening balances / apply prudent assumptions to opening balances	2.0%	£10,300,000	£206,000	**£2,008,000**	**£2,000,000**
	Savings proposals challenged by changing priorities.	Impact of 2020/21 outturn / robust remedial plans and monitoring of progress	0.1%	£301,900,000	£302,000		
	Forecast deficit budgets in maintained schools	In-Year emerging issues / Robust plans and monitoring of progress	10.0%	£7,200,000	£720,000		
	Higher than anticipated inflation arising in year	Increased inflation on contracts and services / contract management and robust remedial plans	1.0%	£50,000,000	£500,000		
	Potential decrease in Council Tax and Business Rates collection rate	Lower than forecast income or increased reliefs/ robust assessment criteria and debt recovery procedures	0.1%	£280,000,000	£280,000		
Legal & IT costs	Legal challenges to Council service delivery / charges for services	Court costs and claims for financial settlement / clear processes and good workforce management	50.0%	£750,000	£375,000	**£3,077,000**	**£3,000,000**
			30.0%	£1,000,000	£300,000		
	Data corruption and need to improve security	ICT service days to repair, loss of service / robust security policies and firewalls	10.0%	£500,000	£50,000		
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	1.6%	£147,000,000	£2,352,000		
Strategic Reserve		Strategic / Emergency risk cover, potential further invest to save options and future pay and structure changes Impact of EUExit on national and local economy	0.8%	£646,000,000	£4,845,000	**£4,845,000**	**£4,800,000**
		OVERALL RISKS				**£10,460,000**	**£10,300,000**
		% of Net Revenue Budget					**3.3%**

14.41 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 £10.3m.

14.42 It should be noted that these risks reflect the net effect of issues relating to sustainable performance against the 2021/22 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

14.43 The Local Government Finance Act 1988 and 1992 and the Local Government Act 2003 emphasises the importance of sound and effective financial management in England and Wales by the statutory duty of the Section 151 Officer to report to the authority, at the time the budget is considered and the council tax set, on the robustness of the budget estimates and the adequacy of financial reserves.

14.44 CIPFA and the Local Authority Accounting Panel consider that local authorities should establish reserves including the level of those reserves based on the advice of their Section 151 Officer. There is no statutory or recommended minimum level of reserves as they are established by the Section 151 officer making judgements on such matters taking into account all the relevant known and expected local circumstances. Imposing a statutory minimum would therefore be against the promotion of local autonomy and would conflict with the financial freedoms offered to local authorities.

14.45 The Secretary of State in England has reserve powers to specify in regulations a statutory minimum level of reserves that will be used if authorities fail to remedy deficiencies or run down reserves against the advice of the Section 151 Officer. The Government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently and disregards the advice of its Section 151 Officer.

3. Earmarked Reserves (Revenue)

Purpose

14.46 The purpose of an earmarked reserve 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.

14.47 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.

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

14.49 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

14.50 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.

14.51 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.

14.52 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,
- Be reviewed at least annually.

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

14.54 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.

14.55 The 2020/21 position on earmarked reserves is reported in the Third Quarter Review (FINANCE) 2020/21 Report, as part of the 2nd February Cabinet Agenda.

14.56 All reserves will be subject to revised business cases to ensure that only the required levels are carried over into 2021/22.

14.57 At 1st April 2021, it is anticipated that balances on existing earmarked reserves held by Cheshire East Council will be £67.2m. It is estimated that balances will reduce by £45.4m by the end of 2021/22. **Table 6** (overleaf) shows the position on each earmarked reserve.

14.58 The opening balance of the Collection Fund reserve includes a S31 grant of £30m received from MHCLG to fund the Council's 49% share of the Extended Retail Relief as a result of COVID-19. This was received in 2020/21 and will be used to repay the resulting deficit in the business rates collection fund that is due to be paid back in 2021/22 as a result of the relief being granted.

14.59 The opening balances also includes COVID-19 grants in the region of £10m which are expected to be fully utilized in 2021/22.

14.60 The DSG Reserve continues to be in deficit. Current forecasts suggest the reserve will continue to be in deficit in the medium term and plans are being taken forward to reduce the spend pressures over that period. However, as funding levels do not reflect activity it is not clear when the reserve can be returned to surplus.

Table 6 Name of Reserve	Opening Balance 1st April 2021 £000	Movement in 2021/22 £000	Closing Balance 31st March 2022 £000	Notes
People				
PFI Equalisation - Extra Care Housing	**2,618**	97	**2,715**	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
Public Health	**1,837**	319	**2,156**	Ring-fenced underspend to be invested in areas to improve performance against key targets.
Public Health (DHSC ring-fenced Covid grant)	**5,038**	(4,862)	**176**	Ring-fenced against covid activities - DHSC funding for Test & Trace + Contain Outbreak Management Fund.
Other Useable reserves (<£500,000 in value)	**50**	(50)	**0**	Domestic Abuse Partnership.
Place				
Strategic Planning	**478**	(262)	**216**	To meet costs associated with the Local Plan.
Trees / Structures Risk Management	**400**	(400)	**0**	To respond to increases in risks relating to the environment, in particular the management of trees, structures and dealing with adverse weather events.
Other Useable reserves (<£500,000 in value)	**339**	(189)	**150**	Includes Investment Sustainability and Investment Portfolio.
Corporate				
Financing Reserve	**7,428**	(2,900)	**4,528**	To provide for financing of capital schemes, other projects and initiatives.
Collection Fund Management	**39,552**	(27,368)	**12,184**	To manage cash flow implications as part of the Business Rates Retention Scheme. Includes liabilities that will not be paid until future years.
Insurance (Cheshire East & Cheshire County Funds)	**5,102**	0	**5,102**	To settle insurance claims and manage excess costs.
MTFS Reserve	**3,265**	1,075	**4,340**	To support the financial strategy and risk management.
Brighter Future Transformation Programme	**738**	(117)	**621**	To fund four year transformation programme.
Other Useable reserves (<£500,000 in value)	**659**	99	**758**	Includes Elections, New Homes Bonus Community Fund and HR programme.
Central				
Covid (unringfenced)	**5,129**	(5,129)	**0**	Covid (Unringfenced) reserve carried forward into 2022/23
Revenue Grants - Other	**2,140**	(2,068)	**72**	Unspent specific use grant carried forward into 2022/23.
Revenue Grants - Dedicated Schools Grant	**(7,577)**	(3,592)	**(11,169)**	Overspend of grant carried forward into 2022/23.
TOTAL	**67,196**	**(45,347)**	**21,849**	

4. Capital Reserves

14.61 Capital receipts received in-year are fully applied to finance the capital programme. A small amount of capital receipts are held in reserve to cover future commitments where receipts are to be used flexibly to fund transformational projects.

14.62 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

14.63 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.

14.64 This recognises local issues and allows the Section 151 Officer to report favourably on the adequacy of reserves. The full report of the S.151 Officer is provided on Page 19 of the MTFS Full Report.

14.65 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

14.66 General Fund Reserves – Risk Assessment Working Papers 2021.

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

CIPFA Financial Management Code 2019

Cheshire East Statement of Accounts 2019/20

15. Financial Authorisation Limits

15.1 Financial control is achieved through the mechanism of the Financial Procedures Rules (Chapter 3, Part 4 of the Constitution) and the Financial Schemes of Delegation.

15.2 This Annex provides details of the financial authorisation limits for the year 2021/22 to be approved at Budget Council. The financial limits ensure decisions are made at the right level, are formally delegated and involve appropriate consultations with Senior Management, Statutory Officers and Members.

15.3 It is appropriate to review these limits on an annual basis to reflect the most up to date financial framework, following a review this annex confirms the current levels are appropriate for 2021/22.

15.4 These limits are in line with the approved Constitution and for 2021/22 apply for the net revenue budget of £311m and the capital budget of £171.3m.

Scheme of Virement

15.5 Approval limits for virements are as follows:

Revenue Virements

Virement Amount	Approval Level
Up to and including £100,000	Head of Service
In excess of £100,000 up to and including £500,000	Corporate Leadership Team (Relevant Executive Director)
In excess of £500,000 up to and including £1,000,000	Corporate Leadership Team (Relevant Executive Director) in consultation with Portfolio Holder for Finance, IT and Communication and relevant Portfolio Holder
Over £1,000,000 (where virement is within budget and policy framework)	Cabinet
Over £1,000,000 (where virement is outside budget and policy framework)	Council

Capital Virements

Virement Amount	Approval Level
Up to and including £100,000	Head of Service
In excess of £100,000 up to and including £500,000	Corporate Leadership Team (Relevant Executive Director)
In excess of £500,000 up to and including £1,000,000	Corporate Leadership Team (Relevant Executive Director) in consultation with Portfolio Holder for Finance, IT and Communication and relevant Portfolio Holder
In excess of £1,000,000 up to and including £5,000,000	Cabinet
Over £5,000,000	Council with recommendation from Cabinet

Supplementary Revenue Estimates

15.1 Approval limits for fully funded supplementary revenue estimates are as follows:

Supplementary Estimate Amount	Approval Level
Up to and including £100,000	Corporate Leadership Team (Relevant Executive Director)
In excess of £100,000 up to and including £250,000	Corporate Leadership Team (Relevant Executive Director) in consultation with the Portfolio Holder for Finance, IT and Communication
In excess of £250,000 up to and including £500,000	Portfolio Holders and (Relevant Executive Director) in consultation Portfolio Holder for Finance, IT and Communication
In excess of £500,000 up to and including £1,000,000	Cabinet
Over £1,000,000	Council with recommendation from Cabinet

15.2 Approval limits for supplementary revenue estimates which are to be funded from earmarked reserves or contingencies are as follows:

Supplementary Estimate Amount	Approval Level: From Earmarked Reserves	Approval Level: From Contingencies
Up to and including £250,000	Section 151 Officer	Section 151 Officer
In excess of £250,000 up to and including £500,000	Section 151 Officer in consultation with the Portfolio Holder for Finance, IT and Communication	Section 151 Officer
In excess of £500,000 up to and including £1,000,000	Cabinet	Section 151 Officer in consultation with the Portfolio Holder for Finance, IT and Communication
Over £1,000,000	Council with recommendation from Cabinet	Cabinet

Supplementary Capital Estimates

15.3 Approval limits for supplementary capital estimates are as follows:

Supplementary Estimate Amount	Approval Level
Up to and including £100,000	Corporate Leadership Team
In excess of £100,000 up to and including £250,000	Corporate Leadership Team in consultation with the Portfolio Holder for Finance, IT and Communication
In excess of £250,000 up to and including £500,000	Portfolio Holders and Corporate Leadership Team in consultation Portfolio Holder for Finance, IT and Communication
In excess of £500,000 up to and including £1,000,000	Cabinet
Over £1,000,000	Council with recommendation from Cabinet

Asset Disposal / Write-off

15.4 The Section151 Officer may authorise the write off of losses up to £5,000, or disposals, of obsolete or surplus equipment, materials, vehicles or stores up to a disposal value of £5,000. Where the sum exceeds £5,000 but is less than or equal to £25,000 this should be done in consultation with the Portfolio Holder for Finance, IT and Communication. Where the value exceeds £25,000, approval must be sought from the Portfolio Holder for Finance, IT and Communication. Any write off which arises as a result of theft or fraud must be notified to the Head of Audit and Risk immediately.

Early Retirement / Severance

15.5 The Chief Executive or Executive Director (Corporate Services) must approve all requests up to £100,000 including pension strain. All requests in excess of £100,000 including pension strain must be approved by the Staffing Committee.

Grants and Donations

15.6 Grants, donations and contributions will be paid by the Council in accordance with the policies determined under paragraph 6.29 of the Financial Procedure Rules, subject to there being adequate provision in service budgets and the appropriate approvals being sought.

Approval level	Amount
Officers	Up to and including £50,000 (where grant is within approved grant policy)
Portfolio Holder	Between £50,000 and £100,000 (where grant is within approved grant policy)
Cabinet	All Grants of £100,000 or more. All grants which do not fall within existing approved grant policy require Cabinet approval.

Bad Debts

15.7 Bad Debts may be written off as follows:

Approval level	Amount
Section 151 Officer	Up to and including £5,000
Section 151 Officer in consultation with the Monitoring Officer	Over £5,000 and up to and including £10,000
Portfolio Holder in consultation with the Portfolio Holder for Finance, IT and Communication	Over £10,000

15.9 Heads of Service are responsible for ensuring that an adequate provision for bad debt is made in the Council's accounts at year end and that contributions to this provision are included in budgetary projections and outturn reports.

16. Abbreviations

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
EqIA	Equality Impact Assessment
EIP	Early Intervention and Prevention
ERP	Enterprise Resource Platform
ESG	Education Support Grant
FQR	First Quarter Review (not produced for 2020/21)

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.
LA	Local Authority
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
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
TUPE	Transfer of Undertakings (Protection of Employment) regulations
VIC	Visitor Information Centres

17. Forecasts (February 2020)

Forecasts presented to the Council in February 2020 reported the potential budget position in the medium term.

Proposals in the Pre-Budget Consultation focused on ensuring that increased growth projections were fully reflected.

Summary position for 2020/21 to 2023/24	Budget Book 2019/20 (revised at Third Quarter Review) £m	Estimated Net Budget 2020/21 £m	Estimated Net Budget 2021/22 £m	Estimated Net Budget 2022/23 £m	Estimated Net Budget 2023/24 £m
Outcome 1 - Our Local Communities are strong and supportive	10.6	10.9	11.1	11.4	11.6
Outcome 2 - Cheshire East has a strong and resilient economy	5.9	5.6	5.7	5.8	5.9
Outcome 3 - People have the life skills and education they need in order to thrive	9.7	10.4	10.3	10.7	11.0
Outcome 4 - Cheshire East is a green and sustainable place	35.5	36.2	35.6	36.7	37.4
Outcome 5 - People live well and for longer	170.5	181.1	187.7	194.2	200.9
Outcome 6 - A responsible, effective and efficient organisation	40.5	44.7	46.0	47.6	49.3
Total Outcomes	272.7	288.9	296.4	306.4	316.1
CENTRAL BUDGETS:					
Capital Financing	12.0	12.0	14.0	14.0	14.0
Past Pensions Adjustment	0.2	1.8	1.8	1.8	1.8
Income from Capital Receipts	-2.0	-1.0	0.0	0.0	0.0
New Homes Bonus Community Fund	1.0	0.0	1.0	0.0	0.0
Use of (-)/Contribution to (+) Earmarked Reserve	-2.9	-0.7	-0.3	-0.1	-0.1
Total Central Budgets	8.3	12.1	16.5	15.7	15.7
Additional changes to balance future years		0.0	0.0	-12.2	-18.3
TOTAL: SERVICE + CENTRAL BUDGETS	281.0	301.0	312.9	309.9	313.5
FUNDED BY:					
Council Tax	-216.2	-229.5	-236.4	-243.5	-250.7
Business Rate Retention Scheme	-48.0	-49.8	-49.1	-49.1	-49.1
Specific Grants	-14.7	-21.6	-15.2	-11.2	-9.2
Sourced from Collection Fund	-2.1	-0.1	0.0	0.0	0.0
TOTAL: FUNDED BY	-281.0	-301.0	-300.7	-303.8	-309.0
Estimated Funding Deficit	**0.0**	**0.0**	**12.2**	**6.1**	**4.5**

18. Feedback

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.

Join the Digital Influence Panel or scan the QR code to join.

View the results of previous consultations undertaken by Cheshire East Council.