Cabinet

Agenda

Date:	**Wednesday, 11th February, 2015**
Time:	**2.00 pm**
Venue:	**Committee Suite 1, 2 & 3, Westfields, Middlewich Road, Sandbach CW11 1HZ**

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

2. **Declarations of Interest**

   To provide an opportunity for Members and Officers to declare any disclosable pecuniary and non-pecuniary interests in any item on the agenda.

3. **Public Speaking Time/Open Session**

   In accordance with Procedure Rules Nos.11 and 35 a period of 10 minutes is allocated for members of the public to address the meeting on any matter relevant to the work of the meeting. Individual members of the public may speak for up to 5 minutes but the Chairman or person presiding will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers. Members of the public are not required to give notice to use this facility. However, as a matter of courtesy, a period of 24 hours' notice is encouraged.

   Members of the public wishing to ask a question at the meeting should provide at least three clear working days' notice in writing and should include the question with that notice. This will enable an informed answer to be given.

Contact: Paul Mountford, Democratic Services Officer
Tel: 01270 686472
E-Mail: paul.mountford@cheshireeast.gov.uk

4. **Questions to Cabinet Members**

A period of 20 minutes is allocated for questions to be put to Cabinet Members by members of the Council. Notice of questions need not be given in advance of the meeting. Questions must relate to the powers, duties or responsibilities of the Cabinet. Questions put to Cabinet Members must relate to their portfolio responsibilities.

The Leader will determine how Cabinet question time should be allocated where there are a number of Members wishing to ask questions. Where a question relates to a matter which appears on the agenda, the Leader may allow the question to be asked at the beginning of consideration of that item.

5. **Minutes of Previous Meeting** (Pages 1 - 8)

To approve the minutes of the meeting held on 6th January 2015.

6. **2014/15 Third Quarter Review of Performance** (Pages 9 - 66)

To consider a report which sets out the Council's financial and non-financial performance at the third quarter stage of 2014/15 and which highlights the latest progress towards achieving the Council's Residents First Outcomes as described in the Council's three year plan 2013 to 2016.

7. **The Council's Medium Term Financial Strategy 2015/18** (Pages 67 - 256)

To consider a report which presents the Council's Medium Term Financial Strategy for the years 2015/16 to 2017/18.

8. **Treasury Management Strategy and MRP Statement 2015/16** (Pages 257 - 284)

To consider a report on the Treasury Management Strategy and the MRP Statement for 2015/16.

9. **Notice of Motion - Location of Strategic Planning Board Meetings** (Pages 285 - 288)

To consider and respond to the motion.

10. **Notice of Motion - Local Plan** (Pages 289 - 292)

To consider and respond to the motion.

11. **Notice of Motion - Sandbach Neighbourhood Plan** (Pages 293 - 296)

To consider and respond to the motion.

12. **Notice of Motion - Heyes Lane Allotments** (Pages 297 - 300)

To consider and respond to the motion.

13. **Jobs Regeneration and Assets Overview and Scrutiny Committee - High Growth City Project Task and Finish Group Report** (Pages 301 - 320)

To consider the report and recommendations of the High Growth City Project Task and Finish Group.

14. **Cheshire East Energy Framework (Ref CE 14/15-37)** (Pages 321 - 426)

To consider a report seeking endorsement of the Cheshire East Energy Framework.

15. **Disposal of Part of Redsands (Areas 1, 2 & 3)** (Pages 427 - 434)

To consider the disposal of part of the Redsands site to facilitate the development of a specialised design and engineering centre.

16. **DfT Local Highway Maintenance - Challenge Fund Bids** (Pages 435 - 438)

To consider the submission of two funding bids to help maintain and improve existing local highway infrastructure.

17. **Commissioning of 0-19 Healthy Child Programme in conjunction with NHS England (Ref CE 14/15-28)** (Pages 439 - 452)

To consider a report on the re-commissioning of ‘healthy child’ services for children and young people (aged 0 – 19 years).

18. **Pay Policy Statement 2015/16** (Pages 453 - 470)

To consider a report on the Pay Policy Statement for 2015/16.

THERE ARE NO PART 2 ITEMS

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Cabinet**
held on Tuesday, 6th January, 2015 at Committee Suite 1, 2 & 3, Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor M Jones (Chairman)
Councillor D Brown (Vice-Chairman)

Councillors Rachel Bailey, J Clowes, J P Findlow, B Moran, P Raynes, D Stockton and D Topping

Members in Attendance
Councillors Rhoda Bailey, L Brown, S Corcoran, K Edwards, I Faseyi, M Grant, S Hogben, W Livesley, R Menlove, B Murphy, D Newton, L Smetham and S Wilkinson

Officers in Attendance
Mike Suarez, Lorraine Butcher, Peter Bates, Caroline Simpson, Heather Grimbaldeston, Tony Crane, Iolanda Puzio and Paul Mountford

Apologies
Councillors L Gilbert, P Groves (on Council business), D Marren (on Council business) and P Mason

105 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

106 **PUBLIC SPEAKING TIME/OPEN SESSION**

There were no members of the public wishing to speak.

107 **QUESTIONS TO CABINET MEMBERS**

Councillor S Corcoran asked if the Council intended to take legal action against one of its members regarding an alleged breach of the Member Code of Conduct. The Leader replied that in his opinion it would not be a good use of taxpayers' money but that the matter would be for officers to determine.

Councillor W Livesley asked about allegations reported by the BBC regarding the improper use of the Leader's private Twitter account. The Leader was concerned that the matter was more of a political game and he felt that the focus should be on policies and achievements rather than personalities with this new form of media.

Councillor B Murphy, referring to comments made in public recently by another member about an officer, questioned whether it was appropriate to target officers in this way rather than those with political responsibility.

Councillor Murphy also asked about the waiting times for accident and emergency services in Cheshire East, a matter he had also raised at a recent overview and scrutiny committee meeting. The Leader replied that hospital waiting times and doctors' appointments were an important issue but not one for which the Council was directly responsible.

Councillor I Faseyi asked for assurances that new residents to Crewe Central would be registered for voting in time for the forthcoming elections. The Leader replied that the Council would ensure that as many new residents as possible across the Borough would be registered.

Councillor S Wilkinson asked about progress with the preferred route for HS2. The Leader replied that he was still waiting for confirmation from the Secretary of State that the Northern Hub would be at Crewe. He stressed that efforts would be made to minimise the impact of residents affected by the route.

Councillor K Edwards asked the Portfolio Holder for Safeguarding Children and Adults about progress with the assessment of youngsters with special educational needs. Councillor Rachel Bailey referred to the reply she had given at the previous meeting and at a recent overview and scrutiny committee meeting.

Councillor Bailey took the opportunity to again highlight recent news that Cheshire East Council was one of the top three schools authorities in the country, with 93.6% of schools being rated as good or outstanding.

108 MINUTES OF PREVIOUS MEETING

RESOLVED

That the minutes of the meeting held on 9th December 2014 be approved as a correct record.

109 CONGLETON LINK ROAD - REFINEMENTS TO PREFERRED ROUTE AND PROGRESS UPDATE REF. CE14/1526

Cabinet considered a report on the findings of the modified preferred route comparative options report and the modified preferred route to be taken forward as the basis for the future development of the scheme.

The report highlighted the work undertaken since the initial preferred route for the road had been decided in May 2014 and recommended minor adjustments to the route based on those assessments. The report also set out the likely scale of council funding required to deliver the road and a process to acquire any necessary land for the scheme.

The proposals would be subject to a further round of public consultation and there remained scope to incorporate additional changes.

RESOLVED

That Cabinet

1. notes the findings of the Modified Preferred Route - Comparative Options Report (Annex A to the report);

2. approves that the modified preferred route shown in Annex B be taken forward as the basis for the future development of the scheme, including introducing the necessary modifications into the Local Plan Core Strategy at the earliest opportunity;

3. approves that the modified preferred route be used as the basis for an additional public consultation on the detail of the scheme to inform a future Planning Application;

4. notes the Council's success in securing £45m of funding towards the scheme through the Local Growth fund and the current scheme funding strategy;

5. authorises officers to explore additional funding opportunities and to note that as a reserve position, an approval for the full funding required for the scheme will be made though the council's budget setting process; and

6. authorises officers to enter into discussions with land owners about acquiring the necessary land and rights to deliver the scheme and to delegate the entering into of any necessary supporting legal agreements to the Head of Legal Services in consultation with the Portfolio Holder.

110 **ALDERLEY PARK DEVELOPMENT FRAMEWORK REF. CE 14/15-36**

Cabinet considered a report on a draft Alderley Park Development Framework for public consultation.

Manchester Science Partnerships were looking to begin the remodelling of the site to make it suitable for multiple-occupiers as soon as possible to ensure that the employment talent associated with AstraZeneca could be redeployed on site. In order to facilitate this, they were looking to release some areas of the site for development to raise funds to support the establishment of the Life Science Park.

This report sought to outline the purpose and content of the Alderley Park Development Framework (Consultation Draft), attached as Appendix 1 to the report, and sought endorsement of the Framework as a consultation document. The Framework sought to ensure that potential developers were clear about the Council's ambitions for a Life Science Park on the site, with other development being limited to that which supported the establishment of the Park.

It was intended that following a period of consultation, the document would be reviewed and returned to Cabinet in Spring 2015 for final approval to be a material consideration in determining future planning applications.

RESOLVED

That Cabinet

1. approves the attached Development Framework as a consultation draft to be subjected to public consultation; and

2. agrees to review the Development Framework document following public consultation (Spring 2015) alongside a summary of key points raised in representations, and to consider endorsing the final version of the document as a material consideration when determining future planning applications on the site.

111 **HOMELESSNESS STRATEGY REF. CE 14/15-11**

Cabinet considered a proposed Homelessness Strategy for 2014-17.

The Homelessness Act 2002 placed a duty upon local authorities to carry out a review of homelessness in their area and formulate and publish a strategy outlining how the council and its partners would work to prevent homelessness and ensure accommodation and support for those who were homeless or at risk of homelessness.

A Homelessness Strategy for 2014-17 had been developed as set out in Appendix 1 to the report.

The Council's Homelessness team had carried out extensive consultation with statutory and voluntary agencies, as well as service users, to identify gaps in service provision and ways of improving access to services and this has been fed into the strategy and the actions attached to it. Five key areas for action had been identified: providing effective early intervention, complex needs and crisis management, support, accommodation and affordability and communication. The 52 specific actions set out in the Strategy would be monitored on a quarterly basis by the Homeless Strategy Steering Group.

RESOLVED

That the final version of the Homelessness Strategy for 2014-17 as set out in Appendix 1 to the report be approved.

112 **BUSINESS RATES RETENTION - DELEGATION OF POOLING WITH GREATER MANCHESTER FOR 2015/16**

Cabinet considered a proposal for the pooling of business rates with the Greater Manchester authorities.

An application had been submitted on behalf of the Greater Manchester Councils and Cheshire East Council to the Department of Communities and Local Government on the pooling of business rates under the Business Rates Retention Scheme.

Discussions on the proposal were ongoing between the authorities. Each authority would need to make a decision on whether it wished to be part of the pool within 28 days of the provisional Local Government Finance Settlement. The purpose of pooling rates across the individual authorities was to retain any levy that might be payable by certain members of the pool to Central Government. Any sum gained would be retained by the pool for investment within the Greater Manchester and Cheshire East area. It was anticipated that Manchester City Council would administer the pool.

Membership of the pool was a commitment for 2015/16 only and would be reviewed each year. If any of the authorities which had expressed an interest so far decided to withdraw, the proposed pool would fall away for the financial year.

The Local Government Resource Review had resulted in amendments being required to the delegations in relation to the budget-setting process.

RESOLVED

That authority be delegated to the Chief Operating Officer, in consultation with the Portfolio Holder for Finance, to discharge the following function for the Council:

> The determination of whether the Council should be part of a business rates pooling arrangement with Manchester City Council and the other Greater Manchester authorities.

113 **CREWE TOWN CENTRE REGENERATION DELIVERY FRAMEWORK REF. CE14/15-29**

The Leader announced that this item had been withdrawn. He invited the local ward members for Crewe to meet him in private to discuss the matter and asked the Chief Executive to arrange the meeting.

114 **BUILDING AND PLANNING SUPPORT CONSULTANCY ASDV REF. CE 14/15-19**

Cabinet considered a report seeking approval to proceed with the establishment of a Council-owned company to deliver the functions of a building and planning support consultancy service.

The new company would provide a one-stop-shop for people seeking to make investments. The aim was to have the new company operational by 1st April 2015.

The key current service delivery areas were:

- Building Control
- Local Land Charges
- Planning support, liaison and customer interface
- Street Naming and Numbering

An options appraisal had been conducted and had concluded that the new ASDV should take the form of a wholly-owned company limited by shares. Officers had developed a detailed business case and plan for the implementation of the new company.

The relevant budgets for the services under consideration were shown in paragraph 11.1 of the report. If the Council did nothing, it was estimated that the services would lose income to their competitors which could lead to an additional cost to the authority of £892k over the next five years. However, it was estimated that the formation of a new company and the initiation of a number of creative income generation streams over the first five years of operation would turn this projected additional cost of £892k into a small saving of £269k – a net benefit of £1.161m.

Primary legislation within the Infrastructure Bill, which was due to receive Royal Assent in March 2015, included the transfer of local land charges to central government from October 2017 onwards to provide a central digital service for local land charges. When the details of the government's land charge reforms had become clearer, the financial projections might need to be reviewed.

On consideration of this matter, a number of visiting members expressed the view that the matter would benefit from consideration by the relevant overview and scrutiny committee. The Leader supported this view.

The Leader also agreed to review the proposed member representation on the board of the new company.

RESOLVED

That Cabinet

1. notes the revised financial detail set out in section 11, acknowledging that the lack of clarity over the Land Registry's proposals for reform of land search charges makes all forecasts provisional;

2. subject to consideration of the proposals by the relevant overview and scrutiny committee, approves the implementation of a new Building and Planning Support Consultancy company which is structured as a Teckal company to act as an agent for the Council in accordance with the detailed business case and implementation plan attached as Appendix A;

3. gives any necessary delegated authority to the Executive Director of Strategic Commissioning, the Head of Legal Services and the Chief Operating Officer, in consultation with the Portfolio Holder for Service Commissioning to proceed with that implementation in accordance with the project place to include leases, licences, guarantees and all necessary contractual documentation including all TUPE provisions;

4. approves, through a contract, the intention to transfer Council Building and Planning Support services to the new company on 1 April 2015;

5. agrees to the commencement of a formal consultation period with all the staff who might be affected by any proposed TUPE transfer; and

6. authorises Officers to commence formal negotiations with other local authorities who may be interested in forming partnership arrangements in respect of building control and associated services.

The meeting commenced at 2.00 pm and concluded at 3.25 pm

Councillor M Jones (Chairman)

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	11th February 2015
Report of:	Chief Operating Officer (Section 151 Officer)
Subject/Title:	2014/15 Third Quarter Review of Performance
Portfolio Holders:	Cllr. Peter Raynes, Finance; Cllr. Barry Moran, Performance

1.0 Report Summary

1.1. This report sets out the Council's financial and non financial performance at the third quarter stage of 2014/15 and highlights the latest progress towards achieving the Council's Residents First Outcomes as described in the Council's three year plan 2013 to 2016. Permanent savings of £5m in management costs have been achieved from 2013/14 to 2014/15.

1.2. The three-quarter year review shows how the Council is continuing to build on the final outturn position for 2013/14. The outturn position was signed off by the Council's external auditors, without qualification, and demonstrated that the overall financial health, performance, resilience and value for money at Cheshire East Council is strong despite taking £50m out of its cost base from 2011/12, and freezing Council Tax for the fourth consecutive year. Savings have been consistently achieved through efficiency, removing any duplication of effort, making reductions in management costs, and a planned programme of asset disposals. This approach has protected funding provided to front line services. The Council's strong financial position reflects its enhanced governance, innovative delivery arrangements and effective stewardship of public money.

1.3. Following the three-quarter year review the Council's reserves strategy remains effective, with an underspend of £0.2m being forecast, which represents only a 0.1% variance from a budget of £253.8m. This is the nearest forecast position to budget ever reported for the Council at this stage in the financial year.

1.4. Cheshire East is the third largest Council in the Northwest of England, responsible for over 500 services, supporting over 370,000 local people. Annual spending is more than £750m, with a balanced net budget for 2014/15 of £253.8m. The complexity of customer demands and the size of the organisation make it very important to manage performance and control expenditure to ensure the best outcomes for residents and businesses. The Council's response to these issues has seen the development of Alternative Service Delivery Vehicles in 2013 and 2014. In Quarter Three, examples of good performance were:

- Over 93% of schools are recognised by OFSTED as good or outstanding
- Over 90% coverage achieved for connecting superfast broadband
- Contributed grants towards over £3.5m of community driven schemes

1.5. The attached report, **Annex 1**, sets out further details of how the Council is performing in 2014/15. It is structured into three sections:

Section 1 Summary of Council Performance - brings together the positive impact that service performance, the change management programme and financial performance have had on the 5 Residents First Outcomes in the first three quarters of the year.

Section 2 Financial Stability - provides an update on the Council's overall financial position. It demonstrates how spending in 2014/15 has been funded, including the positions on overall service budgets, grants, council tax and business rates, treasury management, centrally held budgets and the management of the Council's reserves.

Section 3 Workforce Development - provides a summary of the key issues relating to the Council's workforce development plan.

2.0 Recommendations

2.1 Cabinet is asked to consider and comment on the third quarter review of 2014/15 performance, in relation to the following issues:

- the summary of performance against the Council's 5 Residents First Outcomes **(Section 1)**;
- the projected service revenue and capital outturn positions, overall financial stability of the Council, and the impact on the Council's reserves position **(Section 2)**;
- the delivery of the overall capital programme **(Section 2, paragraphs 161 to 169 and Appendix 4)**;
- fully funded supplementary capital estimates and virements up to £250,000 in accordance with Finance Procedure Rules (**Appendix 5);**
- reductions to Capital Budgets **(Appendix 7)**;
- treasury management investments and performance (**Appendix 8**);
- the Council's invoiced debt position **(Appendix 10)**;
- use of earmarked reserves **(Appendix 11)**;
- the workforce development and staffing update **(Section 3)**.

2.2 Cabinet is asked to approve:

- fully funded supplementary capital estimates and virements above £250,000 in accordance with Finance Procedure Rules (**Appendix 6);**

- supplementary revenue estimates to be funded by additional specific grant (**Appendix 9)**.

3.0 Reasons for Recommendations

3.1 The overall process for managing the Council's budget, promoting value for money and complying with its Finance Procedure Rules, ensures that any changes that become necessary during the year are properly authorised. This report sets out those areas where any further approvals are now required.

4.0 Wards Affected

4.1 All

5.0 Local Ward Members

5.1 All

6.0 Policy Implications

6.1 Performance management supports delivery of all Council policies. The projected outturn position, ongoing considerations for future years, and the impact on general reserves have been fed into the assumptions underpinning the 2015/18 medium term financial strategy.

7.0 Implications for Rural Communities

7.1 The report provides details of service provision across the borough.

8.0 Financial Implications

8.1 The Council's financial resources are aligned to the achievement of stated outcomes for local residents and communities. Monitoring and managing performance helps to ensure that resources are used effectively and that business planning and financial decision making are made in the right context of performance – to achieve better outcomes from an appropriate cost base.

9.0 Legal Implications

9.1 Although the Council is no longer required to report to Government on its performance against measures in the National Indicator Set, monitoring and reporting on performance is essential if decision-makers and the public are to be assured of adequate progress against declared plans and targets.

10.0 Risk Management

10.1 Performance and risk management are part of the management processes of the Authority. Risks are captured both in terms of the risk of underperforming and risks to the Council in not delivering its objectives for its residents, businesses, partners and other stakeholders. Risks identified in this report will be used to inform the Corporate Risk Register.

10.2 Financial risks are assessed and reported on a regular basis, and remedial action taken if and when required. Risks associated with the achievement of the 2014/15 budget - and the level of general reserves – have been factored into the 2015/16 financial scenario, budget and reserves strategy.

11.0 Background and Options

11.1 The Council's quarterly reporting structure provides forecasts of a potential year-end outturn. The forecasts in this report highlight achievements against outcomes and provide an indication of potential risks at this stage of the year.

11.2 At the third quarter stage, the Council's reserves strategy remains effective with a small forecast underspend of £0.2m (0.1%) against a budget of £253.8m. Portfolio Holders and the Corporate Leadership Board continue to focus on managing this position to avoid any impact on the Council's general reserves at year end.

12.0 Access to Information

12.1 The background papers relating to this report can be inspected by contacting:

Name: Peter Bates
Designation: Chief Operating Officer, (Section 151 Officer)
Tel No: 01270 686013
Email: peter.bates@cheshireeast.gov.uk

ANNEX 1

Cheshire East Council

Third Quarter Review of Performance 2014/15

February 2015

Introduction

Overall performance, financial health and resilience of Cheshire East Council is strong. It is the third largest Council in the Northwest of England, supporting over 370,000 local people with annual spending of more than £750m. The Council continues to strive for further improvements, putting residents first in the provision of over 500 services delivering more for less.

A commitment across the public sector to contribute to reducing the high levels of national debt has meant local government is going through a period of unprecedented change and financial challenge. Cheshire East Council's response continues to be based on innovation and creativity. The Council continues to be relentless in its pursuit of greater efficiency and productivity, and minimising bureaucracy to enable it to deliver a high level of sustainable, quality services for a lower overall cost.

Our commissioning intentions to develop better ways to achieve the Council's five stated outcomes by using a mix of delivery mechanisms is continuing to gain momentum. The Council's philosophy is about much more than simply reducing costs through arranging cheaper provision or about traditional outsourcing. In 2013/14 the Council completed significant reviews of management structures to divert spending to front line services.

At Quarter 3, the Council's reserves strategy remains effective, with a forecast underspend of £0.2m (0.1%) against a budget of £253.8m. This is the nearest forecast position to budget ever reported for the Council at this stage in the financial year.

To support openness and transparency the report has three main sections, to provide background and context, and then eleven supporting appendices with detailed information about allocation and management of public money during 2014/15:

Section 1 provides a summary of Council performance and brings together service achievement highlights against the 5 Residents First Outcomes in the Council's three year plan.

Section 2 provides information on the overall financial stability and resilience of the Council. It demonstrates how spending in 2014/15 is being funded, including the positions on overall service budgets, grants, council tax and business rates, treasury management, centrally held budgets and the management of the Council's reserves.

Section 3 provides a summary of the issues relating to the Council's workforce development plan.

- **Appendix 1** shows the Three Year Council Plan.
- **Appendix 2** explains budget changes since the Mid-Year Review.
- **Appendix 3** shows the latest position for Corporate Grants.
- **Appendix 4** shows the revised Capital Programme expenditure.
- **Appendix 5** lists approved Supplementary Capital Estimates and Virements up to £250,000.
- **Appendix 6** lists approved Supplementary Capital Estimates and Virements over £250,000 for Cabinet approval.
- **Appendix 7** lists Capital Budget reductions.
- **Appendix 8** provides details of Treasury Management investments.
- **Appendix 9** lists requests for allocation of additional Grant funding.
- **Appendix 10** analyses the position on outstanding debt.
- **Appendix 11** lists details of Earmarked Reserves.

P J Bates

Peter Bates CPFA CIPD MBA

Chief Operating Officer (Section 151 Officer)

This report receives scrutiny and approval from Members of Cheshire East Council. As a public report, anyone can provide feedback to the information contained here.

Anyone wanting to comment can contact the Council at:
shapingourservices@cheshireeast.gov.uk

Contents

2014/15 Outturn Forecast at Third Quarter Review
Financial Position

2014/15 Third Quarter Review (GROSS Revenue Budget £638.3m)	Revised Budget (NET) £m	Emerging Pressures £m	Remedial Actions Identified to Date £m	Current Forecast Over / (Underspend) £m	For further information please see the following sections
Children & Families	46.1	0.0	-	0.0	Section 1 - Paragraphs 69 - 73
Adult Social Care & Independent Living	94.4	0.1	-	0.1	Section 1 - Paragraphs 120 - 123
Public Health and Wellbeing	2.2	0.1	-	0.1	Section 1 - Paragraphs 124 - 126
Environmental	28.3	0.6	-	0.6	Section 1 - Paragraphs 93 - 95
Highways	10.7	0.3	-	0.3	Section 1 - Paragraphs 46 - 47
Communities	10.1	1.3	-0.8	0.5	Section 1 - Paragraphs 13, 20 - 22
Economic Growth & Prosperity	24.7	0.6	-	0.6	Section 1 - Paragraphs 55 - 57, 79 - 81
Chief Operating Officer	41.3	-1.4	-	-1.4	Section 1 - Paragraphs 127 - 132
Total Services Net Budget	257.8	1.6	-0.8	0.8	
CENTRAL BUDGETS					
Specific Grants	-18.6	0.5		0.5	Section 2 - Paragraphs 139 - 143
Capital Financing	12.5	-0.5		-0.5	Section 2 - Paragraphs 170 - 175
Contingencies	2.1	-1.0		-1.0	Section 2 - Paragraphs 176 - 178
Total Central Budgets	-4.0	-1.0	0.0	-1.0	
TOTAL NET BUDGET	**253.8**	**0.6**	**-0.8**	**-0.2**	

	Planned Contribution 2014/15 £m	Forecast Variance Quarter 3 £m	Impact on reserves Quarter 3 Forecast £m
Impact on Reserves	-5.8 *	0.2	-5.6

*Increased from -£5.3m by Council approved in-year transfers to earmarked reserves

General Reserves Balance	2014/15 Budget £m		Quarter 3 Forecast £m	
Opening Balance April 2014	Estimated 19.3	Actual	19.8	Section 2 - Paragraphs 183 - 187
2014/15 Impact on Reserves (see above)	-5.3	Forecast	-5.6	
Closing Balance March 2015	14.0	Forecast	14.2	

Overview of Performance ~ Putting Residents First

ACHIEVING THE COUNCIL'S FIVE OUTCOMES

Cheshire East Council provides more than 500 services, supporting over 370,000 residents, and over 17,500 businesses.

Cheshire East has again been recognised as the Best Place to Live in the Northwest

1 ~ Our local communities are strong and supportive

- A new strategy is underway on the best use of new enforcement powers
- Prosecutions continue to be successful, including a case against taxi driver as well as cases against fraudsters involved in blue badges, benefits and counterfeit goods
- Provided free town centre parking to support local trade in December
- Contributed grants towards over £3.5m of community driven schemes

2 ~ Cheshire East has a strong and resilient economy

- New shop front improvement scheme underway
- Support provided to the Alderley Park Task Force
- Tatton Park announced as Large Visitor Attraction of the year again
- 91% coverage achieved for connecting superfast broadband, with 52,000 now able to upgrade to this scheme
- Highways related insurance claims are down 37% following significant investment in the road condition by the Council

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

- The Early Language Development Programme has been highly commended
- 93.6% of Schools are now recognised by Ofsted as good or outstanding
- Numbers of NEETS are down and numbers of local apprenticeships have increased
- Benchmarking shows GCSE and A-Level results are improving

4 ~ Cheshire East is a green and sustainable place

- A Local Plan task force has been established
- The volume of waste sent for landfill continues to decrease
- LED light installations in traffic signals are now contributing to carbon reductions of 308 tonnes per year
- The Cheshire East Energy Development Company business plan has been prepared for analysis

5 ~ People live well and for longer

- Numbers of home adaptations have increased to support local elderly and disabled residents to stay in their own homes
- Multi-agency early help assessments have increased
- A new quality assurance function has been established within the Council to monitor and raise standards in the provision of local care
- Foster Care services have received a further award at the Children & Young People Now Awards

FINANCIAL STABILITY

Cheshire East Council is achieving outcomes based on sound financial management. In 2014/15 the Council will operate on an annual budget of more than £750m.

- At **Quarter 3** a total forecast **underspend of £0.2m** is being reported compared to budget.
- The **potential** underspend represents only 0.1% of the Council's **net revenue budget of £253.8m.** This is the nearest forecast to budget ever reported for the Council at the Third Quarter stage, demonstrating robust management action to mitigate the pressures before year end.
- **Service Budgets –** a forecast overspend of £0.8m is reported.
- **Central Budgets –** are currently forecast to be underspent by £1.0m at year end.
- The Council is among the top third of Unitary Councils in terms of **Council Tax collection.** Over 99% of Council Tax and Business Rates are collected within three years.
- **Investment income** is £113,000 higher than budget at Quarter 3. The average rate earned on investments (0.64%) is higher than the London Inter Bank 3 month rate.
- **General Reserves -** The robust reserves strategy assesses risk at the beginning of the year, and protects the Council against potential overspending. Underspending on the budget will have the effect of increasing general reserves above the risk assessed level by the end of the year at £14.2m.
- **Capital spending is forecast at £102.6m** for 2014/15. This level of spending is within budget and the Council has again forecast that there will be no requirement for additional external borrowing this financial year.
- Outstanding **Debt** (excluding local taxation) is £3.7m. This is a reduction of £1.2m from Quarter 2, and similarly much improved on the position from the same period last year. Debt over 6 months old has reduced to only £2.1m (around 4% of total debt raised annually) and this is completely covered by provisions to meet potential write-offs.

1. Summary of Council Performance

Introduction

1. Cheshire East Council is responsible for delivering more than 500 local public services across an area of over 1,100km^2 for over 370,000 residents. The budget to deliver these services in the period April 2014 to March 2015 is over £750m, which is raised from a combination of local taxes, national taxes (in the form of Government Grants) and payments direct from service users. In terms of spending power per head, Government figures highlight the impact of different levels and sources of funding on total Council spending:

Spending Power per Head Comparisons 2014/15			
		Rural	Urban
	Cheshire East	East Riding of Yorkshire	Liverpool
	£	£	£
Grants	316	389	896
Council Tax	450	386	251
Total	766	775	1,147

2. The Council's Three Year plan, which was agreed by Council on 28th February 2013, has five Residents First Outcomes that will focus service delivery in the medium term (see **Appendix 1**). This section of the report highlights progress towards achieving each of the five outcomes, in addition to inward-facing work undertaken during 2014/15 to support the delivery of a responsible, effective and efficient organisation.

3. This report reflects activity that has taken place mostly in the period October 2014 to December 2014 including progress against the Council's change programme. Commentary is also provided on the financial impacts (both revenue and capital) of this activity.

1 ~ Our local communities are strong and supportive

Mutual Respect & Personal Responsibility

4. As an enforcing Council we want to be tough on those that are selfish and cause harm to others. We have been given new powers by the Government to tackle anti-social behaviour and crime in our communities. Work is underway to look at how these powers can best be used by us for the benefit of local people. As an example, we will be given powers to tackle dangerous dogs and we have run a very successful workshop with frontline staff about how to handle such dogs and be safe. Plans are underway to roll this out to local schools to protect children.

5. During the third quarter, the Council received international press after successfully seeking to prosecute a taxi driver who refused a fare to a blind woman and her guide dog in April 2014 without reasonable cause. The prosecution resulted in a landmark order to pay £785 in fines, victim's surcharge and prosecution costs.

6. Residents have told us that they sometimes feel intimidated by charity collectors in our High Streets. We have worked with our Town and Parish Councils and the national Public Fund Raising Association to draw up an agreement to regulate when charity collectors can be in the area and how to avoid local people being intimidated.

7. We continue to successfully detect benefit fraud and prosecute. For example, one individual was ordered to pay back £30,000 and another was jailed over a £60,000 claims scam.

8. We have stepped up our campaign to ensure that only people who have a right to use a Blue Badge do so. For example, we have successfully fined a motorist who used a Blue Badge of someone who has sadly deceased.

9. A well-known Loan Shark in the area was successfully arrested. Two-year Anti-Social Behaviour Orders (ASBO) have also been imposed on three young men after a spate of incidents in Wilmslow. These have caused real distress to people in the area and the conditions of the ASBO will be monitored closely to ensure that no further incidents occur.

10. We embarked on a joint operation with the police called Operation Lynx. As a result of this, we seized a large quantity of counterfeit car accessories and parts. It is believed that the goods, including brand names, were being sold as genuine on the internet. A person has been arrested as a result and the goods seized. Counterfeiters are not concerned with the safety of the goods they produce, and it is estimated that the sale of counterfeit goods costs the legitimate economy £11 billion per year. Profits are used by organised crime groups to fund other criminal activity. As a Council we are committed to the prevention of this.

11. The Council continues to meet parking enforcement targets of 95% of deployed hours being met, with 1,542 hours in November 2014 alone. We have also been fixing those areas where people park illegally on roads which are a danger to other road users and where we cannot enforce due to worn away lines and out of date signs. We continue to shift the focus of parking enforcement in line with our enforcing Council approach to targeting those that park in disabled bays who should not be there and are parked in ways that pose a danger to others.

12. Car parking was offered free in all Council car parks on the three Saturdays before Christmas. Part of this was to recognise the need to support small businesses as part of a national campaign, but also the recognition that we need to re-invigorate our town centres. We have also decided to commission a Car Parking Strategy for Cheshire East by July 2015 that reflects the needs of our towns. Part of this will be assessing whether our pricing policy is effective and proportionate. At this point, prices remain the same.

13. There is a £0.8m overall budget pressure on car parking services. A review of enforcement has been completed but does not alleviate the £0.4m pressure in this area. There is also a pressure of £0.4m for car parking pay and display income.

14. The dog warden service has now completed a tendering exercise for the provision of dog kennelling for stray dogs collected within the Borough. A new contract has been awarded from 1st January 2015 which provides a saving against previous costs to provide the service. In addition, work is underway to develop a Facebook page to help reunite lost dogs with their owners and also a system to facilitate online payments to speed up the return process.

15. The Council is to launch new initiatives to tackle problem gambling, which has a hugely detrimental impact on individuals, families and communities. In December, Cabinet endorsed Cheshire East joining a nationwide campaign to ask the Government to limit the stakes on fixed-odds betting terminals to £2 per spin. Having already led the way by becoming the first local authority to block payday lending sites, the Council has also decided to block access to online gambling websites from all of the Authority's public computers, including those in libraries. These initiatives including the national campaign will work towards ensuring that gambling occurs in safer, regulated environments.

16. Cheshire East was nominated for the Youth Justice Award for our Harmful Sexual Behaviour Partnership at the Children and Young People Now Awards in Quarter 3.

Communities

17. Putting residents first has seen us award grants to a large number of groups across Cheshire East. We have now contributed towards over £3.5m worth of community activity this year. Examples of grants are:
    - development of a mental health unit at the premises of an organisation that supports homeless war veterans into accommodation and jobs;
    - development of a two-year netball mentoring programme with the aim of providing coaching and umpiring training to 20 volunteers over a two-year period which will increase fitness and wellbeing;
    - creating a community garden at a church involving local volunteers which will reduce social isolation and increase wellbeing;
    - making a contribution towards creating a new multi-purpose building to improve the services to the local community from a local church. The new facility will be available for use by many community groups within the area and act as community hub.

18. Our World War 1 commemoration events continued in Quarter 3 with moving Remembrance Sunday services held throughout Cheshire East. We also commemorated the centenary of British troops entering Basra in 1914. Crewe's Municipal Square was renamed 'Memorial Square' as a permanent tribute to the fallen. A giant marble poppy memorial was unveiled by the Leader with the Royal British Legion, and local school children have designed and buried a time capsule there.

19. A Veteran of World War I went on parade in Sandbach and a wreath was laid in tribute by the Council and local communities to commemorate the Battle of Ypres.

20. There is an underspend of £0.2m in Local Area Working due to delays in filling vacancies earlier in the year and small savings in supplies and services.

21. There is a £0.3m favourable variance in Local Community Services mainly because of increased subsidy recovery on housing benefits. The underspend has been reduced by £140,000 for the creation of an earmarked reserve to fund one off budgets in 2015/16 for ongoing Local Community Services projects.

22. Incorporating the pressure on car parking services, there is an overall net pressure forecast for Communities of £0.5m.

Civic Pride

23. The Youth Council members met the Leader and members of his Cabinet for a one-hour "summit" in October, and were invited to submit ideas for the Council's 2015/16 budget. The Youth Council put forward a number of ideas to the Leader and discussed progress they had made as a representative body since being formed in March 2014.

24. A new Town Council for Macclesfield was approved in October 2014 following on from a consultation with local residents, which will further enable locally led decision making and service delivery. Cheshire East Councillors will continue to represent individuals and groups in their wards and influence officers' actions with the support and advice of the Town Council.

25. The number of compliments and suggestions processed by the Compliance and Customer Relations Team has risen for the third consecutive year; by the end of the third quarter just over 1,100 had been received, compared to 903 by December 2013 and 891 by December 2012.

2 ~ Cheshire East has a strong and resilient economy

Business and Visitor Economy

26. A Regeneration Delivery Framework has been developed for Crewe Town Centre, to provide the basis for further investment and policy decisions to support the town centre.

27. Work on the Heritage and Culture Strategy for Macclesfield is well underway, and a draft summary was presented at Cabinet in December 2014. Funding has been committed by Cheshire East Council and the Make it Macclesfield Forum for a dedicated post to deliver the objectives in the Strategy, which will help to raise the profile of Macclesfield, enhance its strong cultural identity and consequently boost the visitor economy in the area.

28. Phase 1 of the Shop Front Improvement Scheme has begun along Chestergate and Marketplace in Macclesfield, which involves working with local retailers and landlords to enhance the existing shop fronts in the historic market quarter in line with a heritage approved colour scheme. 33 independent retailers on Chestergate and Marketplace have signed up to the Scheme, which will improve and enhance the distinctive identity of the area. Plans for Phase 2 of the Scheme are already underway, which will enable the improvements to be rolled out in other areas across Macclesfield town centre.

29. The Council has supported the work of the Alderley Park Taskforce in securing a sale of the Alderley Park site. This will deliver between 5,000 and 7,000 jobs over the next ten years.

30. The business engagement and inward investment service has made a significant impact on engaging with existing companies and promoting the funding and business support opportunities available. This has resulted in the submission of funding applications with the potential to leverage over £20 million of private sector investment. Over the period forty small and medium size enterprises (SMEs) have taken up business support programmes to improve their growth and performance.

31. The service supported Bentley Automotive with its investment and expansion programme. On 4th December Bentley announced its commitment to Crewe and its intention to build a new engineering, research and development centre as part of a £840m UK site expansion. The new £40m centre will see the creation of 300 additional jobs at the Crewe site.

32. To date, the Tatton Vision programme of investment has resulted in a more sustainable income base, and forecast budget savings of over £0.5m per annum by the end of 2014/15. There has been further industry recognition for Tatton Park in November with the award for Large Visitor Attraction of the Year 2014 at Marketing Cheshire's annual awards ceremony. A successful Christmas programme in terms of visitor numbers to the themed attractions and events has resulted in increased income to the Stableyard retail and catering outlets.

33. Hotel occupancy for Cheshire East has increased from 71% in 2013 to 74.5% in 2014, with the average room rate paid increasing from £52.78 in 2013 to £56.49 in 2014.

Workforce

34. Figures released in December indicate that the proportion of Cheshire East's 18-24 year-olds claiming Jobseeker's Allowance has more than halved to 1.9% since November 2013, when it stood at 4.3%.

35. Pre-opening activity for the University Technical College (UTC) is progressing well. Public consultation about the UTC and the recruitment process for the Principal Designate will commence in January. A high level site options appraisal is being undertaken by the Department for Education.

Infrastructure

36. The Connecting Cheshire Project passed its mid-point during the quarter and 52,000 homes and businesses are now able to upgrade to fibre broadband, taking overall coverage to 91%. The project is on track to be completed by summer 2015. The project continues to be recognised for its excellent management having received national recognition as the runner-up in the Digital Challenge Awards for urban and rural networks, and also received Cheshire East's Team of the Year award for collaboration.

37. The project's anniversary of switching on the first broadband roadside cabinet in Holmes Chapel was celebrated with a visit from the Chancellor and Tatton MP George Osborne to switch-on a new cabinet in Lower Peover. Social media has continued to be a particularly successful way to inform people about the project with Twitter followers rising to over 6,000. Combined with the 'Fibre Guys' media campaign 15% of homes and businesses have already upgraded to a superfast broadband service.

38. The Superfast Business Support programme reached its milestone of the 400th business to receive support, and continues to receive high satisfaction ratings from users. The Women in Business programme was launched during the quarter following the appointment of Blue Orchid to run the project, and has made a successful start with over 70 businesses supported so far.

39. Good progress has been made in the development of a digital inclusion strategy with training for intermediaries to help identify digital exclusion already developed and delivered to 24 Council and partner staff.

40. The Connecting Cheshire Project's second phase successfully completed its procurement process, and a contract was signed with BT on 12th December for a £6m Superfast Extension Programme. This will provide an additional 10,000 premises with fibre connectivity by summer 2017. This phase will run on seamlessly with the same core project team once the first phase ends in late spring 2015.

41. The Council has submitted an application to the Heat Networks Delivery Unit funding programme for an Off Gas Grid feasibility project.

42. Cheshire East Highways successfully completed this year's tranche of the Highway Investment Programme by completing surfacing work on over 300km of carriageway by the end of the third quarter. This outcome significantly exceeds the 200km target set to be achieved by March 2015.

43. Following an emergency fuel spillage incident on the A534 in December resulting in damage to the carriageway surface and closure of the road, Cheshire East Highways were mobilised and arranged for a 200m section to be resurfaced and the road re-opened to traffic within a period of 16 hours.

44. There have been 291 Part 1 Highways compensation claims that have been settled since last year. Some outstanding claims may proceed to Lands Tribunal. By the end of the third quarter, 244 highways-related third party claims had been received by the Authority. This compares with a rolling average of 388 received by the same stage over the previous three years, a reduction of 37%. This results from the positive effects of the Council's Highway Investment Programme and Cheshire East Highways maintenance performance.

45. By the end of December, with winter well underway, Cheshire East Highways have completed 100% of the precautionary gritting routes before the predicted onset of freezing or snow conditions. This amounts to over 48,000km of road having been treated to date.

46. At the Third Quarter position the Highways Service are reporting a budget pressure of £0.3m against a net budget of £10.7m.

47. The main pressure is a forecast overspend of £0.3m against Street Lighting Energy due to the under-recording of the baseline inventory data and the change in carbon reduction strategy from night-time dimming to LED technology, which will now be rolled out in 2015/16.

48. Major highway infrastructure improvements are continuing:-

- Crewe Green Link Road - the railway bridge work was completed without incident and the project is on target for September 2015 completion.
- A500 at Junction 16 - the major structural work is now complete with surfacing and signal installation programmed for mid-February 2015. The scheme will be substantially completed by early March.
- Basford West - work is continuing in accordance with the programme with new connections to Crewe to be started in April 2015. Completion and opening is targeted for the end of June 2015.

Inward Investment

49. The business engagement and inward investment service has made a significant impact on engaging with existing companies and promoting the funding and business support opportunities available. This has resulted in the submission of 4 major (3 regional growth fund and 1 local growth fund) funding applications with the potential to leverage over £20 million of private sector investment - decision expected late January. In addition, a further 40 SME's have taken up business support programmes to improve their growth and performance. This has produced early success including the relocation and expansion of instrumentation company Moorfield and securing grant funding for engineering firm Induchem.

50. The number of investment enquires stands at 174, ahead of our Quarter 3 target of 150, following a programme of events to raise the profile of the business support services available including access to a finance breakfast with over 70 attendees. In addition, the service sponsored the North East Cheshire and South Cheshire Business Awards, and the BioNow Annual awards, with a joint business breakfast with the Manufacturing Institute scheduled for January.

51. Following the securing of a £5m investment by the Council into a new Alderley Park Investment Fund, the Council has successfully worked with partners to secure an additional £20m from the Local Growth Fund to create a larger fund covering both Cheshire and Greater Manchester. The fund will provide essential venture capital funding for life science SMEs and start-ups based at Alderley Park, and across Cheshire and Greater Manchester. An independent report suggests that the fund could help 60 life science businesses to grow over the next 15 years. In turn this could create around 370 skilled scientific jobs. It is anticipated that the investment by the Council will help to attract further private sector investors, enabling the size of the fund to increase. Work is now underway to create the fund for a launch in spring 2015.

52. The Macclesfield Movement Strategy, a major multi-million pound investment, was approved by Cabinet in October 2014 to address key highway pinch-points and improve transport networks across Macclesfield town centre.

53. Estimated inward investment with Cheshire East for filming has increased from £616,000 and 61 filming days in 2012 to £2m and 130 filming days in 2014.

Responsible Business

54. Business satisfaction with the Regulatory and Health Service remains high, with 95% of businesses surveyed expressing satisfaction with the service they received. The remaining 5% were neither satisfied nor dissatisfied.

55. At Third Quarter Review the Economic Growth and Prosperity Directorate is projecting a net £0.7m overspend, against a net

budget of £23.2m, excluding temporary cost of investment budgets. This is a net increase of £0.1m to the position which was reported at Mid-Year Review.

56. The 2014/15 cost of Investment budget across the Directorate is £1.5m in total. At Third Quarter the Directorate estimates that it will spend £1.3m against the one year temporary budget and proposes to request a carry forward for the remaining £0.2m to 2015/16, thus bringing the overall Directorate outturn to a projected net £0.6m overspend. The key directorate variances are further outlined in Section 4 - Development Management.

57. At this stage of reporting it is anticipated that the budget pressure in the Strategic and Economic Planning Service should mostly be mitigated from a favourable outturn projected across the following services:
- Strategic Infrastructure Service including Transport - a net £0.2m underspend. This is an improvement of £0.3m since MYR which is principally due to further savings against Public Transport contract savings.
- Assets - a £0.5m projected underspend across the Service. £0.3m arises from a favourable pay variance offset by a shortfall in income on non – operational buildings. There is also a favourable outturn forecast against the Farms Estate of £0.2m.
- Investment Service - a £0.4m underspend. In line with MYR the favourable variance is principally due to a delay in recruiting to vacant posts across the Service.

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

Securing the Best Start in Life

58. Cheshire East was highly commended in the Early Years Award category for our Early Language Development Programme at the recent Children and Young People Now Awards.

59. Work continues to ensure that all eligible children benefit from the free childcare offer for disadvantaged 2 year olds. At the end of the autumn term 764 eligible two year olds were attending early years settings in Cheshire East, an increase of almost 6% on the previous term's take up. Work continues to encourage parents and carers to take up the offer of free early education by actively tracking eligible families. Systems are in place to track the development of these two year olds and support packages are put in place if they do not progress effectively. A universal offer of ongoing assessment is currently being developed to ensure that progress for all children in the early years is monitored and acted upon.

Highest Achievements for All Learners

60. The profile for Cheshire East continues to improve in relation to Ofsted Inspections for schools. As at the end of December 2014, 93.6% of our schools are judged as good or outstanding.

61. The national first statistical release data for Key Stage 4 shows that for the key indicator of 5+ A* - C including English and Maths, the performance of Cheshire East Schools in 2013/14 was 60.9%, compared to 56.1% nationally. The gap between Cheshire East and national has increased from 1.4 % to 4.8%. Compared to our statistical neighbours, Cheshire East is ranked 1st having been 6th in the previous year. Against all Authorities, Cheshire East is now 25th compared to 56th in the previous year. This data is still provisional until the end of January 2015 when final performance tables are available.

62. A Level pass rates for 2013/14 show that 99.1% of students achieved A*-E grades, which is slightly up on last year. This result places Cheshire East second against its statistical neighbours.

63. Qualification Success Rate reports published by the Skills Funding Agency for the academic year 2013/14 show an overall

success rate for 19+ Cheshire East Lifelong Learning learners of 94.4% compared to a national average of 84.6%.

64. In December, the Cheshire East Lifelong Learning Team was successful in its reaccreditation for the Matrix Quality Standard for Advice and Guidance Services. This reaccreditation will last for a further three years.

65. New statistics reviewing apprenticeships indicate a positive rise in 16-18 year olds starting apprenticeships across all levels – Intermediate (level 2) showed an increase of 69 starts; Advanced (level 3) showed an increase of 38 starts; and Higher (level 4 and above) showed an increase of 6 starts.

Achieve Aspirations

66. The Youth Service continues to work closely with vulnerable individuals to support them into suitable education, employment and training. The number of young people who are not in education, employment or training (NEET) continues to improve, although there will always be a percentage of the cohort who will be NEET due to issues such as parenting, pregnancy or illness.

Inclusion

67. The outcomes from the work undertaken to close achievement gaps for vulnerable learners will be reported in Quarter 4 as the validated data is not available until late January.

68. The First Statistical Release data for cared for children shows that the national rate for 5+A*-C including English and maths is 14% compared to Cheshire East at 12%. In terms of 5+A*-C, Cheshire East is now above the national rate – 33% compared to 31% which is more positive. Significant work is being undertaken with schools to develop the personal plans of our cared for children so that additional funding and support is maximised to improve outcomes.

69. Children's services continue to respond positively to a number of challenges being faced that bring financial consequences with them. Unit prices continue to be driven downwards through successful negotiation and the budget for the service remains on target overall. Successful achievements during 2014/15 include Ofsted confirming significant improvements in safeguarding and protecting children and young people and success for the service at the Children & Young People Now Awards 2014.

70. The challenge being faced and the outcomes being delivered can be well illustrated by consideration of the position in respect of the Dedicated Schools Grant which totals £234m. Here, the natural assets of Cheshire East in terms of the beauty of the countryside and the wide geographical expanse have resulted in the need for in excess of 150 school establishments. The Council is committed to ensuring that families have excellent educational opportunities as close to their own communities as possible. This makes the allocation of schools funding a complex and tricky task of balancing the amount of monies available against residents and school expectations. The proposed schools funding formula is a perfect example of constructive partnership working resulting in an excellent outcome, which strikes the right balance.

71. Children's Social Care faces ongoing pressures, for example, the number of Cared for Children has plateaued at c340, however, the number of secure placements has risen recently, which although small in number is significant in financial terms as each placement costs in excess of £5,000 per week. In terms of forward planning, the Head of Service has initiated a detailed budget review with Accountancy support to identify permanent solutions for 2015/16.

72. The small projected adverse variance in Social Care / Early Help will be alleviated before year end, provided there is no material upsurge in demand by then.

73. Education Support is similarly broadly balanced with the exception of the transport budget where savings have slipped and a revised timescale for their delivery is being agreed. It should be noted that transport across the Council is broadly balanced, that the current position is temporary in nature and will be resolved next year.

4 ~ Cheshire East is a green and sustainable place

Development Management

74. The Inspector examining the Local Plan Strategy issued his Interim Views in November. These highlighted four main areas of concern which the Council will need to address before the Examination can continue. The Inspector has agreed to suspend the Examination while this work is undertaken.

75. A Local Plan Task Force has been established to oversee this work which is required to be completed within 6 months. While this represents a challenging timetable, additional resource and dedicated project management has been provided to ensure that it is achieved. The original timetable for completing the Local Plan Strategy and the remaining elements of the Local Plan will need to be extended to reflect these additional work requirements.

76. The overall number of planning applications determined for Quarter 3 remains high, at 704 applications:
- N157a (majors within time)= 65%
- N157b (minors within time) = 55%
- N157c (others within time) = 74%

77. The figures reflect a similar performance to Quarter 2. Performance on major application remains very strong despite the pressure on the department with a high volume of large scale applications.

78. The timescale for decisions on minor planning applications is slightly below target of 60% and reflects the high turnover of staff within the department and older decisions coming through. Performance is expected to improve as newly recruited staff are trained and build up a caseload of applications. Other pressures on the department, such as work towards the Local Plan, may keep performance slightly below target over the next quarter.

79. The Council's Planning functions continue to face significant challenges in 2014/15, which are creating financial pressures for the Service, in the region of a net £1.7m in this financial year. This has worsened by £0.5m since MYR.

80. Firstly the Local Plan has advanced to Examination and this has provoked considerable challenge from the development industry. This necessitated the commissioning of additional research and advice, and increased the costs of running and supporting the Examination process in its first three weeks. The Inspector has now provided his interim views on proceedings and has identified shortcomings which require further work to be undertaken. Accordingly additional costs in the region of £0.2m to £0.3m are likely to be accrued in carrying out further work, over and above that already completed. This has been factored in to Third Quarter projections.

81. At the same time the Council continues to face a very heavy programme of planning appeals, leading to enhanced legal and consultancy costs. Although the Council acknowledges that, for the time being, it cannot demonstrate a 5 year supply of housing land – there are often other issues at play in addition to housing supply. The clear desire of the Local Community is that unsustainable development should be resisted – and this requires a robust defence from the planning teams, with all the attendant costs attached.

Waste Management

82. The Municipal Waste Strategy to 2030 was accepted and received by Cabinet in October 2014. This key document is now at the heart of the Council's waste management approach.

83. Our recycling rate remains well above the national target of 50% thanks to the continued enthusiasm of Cheshire East residents to recycle and the ongoing work of ANSA staff and the waste reduction volunteers.

84. The amount of waste being sent to landfill continues to decrease as we divert all the residual waste from the north of the borough to the Stoke-on-Trent waste to energy plant. This means we are well on the way to decreasing the percentage of household waste going to landfill.

85. The new venture with Christian Concern Crewe, who now undertake all our bulky waste collections, to assess if collected material can be reused for social benefit, is going very well. We are on target to achieve a 2% increase this year in the tonnage of materials reused.

Carbon Management

86. The Council is investigating the suitability of renewable technologies for top 5 energy users in building assets, with facilities management. The scheme could both help reduce carbon reduction commitment levels and bring a return on investment from the Renewable Heat Incentive and Feed in Tariff.

87. The Council has entered in to a memorandum of understanding to develop a knowledge transfer partnership with Keele University to further work on the energy agenda. The partnership will mean the Council can get academic support and capitalise on funding streams that they would not normally be able to access. The partnership is already proving fruitful with £88,000 of external funding being secured from the Natural Environment Research Council funding for a PhD study on the Deep Geothermal Project.

88. Gas & electricity consumption in corporate buildings continues to fall and are now 39% below the April 2009 levels, exceeding the original 25% target. The financial benefits of this reduction are significant.

89. The Highways Service currently has several street lighting capital projects in development linked to inventory improvements, switching to LED lighting and dimming which, if implemented, will ensure the carbon reduction targets are achieved by 2016.

90. The two phases of the Traffic Signals LED conversion project were completed during the summer of 2014, resulting in a total carbon reduction of 308 tonnes per annum.

Environmental Management

91. The current priority for Air Quality management is to implement the planned electric vehicle infrastructure, for which a grant of £300,000 has been received. This needs to be spent by 31 March 2015. In addition, a grant of £22,000 has been secured from DEFRA to support a cycling project in Congleton. The Local Transport Plan Team have advised that they will top up our LTP Air Quality money to £30,000 for the financial year 2015/16; this will be used to support work identified within the Air Quality Action Plan.

Sustainable Energy

92. Following several meetings of the working group, the model for the energy company "Cheshire East Energy Limited" has been refined and further developed. Business plans have been produced and preparations for submission to the Council's Technical Enabler's Group / Executive Monitoring Board are underway. The project is on target to present a full report to

Cabinet in spring 2015, with a planned feasibility report completed.

93. At the Third Quarter position Environment Services are reporting a budget pressure of £0.7m against a net budget of £27.4m excluding cost of investment budget. The 2014/15 cost of investment budget across the Directorate is £0.9m against which a £0.5m underspend is anticipated at this point in the financial year. This primarily relates to the new integrated contract procurement which requires re-profiling over 2015/16 and 2016/17, leading to the new depot in 2017.

94. Environmental Operations (Client/ASDV) are projecting an adverse overall variance of £0.5m. Key variances relate to one-off costs for staff displaced through the management review.

95. Bereavement Services (Client/ASDV) are currently projecting a £0.1m pressure against a net income budget of (£1.3m) reflecting a projected income shortfall. This has improved from the Mid Year Review position by £57,000.

5 ~ People live well and for longer

Facilitating people to live independent, healthier and more fulfilled lives

96. Cheshire East once again topped the list of best places to live in the North West in the Halifax Quality of Life survey. The survey is an indicator of life expectancy, family income, employment rate, exam performance, even sunshine and rainfall. Nationally, the Borough is ranked 100th out of the top 250, moving up from 105th last year.

97. The number of home adaptations per annum for older and / or disabled residents stood at 1,522 at the end of Quarter 3, ahead of the in-year target (1,275) and already exceeding the 2012/13 whole-year baseline of 1,521. There is an increasing emphasis on using adaptations to enable independence, with forecasted households to be helped in 2014/15 expected to exceed 2,000.

98. The number of Affordable Housing units completed at the end of Quarter 3 was 374, already exceeding the annual target of 350.

99. The number of long-term empty homes in Cheshire East has further reduced to 1.04%, an improvement from the 2012 baseline of 1.33%, and is on course to achieve the 3-Year Plan target of 1% by 2016.

100. An In Town Living Group has been established with the aim of bringing empty properties in the town centre back into use as residential properties. Three sets of very different properties have already been redeveloped as homes (including Churchside Cottages which were previously Council assets, and properties on Chestergate and Mill Street in Macclesfield), demonstrating successful partnership working between the Council, private sector landlords and developers, Housing Agencies and other organisations to diversify the town centre offer and increase footfall to surrounding shops.

101. Leisure Services use is now monitored by a new single leisure management system which is more accurate. In accordance with the ‘Everybody Sport & Recreation’ contract, the revised baseline figures will be established this year for future comparison.

Early Intervention, Help and Prevention

102. The number of ongoing multi-agency early help assessments continues to increase with well over 800 families receiving help towards the end of Quarter 3. This ensures that families are helped earlier before their problems escalate.

103. The Council is stepping up its work to protect families from the ill effects of alcohol, and has appointed Cheshire and Wirral Partnership NHS Foundation Trust (CWP) as the lead provider of a new integrated drug and alcohol service in Cheshire East,

which started in November. The new service is designed with a greater focus on prevention and early help.

104. A visit to the Countess of Chester Hospital A&E (where the Cardiff Model - a means of more effectively sharing information to help reduce alcohol related admissions - was introduced in 2013) is being arranged for Macclesfield A&E staff to understand the practical issues involved in implementing the model.

105. The relocation of homeless prevention services to within the Homechoice team has bedded in well over the last nine months. Early identification and intervention have been the focus and by linking prevention with the first point of contact to housing we have been able to act much sooner. We are on target to exceed the annual target with 625 households having been successfully prevented from becoming homeless at the end of Quarter 3. The team have been successfully upskilled following an intensive training programme and at present the upturn in preventions is expected to continue.

106. The Winter Plan for 2014/15 has been published. Four sub-groups have been established to focus upon: Fuel Poverty; Vulnerable People; Communication and Engagement and Winter Plan Development.

Accessible Services, Information and Advice

107. Theatre attendances are on track to exceed targets for 2014/15. Crewe Lyceum Theatre has experienced increased ticket sales to date for this period and expected further increased sales against targets for the annual Pantomime. The Rural Touring Arts programme is also expecting to meet targets.

Public Protection and Safeguarding

108. Adult Social Care Strategic Commissioning is responsible for the establishment of a new Quality Assurance function within the Local Authority. The new Unit is responsible for the quality monitoring of the independent sector market for care and support with a view to raising standards, minimising risk and ensuring continuous improvement as well as the management of provider and market failure.

109. New monies have been made available to establish this new function and the recruitment of staff is now nearing completion. Appointments to date include a lead Commissioning Manager, Quality Assurance Manager and five Quality Assurance Officers. The new officers have been recruited from different backgrounds including contracts, social care and provider services.

110. Based in Crewe and Macclesfield, the team cover the whole of Cheshire East and are focusing initially on the quality monitoring of residential and nursing homes. This work is being undertaken jointly with colleagues from East and South Clinical Commissioning Groups and the Care Quality Commission and is supported by joint governance arrangements.

111. In October 2014 a Joint Quality Assurance Workshop was held in Sandbach to reflect on achievements to date and to identify future priorities for development. The event was well received with a wide range of stakeholders with an interest in improving the quality of care services in Cheshire East attending. These included GPs, social workers, elected Members and service user representatives.

112. Priorities identified for development include:- a joint Health and Social Care Quality Assurance Toolkit to ensure a standardised approach to quality monitoring of care homes; a range of key performance indicators and outcomes for Care Home providers; and a guide to good quality care for professionals, service users and their families. Once complete this will then be rolled out across other commissioned services.

113. The Council has been working with Ofsted for the past year on piloting its improvement framework. A progress inspection by

Ofsted in November found that significant improvements have been made in safeguarding children and young people.

114. One of the focus areas for children's services has been to ensure the engagement of children and young people in all aspects of business to shape services to meet their needs.

115. The percentage of child protection plans where the voice of children and young people is clearly evidenced and heard continues to be maintained at a high level. Plans that are informed by the wishes and feelings of children and young people help to ensure better outcomes for them. The service continues to develop more imaginative ways to engage with these children and young people.

116. In November, agencies working with children and young people across Cheshire East celebrated 'Children's Rights Month' where a range of activities took place to celebrate engagement with children and young people and to put decision making into their hands. This included an attempt at setting a new World Record for the most people with their hands raised simultaneously for one minute, involving hundreds of staff and partners. Young people also took over the courtroom at Crewe Magistrates with the help of our Youth Engagement Service and the Local Children Safeguarding Board (LSCB), where they delivered presentations on subjects including human trafficking, and tackling mental health. The month concluded with a Children's Rights Summit where many children, young people, staff and partners celebrated all the good work raising awareness of children's rights during November.

117. Performance around care for children continues to improve. The number of children placed locally is increasing following a successful recruitment drive for new foster carers. The Adoption Service is also on track to exceed its target for the number of new adopters recruited in 2014/15.

118. The Council's innovative Fostering Capacity Scheme won the children in care award at the recent Children and Young People Now Awards. Cheshire East also hosted the very successful North West Adoption Support conference in Quarter 3 with keynote speakers including Edward Timpson, MP.

119. Children's Services continue to work on improving timeliness around completing assessments. Practice standards have been developed and will be launched in January 2015 to address any issues of drift in assessment completion.

120. The Adults service is projecting a very small adverse position (less than £0.1m compared against a budget of over £92m) at Third Quarter Review. This is very good news and reflects the efforts being made by all parts of the Adults service in the face of additional demand. This demand comes through both the demographics of the Borough and through the cost pressures brought about by increased levels of complexity in clients.

121. The position assumes a material contribution from Health partners (over £2.5m) reflecting the levels of health related support provided to certain clients and the fact that some should be fully funded from Health. This contribution is still to be formally agreed and physical payment is therefore still to take place.

122. It is pleasing to report that current forecasts provide reassurance that some of next year's targets such as those in respect of income and reductions in commissioning budgets will be achieved. However, the implementation of one or two policy changes have slipped during 2014/15 and need work to catch up in 2015/16. These include those in respect of Care Fund Calculator and Shared Lives. Progress has stalled as new priorities have emerged in-year, such as the Deprivation of Liberties issue following the Court judgement in respect of Cheshire West and Chester back in March 2014 which has led to increased workloads. A further example of changing priorities is when an external independent care home faces closure as the

Council is responsible not only for its service users within the home but all residents under its duty of care responsibilities.

123. The Third Quarter Review therefore anticipates a balanced outturn position, subject to successful negotiation with Health partners and assuming no deterioration of care costs during the winter months.

124. Public Health is currently anticipating all of its ring-fenced budget for 2014/15 will be spent within this financial year, and therefore there will not be a material change to the level of the Public Health earmarked reserve. It is envisaged this reserve will remain below £2m at year end, partly reflecting future year agreed commitments under the Public Health Innovation Fund.

125. Investments are underway to identify evidenced need in line with agreed Council policy, namely Outcome 5 “People Live Well and For Longer”. Major investment is being brought forward in the remainder of 2014/15 to address key health outcomes for both Adults and Children.

126. It is pleasing to report financial success in the renegotiation of key contracts which run alongside performance improvement in these contracts.

6 ~ A Responsible, Effective and Efficient Organisation

127. Resources & Stewardship - no significant budget pressures have been identified at this stage of the year; with the service forecasting a £0.8m underspend at outturn, against a budget of £30m. The forecast position is due to staff vacancies across the service, partly offset by unbudgeted voluntary redundancy costs, resulting in an underspend of £0.3m, and £0.5m savings on energy costs within Facilities Management.

128. The Governance & Democratic Service is forecasting a broadly balanced outturn, however there is pressure within the Coroner’s budget, and pressure within Democratic Services which, at this point in the year, is expected to be offset by underspends elsewhere in the service.

129. Following the Chief Operating Officer structure costing exercise, and the resulting realignment of employee’s budgets, the staffing budget for Legal Services increased to more accurately reflect the cost of the service’s structure. Throughout the year the service has been carrying a number of vacancies, resulting in Legal Services currently forecasting an underspend on staffing costs. However, this is offset by general fees and charges income being lower than last year due to the way the service is being forced to organise its workload; and additional expenditure on external legal advice.

130. Organisational Development is forecasting a £0.3m underspend at outturn, against a budget of £2.8m. The position is as a result of unspent budgets within Organisational Development, and Workforce Development due to staff vacancies (£0.2m), and supplies and services (£0.1m).

131. Following the structure costing exercise and the resulting realignment of employee’s budgets, the staffing budget for Communications increased. This, combined with the fact that for the first half of the year the service carried a number of vacancies, Communications is forecasting an underspend on staffing costs of £80,000.

132. Strategic Commissioning - no significant budget pressures have been identified at this stage of the year and, assuming all posts on the staffing structure are recruited into, a broadly balanced outturn is currently forecast.

2. Financial Stability

Introduction

133. Financial performance has continued to improve compared to previous financial years. Improvements in financial planning, governance and stewardship are having a clear impact on the Council's ability to manage its budget and create greater confidence in the medium term plans which is evidenced by further improved estimates for the third quarter of 2014/15.

134. Applying the best fit approach towards commissioning means the Council now wholly owns several supplier companies as well as maintaining relationships with private sector suppliers, charitable trusts and voluntary sector organisations. The financial position of the wholly owned companies will have a direct effect on the financial performance of the Council over time, but to date no forecast profit or loss is being factored in to the outturn position for the Council.

135. **Table 1** provides a service summary of financial performance at Quarter 3. For further details please see Section 1 and the notes below the table. Changes to service net budgets since the Mid Year Review are analysed in **Appendix 2**.

Table 1 - Service Revenue Outturn Forecasts

	Revised Net Budget £000	Emerging Pressures £000	Remedial Actions £000	Current Forecast Over / (Underspend) £000	Outcome Number 1 - 5
Early Help & Protection	39,428	33	0	33	
Education Strategy	4,496	0	0	0	
Safeguarding	2,177	25	0	25	
Children & Families	46,101	58	0	58	*3,5*
Adult Social Care & Independent Living	94,455	90	0	90	*5*
Public Health & Wellbeing	2,229	85	0	85	*5*
Environment	28,289	712	-72	640	*4*
Highways	10,673	412	-80	332	*4*
Communities	10,076	1,082	-620	462	*1,2*
Economic Growth & Prosperity	24,670	564	0	564	*2*
Chief Operating Officer	41,268	-1,390	0	-1,390	
TOTAL SERVICE OUTTURN	257,761	1,613	-772	841	

136. The impact of the projected service outturn position at this stage of the financial year could decrease balances by £0.8m. Further items impacting on the level of the Council's balances are detailed in the paragraphs below on centrally held budgets.

137. The Council has made considerable improvements in the way it manages its major change programmes. This has included extensive training, a refreshed methodology, the setting up of new monitoring and reporting arrangements and monthly reporting. In April 2013 the Council launched a corporate project and programme management framework to support achievement of the Three Year Plan. The framework focuses on capital or revenue projects or programmes where the total value exceeds £250,000, or poses significant risk to the Council. Progress is reviewed by a Member-

led governance group, called the Executive Monitoring Board, which is supported by a Technical Enabler Group and the Programme Management Office.

138. Monitoring of the current projects and programmes focuses on whether projects are expected to achieve the benefits set out in each business case within the timescales and budget initially agreed. Where progress on a specific project or programme is impacting on the outcomes contained in the Council's Three Year Plan details will be provided in Section 1 of this report. Where projects are not meeting time, quality or cost standards these will be considered by Cabinet as part of a monthly summary report.

Government Grant Funding of Local Expenditure

139. Cheshire East Council receives two main types of Government grants; specific use grants and general purpose grants. The overall total of Government grant budgeted for in 2014/15 was £387.4m.

140. In 2014/15 Cheshire East Council's specific use grants held within the services was budgeted to be £283.6m based on Government announcements to February 2014. Further announcements have revised this figure down to £269.4m mainly due to academy conversions. Spending in relation to specific use grants must be in line with the purpose for which it is provided. General purpose grants were budgeted to be £103.9m, but further in-year grant announcements increased this figure to £104.3m at mid year.

141. Since the mid –year review, specific use grants have decreased by £1.7m. This is mainly due to a slight reduction in pupil numbers and academy conversions.

142. Additional general purpose grants of £0.3m have been received during the third quarter of 2014/15. These were £280,000 for Special Educational Needs and Disabilities new burden grant and £35,000 for Neighbourhood Planning. Requests for the allocation of the additional grants received are detailed in **Appendix 9.**

143. **Table 2** provides a summary of the updated budget position for all grants in 2014/15. A full list is provided at **Appendix 3.**

Table 2 – Summary of Grants to date

	Revised Forecast MYR 2014/15 £m	Revised Forecast TQR 2014/15 £m	Change 2014/15 £m
SPECIFIC USE			
Held within Services	271.1	269.4	-1.7
GENERAL PURPOSE			
Central Funding	86.5	86.5	0.0
Service Funding			
Children & Families	1.5	1.7	0.3
Adult Social Care & Independent Living	0.4	0.4	0.0
Environment	0.2	0.2	0.0
Communities	3.2	3.2	0.0
Economic Growth & Prosperity	0.9	0.9	0.0
Chief Operating Officer	11.7	11.7	0.0
Total Service Funding	17.9	18.2	0.3
TOTAL GENERAL PURPOSE	104.3	104.6	0.3
TOTAL GRANT FUNDING	**375.4**	**374.0**	**-1.4**

Collecting Local Taxes for Local Expenditure

144. Cheshire East Council collects Council Tax and National Non Domestic Rates for use locally and nationally.

Council Tax

145. Council Tax is set locally and retained for spending locally. Council Tax was frozen for 2014/15 at £1,216.34 for a Band D property. This is applied to the taxbase.

146. The taxbase for Cheshire East reflects the equivalent number of domestic properties in Band D that the Council is able to collect Council Tax from (after adjustments for relevant discounts, exemptions and an element of non collection). The taxbase for 2014/15 was agreed at 137,548.53 which, when multiplied by the Band D charge, means that the expected income for the year is £167.3m.

147. In addition to this, Cheshire East Council collects Council Tax on behalf of the Cheshire Police and Crime Commissioner, the Cheshire Fire Authority and Parish Councils. **Table 3** shows these amounts separately, giving a total budgeted collectable amount of £202.7m.

Table 3 – Cheshire East Council collects Council Tax on behalf of other precepting authorities

	£m
Cheshire East Council	167.3
Cheshire Police & Crime Commissioner	21.1
Cheshire Fire Authority	9.5
Town & Parish Councils	4.8
Total	**202.7**

148. This figure is based on the assumption that the Council will collect at least 98.75% of the amount billed. The Council will always pursue 100% collection, however, to allow for non-collection the actual amount billed will therefore be more than the budget.

149. This figure may also vary during the year to take account of changes to Council Tax Support payments, the granting of discounts and exemptions, and changes in numbers and value of properties. The amount billed to date is £205.5m.

150. **Table 4** shows collection rates for the last three years, and demonstrates that 99% collection is on target to be achieved within this period.

Table 4 – Over 99% of Council Tax is collected within three years

	CEC Cumulative		
Financial Year	2011/12 %	2012/13 %	2013/14 %
After 1 year	97.7	98.2	98.1
After 2 years	99.1	99.3	98.7*
After 3 years	99.4	99.4*	**

* year to date
**data not yet available

151. The Council Tax in-year collection rate for 2014/15 is currently 76.8% compared to 77.2% for the same period in 2013/14. This reduction is due to an increase in the take up of payments in 12 monthly instalments rather than over the traditional 10 months.

152. Council Tax support payments (incl. Police and Fire) were budgeted at £19.1m for 2014/15 and at the end of the third quarter the total benefit awarded was £16.4m. The Council Tax Support caseload has reduced since April 2014 and there have been more reductions in the Council Tax Support awards in the year than increased or new awards.

153. Council Tax discounts awarded are £18.8m which is broadly in line with the same period in 2013/14.

154. Council Tax exemptions currently awarded total £3.3m which is broadly in line with the same period in 2013/14.

Non-Domestic Rates (NDR)

155. NDR is collected from businesses in Cheshire East based on commercial rateable property values and a nationally set multiplier. The multiplier changes annually in line with inflation and takes account of the costs of small business rate relief. This year the multiplier increase was capped by the Government at 2%.

156. The small business multiplier applied to businesses which qualify for the small business relief was set at 47.1p in 2014/15. The non-domestic multiplier was set at 48.2p in the pound for 2014/15.

157. The amount of business rates set by Department for Communities and Local Government (DCLG), to be collected by Cheshire East at the start up of the business rates retention scheme, was £132.5m (including an allowance for valuation appeals). This baseline is subject to an inflationary increase each year (capped at 2% for this year) therefore for 2014/15 this level will be £135.1m. Current estimates forecast that rates income should be in line with this baseline level.

158. **Table 5** demonstrates how collection continues to improve even after year end. The table shows how over 99% of non-domestic rates are collected within three years.

Table 5 – Over 99% of Business Rates are collected within three years

		CEC Cumulative	
Financial Year	2011/12 %	2012/13 %	2013/14 %
After 1 year	98.1	98.0	98.2
After 2 years	99.1	98.8	98.9*
After 3 years	99.4	99.3*	**

* year to date
**data not yet available

159. The business rates in-year collection rate for 2014/15 is currently 74.3% compared to 78.4% for the same period in 2013/14. Over 16% of ratepayers, including some larger business property owners have now taken the opportunity to pay over 12 instalments instead of 10. This has the effect of reducing cash collection in the first 10 months of the year compared to previous years.

Capital Programme 2014/18

160. Since reporting the Capital Programme for the Mid-Year Review in November 2014 the overall forecast expenditure for the next three years has decreased by £25.9m as shown in **Table 6.**

Table 6 – Summary Capital Programme

	MYR Total Forecast Budget 2014/18 £m	Amend ments to TQR Forecast Budget 2014/18 £m	Amended TQR Forecast Budget 2014/18 £m	Budget Reductions £m	SCE's £m	Revised Total Forecast Budget 2014/18 £m
Early Help & Protection	2.3	0	2.3	0.0	0.0	2.3
Education Strategy	32.2	0	32.2	0.0	0.2	32.3
Adult Social Care & Independent Living	3.4	0	3.4	-0.1	0.0	3.4
Public Health & Wellbeing	27.1	0	27.1	0.0	0.0	27.1
Environment	17.4	0	17.4	-0.4	0.0	17.0
Highways	36.4	0.1	36.5	0.0	0.0	36.5
Communities	2.6	0	2.6	0.0	0.2	2.8
Economic Growth & Prosperity	250.8	-25.5	225.3	-0.4	0.0	224.9
Chief Operating Officer	70.7	0	70.7	0.0	0.0	70.7
	443.0	**-25.4**	**417.6**	**-0.9**	**0.4**	**417.1**

161. Since reporting at Mid Year the entire capital programme has undergone a complete review and as a result a number of projects totalling £26.5m have been withdrawn from the programme. These projects have been removed for the time being but will be reviewed and possibly brought back in to the programme at a more appropriate time. There have also been a number of budget approvals since the Mid Year report of £1.1m that have increased the budget; primarily for the Congleton Realm Project.

162. The programme has also been revised to reflect in-year budget reductions of £0.8m contained in **Appendix 7**.

163. The revised programme is funded from both direct income (grants, external contributions) and the Council's own resources (prudential borrowing, revenue contributions and the capital reserve). A funding summary is shown in **Table 7**.

Table 7 – Capital Funding Sources

	MYR Total Forecast Budget £m	TQR Total Forecast Budget £m	Change £m
Grants	198.6	183.0	-15.6
External Contributions	44.1	59.6	15.6
Cheshire East Resources	200.4	174.5	-25.8
Total	**443.0**	**417.1**	**-25.9**

Capital Budget 2014/15

164. The capital programme is now reported by the stages in the approval process. For in-year monitoring and reporting purposes, only schemes that are noted as committed and in progress will have slippage monitored against them during the year, as these schemes should have commenced prior to or during 2014/15 and a detailed forecast expenditure plan should be in place.

165. At the Third Quarter review stage, the total in-year budget for 2014/15 has been revised from the Mid Year budget of £124.9m to £119.5m as summarised in **Table 8** and detailed in **Appendix 4**. This includes the net impact in 2014/15 of supplementary capital estimates, virements and budget reductions listed in **Appendices 5 to 7**.

166. Forecast expenditure on these schemes in 2014/15 is £102.6m, as analysed in **Table 8**. The £16.9m change since the Mid Year Review has been re-profiled to future years. Schemes will be monitored on their progress during the year and re-categorised quarterly.

Table 8 – Changes to the 2014/15 Capital Budget

	Revised MYR Budget £m	Revised TQR Budget £m	Forecast Exp £m	Current Forecast Over / Under Spend £m
Early Help & Protection	0.1	1.3	0.6	-0.7
Education Strategy	10.3	10.1	9.9	-0.3
Adult Social Care & Independent Living	0.8	0.8	0.8	0.0
Public Health & Wellbeing	8.5	8.5	5.6	-2.9
Environment	2.6	2.7	1.7	-1.0
Highways	31.4	31.4	31.3	-0.1
Communities	0.7	1.2	1.0	-0.1
Economic Growth & Prosperity	26.2	26.0	24.4	-1.6
Chief Operating Officer	44.3	37.5	27.2	-10.3
Total	**124.9**	**119.5**	**102.6**	**-16.9**

167. **Appendix 5** lists approved supplementary capital estimates and virements up to and including £250,000 approved by delegated decision which are included for noting purposes only.

168. **Appendix 6** lists two virements for amounts above £250,000 but below £1m for The Dingle and Mablins Lane Primary Schools as part of the Mobile replacement programme.

169. **Appendix 7** lists details of reductions of £0.8m in Approved Budgets where schemes are completed, will not be monitored as part of the Council's capital programme and can now be removed. These are for noting purposes only.

Central Adjustments

Capital Financing Costs and Treasury Management

170. The capital financing budget includes the amount charged in respect of the repayment of outstanding debt and the amount of interest payable on the Council's portfolio of long term loans. These costs are partly offset by the interest the Council earns from temporary investment of its cash balances during the year. The capital financing budget of £12.5m accounts for 5% of the Council's net revenue budget.

171. Investment income to November 2014 is £326,000 which is higher than the budgeted income of £213,000 for the period. The level of cash balances have remained high although interest rates have remained relatively flat:

- The average lend position (the 'cash balance') including fund manager up to the end of November 2014 was £84.6m.

- The average annualised interest rate received on in-house investments up to the end of November 2014 was 0.56%.

- The average annualised interest rate received on the externally managed pooled funds up to the end of November 2014 was 0.93%.

172. The Council's total average interest rate up to the end of November in 2014/15 was 0.64% (excludes Property Fund). The returns continue to exceed our benchmark, the London Inter-bank Bid Rate for 7 days at 0.42%. The base rate remained at 0.50% for the quarter.

Table 9 – Interest Rate Comparison

Comparator	Average Rate to 30/11/14
Cheshire East	0.64%
LIBID 7 Day Rate	0.42%
LIBID 3 Month Rate	0.49%
Base Rate	0.50%

173. At Three Quarter Year Review, the capital financing budget is forecast to be underspent by £0.5m, mainly due to the savings in external interest charges.

174. All investments are made in accordance with the parameters set out in the Treasury Management Strategy Statement approved by Council on 27th February 2014. Further details of counterparty limits and current investments are given in **Appendix 8**.

175. Action has been taken in November to move funds from the externally managed pooled funds into the Charities, Churches and Local Authorities property fund and covered bonds. The property fund is designed to offer high returns but should be viewed over a 5 to 6 year period as returns can be volatile. Covered Bonds with up to 2 years maturity will provide security as they are backed up by collateral and still provide a good level of return.

Central Contingencies and Contributions

176. A provision of £1.1m was included in the 2014/15 budget to meet ongoing actuarial charges relating to Voluntary Redundancies. Spending in-year is forecast to be in line with the provision.

177. Following transfers from services, a budget of £1.0m is also held centrally to meet past service Employer Pension contributions relating to staff transferred to the new supplier companies. It is forecast that spending will be in line with the budget.

178. The outturn forecast for contingencies shows an assumed underspending of £1m which takes account of potential additional income from the NHS relating to settlement of 2013/14 funding, partly offset by potential budget pressures arising from contractual obligations in Leisure.

Allocation of Additional Grant Funding

179. The Council's budget provides for the receipt of known specific grants. However, where additional non-ringfenced grant funding is received, services wishing to increase their expenditure budgets are required by Finance Procedure Rules to seek approval to use this additional funding. This report seeks approval to services' requests to incur additional expenditure in 2014/15 fully funded by additional grant. Details of the allocations are contained in **Appendix 9**.

Debt Management

180. The balance of outstanding debt has reduced since Quarter 2. Balances remain within forecast levels and adequate provisions have been made. A summary of outstanding invoiced debt by Service is contained in **Appendix 10**.

Outturn Impact

181. The impact of the projected service outturn position could reduce balances by up to £0.8m as reported above **(para 136)**.

182. Taken into account with the central budget items detailed above and the approved use of general reserves **(para 185)**, the financial impact described in this report could decrease balances by £5.6m as summarised in **Table 10**.

Table 10 – Impact on Balances

	£m
Service Net Budget Outturn	-0.8
Central Budgets Outturn	1.0
Use of Reserves reported to Council	-5.8
Total	-5.6

Management of Council Reserves

183. The Council's Reserves Strategy 2014/17 stated that the Council would maintain reserves to protect against risk and support investment. The Strategy forecast that the risk assessed level of reserves is likely to remain at £14.0m throughout the medium term.

184. The opening balance at 1st April 2014 on the Council's General Reserves is £19.8m, as shown in the published statement of accounts for 2013/14.

185. Council have approved the use of £5.8m of general reserves in 2014/15, to support investment in sustainability and communities, at their meetings in February and July 2014.

186. The overall impact of service budgets, central budgets and Council decisions is identified in **Table 10** above. **Table 11** shows how this impacts on the forecast closing balance of general reserves.

Table 11 – Change in Reserves Position

	£m
Opening Balance at 1 April 2014	19.8
Impact on Balances at Quarter 3	-5.6
Forecast Closing Balance at March 2015	14.2

187. The projected balance of £14.2m reflects the current forecast that risks associated with budget achievement in 2014/15 may not actually materialise and this is broadly in line with level planned in

the 2014/17 Reserves Strategy. Actions to continue managing current risk will continue to be explored in the remaining months of the financial year. Overall the Council remains in a strong financial position given the major challenges across the public sector.

188. The Council also maintains Earmarked Revenue reserves for specific purposes. At 1st April 2014 balances on these reserves stood at £25.9m, excluding grants reserves and balances held by Schools. Council have approved the transfer of a further £5.8m from general reserves into earmarked reserves in 2014/15 to support investment in sustainability and communities.

189. During 2014/15, an estimated net £7.5m will have been drawn down and applied to fund service expenditure specifically provided for. Service outturn forecasts take account of this expenditure and funding. The majority of the funding will be applied from the reserves for Business Rates Retention (£3.6m), Communities Investment (£1.8m), Adult Social Care (£1.2m), and Service Manager carry forwards (£2.7m).

190. Services are forecasting provisions of £2.4m in their outturn forecasts in relation to spending plans for temporary cost of investment budgets that were established, and then monitored, as part of the 2014/15 budget. Balances will be allocated to earmarked reserves at year-end where service changes associated with these budgets will continue in 2015/16.

191. A full list of earmarked reserves is contained in **Appendix 11**.

3. Workforce Development

192. This section sets out the Council's activities and progress in relation to HR, Organisational Development, Workforce Development plans and changes to staffing levels.

193. A number of key workforce projects (e.g. Building Capacity and Engagement which is almost complete) continue to support the Council's transformation. For example the Making a Difference employee recognition scheme saw a number of annual awards being made in December to individuals and teams at a celebratory event. Around 60 nominations were received from staff and members, resulting in more than 500 colleagues being recognised for Putting Residents First and making a real difference to colleagues, citizens and communities. Feedback from the event has been very positive.

194. The Council will shortly be introducing a new employee recruitment system known as Taleo to replace the current system which is no longer fit for purpose. On-line capability now plays a key role in attracting the talent we need, creating a positive candidate experience, managing costs and reducing time to hire. The Taleo system supports the end to end recruitment cycle from identifying the need / vacancy through to sourcing potential candidates, engaging and managing candidates through the process, completing checks and formalities and bringing them into the Council. Management information will enable recruitment activities and campaigns to be monitored, reviewed and continually improved.

195. Towards Excellence, the learning, development and staff improvement corporate training programme continues for all employees comprising of statutory, mandatory, vocational and professional themes and topics. This ensures that Cheshire East creates a workforce which is safe, knowledgeable and competent in performing their duties to the highest possible standard, providing the best quality services to the residents and businesses.

196. In summary, over 1,050 delegates have attended statutory, mandatory and vocational training to date (Quarter 3), with the Management Institute of Excellence programme delivering a further range of workshops attended by 39 delegates interested in improving their business and commerce awareness, in addition to 90 managers undertaking Institute of Leadership and Management qualifications and workshops.

197. The workforce development team continues to work closely with numerous regulatory and professional bodies and link into several local universities and colleges to ensure academia and research based theories are inherent in everything we do. As a recognised centre of excellence, our quality assurance measures ensure that all employees and apprentices receive up to date training and surpass expectations of external verification and examination boards and feel fully supported throughout all stages of their career. We are currently ahead of delivery targets and within budget with further work required to ensure good attendance rates are maintained.

198. In terms of graduate development eight Children's social work trainees are currently being supported; the number will be increased by the new student sponsorship scheme. 48 newly qualified social workers (adults and children's) are registered on the Assessed and Supported Year in Employment programme; a further 20 Children's social workers are undertaking the Progression Year 2 programme (Post Graduate Diploma); and 40 are accessing the Approved Mental Health Practitioner training programme. 18 newly qualified Best Interest Assessors have been created, in line with the supreme court ruling for Mental Capacity / Deprivation of Liberties.

199. The current cohort of Apprentices is 52 (19 of which are within ASDVs), with four vacancies being advertised and / or in the recruitment process.

Staffing Changes

200. **Table 12** below demonstrates that Cheshire East's employee headcount decreased by 0.1% between October and December 2014. The employee headcount at the end of December 2014 was 4,010 – a reduction of 16.9% from March 2014, predominantly as a result of employees transferring to ANSA and Orbitas on 1st April 2014, and to ESAR and CoSocius on 1st May 2014.

Table 12: Headcount and FTE figures for October to December 2014

Directorate/Service	Oct-14		Nov-14		Dec-14	
	Headcount	FTE	Headcount	FTE	Headcount	FTE
Public Health	21	17.9	21	17.9	23	17.9
Media (Communications and PR)	10	10.0	10	10.0	10	10.0
Strategic Commissioning	2,952	2,118.5	2,956	2114.3	2,947	2,117.1
Adults Social Care & Independent Living	1,155	864.4	1,152	865.8	1,145	861.4
Children's Services	1,174	757.8	1,182	752.1	1,181	761.2
Commissioning and Client Support	57	53.7	54	51.3	54	51.3
Communities	565	441.6	567	444.1	566	442.1
Chief Operating Officer	669	509.7	660	504.62	663	510.5
Commissioning	49	44.0	49	44.0	51	46.6
Corporate Resources and Stewardship	392	285.1	383	278.4	379	278.0
Democratic Services and Governance	97	60.5	99	63.9	103	66.6
Legal Services	40	36.1	39	35.1	39	35.1
People and OD	54	48.3	53	47.5	52	46.5
Apprentices / Graduate Trainees	36	34.7	36	34.7	38	36.7
Economic Growth & Prosperity	379	299.2	382	302.7	384	301.9
Assets	28	27.0	29	28.0	29	28.0
Investment	88	80.0	88	80.0	88	79.7
Strategic and Economic Planning	110	100.6	115	105.6	117	107.2
Strategic Infrastructure	9	9.0	9	9.0	9	9.0
Visitor Economy, Culture and Tatton Park	143	81.5	140	79.0	140	77.0
Cheshire East Council Total	**4,014**	**2,956.2**	**4,011**	**2,950.5**	**4,010**	**2,958.4**

201. **Table 13** demonstrates that in the third quarter of 2014/15 the cumulative average days lost to sickness was slightly higher, per FTE employee, than the same period in 2013/14. Management of sickness absence levels during this financial year will focus on developing greater resilience and addressing stress and a detailed action plan to address this has been developed.

Table 13: Comparison of average days lost to sickness in the Third Quarter of 2014/15 to the same period in 2013/14

	Oct	Nov	Dec
Q3 2014/15	6.57	7.54	8.87
Q3 2013/14	6.22	7.19	8.34

Note: Whole Council excluding Schools – year to date cumulative absence; figures show cumulative calculated days lost to sickness absence per FTE employee

Voluntary Redundancies

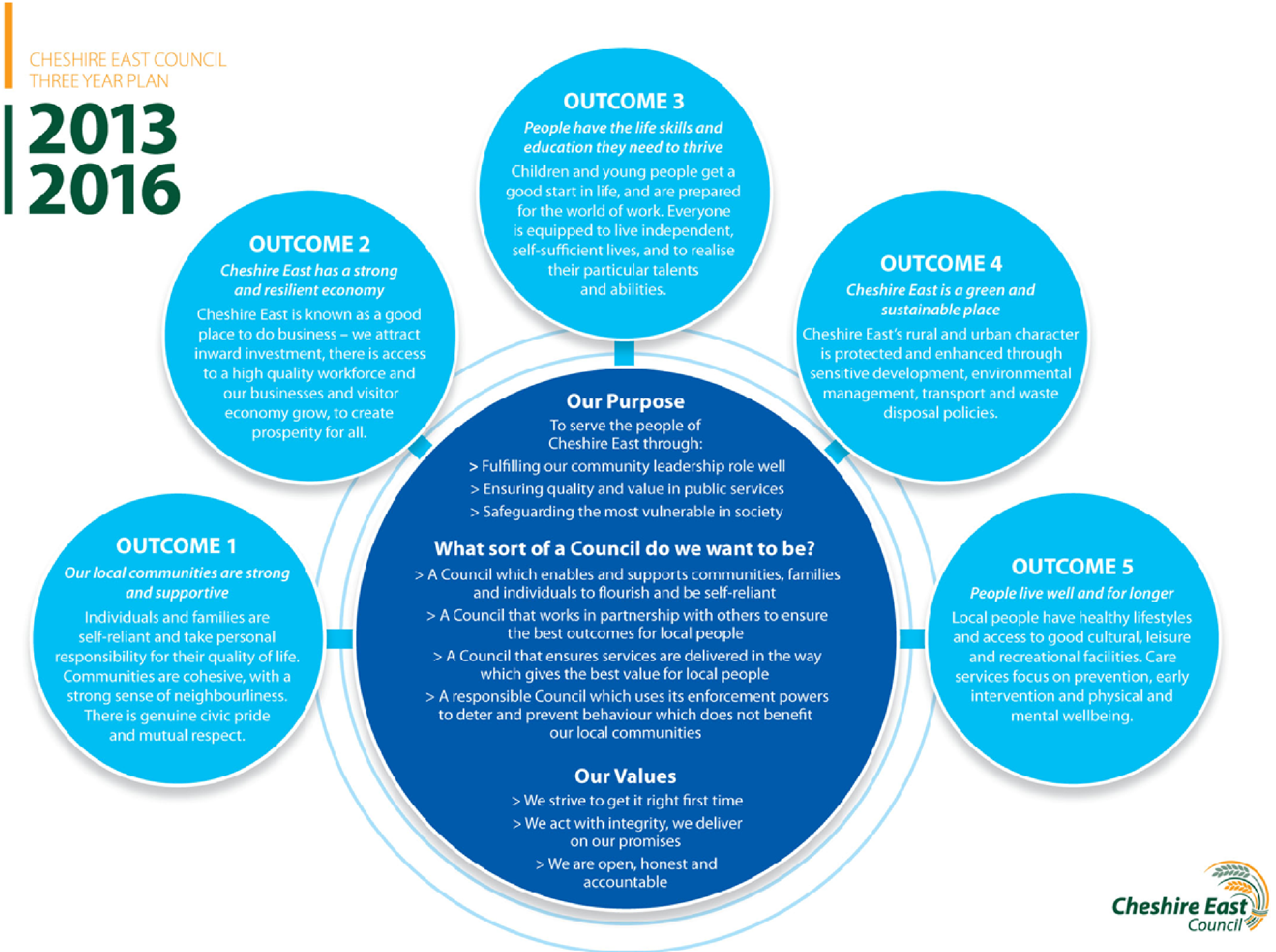
202. The Council's voluntary redundancy scheme continues to support organisational change and the delivery of the planned programme of change in the Council Plan. The effective use of voluntary redundancy in this way enables the Council to achieve its planned savings and efficiencies and also helps to maintain good employee relations within the Authority and minimises the prospect of compulsory redundancy.

203. Six people have left the Council under voluntary redundancy terms in Quarter 3, two of whom held posts within the management grades (Grade 10 or above). The total severance cost, for all six employees was £0.3m, inclusive of redundancy and actuarial costs. Over the next five years, these reductions are estimated to save the Council over £1m (which is the combined accumulated costs of the deleted posts).

Appendices to Third Quarter Review of Performance 2014/15

February 2015

Appendix 1 – The Three Year Council Plan



To assist with reading this page a PDF version has been made available at: www.cheshireeast.gov.uk/budget

Appendix 2 – Changes to Revenue Budget 2014/15 since Mid Year Review

	MYR Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Other Virements £000	TQR Net Budget £000
Childrens & Families	45,790	280		31	46,101
Adult Social Care & Independent Living	94,847			-392	94,455
Public Health & Wellbeing	2,229				2,229
Environment	29,433		-1,144		28,289
Highways	10,550			123	10,673
Communities	10,076				10,076
Economic Growth & Prosperity	23,699	35	1,144	-208	24,670
Chief Operating Officer	40,817			446	41,263
TOTAL SERVICE BUDGET	**257,441**	**315**	**0**	**0**	**257,756**
Central Budgets					
Specific Grants	-18,293	-315			-18,608
Capital Financing	12,511				12,511
Contingencies	1,143				1,143
Corporate Contributions	1,027				1,027
Contribution to/from Reserves	-40				-40
	-3,652	-315	0	0	-3,967
TOTAL BUDGET	**253,789**	**0**	**0**	**0**	**253,789**

Note: Figures have been restated to reflect Transport budgets now being shown against Economic Growth & Prosperity

Appendix 3 – Corporate Grants Register

Corporate Grants Register 2014/15 Third Quarter Review	Note	Revised Forecast MYR 2014/15 £000	Revised Forecast TQR 2014/15 £000	Change 2014/15 £000	SRE / Balances (Note 2)
SPECIFIC USE (Held within Services)					
Schools					
Dedicated Schools Grant	*1*	160,722	159,041	-1,681	
Pupil Premium Grant	*1*	6,795	6,795	0	
Sixth Forms Grant	*1*	4,408	4,408	0	
Total Schools Grant		**171,924**	**170,243**	**-1,681**	
Housing Benefit Subsidy		84,518	84,518	0	
Public Health Funding		14,274	14,274	0	
Restorative Justice Development Grant		8	8	0	
Bus Services Operators Grant		348	348	0	
TOTAL SPECIFIC USE		**271,072**	**269,391**	**-1,681**	
GENERAL PURPOSE (Held Corporately)					
Central Funding					
Revenue Support Grant		48,601	48,601	0	
Business Rates Retention Scheme		37,883	37,883	0	
Total Central Funding		**86,484**	**86,484**	**0**	

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Corporate Grants Register 2014/15 Third Quarter Review	Note	Revised Forecast MYR 2014/15 £000	Revised Forecast TQR 2014/15 £000	Change 2014/15 £000	SRE / Balances (Note 2)
GENERAL PURPOSE (Held Corporately)					
Children & Families					
Troubled Families		130	130	0	
Troubled Families - Co-ordinator		100	100	0	
Extended Rights to Free Transport		153	153	0	
Adoption Reform Grant (unringfenced element)		275	275	0	
Special Educational Needs Reform Grant		384	384	0	
Youth Detention - Looked After Children		27	27	0	
Youth Justice Grant		353	353	0	
Staying Put Grant		36	36	0	
Special Educational Needs and Disabilities - New Burden		0	280	280	SRE
Adult Social Care & Independent Living					
Local Reform and Community Voices Grant		262	262	0	
Care Bill Implementation Grant		125	125	0	
Environment					
Lead Local Flood Authorities		52	52	0	
Sustainable Drainage Systems Capability and Capacity Building		123	123	0	
Communities					
Housing Benefit and Council Tax Administration		1,760	1,760	0	
NNDR Administration Grant		562	562	0	
Social Fund - Programme funding		612	612	0	
Social Fund - Administration funding		119	119	0	
Council Tax - New Burden		135	135	0	
Implementing Welfare Reform Changes		57	57	0	

Corporate Grants Register 2014/15 Third Quarter Review	*Note*	Revised Forecast MYR 2014/15 £000	Revised Forecast TQR 2014/15 £000	Change 2014/15 £000	SRE / Balances (Note 2)
GENERAL PURPOSE (Held Corporately)					
Economic Growth & Prosperity					
Skills Funding Agency		890	890	0	
Neighbourhood Planning Grant		5	40	35	SRE
Chief Operating Officer					
Education Services Grant		4,274	4,262	-12	Balances
New Homes Bonus 2011/12		870	870	0	
New Homes Bonus 2012/13		1,844	1,844	0	
New Homes Bonus 2013/14		1,037	1,037	0	
New Homes Bonus 2014/15		1,358	1,358	0	
Affordable Homes 2012/13		85	85	0	
Affordable Homes 2013/14		82	82	0	
New Homes Bonus 2013/14 - return of topslice		129	129	0	
Council Tax Freeze Grant 2014/15		1,807	1,807	0	
Community Rights to Challenge		9	9	0	
Community Rights to Bid		8	8	0	
Individual Electoral Registration		117	117	0	
NNDR software changes - Retail Relief		8	8	0	
Open Data and Transparency Programme		74	74	0	
Local Government Transparency Code 2014		0	0	0	
Total Service Funding		**17,861**	**18,165**	**303**	
TOTAL GENERAL PURPOSE		**104,345**	**104,648**	**303**	
TOTAL GRANT FUNDING		**375,416**	**374,039**	**-1,378**	

Notes

1 The Dedicated Schools Grant, Pupil Premium Grant and Sixth Form Grant from the Education Funding Agency (EFA) figures are based on actual anticipated allocations. Changes are for in-year increases/decreases to allocations by the DfE and conversions to academy status.

2 SRE - Supplementary Revenue Estimate requested by relevant service

Appendix 4 – Summary Capital Programme and Funding

Commissioning Service	In-Year Budget TQR 2014/15 £000	SCE's Virements Reductions TQR 2014/15 £000	Budget Realignment TQR 2014/15 £000	Revised In-Year Budget TQR 2014/15 £000	Forecast Expenditure 2014/15 £000	Forecast Expenditure 2015/16 £000	Forecast Expenditure 2016/17 and Future Years £000
Early Help and Protection							
Committed Schemes - In Progress	131	0	1,147	1,278	598	680	0
Committed Schemes at Gate 1 Stage	847	0	-847	0	0	0	0
Medium Term and Rolling Programme	804	0	-650	154	154	706	206
Education Strategy							
Committed Schemes - In Progress	10,279	-138	-5	10,136	9,860	1,327	507
Committed Schemes at Gate 1 Stage	3,608	-400	-2,276	932	804	4,193	428
Medium Term and Rolling Programme	3,488		-3,179	309	309	9,210	5,705
Adult Social Care and Independent Living							
Committed Schemes - In Progress	817	0	15	832	832	0	0
Medium Term and Rolling Programme	750		-750	0	0	1,808	800
Public Health & Wellbeing							
Committed Schemes - In Progress	8,524	0	0	8,524	5,639	9,471	0
Longer Term Proposals	300	0	0	300	300	3,700	8,000
Environment							
Committed Schemes - In Progress	2,592	0	90	2,682	1,684	1,089	90
Medium Term and Rolling Programme	4,515	-65	3,715	8,165	8,165	5,935	50
Highways							
Committed Schemes - In Progress	31,417	-59	18	31,376	31,300	2,448	2,731

Commissioning Service	In-Year Budget TQR 2014/15 £000	SCE's Virements Reductions TQR 2014/15 £000	Budget Realignment TQR 2014/15 £000	Revised In-Year Budget TQR 2014/15 £000	Forecast Expenditure 2014/15 £000	Forecast Expenditure 2015/16 £000	Forecast Expenditure 2016/17 and Future Years £000
Communities							
Committed Schemes - In Progress	702	61	408	1,171	1,031	682	39
Committed Schemes at Gate 1 Stage	726	0	-726	0	0	0	995
Medium Term and Rolling Programme	100	0	-100	0	0	100	0
Economic Growth and Prosperity							
Committed Schemes - In Progress	26,199	10	-200	26,009	24,430	9,581	3,483
Committed Schemes at Gate 1 Stage	2,018		-1,023	995	995	1,366	6,560
Medium Term and Rolling Programme	3,395	-1,030	295	2,660	2,660	4,794	32,470
Longer Term Proposals	900	-200	-241	459	459	8,200	129,940
Chief Operating Officer							
Committed Schemes - In Progress	44,269	-10	-6,737	37,522	27,205	26,595	11,423
Committed Schemes at Gate 1 Stage	2,050	0	-1,550	500	500	2,510	2,488
Committed Schemes - In Progress	**124,930**	**-135**	**-5,265**	**119,530**	**102,579**	**51,873**	**18,273**
Committed Schemes at Gate 1 Stage	**9,249**	**-400**	**-6,422**	**2,427**	**2,299**	**8,069**	**10,471**
Medium Term and Rolling Programme	**13,052**	**-1,095**	**-669**	**11,288**	**11,288**	**22,553**	**39,231**
Longer Term Proposals	**1,200**	**-200**	**-241**	**759**	**759**	**11,900**	**137,940**
Total Net Position	**148,431**	**-1,830**	**-12,597**	**134,004**	**116,925**	**94,395**	**205,915**

Funding Sources	2014/15 £000	2015/16 £000	2016/17 and Future Years £000
Grants	54,235	28,730	100,006
External Contributions	14,058	12,442	33,108
Cheshire East Council Resources	48,632	53,223	72,801
Total	**116,925**	**94,395**	**205,915**

Appendix 5 – Approved Supplementary Capital Estimates and Virements up to £250,000

Capital Scheme	Amount Requested £	Reason and Funding Source
Summary of Supplementary Capital Estimates and Capital Virements that have been made up to £250,000		
Supplementary Capital Estimates		
Education Strategy		
Suitability/Minor Works/Accessibility Block Provision	60,000	This SCE is for the additional funds from Underwood Primary School towards the works to demolish and replace a mobile classroom.
School Maintenance Project - Alderley Edge Community Primary School	18,282	This SCE is for the additional funds from Alderley Edge Community School towards works to improve accessibility and safety on the site.
School Maintenance Project - Ruskin High School	22,652	This SCE is for the additional funds from Ruskin High School towards works to refurbish the science laboratories.
School Maintenance Project - Rode Heath Primary School	62,178	This SCE is for the additional funds from Rode Heath Primary School towards internal configuration works within the school.
Universal free school meals - The Dingle Primary School	6,000	Contributions from the Schools towards works to undertake alterations to kitchen and dining facilities to meet the increased demand from the introduction of Universal Free School Meals.
Universal free school meals - Wrenbury Primary School	5,000	
Communities		
Customer Access	228,634	This SCE is for an additional £228,634 to fund increased construction costs. The increase in budget is to be funded by £192,328 from Poynton Town Council and a Revenue Contribution of £36,306.
CCTV - Infrastructure Rationalisation	24,000	This SCE of £24,000 is to be funded by Section 106 funds.
Total Supplementary Capital Estimates	**426,746**	

Capital Scheme	Amount Requested £	Reason and Funding Source
Summary of Supplementary Capital Estimates and Capital Virements that have been made up to £250,000		
Capital Budget Virements		
Education Strategy		
School Maintenance Project - Audlem St James' CofE Primary School	4,063	This virement is required from the School's Devolved Formula Capital allocation to fund works to internally configure the building to improve access and teaching facilities.
Universal free school meals - Bexton Primary School	6,500	These Virements are required from the Schools Devolved Formula Capital Allocations towards works to undertake alterations to kitchen and dining facilities to meet the increased demand from the introduction of Universal Free School Meals.
Universal free school meals - The Weaver Primary School	1,500	
Universal free school meals - Manor Park Primary School	3,601	
Capital Maintenance Central Allocation	3,771	This virement is required to transfer the residual grant from the completed scheme at Middlewich High School back to the Capital Maintenance Block for re-allocation.
Basic Need Block	33,605	This virement is required to transfer the residual grant from the completed scheme at Beechwood Primary School back to the Basic Needs Block for re-allocation.
Highways & Transport		
Road Safety Cycle Scheme	23,488	This virement is required to increase the budget requirement and to utilise the SUSTRANS grant sitting against another Cycling related project that is now complete.
Communities		
Car Parking Improvements	58,695	This virement is required to rationalise the Car Parking Programme into one project as per the proposed strategy. Funded by Cheshire East resources.
Economic Growth & Prosperity		
Tatton Vision	10,000	This virement has been agreed from the Asset Management Maintenance Programme to finance maintenance work within the Tatton Vision Project. Funded by Cheshire East resources.
Total Virements Approved	**145,223**	
Total Supplementary Capital Estimates and Virements	**571,969**	

Appendix 6 – Request for Supplementary Capital Estimates and Virements above £250,000

Capital Scheme	Amount Requested £	Reason and Funding Source
Cabinet are asked to approve the Supplementary Capital Estimates and Virements above £250,000 up to and including £1,000,000		
Capital Budget Virements		
Education Strategy		
The Dingle Primary School Primary School – Replacement of Mobile Classroom	500,000	This virement relates to a scheme at The Dingle Primary School, endorsed at Gateway 1 during November 2014, and will be funded by the Capital Maintenance Grant.
Mablins Lane Primary School – Replacement of double mobile classroom, suitability works and kitchen and hall extension / improvements.	750,000	This virement relates to a scheme at Mablins Primary School, endorsed at Gateway 1 during December 2014, and will be funded by the Capital Maintenance Grant.
Total Supplementary Capital Estimates	**1,250,000**	

Appendix 7 – Capital Budget Reductions

Capital Scheme	Approved Budget £	Revised Approval £	Reduction £	Reason and Funding Source
Cabinet are asked to note the reductions in Approved Budgets				
Education Strategy				
Devolved Formula Capital Grant	4,031,037	4,010,037	-21,000	Budget reduction required due to school funding the capital works direct from own resources.
School Maintenance Projects - The Marlborough Primary School	3,685,304	3,683,304	-2,000	Budget reduction required as no further costs are now anticipated for Marlborough Primary School.
Highways				
Morrisons Middlewich	15,000	11,825	-3,175	Scheme now complete - no further budget required.
S278 Basford West, Goodman	50,000	40,527	-9,473	Scheme now complete - no further budget required.
Red Bull Flood Alleviation	175,000	130,809	-44,191	Scheme now complete. Budget reduction required as contribution from Staffordshire County Council will be paid by them directly.
Eaton Village Flood Alleviation	50,000	48,139	-1,861	Scheme now complete - no further budget required.
Environmental				
Cranage Path Project	400,000	0	-400,000	Budget no longer required as scheme will not proceed.
Economic Growth and Prosperity				
Corporate Landlord Model - Non-Operational Assets	1,280,000	930,000	-350,000	Full approved budget no longer required due to a revised programme of works over the next three financial years.
Total Capital Budget Reductions	**9,686,341**	**8,854,641**	**-831,700**	

Appendix 8 – Treasury Management

Counterparty Limits and Investment Strategy

1. The maximum amount that can be invested with any one organisation is set in the Treasury Management Strategy Report. For named UK banks and credit rated building societies this has been set at 10% of our total investments subject to a maximum value of £10m. These limits apply to the banking group that each bank belongs to. Limits for each Money Market fund have been set at a maximum value of £10m per fund with a limit of 25% of total investments per fund although operationally this is limited to 10% in line with updated guidance. There is also a maximum that can be invested in all Money Market Funds at any one time of 50% of the value of all investments. Due to their smaller size, unrated Building Societies have a limit of £1m each.

2. Our approved counterparties list also includes a number of foreign banks. As the limits applicable to all organisations have been reduced the Council is investing in selected highly rated foreign institutions. The Council currently holds Certificates of Deposits with Deutsche Bank (Germany) and has recently opened an investment account with Svenska Handelsbanken (Sweden) at its Crewe based branch.

3. In order to diversify investments over a broader range of counterparties, the Council is also investing with other local authorities and some unrated Building Societies on advice from our treasury advisors who are monitoring their financial standing in the absence of any normal credit rating.

4. Banks credit ratings are kept under continual review. There have not been any significant changes in 2014/15 although major changes are expected in 2015 when Government support will be removed following implementation of the Banking Act 2013. In addition to ratings, other credit indicators, such as Swap rates are also monitored. The Banking Act 2013 and the UK adoption of further EU directives is intended to make it less likely that a bank gets into trouble but increases the risk of the Local Authority deposits being 'bailed-in' if the bank did get into trouble. To mitigate any potential issues there are 3 actions that the Council will be taking:

   a. Reduce level of deposits in any one counterparty
   b. Reduce credit limits referred to in the Treasury Management Strategy
   c. Invest in more secure financial instruments such as Covered Bonds and Repurchase Agreements (REPO's)

5. Reducing the level of investments in any one counterparty reduces the potential losses with that counterparty but this cannot be done without maintaining a wide enough list of suitable counterparties. The removal of Government support is likely to lead to a reduced credit rating for many organisations. To enable the Council to continue investing in a wide enough pool of otherwise stable counterparties, despite their reduced credit rating, the Council will need to reduce its permissible acceptable credit ratings which will be recommended when the Treasury Management Strategy Statement is submitted for approval in February 2015.

6. Covered Bonds are fixed period investments (typically 3 to 10 years) which are tradeable and where the investment is backed by collateral. These bonds are exempt from any 'Bail-in' requirements and gives the Council protection in the event the Counterparty gets into difficulties. These bonds are rated depending on their collateral so it is possible that a bond is acceptable to the Council where an unsecured deposit would not be. On 5th November, the Council purchased a £3m AAA rated covered bond issued by Yorkshire Building Society and has since purchased a further £2m covered bond both of which are linked to a margin above 3 month London Inter Bank Offer Rate (LIBOR) and due to mature in March 2016.

7. Repurchase Agreements (REPO's) are where the Council purchases assets from a counterparty with an agreement that the counterparty repurchases those assets on an agreed future date and at an agreed price. The future price will include interest on the investment. The assets purchased will vary in value over the term of the trade so a third party is used (at the cost of the other party, not the Council) to hold those assets on our behalf and obtain additional assets if the value falls below the level of the investment at any time. It is the quality of the purchased assets that governs the credit quality of the investment rather than the actual counterparty. The Council is currently considering making arrangements with Clearstream who can provide the third party facilities and are internationally regarded.

   Table 1 shows the current investments and limits with each counterparty. A full analysis of the types of investment and current interest rates achieved is given in **Table 2.**

Table 1 – Current Investments and Limits

Counterparties	Limits		Investments as at 30th November 2014	
UK Banks				
Barclays Bank	10%	£10m	5%	£3.3m
Close Bros	10%	£10m	8%	£5.0m
Lloyds	10%	£10m	8%	£5.0m
Foreign Banks				
Deutsche Bank	10%	£10m	10%	£6.0m
Building Societies	**20%**		**19%**	
Cumberland Building Society	10%	£1m	1%	£1.0m
Leeds Building Society	10%	£1m	1%	£1.0m
National Counties Bldg Soc	10%	£1m	1%	£1.0m
Nationwide Building Society	10%	£10m	10%	£6.0m
Vernon Building Society	10%	£1m	1%	£1.0m
Yorkshire BS (Covered Bond)			5%	£3.0m
Other				
Glasgow City Council	10%		3%	£2.0m
Lancashire County Council	10%		7%	£4.5m
Money Market Funds	**50%**		**17%**	
CCLA	25%	£10m	1%	£0.5m
Deutsche	25%	£10m	1%	£0.8m
Federated Prime Rate	25%	£10m	8%	£5.0m
Ignis	25%	£10m	5%	£3.0m
Morgan Stanley	25%	£10m	1%	£1.0m
Scottish Widows	25%	£10m	1%	£1.0m
Externally Managed Funds	**50%**			
Pooled Funds	50%		15%	£10.2m
Property Funds	50%		8%	£5.0m
				£65.3m

Table 2 – Types of Investments and Current Interest Rates

Instant Access Accounts	Avg rate %	£m
Instant Access Accounts	0.05	0.8
Money Market Funds	0.47	10.8

Fixed Term Deposits (Unsecured)	Start	Maturity	Rate %	£m
Nationwide Building Society	15/01/2014	14/01/2015	0.81	2.0
Lloyds	14/04/2014	14/01/2015	0.80	3.0
Deutsche Bank CD	05/06/2014	04/06/2015	0.82	2.0
Deutsche Bank CD	17/07/2014	17/07/2015	0.92	4.0
Lancashire County Council	22/07/2014	22/01/2015	0.50	2.5
Nationwide Building Society	21/08/2014	20/08/2015	0.96	2.0
Barclays	29/08/2014	28/08/2015	0.98	3.0
Close Bros	11/09/2014	18/12/2014	0.55	5.0
Lancashire County Council	15/09/2014	26/02/2015	0.45	2.0
National Counties Building Society	01/10/2014	18/03/2015	0.66	1.0
Cumberland Building Society	06/10/2014	06/01/2015	0.47	1.0
Vernon Building Society	17/10/2014	16/01/2015	0.48	1.0
Leeds Building Society	24/10/2014	19/01/2015	0.40	1.0
Lloyds	03/11/2014	05/05/2015	0.70	2.0
Nationwide Building Society	04/11/2014	18/02/2015	0.51	2.0
Glasgow City Council	12/11/2014	28/01/2015	0.47	2.0

Secured Deposits	Start	Maturity	Rate %	£m
Yorkshire Building Society	05/11/2014	16/03/2016	0.73	3.0

Externally Managed Funds	£m
Pooled Investments	10.2
Property Fund	5.0

Maturity Profile	£m
Instant Access	11.6
Maturing < 1 month	5.0
Maturing within 1 - 6 months	19.5
Maturing within 6 - 12 months	11.0
Maturing within 1 – 2 years	3.0
Externally Managed Funds	15.2
Total	**65.3**

Performance of Fund Manager

8. During October and November, the funds invested in the 'Dynamic' model were withdrawn to be invested in the property fund and covered bonds. Funds in the 'Standard' model will be withdrawn in January 2015. The table below shows the performance of the funds (net of fees) since the initial investment of £20m (£10m in each model) on 27th May 2011.

	STANDARD MODEL	DYNAMIC MODEL
April 2014	0.03%	0.02%
May 2014	0.13%	0.14%
June 2014	0.02%	-0.01%
July 2014	0.00%	0.04%
August 2014	0.08%	0.09%
September 2014	0.06%	0.13%
October 2014	0.16%	0.14%
November 2014	0.15%	N/A
Cumulative 2014/15	0.63%	0.56%
Value of Investment at 30/11/14	£10,311,993	N/A
Fees (Total since start)	£89,241	£94,540
Average Annual Rate as at 30/11/14	0.63%	0.53%

9. The fund has not performed as well as expected over the last 3 years which has led to the decision to withdraw from these funds although performance in the past few months has actually been much better. However, the fund can be volatile so there is no guarantee that this improved performance will continue.

Appendix 9 – Requests for Allocation of Additional Grant Funding

Service	Type of Grant	£000	Details
Children and Families	Special Educational Needs (SEN) and Disabilities (General Purpose)	280	The Children and Families Act introduces new duties on local authorities in order to improve outcomes for children and young people with SEN or who are disabled, increase choice and control for parents, and promote a less adversarial system. Local authorities are undertaking a range of activities to prepare for these changes, which will be implemented from September 2014.
Economic Growth and Prosperity	Neighbourhood Planning Grant (General Purpose)	35	A further grant of £35,000 is to be provided to the Council by the Department for Communities and Local Government for each designated Neighbourhood Area. This is to support these local communities to prepare a neighbourhood plan. This is the second designation this financial year. The grant is not ring fenced to Neighbourhood Planning so can be used to support the wider Spatial Planning function.
TOTAL		**315**	

Appendix 10 – Debt Management

1. In addition to the collection of Council Tax and National Non-Domestic Rates the Council also issues invoices to organisations or individuals for certain key services. Performance related to Council Tax and Non-Domestic Rates is contained in Section 2 of this report.

2. Annually, the Council raises invoices with a total value of around £50m. This includes around £25m in Adult Social Care relating to client contributions towards care packages and income from Health on pooled budget and partnership arrangements.

3. Total Invoiced Debt at the end of November 2014 was £9.2m. After allowing for £5.5m of debt still within the payment terms, outstanding debt stood at £3.7m. This is £1.2m lower than at Mid Year Review.

4. The total amount of service debt over 6 months old is £2.1m which is £0.3m lower than older debt reported at the end of August 2014.

5. Services have created debt provisions of £2.2m to cover this debt in the event that it needs to be written off.

6. The Council uses a combination of methods to ensure prompt payment of invoices. Recovery action against unpaid invoices may result in the use of debt collectors, court action or the securing of debts against property.

	Outstanding Debt £000	Over 6 months old £000	Debt Provision £000
Children & Families	56	14	175
Adult Social Care & Independent Living	2,345	1,476	1,467
Public Health & Wellbeing	0	0	0
Environmental	318	146	146
Highways	409	269	269
Communities	32	18	18
Economic Growth and Prosperity	318	62	36
Chief Operating Officer	223	110	123
	3,701	**2,095**	**2,234**

Appendix 11 – Earmarked Reserves

Name of Reserve	Opening Balances 1 April 2014 £000	Forecast movement in 2014/15 £000	Estimated Balance 31 March 2015 £000	Purpose
Children & Families				
Long Term Sickness	213	**0**	213	Carried forward surplus of contributions paid by schools - operated as a trading account
Education All Risks	261	**0**	261	Carried forward surplus of contributions paid by schools - operated as a trading account
Children's Social Care	650	**-412**	238	To support implementation of Children's social care bill
Adult Social Care and Independent Living				
Extra Care Housing Private Finance Initiative	1,466	**215**	1,681	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009
Individual Commissioning	580	**-387**	193	To provide capacity to perform Deprivation of Liberties and Best Interest reviews of care customers following recent case law
NHS Section 256	1,784	**-784**	1,000	To support adult social care which also has a health benefit, as agreed with Eastern Cheshire and South Cheshire Clinical Commissioning Groups and governed by Cheshire East Health and Wellbeing Board.
Public Health	1,620	**330**	1,950	Ring-fenced underspend to be invested in areas to improve performance against key targets. Including the creation of an innovation fund to support partners to deliver initiatives that tackle key health issues.

Name of Reserve	Opening Balances 1 April 2014 £000	Forecast movement in 2014/15 £000	Estimated Balance 31 March 2015 £000	Purpose
Environmental & Leisure				
Crematoria	367	**177**	544	Mercury abatement income set aside to fund potential replacement cremators as per the capital programme.
Winter Weather	120	**120**	240	To provide for future adverse winter weather expenditure
Economic Growth & Prosperity				
Building Control	181	**-101**	80	Ring-fenced surplus (could be used to offset service deficit, if applicable)
Tatton Park	241	**0**	241	Ring-fenced surplus on Tatton Park trading account
Economic Development	141	**0**	141	Support for town centres and economic development initiatives
Communities				
Communities Investment Note 1	2,768	**-1,758**	1,010	Amalgamation of Promoting local delivery; Grant support; New initiatives and additional funding from outturn to support community investment
Emergency Assistance	400	**100**	500	Carry forward of underspend on previous years' schemes to provide for future hardship payments
Chief Operating Officer				
Elections	486	**130**	616	To provide funds for Election costs every 4 years
Insurance & Risk	2,776	**1854**	4,630	To settle insurance claims and manage excess costs.
Climate Change	67	**0**	67	Renewable Energy project
Investment (Sustainability) Note 2	2,050	**5,300**	7,350	To support investment that can increase longer term financial independence and stability of the Council

Name of Reserve	Opening Balances 1 April 2014 £000	Forecast movement in 2014/15 £000	Estimated Balance 31 March 2015 £000	Purpose
Pension Contributions	150	**-150**	0	To meet impact of reduced workforce on fixed contribution to Past Service Pensions deficit
Business Rates Retention Scheme	5,071	**-3,593**	1,478	To manage cash flow implications following changes from the 2012/13 NNDR system
Service Manager carry forward	4,485	**-2,701**	1,784	Allocations for Costs of Investment or grant funded expenditure
TOTAL Note 3	25,877	**-1,660**	24,217	

Notes:

1. Previous communities reserves are now amalgamated under Communities Investment
2. The opening balance was supplemented by a contribution of £5.3m from general reserves as approved by Council in February 2014
3. Figures exclude:

    Schools balances £8.810m (1st April 2014)

    Grants Reserves £0.467m (1st April 2014)

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	11th February 2015
Report of:	Chief Operating Officer (Section 151 Officer)
Subject/Title:	The Council's Medium Term Financial Strategy 2015/18
Portfolio Holder:	Councillor Jones / Councillor Raynes

1.0 Report Summary

1.1 This report presents the Council's Medium Term Financial Strategy for the years 2015/16 to 2017/18.

1.2 Cheshire East Council puts residents first and arranges delivery of over 500 local services. The Council's achievements are key to making Cheshire East the best place to live in the Northwest of England:

- Unemployment is at its lowest rate at 1%[1] and economic growth is continuing with expansion at Bentley, development of the science hub at Alderley Park and important announcements about HS2.
- 93.6% of Cheshire East schools are ranked as good or excellent and overall this rates as the third best in England.
- Fostering and adoption services have received national recognition in achieving outcomes for local children.

1.3 Public spending is being reduced nationally, a challenge the Council has responded to with innovation and creativity:

- An additional £6.5m will be spent on improving our highways.
- Annual spending on Adult Social Care will be increased by over £1m.
- Council tax is proposed to be frozen for a fifth consecutive year, saving local taxpayers £210 on average per year if inflationary increases had been applied.
- Net Revenue spending is being reduced by £7.7m to deliver a balanced position in 2015/16.
- External loans will be reduced by £8.5m.

1.4 Cheshire East is the third largest council in the Northwest of England, providing services for a population of over 370,000 local people. The revenue budget is balanced for 2015/16 with net spending of £264.7m and capital expenditure of £455.5m is planned in the medium term. The complexity of customer demands and the size of the organisation make it very important to manage performance and control expenditure to ensure the best outcomes for residents and businesses.

[1] Individuals aged 16 to 64, actively seeking employment and in receipt of job seekers allowance.

1.5 Following many months of development and consultation the 2015/16 proposals contained in this report are robust and provide a balanced “Residents First” Budget for consideration. Like most authorities there are still identified budget deficits in the medium term caused through on-going reductions in public sector spending. Our response to these pressures will be developed in 2015 and will be based on innovation and creativity with a continued focus on improving efficiency, productivity and more effective local service delivery. Our ability to create the best conditions for private sector investment, economic growth and prosperity will be critical to the continued success of the Borough.

1.6 This report summarises the resolutions that Cabinet are requested to recommend to Council at **Appendix A**.

1.7 This report provides the Medium Term Financial Strategy (MTFS) Report for the period 2015/16 to 2017/18 at **Appendix B**.

1.8 The document is the result of the Business Planning Process led by the Council from April 2014 to February 2015. The MTFS Report is being submitted to Cabinet on 11th February 2015 for recommendation to Council for approval.

1.9 The business planning process involved an enhanced approach to engagement with local people and organisations and details of how this process was managed is included within **Appendix B, Annex 2**.

2.0 Recommendations

2.1 That Cabinet recommend to Council the items at **Appendix A**:

2.2 That Cabinet notes:

a. The Budget Engagement exercise undertaken by the Council, as set out in the attached (**Appendix B, Annex 2**).

b. The comments of the Council’s Chief Operating Officer (Section 151 Officer), contained within the MTFS Report, regarding the robustness of estimates and level of reserves held by the Council based on these budget proposals (**Appendix B, Comment from the Chief Operating Officer**).

c. The risk assessment detailed in the MTFS Report (**Appendix B, Annex 5**).

d. That the estimates and profiling contained within the proposed Capital Programme 2015/16 to 2017/18 reflect the scale of ambition and future investment plans of the Council. The programme may vary to take advantage of external funding opportunities, maximise private sector investment, prudential borrowing considerations, operational capacity and to ensure optimal delivery of the overall programme (**Appendix B, Annex 11**).

e. That projects will be robustly governed through the Executive Monitoring Board. The Council’s Finance Procedure Rules will always apply should any changes in spending requirements be identified (**Appendix B, Annex 11**).

3.0 Reasons for Recommendations

3.1 In accordance with the Budget and Policy Framework Rules of Procedure, Cabinet is requested to recommend this report to Council to approve the MTFS Report for 2015/18.

3.2 A copy of the MTFS Report is attached at **Appendix B**.

3.3 The Council's Chief Operating Officer (Section 151 Officer) reports that, in accordance with Section 25 of the Local Government Act 2003 and Sections 32 and 43 of the Local Government Finance Act 1992, as amended by the Localism Act 2011, he is satisfied with the robustness of the estimates making up the Council Tax Requirement of £168,784,797 (based on the Provisional Finance Settlement) and he is satisfied with the adequacy of the financial reserves for the Council.

3.4 Further to the above statement it can be reported that the Medium Term Financial Strategy Report (**Appendix B**) is based on sound financial principles and reflects sufficiently detailed plans that can maintain the financial resilience of the Council in the medium term.

4.0 Wards Affected

4.1 Not applicable.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications

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

7.0 Implications for Rural Communities

7.1 The report outlines policy and budget proposals which will impact on service delivery across the Borough.

8.0 Financial Implications

8.1 The report includes details of policy proposals which will affect service budgets from 2015/16 onwards.

9.0 Legal Implications

9.1 The Council should have robust processes so that it can meet statutory requirements and fulfil its fiduciary duty.

10.0 Risk Management

10.1 The steps outlined in this report mitigate the four main legal and financial risks to the Council's financial management arrangements:

- The Council must set a balanced Budget.
- Setting the Council Tax for 2015/16 must follow a compliant process.
- The Council should provide high quality evidence to support submissions for external assessment.
- That Council borrowing will comply with the Treasury Management Strategy which is underpinned by the Prudential Code.

10.2 A risk assessment of the significant proposals being put forward has been carried out by each service and is included as part of the planning process.

10.3 It is important to note that the Council faces significant financial challenges in achieving its desired outcomes. Management of risk is embedded within the organisation to ensure the Council can seize opportunities, introduce new, innovative models of service delivery, focus on improving outcomes for residents and review its range of services whilst identifying and controlling any resulting risks. The approach to risk management will continue to be assessed as the Council's plans and financial strategy are implemented.

11.0 Background and Options

Meeting the Council's Priorities

11.1 Cheshire East Council is responsible for delivering more than 500 local public services across an area of over 1,100km^2 for over 370,000 residents. The budget to deliver these services in the period April 2015 to March 2016 will be over £750m (revenue and capital), which is raised from a combination of local taxes, national taxes (in the form of Government Grants) and payments direct from service users and other organisations that the Council works with.

11.2 The Council is continuing to change and adapt to the challenges facing the public sector, whilst continuing to provide effective services to the residents and businesses of Cheshire East. To continue to improve services and provide better outcomes for local people, within appropriate funding levels, requires constant challenge to the way services are provided. Planning good quality services that people need is achieved through consultation, analysis and prioritisation within the level of resources available.

11.3 During 2013/14, the Council developed a Three Year Council Plan for 2013/16 which set a clear strategic direction for the Authority and established the Five Residents First Outcomes.

11.4 The Council Plan identified the core purpose for the Council, reflecting the changing role of local government, funding reductions, and policy changes at the national and local level. It also identified the key outcomes we are seeking to achieve to improve the quality of life of local people and, therefore, what our priorities are for action and investment over the three year period covered by the plan.

11.5 Adding to or amending the change programmes has been an important focus of the budget setting process, ensuring that the Council focuses its energy and resources on those areas of change which will help build sustainable communities and a Council that is fit for the future.

11.6 Progress in terms of delivery of the proposals has been monitored and reported at regular intervals during 2014/15 and this will continue during 2015/16.

11.7 The MTFS Report 2015/18 is attached at **Appendix B**.

The Budget Setting Process 2015/18

11.8 The Budget Setting Process 2015/18 was developed and endorsed by the Corporate Leadership Board and Cabinet Members in April 2014.

11.9 This has enabled a set of proposals to be developed and challenged through a managed process that considered service changes, the Capital Programme and the supporting financial planning assumptions relating to funding levels and priorities.

11.10 There have been a series of distinct stages of the Budget Setting Process with reports in relation to the Council's financial position being taken to Cabinet in June, September, November, December 2014 and February 2015. Corporate Overview and Scrutiny Committee were briefed in July, September, December 2014 and January 2015. All Members were invited to briefings on 5th August and 16th December 2014.

11.11 This has been undertaken against a background of continuing reductions in funding levels from Central Government, the completion of the management restructure and the Authority continuing to deliver against its commitment to become a commissioning council through the creation of several alternative service delivery vehicles.

11.12 The MTFS Report provides financial background as well as setting out further details of the on-going approach to funding the Residents First Outcomes set out in the Three Year Council Plan. It sets out the spending plans and income targets for the financial year starting 1st April 2015, as well as indicative estimates for the 2016/17 and 2017/18 financial years.

11.13 The MTFS Report is based on the Provisional Local Government Finance Settlement for 2015/16. This was released on 18th December 2014. The final settlement is expected on 4th February 2015 with a debate by Members of Parliament in the House of Commons expected on 10th February (after the publication date of this report to Cabinet) to agree the position.

11.14 The MTFS Report continues to include estimated grant allocations in relation to several items such as Education Services Grant. These will be refined in due course.

11.15 Any resulting impact of these issues in terms of changes to funding will be managed through General Reserves. Therefore, a balanced budget position will be maintained. Should there be any changes they will be notified to Members at the earliest opportunity.

11.16 Any changes made as a result of the engagement process and further debate will be reported to Members at the Council meeting on 26th February 2015.

12.0 Wider Engagement in Setting the Budget

12.1 The MTFS Report for 2015/18 has been produced following engagement on the Pre-Budget Report from September 2014 to January 2015.

12.2 The Business Planning Process provides the best way for the Council to fulfil its statutory duty to consult on its Budget proposals, for example with certain local stakeholder groups, local schools and local businesses. The Council also chooses to consult more widely with other groups, including our local partner public services, like Health and Fire and Rescue, as well as Town and Parish Councils, for example.

12.3 This process has been underway for some time, as our thinking has advanced, and will continue in its later stages up to (and beyond, where necessary) the final decision made at Council when this report will also be considered. In some cases, proposals remain subject to feedback from further targeted consultation activity, before they will be finalised and implemented (with revised financial projections where necessary).

12.4 Details of the Council's Business Planning engagement process are attached within **Appendix B, Annex 2**.

13.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name:	Peter Bates
Designation:	Chief Operating Officer
Tel No:	01270 686013
Email:	peter.bates@cheshireeast.gov.uk

Appendix A

Recommendations to Council from Cabinet - February 2015

That Council approve:

1 The Revenue estimates for the 2015/16 budget and the medium term Capital Programme estimates 2015/18, as detailed in the Medium Term Financial Strategy Report 2015/18 (**Appendix B**).

2 Band D Council Tax of £1,216.34 (no change since 2010/11) (**Appendix B, Section 2**).

3 The 2015/16 non ring-fenced Specific Grants, and that any amendments to particular grants will be reported to Council if further information is received from Government Departments or other funding bodies (**Appendix B, Annex 7**).

4 The 2015/16 Capital Grants, and that any amendments to particular grants will be reported to Council if further information is received from Government Departments or other funding bodies (**Appendix B, Annex 8**).

5 The relevant Portfolio Holder to agree the use of additional Specific Grants received in conjunction with the Finance Portfolio Holder as further updates to the 2015/16 funding position are received.

6 The recommended Prudential Indicators for Capital Financing (**Appendix B, Annex 10**).

7 The Safeguarding Children and Adults Portfolio Holder to agree any necessary amendment to the 2015/16 Dedicated Schools Grant (DSG) of £160.6m and the associated policy proposals, in the light of further information received from DfE, pupil number changes, further academy transfers and the actual balance brought forward from 2014/15 (**Appendix B, Annex 7**).

8 The recommended Reserves Strategy, and the proposals to create an earmarked reserve of £1.0m for planning appeals and staffing restructure, and to make further contributions from general reserves of £0.45m to the Sustainable Investment reserve, and £0.25m to the Insurance and Risk reserve (**Appendix B, Annex 12**).

That Council recognises that Cabinet has noted:

9 The Budget Engagement exercise undertaken by the Council, as set out in the attached (**Appendix B, Annex 2**).

10 The comments of the Council's Chief Operating Officer (Section 151 Officer), contained within the MTFS Report, regarding the robustness of estimates and level of reserves held by the Council based on these budget proposals (**Appendix B, Comment from the Chief Operating Officer**).

11 The risk assessment detailed in the MTFS Report (**Appendix B, Annex 5**).

12 That the estimates and profiling contained within the proposed Capital Programme 2015/16 to 2017/18 reflect the scale of ambition and future investment plans of the Council. The programme may vary to take advantage of external funding opportunities, maximise private sector investment, prudential borrowing considerations, operational capacity and to ensure optimal delivery of the overall programme (**Appendix B, Annex 11**).

13 That projects will be robustly governed through the Executive Monitoring Board. The Council's Finance Procedure Rules will always apply should any changes in spending requirements be identified (**Appendix B, Annex 11**).

Medium Term Financial Strategy

2015/18

Executive Summary

February 2015

This document is available to download on the Cheshire East Council website, it will form part of the 11th February 2015 Cabinet Agenda and the final version will be distributed to all Members as part of the 26th February 2015 Council Agenda.

You can give 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. Comments on this document are welcome until 19th February 2015.

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

shapingourservices@cheshireeast.gov.uk

After this date, interested parties may still submit comments on the budget up to the Council meeting on 26th February 2015 where the Budget is considered by all Members.

Executive Summary – Delivering Our Three Year Plan

Best in the Northwest

The Council focuses on five local outcomes which put residents first and has led to the area being recognised, once again, as having the best quality of life in the Northwest of England. There is a wealth of evidence to support this claim, such as unemployment being at its lowest level for 10 years and the fact that 93.6% of local schools in Cheshire East are good or outstanding.

Cheshire East is the third largest council in the Northwest of England, responsible for over 500 services, supporting over 370,000 local people. Annual spending is more than £750m, with a balanced net budget for 2014/15 of £272.4m.

The complexity of customer demands whether related to social care, employment opportunities or environmental services means it is vital to effectively manage performance and control expenditure. Everyone knows that the public sector is under increasing financial pressure and innovation and creativity are essential to maintaining good quality services from a lower cost base.

Financial stability

This Council is proud of its financial achievements to date, but recognises it needs to go further.

In 2015/16 the headlines of the financial strategy are to:

- Freeze Council Tax for a fifth consecutive year.
- Not take on any additional external borrowing.
- Reducing reliance on resources from Central Government.
- Reducing net expenditure overall, but
    - Investing extra into Adult Social Care.
    - Cutting bureaucracy, waste and minimising non essential spending throughout the Council.
- Increasing investment on capital projects, such as roads maintenance, infrastructure and regeneration – to boost economic prosperity for all.
- Continue to support innovation through developing new Alternative Service Delivery Vehicles (ASDVs) and building on the achievements of those already set up.

This will be achieved by carefully managing change, focusing on what matters - our residents and making every £ work harder.

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

Table 1	2014/15	2015/16	Change
Net Revenue Budget	£272.4m	£264.7m	(£7.7m)
Capital Budget	£134.0m	£146.3m	£12.3m

Net Revenue Budget 2015/16

- Income is estimated to vary from 2014/15 as follows:
    - Growth in Council Tax Base (+£1.5m)
    - Additional New Homes Bonuses (+£1.3m)
    - Council Tax freeze grant (+£1.8m)
    - Revenue Support Grant (incl. 14/15 Freeze Grant) (-£9.7m)
    - Business Rates Retention (+£0.7)
    - Other specific grants (-£3.3m)

- Expenditure is estimated to vary from 2014/15 as follows:
  - Adult Social Care (+£1.0m)
  - Capital Financing (+£1.5m)
  - Removal of One Year Budgets (-£2.9m)
  - Other Budgets (-7.3m)

Note: Gross service expenditure and income will change from £609.7m to £579.9m over the medium term (see MTFS Report page 98).

Capital Budget 2015/16 to 2017/18

The three year capital plan includes expenditure plans of almost £0.5bn. Almost 60% of the funding for this ambitious programme will come from government grants or contributions from other external partners. In addition, almost 25% will come from the Council's own work to maximise the value of its assets to support development in the local area.

- The main forecasted income sources are:
  - Government Grants (£210m / 46%)
  - Other external contributions (£68m / 15%)
  - Receipts from Council Assets (£110m / 24%)
- Expenditure is estimated in the following areas:
  - Highways (£240m)
  - Economic Growth & Visitor Economy (£60m)
  - Education Support (£61m)
  - Other schemes, such as health & wellbeing, environmental, estate management and IT (£95m)

The potential impact of the schemes in the capital programme is to generate a net reduction in revenue costs in the region of £5m per year by the end of 2017/18.

Reserves

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.

Reserves are not being utilised to support annual spending in the net revenue budget for 2015/16. This shows that, despite reductions in funding, the Council is again managing to provide local services within its means. For example in 2014/15 Earmarked Reserves were used to smooth out volatility in the new business rates system, which has protected Council Tax payers against a potentially large bill in 2015/16.

Table 2: Good financial management reduces the overall need for reserves

	Closing Balance		
Table 2	**2014/15**	**2015/16**	**Change**
General Reserves	£14.2m	£12.5m	(£1.7m)
Earmarked Reserves	£24.2m	£13.1m	(£11.1m)
Total Revenue Reserves	**£38.4m**	**£25.6m**	**(£12.8m)**

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

Achieving Outcomes for Residents

Outcome 1

- Our local communities are strong and supportive
  - Nearly a million people visit our libraries each year, and satisfaction levels are at 95%. We will continue to develop community hubs, local area working agreements and support for volunteers. Benefits will be realised from the investment of £2.5m in targeted financial support to the community during last year. Access to the Council will be enhanced by investing £4.9m in providing better digital services to simplify and enhance the customer experience.
  - Overall, this will see savings of £0.9m. This will enhance our already great customer offer in 2015/16.
  - Realising our ambition to be an enforcing Council.
  - Supporting rural communities through our commitment to rural community hubs and rural proofing our decisions.

Outcome 2

- Cheshire East has a strong and resilient economy
  - The Council has been working to bring in over £1.5bn worth of investment including a major highways programme, the exciting developments at Alderley Park Bioscience Hub and Bentley Automotive's planned expansion. These are of national significance to both the local and UK economy.
  - In 2014 Sir David Higgins published two papers both supporting the addition of a North West Hub Station at Crewe to the original HS2 Phase Two plans, capitalising on Crewe's 360° connectivity which will spread the benefits of HS2 across the North West, North Wales, Stoke and Staffordshire. Sir David's work was supported by the Prime Minister and Chancellor.
  - The High Speed Broadband coverage project is on track to reach 96% by spring 2015, and has agreed a project extension to reach 98% by summer 2017.
  - The Council continues to work with local employers to maintain local growth. Jobseeker numbers are at their lowest for 10 years at just 1%.
  - The Council will look to maximise the amount of business rates retained locally as a result of economic growth by pooling business rates with the Greater Manchester authorities in 2015/16.

Outcome 3

- People have the life skills and education they need to thrive
  - 93.6% of Cheshire East schools are Good or Outstanding and when young people leave school the Council is striving to reduce the numbers of eligible "Not in Education, Employment or Training" (NEETS) to nil.
  - The continuing development of the most effective local care offer for young people is also providing significant cost savings. Better for young people and cheaper for the Council tax payer. The budget in this area will reduce by £3.2m in 2015/16.
  - The Council supports the excellent work of teachers and headteachers and will continue to pass on 93% of Dedicated Schools Grant (DSG) directly to schools. This is one of the highest levels nationally.

Outcome 4

- Cheshire East is a green and sustainable place
  - Funding will be pursued to convert to LED streetlights to reduce carbon emissions, increase safety and reduce costs.

- Up to £0.5m will be saved from efficiency within waste services and targets for reducing landfill and increasing recycling will increase.
- New facilities for Environmental Services will be developed during 2015, with up to £15m of capital investment.

Outcome 5

- People live well and for longer
  - The award winning foster care service will continue to benefit local children and achieve around £1m of budget savings.
  - Adult Social Care will benefit from an additional investment of over £1m per year. This reflects the increasing demand for local care, but also utilises savings from moves to in-borough provision of residential care.
  - Our contract with the Leisure Trust (ESAR) is progressing well and more people are being encouraged to get active.

The Council has also recently introduced a sixth underpinning internal outcome to ensure we continue to improve and be a responsible, effective and efficient organisation. Savings of over £5m have already been achieved by reducing management costs, and further cost reductions of £2m will be delivered by enhancing returns from investments, streamlining processes and rationalising assets in order to focus as much investment as possible towards front line services. Growth in the tax base also contributes to reducing the level of savings required in 2015/16 by £1.5m.

A listening Council

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

Enhanced Stakeholder Engagement

- Significant improvement to the timescale that supported development and sharing of draft Budget ideas.
- Greater elected Member involvement through scrutiny and planning and licensing processes.
- Extended stakeholder engagement via open meetings and consultation.
- Development of effective internal challenge processes.
- Continued improvement of financial and performance reporting.
- Listening to residents in important considerations such as care options.

The Council will be holding elections in May 2015; this coincides with the revision of the Council's medium term plan, as the current Three Year Plan ends in March 2016. This will allow the opportunity to review the current stated outcomes and consider again how best to meet the needs of local people in the medium term from within the available level of resources.

Changing the way we work

Cheshire East has established itself as a commissioning council. This means we provide the service options that best fit the needs of our residents, regardless of historical approaches to service delivery. Since 2009 over £50m of savings have been achieved through adopting efficient and effective ways of working. The number of staff employed directly by the Council has also been reduced by 40%. Front line staff have been protected though, and since 2012 the number of senior managers has been reduced by a third.

Putting residents first supports innovative thinking and a flexible approach. The Council does not believe in privatisation; if the Council is the best provider in the local area then efficient and effective in-house services will be used. In some cases the Council has set up its own companies to improve value for local residents.

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

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

Privately owned contractors:

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

Delivery vehicles wholly owned by the Council:

- Ansa (Waste Services)
- Orbitas (Bereavement services)
- Tatton Park Enterprises
- Transport Service Solutions Ltd
- Building Control and Planning Support (planned for 2015)

Charitable organisations:

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

In-House Council Services:

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

The effective management of service providers allowed the Council to set a balanced budget in 2014/15 and established a strong base for 2015/16. Vital services have been protected and opportunities for further efficiencies and commercialism have been created.

We have a strong and established management team in place to take this Council into 2015 and beyond.

Mike Suarez – Chief Executive

Lorraine Butcher – Executive Director of Strategic Commissioning

Peter Bates – Chief Operating Officer

Caroline Simpson - Executive Director of Economic Growth and Prosperity

Other, senior leaders and statutory posts include Heather Grimbaldeston (Director of Public Health), Brenda Smith (Director of Adult Social Care and Independent Living), Tony Crane (Director of Children's Services), Anita Bradley (Head of Legal Services and Monitoring Officer), Steph Cordon (Head of Communities) and Judith Tench (Head of Corporate Resources & Stewardship).

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

The Medium Term Financial Strategy (Full Report)

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

This comprehensive report provides further information on the issues facing the Council in the medium term and shows how these are being addressed to present a balanced financial position for the 2015/16 financial year. The report also includes medium term estimates showing that the Council faces further financial challenges from 2016.

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

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

Cllr Michael Jones

Leader of Cheshire East Council
February 2015

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Annex 1

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

	2015/16 £m	2016/17 £m	2017/18 £m
Children and Families	42.9	43.2	43.9
Adult Social Care and Independent Living	95.4	96.3	99.5
Public Health and Leisure	2.3	2.5	2.5
Environmental	27.5	27.5	26.6
Highways	11.0	11.0	11.2
Communities	9.2	9.2	9.4
Economic Growth and Prosperity	22.2	22.4	22.7
Chief Operating Officer	39.3	39.4	40.6
Corporate Contributions and Adjustments	0.9	0.9	0.9
Sub Total: Service Budgets	**250.7**	**252.4**	**257.3**
Capital Financing	14.0	14.0	14.0
Additional Reductions to closing Funding Deficit Yr 2/3			*-13.0*
TOTAL: Estimated Service Budgets	**264.7**	**266.4**	**258.3**
Funded by:			
Business Rate Retention Scheme	-77.5	-68.0	-62.1
Specific Grants	-18.4	-14.7	-14.9
Council Tax	-168.8	-170.7	-171.1
TOTAL: Central Budgets	**-264.7**	**-253.4**	**-248.1**
Potential Funding Deficit	**0.0**	**13.0**	**10.2**

Source: Cheshire East Finance

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Medium Term Financial Strategy

2015/18

February 2015

Foreword from the Finance Portfolio Holder

This is the seventh annual Medium Term Financial Strategy developed by Cheshire East Council. The financial challenges considered by the elected Members of the Authority in making their decisions have never been greater. Economic growth is now recovering, but public sector expenditure will continue to be under pressure. The National Budget Deficit has been halved in the last five years it remains at 5.5% and the total national debt is predicted to reach 81.1% of GDP in 2015. Local government is being expected to play a significant part with savings of £1.7bn being expected for 2015/16 (HM Treasury Budget 2014).

This financial strategy shows how Cheshire East Council is continuing to meet this challenge while maintaining services for residents. The plan we present here is based on strong foundations. Performance against spending targets has never been better and quality of service has not been compromised with all facilities remaining open where they are needed. Our financial management has allowed us to achieve all this while paying back £12m of debt, reducing the interest burden on the Council in the future.

The strategy is to reduce net revenue expenditure by £7.7m (3.1%) in 2015/16. The focus is very much on putting residents first and supporting the local economy. Council Tax is being frozen for a fifth year in a row saving the average household £210 a year and no supplementary charges are being imposed on businesses by this Council.

Unemployment claimant figures are significantly below national levels, as low as 0.8% in some areas of the borough. Not in Education, Employment or Training (NEET) figures are also low in Cheshire East at just 3.4%, but the Council aims to reduce this to zero to help people get the best start in life.

The programme of capital spending proposed by the Council is extremely ambitious, with spending plans of almost £0.5bn over the medium term, however, in support of the need to reduce public sector debt, the Council aims to reduce external loans and there are no proposals for additional external borrowing in 2015/16. The Council will work hard to create the right conditions to get the private sector to invest and also to maximise grants, surplus asset sales and external contributions to enhance local economic growth.

Financially the Council is in a strong position. And operationally the 'best fit' approach to providing local services is working well through the commissioning model that the Council has developed. The Council is now buying services from a range of suppliers through well developed contracts that put residents first.

As part of the medium term plans the Council will be looking at further developing joint community facilities providing a number of Council Services in a local and more suitable setting.

I am confident we are preparing a robust budget again and will spend within it.

As in previous year's plans we show a deficit in years two and three. I remain confident that savings proposals and our capital investment programme will enable those gaps to be closed.

Peter Raynes

Cllr Peter Raynes, Portfolio Holder Finance

February 2015

Comment from the Chief Operating Officer (Section 151 Officer)

Local government continues to go through a period of unprecedented change and financial challenge. This Medium Term Financial Strategy Report provides further evidence of how Cheshire East Council is addressing these risks and creating sustainable and affordable services based on local needs.

I have reviewed the strategy and can confirm that the estimates for income and expenditure, in relation to revenue and capital, are based on robust evidence. The Council's reserves strategy remains strong and focuses on the fluctuating levels of risk.

I have restructured elements of my team to build on the need for strong governance and effective stewardship of public funds. This approach has helped me to analyse risk and to determine that the reserve levels proposed in the strategy are adequate.

The financial planning arrangements and achievements for 2013/14 and 2014/15 provided a strong foundation for the future. The Council has enhanced this good practice during the development of the Budget for 2015/16, sharing ideas much earlier than in previous years.

This has encouraged feedback and engagement with all stakeholders and provided assurance that the Council is listening. Changes to the budget proposals have been made based on feedback we have received from local people and cross party suggestions. This also demonstrates increasing confidence and control over the operation of the business and shows the strength of the financial position.

Maintaining strong governance and stewardship is vital to control costs and improve or maintain services for local residents. It is clear that the level of resources available to local government and Cheshire East Council will continue to reduce for the foreseeable future.

We delivered our intention to achieve a clean bill of health from our external auditors for both the Statement of Accounts for 2013/14 and a positive unqualified Value for Money opinion. We are determined to build on this success and to continue to improve our arrangements for the future.

The landscape of public service delivery is changing with greater integration and collaboration essential to meet the needs and expectations of local residents. We are determined to meet this challenge head on and this budget is a strong and robust commitment to putting residents first and making the best use of the resources that we have available.

The current financial and operational performance of the Organisation during these difficult times is impressive and the direction of travel is positive but many more challenges and difficult choices lie ahead.

PJ Bates

Peter Bates CPFA CIPD MBA

Chief Operating Officer
(Section 151 Officer)

February 2015

Table 1 - Three Year Summary Position

	2014/15	2015/16	2016/17	2017/18	Three Year Change	Three Year Change
	£m	£m	£m	£m	£m	%
Children and Families	46.1	42.9	43.2	43.9		
Adult Social Care and Independent Living	94.4	95.4	96.3	99.5		
Public Health and Leisure	2.2	2.3	2.5	2.5		
Environmental	28.3	27.5	27.5	26.6		
Highways	10.7	11.0	11.0	11.2		
Communities	10.1	9.2	9.2	9.4		
Economic Growth and Prosperity	24.7	22.2	22.4	22.7		
Chief Operating Officer	41.3	39.3	39.4	40.6		
Corporate Contributions and Adjustments	1.0	0.9	0.9	0.9		
Sub Total: Service Budgets	**258.8**	**250.7**	**252.4**	**257.3**		
Capital Financing	12.5	14.0	14.0	14.0		
Early Retirement Costs	1.1	0.0	0.0	0.0		
Additional Reductions to closing Funding Deficit Yr 2/3				*-13.0*		
TOTAL: Estimated Service Budgets	**272.4**	**264.7**	**266.4**	**258.3**	**-14.1**	**-5.2%**
Funded by:						
Business Rate Retention Scheme	-86.5	-77.5	-68.0	-62.1	24.4	-28.2%
Specific Grants [Note 1]	-18.6	-18.4	-14.7	-14.9	3.7	-19.9%
Council Tax	-167.3	-168.8	-170.7	-171.1	-3.8	2.3%
TOTAL: Central Budgets	**-272.4**	**-264.7**	**-253.4**	**-248.1**	**24.3**	**-8.9%**
Potential Funding Deficit	**0.0**	**0.0**	**13.0**	**10.2**		

Source: Cheshire East Finance

Note 1 - Specific grants budget for 2014/15 do not reflect the final allocation of Education Services Grant which results in a reduction of £0.4m.

Contents

1. Delivering the Council's Outcomes

Cheshire East in Profile

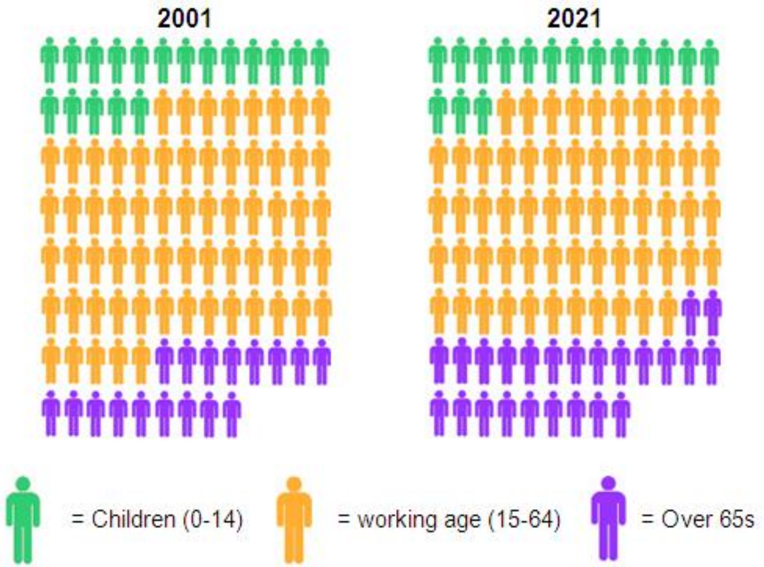
1. Cheshire East Council is responsible for delivering more than 500 local public services across an area of over 1,100km[2] for over 370,000 residents.

2. With an estimated population of 372,700[1] Cheshire East is the third biggest unitary authority in the North West and the thirteenth largest in the country. The population density is 3.2 residents per hectare[2], making Cheshire East less densely populated than the North West (5.0 per hectare) and England (4.1 per hectare).

3. From 2011 to 2021 the population is expected to increase by 15,700 people (4.2%) to 385,800, a greater increase than the North West (3.7%) but less than England (7.5%)[5]. The number of children (aged 0-14) is estimated to increase by 4%, with a slight decrease (-2%) in those of working age (15-64).

4. The number of residents over the age of 65 is expected to increase substantially by 19%, however this increase is similar to England (20% increase). Caution should be exercised when using any predictions about the future population, as they assume trends in recent years will continue into future years.

Proportion of residents by broad age groups – change over 20 years[3,5]



5. The Council provides a range of statutory, mandatory and discretionary services to meet the needs of its residents. Recent research suggests that overall satisfaction with the Council is improving but we recognise that there are areas where we could do better.

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Meeting the Council's Priorities – Putting Residents First

6. The budget to deliver services in the period April 2015 to March 2016 will be over £750m, which is raised from a combination of local taxes, national taxes (received in the form of government grants) and payments direct from service users and other organisations.

7. Continuing to improve services and provide better outcomes for local people within reducing funding levels requires constant challenge to the way services are provided. In order to plan good quality services that continue to meet people's needs the Council reviews its priorities, consults with residents and regularly analyses data. This section provides details on the Council's service delivery arrangements and describes the way the Council is making changes to existing budgets that improve value for money, minimise waste and maximise benefits to residents.

Achieving Outcomes

8. The following pages set out the key local issues, service levels and the changes being made for 2015/16.

Outcome 1 ~ Our local communities are strong and supportive

Individuals and families are self-reliant and take personal responsibility for their quality of life. Communities are cohesive, with a strong sense of neighbourliness. There is genuine civic pride and mutual respect.

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

10. The Council has significant ambitions in 2015/16:
    - We will match our ambition to be an Enforcing Council without increasing resources.
    - Keep bucking the national trend of declining library usage.
    - Develop our community hubs.
    - Realise commercial opportunities within short timescales to maximise value.
    - Keep our staff motivated, valued and focussed on a Residents First approach.
    - Continue to support our residents through welfare reform.

11. As a Residents First Council, it's about what you want from us and your expectations of us as a Council. We want to provide a responsive and customer friendly approach that means you have the same good customer experience using us as if you dealt with John Lewis or Amazon. We are proud to be realising our ambition to be an enforcing Council which is tough on those that are selfish and cause danger to others.

12. We receive 500,000 telephone calls a year and deal with 45,000 face to face enquiries in our Customer Service Centres and our website receives more than 4,000,000 visits in a year. We have virtually doubled our customer satisfaction rates since 2011. Our level of complaints has dropped significantly as well. We continue to challenge how we as a Council can best deal with your requests for services, complaints, the way we ask you to pay your Council Tax Bills and Business Rates and how you can claim benefits from us. One approach to this challenge is to further digitalise and improve our services so that customers who want to contact us digitally can do so and have a positive experience. Promoting services that are digital by design, will increase access to users and achieve greater efficiency in the future. This will be developed as part of a capital investment programme of over £4.9m.

13. 167,500 Council Tax bills are issued during annual billing. This year we have already collected 98.81% of Council Tax and this puts in the top quartile of unitary councils for collection rates. Our new operating model for Customer Services, Revenues and Benefits will give us savings of £113,000 in 2015/16 which will enhance our collection rate and increase the number of people paying online. Capital investment in better customer access of £279,000 will enable organisations such as Citizens Advice Bureau and the Credit Union to use our libraries for the benefit of our residents.

14. Following continued economic growth in the area, with new jobs being created, there has been a decrease of over 1,000 benefit cases from last year. As a Council we believe that people who can work should work, but for those who are genuinely unable to do so we will support them. This is despite increased pensioner numbers, whose claims are protected. We currently have 25,525 live benefit cases which are predominantly rent allowances. Over 600 residents and their families have been given funding from our Central Government funded emergency assistance scheme. The Government funding ends in 2014/15, but through careful financial management we will be able to carry on a targeted scheme to help our most vulnerable residents.

15. The Central Government subsidy funding for Housing and Council Tax Benefit is reducing by £211,000 and the base budget is being reduced in line with this in 2015/16. Further reductions are expected in later years of £550,000 and will reflect potential changes from the introduction of the Universal Credit.

16. Nearly 1,000,000 visitors pass through the doors of Cheshire East libraries each year. We have undertaken a comprehensive review to find out what people want and need and balanced the expectations of our traditional library users who want to borrow books with those of our residents who visit our libraries to get help in finding a job, accessing benefits and taking part in community activities. Our libraries give people what they want and our book issues is the highest in the North West and the 2nd highest of all authorities nationally with only Westminster City Council ranking higher. A further £264,000 of capital funding will be spent on libraries and revenue savings of £100,000 will be achieved through a number of ongoing initiatives such as surplus stock sales, digitisation and introducing e-books. We firmly believe that libraries are for residents and we haven't closed any.

17. As a Council with a strong focus on putting residents and businesses first, we have stepped up our enforcement actions to prosecute people and businesses where they cause harm to others. At the same time we have been reviewing the work of our key enforcement services to ensure that they are focussed on the right issues. This has meant that there are elements within the services that can be delivered differently on a more commercial footing and also a pulling back on more national projects that don't necessarily benefit us locally, this will achieve savings of £110,000 in 2015/16. We want to focus on our most vulnerable residents at risk of being targeted by scams and rogue traders.

18. We know that tackling the effects of drinking too much alcohol is a blight on our community and our Licensing Committee is looking at what we can do about this, particularly at night time. We expect them to come up with some strong ideas to tackle this and we plan to employ some more people to make this happen.

19. The number of Penalty Charge Notices issued is over 22,100 per annum. We plan to target those with irresponsible dogs and those that litter our communities. We plan to step up the number of Fixed Penalty Notices we give out and target hot spots. We are shifting the emphasis from off street car parks to on street and targeting those that park in disabled car parking spaces with no right to do so. We also want to increase enforcement in areas where lines and signs have worn away and have a priority programme of works of £150,000 to do that.

20. We have agreed to do a cost neutral car parking strategy in 2015 which will set out a comprehensive approach to what we should be doing around our car parks to support economic viability and increase traffic flow. As a Council we don't believe that services should be paid for from car park income. In 2015/16, we have included a reduction in income to the budget, of £750,000, to

reflect actual levels of car parking income. We will use £34,000 to make further improvements to our car parks.

21. We applaud our Town and Parish Councils who have funded and directed where CCTV cameras will go. Crime has gone down as a result and we will invest a further £100,000 in our CCTV network, as we continue to target those that cause anti-social behaviour and intimidate our communities.

22. Having strong and supported communities is not possible without the essential contribution of £400,000 from the public health budget. We will invest this into our library service, with a key focus on improving mental health and wellbeing, and into our regulatory and health services to show that we are protecting the health of the public.

23. Public Health investment is critical to support our most vulnerable residents, especially the elderly.

24. We are committed to strengthening our approach to supporting rural communities. As a Council, we have done some great things through our commitment to Resident First Plans and our ambition is to give key workers the opportunity to access affordable housing. These things will continue, as will our essential work around partnerships at a local level and the commitment to rural community hubs. We will continue to rural proof our decisions and not forget the challenges and opportunities faced by our residents in these areas.

25. The community grants scheme will also continue to support our voluntary, community and faith sector to grow and strengthen our communities. We have contributed to £3.5m worth of spend in the community already in 2014/15. We actively listen to our communities and reflect their views in what we deliver, we are not afraid to take considered risks and try new ways of working. We'll use the local area working arrangements to provide services that are flexible and responsive to local people's needs.

26. We have put aside investment of £100,000 in 2015/16 towards a community hub linked to one of our vibrant churches to enable the people on the Upton Priory estate to access outreach Children's Centre activities. We also have £975,000 in the capital programme for Hurdsfield Family Centre in 2016/17. The plan is to make this much more of a community hub and consultation has started with the community on what this might look like. We will also target support to our communities to help increase their volunteering base and increase the number of community partnerships.

27. Up until November 2014, we have had 85 unauthorised gypsy and traveller encampments. We have a really pro-active service that immediately responds to these and helps work with the community and looks after the welfare needs of the gypsies and travellers. This doesn't solve the problems and so we are developing plans for transit accommodation for gypsy and travellers to reduce the impact of encampments on local residents and businesses, whilst providing a safe temporary location for travellers. Capital investment of £3m including grant income, is included in the Budget to support our approach.

28. At its meeting of 29th January 2015, the Constitution Committee approved the order for the establishment of a new Macclesfield Parish Council, with effect from 1st April 2015, with elections of Parish Councillors to be held on 7th May 2015. The order included a budget requirement for delivery of functions, to enable the setting of a precept for 2015/16, and a schedule of land and property to be transferred. Cheshire East Council's service budgets will be adjusted to reflect the transfer of functions to the parish council in accordance with the order.

Outcome 2 ~ Cheshire East has a strong and resilient economy

Cheshire East is the best place to live and do business in the North West –with one of the strongest economies in the country we continue to attract high quality inward investment, support a high quality workforce and develop new businesses that thrive in a dynamic environment.

29. Cheshire East Council has set out a clear vision and strategy for sustainable economic growth. This is centred on driving the Borough's economy and supporting businesses to invest and grow, taking advantage of the unique characteristics of the area. Our vision and strategy articulates the rationale and plans for increasing productivity and creating high quality new jobs, based on the strong competitive advantage and track record that the Borough has in terms of its skilled workforce, existing business base, entrepreneurial spirit, quality of life and infrastructure connectivity.

30. Cheshire East has all the right ingredients to see sustained improvements including a step change in economic productivity and the realisations of our high value growth gains.

31. Our growth ambitions in the longer-term focus on securing a Northwest Gateway HS2 Hub station in Crewe, to provide the catalyst for billions of pounds of investment, and tens of thousands of new jobs for Crewe and the wider sub-region.

32. Momentum is growing in developing a Science Corridor across North Cheshire linked with Greater Manchester capitalising on the nationally significant science assets of Alderley Park, Hurdsfield, Jodrell Bank and our wealth of smaller science and technology industries that are focusing on innovation and developing new products and services.

33. Balancing growth with sustaining the quality of our environment will continue to be central to our ambition.

34. We will put 'Sustainable' Planning at the heart of our approach, ensuring that growth and development is supported by continued investment in our town centres, focus on our heritage and cultural assets, and importantly focusing on ensuring quality of design.

35. Finally, we will continue to develop our transport and connectivity with major investment in new roads and broadband to make it easier to get around within the Borough as well as our connections to the rest of the UK.

Key Considerations

36. Cheshire East's economic output (Gross Value Added) per head is 16% above the UK average and 34% above the regional average.

37. An estimated 37% of the Northwest region's Research and Development jobs are based in Cheshire East.

38. Cheshire East contains 5.1% of the North West region's working-age residents[13], but accounts for an even greater share (5.6%) of the region's employees[14]. In terms of economic output, its contribution is much greater still, at 6.6%[12]. Furthermore, Cheshire East is host to around 18,100 businesses, second only to Manchester in the North West region (18,300)[15]. On a per head

basis, Cheshire East has 79 businesses per 1,000 residents of working age, the highest ratio in the North West where the average is 53 per 1,000 residents of working age.

39. Around 40% of Cheshire East's workforce is qualified to degree level, significantly higher than the regional and UK averages. The number of adults with NVQs increased in 2013/14 to 58.4%.

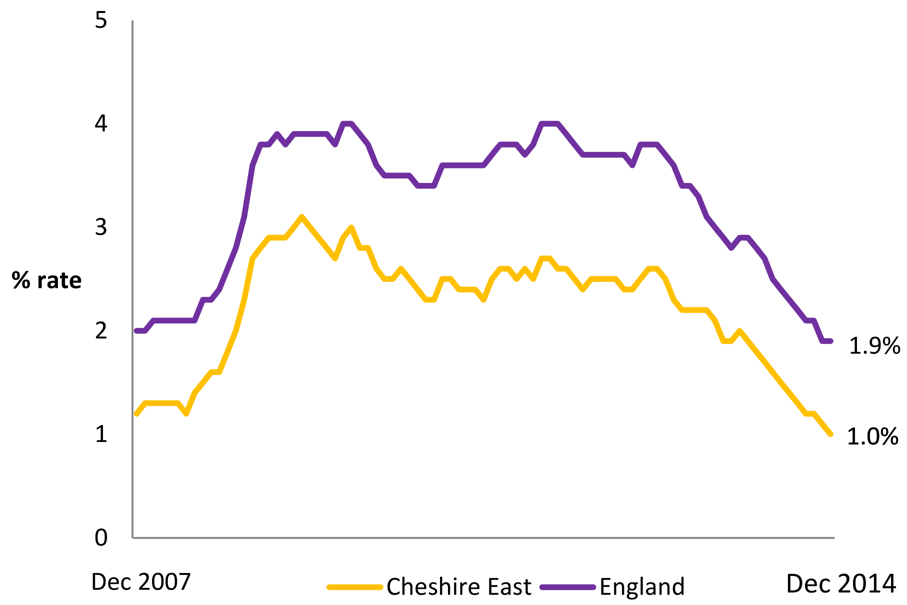
40. Average (median) household income levels are high (£33,000) compared to Great Britain (£28,500)[22]. However, there is a considerable range of average household income levels at ward level, from £19,200 in Crewe St Barnabas ward to £53,700 in Prestbury.

41. Across Cheshire East there are 16 of 231 statistical areas (Lower Super Output Areas) which are within the top 20% of most deprived areas in England, affecting 26,100 or 7.2% of Cheshire East's population[23]. Eleven of these areas are in Crewe, with two in Wilmslow / Handforth, two in Macclesfield and one in Congleton. Overall, relative deprivation levels were worse in 2010 than 2007, as only 14 areas were within the top 20% of most deprived areas.

42. Executive wealth is high in Cheshire East, according to data analyses that provides recognisable classifications based on demographics, affluence and spending habits. Compared to a United Kingdom average of 12% the 'Executive Wealth' group in Cheshire East is 27%. There are also approximately five times more residents in the 'lavish lifestyles' groups within Cheshire East compared to the UK, although this group constitutes a small proportion of all Cheshire East's residents (6%).

Claimant numbers in Cheshire East are consistently below England averages, and have fallen considerably since 2011

(Chart shows Job Seekers Allowance claimants (unemployed) for residents aged 16-64)



Medium and Longer Term Budget Proposals

43. Cheshire East Council's ambition is to create high quality places which appeal to the different needs of existing and new businesses, households and occupational classes. There are a number of existing projects and initiatives underway to deliver new investment into the towns of Cheshire East, with a Capital allocation of (£22m) towards major economic growth plans for Crewe, we will focus on leisure, culture, retail and residential uses that will increase its vitality and viability and wider links through Mid Cheshire and along the M6 Corridor (High Growth City). This will be delivered in alignment with the 'All Change for Crewe Regeneration' programme.

44. To build on investment to date additional capital investment of £0.5m is planned for the regeneration of Macclesfield, to support the regeneration of the Market Place, continuation of our Shop Front Improvement Scheme and developing a Silk Quarter for Macclesfield.

45. Our growing energy programme (£16.7m) will focus on addressing fuel poverty in the Borough by ensuring lower cost sustainable energy to residents and businesses through a range of transformational projects.

46. A further £80,000 growth in revenue will support our Investment Service to build capacity, support more businesses and leverage more investment from private sources and from Government. Additional resources may be made available through ear-marked reserves as required to capture opportunities arising from HS2 and other initiatives.

47. Further capital investment of £1m will support our science assets as part of our Science Corridor across North Cheshire.

48. There will be a continued focus on the costs associated with our Planning Service, particularly costs of planning appeals. To recognise the risks associated with spending in this area funding is being earmarked to ensure that the Council can defend our planning position and puts residents first.

49. Further capital investment of £4.9m towards Tatton Park which last year again won the award of Large Visitor Attraction of the Year for England. Gate entry prices will remain fixed for six years on the run whilst Tatton gains more income and reduces the subsidy that the Council contributes. Tourism is worth £737m to the local economy with a potential to reach £1bn over the next five years. Tatton Park on its own is worth over £9m (SQW 2006) to the economy each year.

50. The Council will continue to sweat our own strategic land assets and continue our development programme which will deliver housing and jobs in sustainable locations and use our assets to drive economic growth.

51. We are creating conditions for sustainable growth via the implementation of a Superfast Broadband programme to increase the competitive edge of businesses and maximise the opportunities arising from superfast broadband connections. The vast majority of firms have internet access and their own website. However, access to Broadband in rural areas is still a challenge. The project aims to further invest in Broadband, as part of the full project cost of £6.7m, towards a second phase of the Connecting Cheshire rural Broadband project. It will connect 10,000 premises across Cheshire, Halton and Warrington with fibre connectivity by September 2017.

52. We aim to make savings on our Assets programme of £0.6m through a Rationalisation Project, income generation and farms estate review.

53. Investment in strategic and local infrastructure will continue with over £175m capital set aside for current and future investment for both delivering against existing infrastructure schemes but leveraging in more investment from Government and the private sector to deliver a large programme of new roads and highway improvements.

54. The following are an example of schemes we are investing in to improve strategic and local infrastructure:

- Congleton and Poynton Relief Roads (£107m).
- Congleton Public Realm (£1m) to increase the commercial investment by developers and occupiers by improving the infrastructure of the town, including the carriageway and footpaths.
- A34 Corridor Improvements (£16m) development of measures to reduce congestion on the A34 linked to the possible development of the Handforth East site and the local plan.
- Macclesfield Movement Strategy (£6.3m) to assess traffic management improvement at key junctions within Macclesfield.
- A51/500 Corridor – Nantwich (£4m) delivery of highway improvements, including Burford Cross roads and Alvaston roundabout - Some Section 106 contributions in place.
- King Street Enhancement Scheme (£2m) improved pedestrian facilities, reduced congestion. This scheme is key to improving the retail environment of Knutsford.
- Sydney Road Bridge (£9m) to undertake improvements to Sydney Road Railway Bridge.
- A6 Corridor Improvements (£2m) traffic management measures to help mitigate the traffic impact of the semmms road scheme.
- Crewe Transformation - Phase 3 (£16.5m).
- Crewe Replacement Bus Interchange Facility (£3m).

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

Children and young people get a good start in life, and are prepared for the world of work. Everyone is equipped to live independent, self-sufficient lives, and to realise their particular talents and abilities.

55. Every child matters in Cheshire East and the focus is on providing children with a good start in life in their early years, raising aspiration and achievement across primary and secondary education, and working closely with partners to protect vulnerable children including those placed in the care of the Council.

56. Achievements will be measured through improvements in areas such as increased numbers of recognised qualifications, reducing numbers of those “Not in Education, Employment or Training” (NEETs), improved safety of vulnerable children, the number of children adopted, and less children and young people getting involved in anti-social behaviour. The Council has set the ambition to have no more young people who are not in education, employment and training.

57. Cheshire East’s 0-25 Strategy sets out the Council’s ambitious plans to provide a comprehensive and holistic approach to ensuring that children and young people have a good start in life and have the skills and education they need to thrive. This includes delivering world class education, skills and the right economy, providing better life chances for young people, tackling inequality and creating a family friendly borough.

58. Cheshire East has some of the best levels of school attainment in the UK; the Borough’s schools are the third best in England, according to a ranking based on performance in Ofsted inspections. This is an excellent platform for further improvement. A growing number of primary and secondary schools are taking a fresh approach to learning.

59. The emphasis in 2015/16 is on flexible approaches to learning through strong links with employers, further education providers and the local community. Progression from school into work, training or further or higher education is critical for young people and for our economy locally and nationally. We need to ensure young people are ready for work, apprenticeships and further education when leaving school and improving links between employers and schools in areas of higher unemployment. We equally need to be the very best corporate parent to children in our care or leaving our care.

60. Closing the gap between those with additional needs or on free school meals and those who are not will continue to be a priority and investment in early years will ensure that children, especially the most disadvantaged, develop and are ready to learn by the time they reach school age as the first step in addressing some of these inequalities. In 2015/16 Cheshire East will set out to improve co-ordination between early years providers, parents / carers, primary schools and social care and health services, promote excellence across all settings, narrowing the gap in progress of children from disadvantaged backgrounds, tackling underperformance in schools and early years settings and aligning education with career progression and economic growth.

Key Considerations

61. In 2013 there were 3,770 live births in Cheshire East. The 0–4 population totalled 20,100.

62. At the time of the School Census, October 2014, there were 50,745 pupils attending schools in Cheshire East, with 22,809 pupils in Primary schools and 22,195 pupils in Secondary education.

63. There are 20,624 pupils attending schools which have Academy status in Cheshire East, with 15,044 pupils attending Academy Secondary schools and 5,580 pupils attending Academy status primary schools.

64. Pupils are also becoming increasingly diverse. Using information from pupils attending Cheshire East schools, in 2007, 7.0% of pupils were from ethnic groups other than White British; by 2012 this proportion had increased to 8.4%[6]. In terms of other languages spoken, in 2007, 2.1% of pupils' first language spoken at home was not English; this had increased to 4.0% in 2012.

65. There are 151 Local Authority maintained schools in Cheshire East including primary, secondary and special schools as well as one nursery school. In addition, there are a growing number of schools now converted to academies some of which are part of multi academy trusts[24].

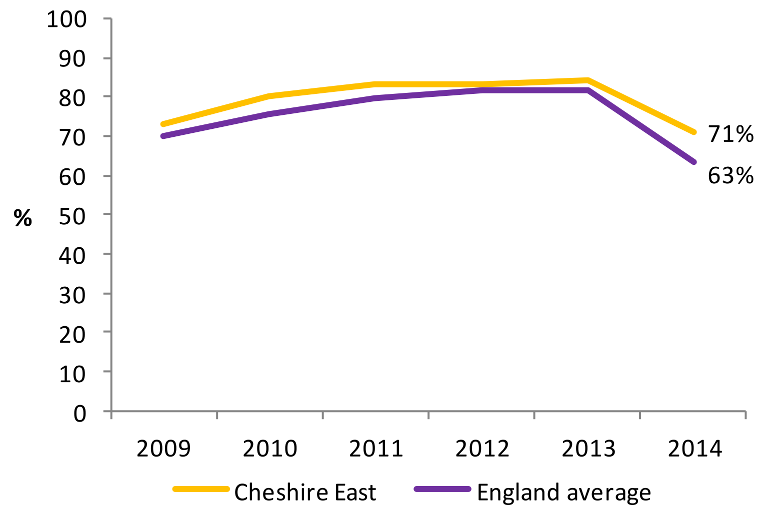
66. Currently 93.6% of primary and secondary schools in Cheshire East are rated good or outstanding by Ofsted[25]. This is the highest it has ever been and puts the Council in the top three in the country. Across the primary phase of education, key attainment and progress measures for Cheshire East place the Authority consistently within the top 10% of all authorities in the country.

67. At Secondary, the performance of our schools has significantly risen with 61% of learners achieving 5+A*-C including English and Maths. This places Cheshire East 25th compared to all other authorities compared to 56th in the previous year. At both the primary and secondary phase, Cheshire East achieves very high rankings compared to our 10 statistical neighbour authorities. It is regularly ranked first which is an excellent achievement.

68. Achievement in the Early Years Foundation Stage continues to improve with 62% of learners achieving the required Good level of Development in 2013/14.

Cheshire East schools pass rates constantly exceed national averages

(GCSE candidates acheiving 5+ A* to C grades, 2009-14)



Note: 2014 data is provisional

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Challenges for 2015/16:

- Accelerating the achievement in the Early Years Foundation Stage especially in relation to narrowing of the gap in relation to those in the lowest 20% and the rest.
- Further improving the achievement in primary and secondary education.
- Closing the gaps of certain vulnerable groups to ensure their achievements are the highest they can be.
- To achieve 95% in relation to schools judged good or outstanding by Ofsted.
- Improving outcomes for identified Crewe Secondary schools as part of the 'All Change for Learners in Crewe' initiative.
- No young people who are not in education, employment or training.

Further Details of the Medium Term Budget Proposals

69. The Council continues to implement its Three Year Plan to make significant savings in the cost of children's care placements. The recent review of adoption and fostering is already creating more Council foster carers and adopters which realises significant savings, as does the continuing reduction in the need for expensive out of borough placements. The response to the issue of child safeguarding will see an increase of resources of £300,000.

70. The Council is re-configuring its back office support functions and looking at how clients interact with its services both now and in the future. As a result savings of -£0.4m will be made in 2015/16.

71. The Council has some on-going savings in the area of home to school transport and these will be delivered by the new TSS Ltd Company by using more agile procurement processes to ensure better value for money regarding the transport it purchases. Also better planning of journeys and a reduction in the number of young people placed out of borough will reduce costs.

72. In 2015/16 Dedicated Schools Grant of £243m will be received (with £82m of that being passed to Academies). This funding will be used to provide education etc across Cheshire East. Cheshire East is one of the highest Authorities in the country in relation to the amount of DSG funding delegated to schools at 93%, with the majority of the remainder being spent on special educational needs.

73. The Council must maintain schools to appropriate standards and the capital programme includes the following new expenditure items, most of which are fully grant funded:

   - Basic Need Programme £10.8m – to provide additional school places where needed in their area.
   - Capital Maintenance Programme £11.1m – to enable local authorities to support the needs of the schools that they maintain and for the Sure Start children's centres in their area.
   - Capital investment programme of £30m in schools funded by grant. These investment programmes are centred upon Crewe (£20m) and Knutsford (£10m) to integrate primary and secondary learning leading to improved outcomes for learners.
   - Plans for the creation of an all age (2-18) school in Knutsford will transform education provision, preparing young people to become successful lifelong learners who will be able to maximise their skills, knowledge and aptitude to meet the needs of the modern business world. Learners of all ages will belong to one learning campus and have access to the highest quality facilities, resources and expertise. Similarly,

‘All Change for Crewe’ provides a unique opportunity to shape education provision from pre-school through to further and higher education to benefit all young people, staff within the various institutions as well as the wider community, including the establishment of a University Technical College.

74. Young people, of 14 years and above, will be able to benefit from engineering led opportunities created by the new University Technical College being developed has now agreed within Cheshire East with its location being in Crewe.

Other budget changes

75. In 2014/15 the Council received a one year grant for SEN Reform. This paid for reform activity which has now been completed and the budget is being reduced in line with the loss of grant of -£0.4m.

76. In addition, the Council received a one-year grant in relation to Extended Rights to Travel. This money has been used to support children from low-income families to be able to attend schools further from home than the statutory walking distances and is now falling out of the budget -£0.2m.

Outcome 4 ~ Cheshire East is a green and sustainable place

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

77. This Outcome incorporates a wide range of front line operational services that are delivered by the Council and used by all residents who live in and travel through Cheshire East.

78. The Council has established alternative service delivery vehicles to provide the main services that will achieve this outcome. Such services range from those that are essential to all residents such as waste collection, development, roads and bereavement services; to services that enhance the environment, such as the Countryside and Public Rights of Way network all of which are vital and valued by the communities within Cheshire East.

79. Achieving this outcome focuses on improving the local area for residents, putting local people's needs first and innovating to offer better value for money. The Council will work towards being greener and is targeting to eliminate landfill waste by 2016.

80. The Council will continue to improve the efficiency of services by consolidating what we are doing well and, through our Council owned companies, begin to build upon new business opportunities with other public and private sector partners. Over time this includes the development of new income streams to the Council, as part of our ambition for the companies to reduce their reliance on Council led funding, while still maintaining high quality delivery of services to residents.

81. Service providers have changed significantly in the last year, this includes our waste and environmental services, transport, and bereavement services. Additionally, later in the year the Council owned Company for Building Control and Planning Support Services is planned to commence business providing a one-stop shop for people who are seeking advice or planning to make investments in the Borough.

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

83. £14m of capital funding will be invested in continuing to deliver high quality environmental and waste services by developing a single Environmental Hub in Middlewich. Building this hub to the required high environmental standards will contribute towards further improving our environment in the longer term.

84. The Council's waste service provider, Ansa Ltd, empties over 240,000 bins every week in Cheshire East, 12.5 million bins are emptied in a year and high percentages of waste continue to be recycled. Recycling rates are already encouraging following the introduction of the silver bin scheme in 2011 with a recycling rate for 2012/13 of 53.8%, an increase from 49.0% prior to the scheme. These results place Cheshire East as third highest for household recycling rates in the North West and 39th out of 352 councils in

England. Household waste sent to landfill also continues to decrease from 95,796 tonnes in 2009/10 to 81,597 tonnes in 2012/13 following the silver bin scheme roll out.

85. High resident satisfaction levels will continue to be a priority for the Environmental Hub.

86. There should be no service shortcomings in the collection of bins while the transition to a new Environmental Hub takes place and high resident satisfaction levels will continue to be a priority.

87. New facilities will deliver significant benefits to residents in the form of a fit for purpose depot and transfer station to deliver the Council’s Waste Strategy, elimination of landfill long term, reduced waste bulking costs, reduction in the need for duplicate facilities and costs in the North and South of the Borough, and securing the further rationalisation of Council’s assets. The timing and delivery of the capital investment will impact on this program with the major revenue savings expected in 2016/17 and 2017/18. Importantly, maintaining the highest standards of service performance in terms of bin collections for residents will be a key priority during this period of change, but this will be achieved with medium term cost reductions of up to £1.2m per year when the facility is operational. Net savings of £3m are included in the proposals up to 2017/18.

88. Capital investment of £0.1m will fund essential litter bin replacements, and new and replacement household bins will be provided from further capital investment of £0.6m. This recognises the Council’s plans for significant housing growth in the area.

89. The Council will continue to maximise the investment in our highways over the medium term with forecast spending of £51.8m, including a Highways Investment Programme of £16.5m and a maintenance block of £29.3m. Strengthening our asset management approach to ensure this investment provides the greatest long term financial benefits.

90. The Highways Service will benefit from £0.8m of revenue growth in the medium term, partly to address contract and inflationary pressures and to remove street lighting savings (£0.2m), which will replaced in the long term by larger savings following further capital investment. Additional spending of £0.25m will assist in delivery of the Council’s flood defence responsibilities under the Flood and Water Management Act 2010.

91. The Council is introducing a new Highways permit scheme from 2015 to ensure that any work done on the road has the minimum impact on residents and businesses. This will enable the Council to recover additional net income of up to £0.2m to meet the costs incurred in co-ordinating road works and carrying out inspections.

92. The Highways Service is working with the Enforcement Service to improve “signing and lining” throughout the borough to ensure proper enforcement activities can take place. An additional £150,000 will assist in maintaining the flow of traffic on the network and help support our towns by addressing inappropriate parking.

93. Following significant investment and prioritisation of highway condition, following feedback from residents, more than 100,000 potholes were repaired in 2013 using the Highways Investment Programme. This has resulted in improved resident satisfaction levels and a significant reduction in claims from residents for pothole damage to vehicles. 56,270 Gullies were also cleaned during 2013/14 to reduce flooding, which has contributed to improved satisfaction levels with the highways service.

94. The Local Plan is a critical tool in delivering Outcome 4, as well as meeting economic growth objectives under Outcome 2. As the benchmark for determining planning applications – it not only guides the scale and location of new development but also shapes the form of all kinds of new building and land use across the Borough. It therefore contributes significantly towards the 'liveability' of towns and villages and the provision of new community facilities – including those for nature conservation, open space and recreation.

95. The Cheshire East Local Plan Strategy was submitted in May 2014 and guides new development in the Borough through to 2030. The Local Plan Examination is currently suspended following the initial 3 weeks of hearings, but a comprehensive programme of work is now underway to ensure the plan continues to progress.

96. The Local Plan will be supported both through the examination period and subsequent modifications and adoption. Work on site allocations and neighbourhood planning will also require ongoing support. Funding for 2015/18 will depend on progression and circumstances over the period and will be subject to careful review.

97. Securing a local planning framework will enable plan-led growth and limit the uncertainty caused by speculative development. By June the work to address the Inspector's concerns will be completed and it is intended that hearings resume later in the summer to deliver a Local Plan that will help maintain the local environment.

98. The Council has made a commitment to help reduce the number of local households in fuel poverty, seek to gain energy security and independence, and support a growing energy business. A Cheshire East Council Energy Framework has been devised and a program of sustainable alternative energy sources is being explored, to ensure a lower cost and resilient supply of energy and heat for local communities and businesses.

99. A programme of energy projects is being developed to deliver the ambitions of the framework. This includes development of a district heat network in connection with deep geothermal energy and seeking to secure decentralised energy and working in partnership with an energy knowledge transfer network partner to seek further external funding and drive innovation. There will also be development of a specification for generating energy from garden waste and a series of renewable energy projects for the Council's buildings to reduce carbon, increase efficiency and achieve long term sustainability.

100. Key achievements to date include:

- Establishing an energy knowledge transfer partnership with Keele University which as led to a £88,000 grant funding opportunity.
- Securing £198,000 towards the Geothermal project development and a joint venture partner will be announced in 2015.
- Working to establish an energy supply contract with a national provider to combat fuel poverty, providing competitively priced energy to Cheshire East residents and businesses.

101. The Council's ongoing ambition will be supported by capital investment of up to £16.7m, which will be secured through focusing on grant opportunities and options for working with partners.

102. Street lighting stock will also be reviewed, and capital investment of £5.3m, will facilitate the replacement of structurally defective lighting columns, whilst also supporting opportunities to help

sustainability and safety through the increasing introduction of LED lighting.

103. Street lighting forms a major part of the Council's energy use and the Council is looking at investment in the latest technologies to reduce both our carbon and energy costs whilst maintaining the existing level of street lighting provision.

104. Work will continue on reducing energy use by the Council. The capital funding for energy projects will also support improvements to buildings such as replacement boilers and other renewable energy, using technology such as solar panels. In addition there is a continued target reduction for fleet carbon dioxide emissions.

105. Spending on parks is being maintained to ensure these facilities can continue to be used and enjoyed by residents to improve their health and well being. This continued support is expected to maintain the high satisfaction levels with country parks, which was at 94.6% in 2013/14. Capital funding will be provided for ongoing park development, with additional specific funding for restoration work of Coronation Valley, Queens Park (£80,000) and the South Park Lake (£190,000).

106. The Council's Bereavement Services are provided by Orbitas Ltd. The company will explore further opportunities to make efficiency savings and increase income in 2015/16. Savings of -£0.1m are estimated in this report. Capital spending of £109,000 will support replacement cremators and £1m of funding will allow completion of refurbishment works at Crewe Crematoria. This will ensure that the Council is able to offer high quality and modern facilities to residents at a sensitive period in their lives. The facilities will also accord with the highest environmental standards.

107. To maintain service levels the Council will continue to monitor and review performance through regular client and contractor meetings, and with the appropriate formal reporting to the New Delivery Vehicles and Environment Overview and Scrutiny Committee.

Outcome 5 ~ People live well for longer

Local people have healthy lifestyles and access to good cultural, leisure and recreational facilities. Care services focus on prevention, early intervention and physical and mental wellbeing. Targeted use of public health funding is to underpin a better quality of life for all.

108. Early intervention is working in Cheshire East. The focus on reducing eligible Not in Education, Employment or Training (NEETS) to nil and award winning adoption services is benefiting young people in the area, where achievement is already increasing. The alignment and effective use of resources surrounding the range of investment into improving the health of children and young people has had a positive impact on base budgets. The range of plans / initiatives and intelligence from work across the country has been pulled together into the Council's 0–25 strategy.

109. The main areas of investment in 2015/16 include the delivery of a children and young people powered health programme with a focus on emotional health and wellbeing, physical activity and healthy food choices, significant Government investment into physical activity in schools and the procurement of a 0–19 healthy child programme. The powered emotional health and wellbeing programme includes 4 distinct but aligned streams which will be co-produced, co-designed and co-delivered with young people:

- **The Emotionally Healthy School ~** to equip schools with knowledge, skills and school pastoral teams will be a key focus for this project.
- **Self-Harm ~** to develop our understanding of self-harm and its triggers, and exploring the evidence base about good practice (including National Institute for Health and Care Excellence guidance) and most effective interventions. We will produce a best practice / effective practice toolkit (resources for practitioners and information and resources for young people on good mental health).
- **Help people to help each other ~** test new models of peer education, support and training, and service user networks, looking at stigma, resilience, engagement, children, young people and family's experiences, and young person's peer support.
- **Child Sexual Exploitation ~** the pan Cheshire campaign will continue and will encompass how we engage better with the public on this issue to raise their awareness and mobilise their capacity to act as a protective factor and be informed by the views of Children and Young People.
- **Vulnerable children ~** we are ever vigilant on child abuse. Cheshire East Council holds a zero tolerance approach in what is a society issue.

110. The approach to physical activity will be carefully considered in order to ensure no duplication with the significant Government funding into school sports. The children and young people powered health programme will look to re-balance and increase the number of boys and girls accessing healthy activities, such as improved posture. This variety of physical activity should be built on to ensure that young people drive the initiatives that make a difference and that they will sustain across their lifetime.

111. The programmes above are expected to remove duplication. In addition, effective and early application of our resources will reduce demand and ensure that we work at the right time with the right children in order to improve their life outcomes.

112. Improved safety of vulnerable children, the number of children adopted, and less children and young people getting involved in anti-social behaviour is a key priority. The Council recently passed a rigorous Ofsted progress inspection of safeguarding services and targeted preventative activity has seen the number of children in care reduce by 11.4% in the last year.

Public Health and Wellbeing

113. Improving the health and wellbeing of the residents of Cheshire East is a priority for the Council. The focus is on promoting and supporting better lifestyles through delivering choice and personalisation. Achievements within Adult Care will be measured through improvements in areas such as self-management, lifestyle services, greater use of universal services and community resources, and a refocus on prevention and early intervention, increasing re-ablement and increases in choice and control.

114. Outcome 5 focuses on helping people to stay healthy. This includes helping people to reduce their risk of illness, decreasing the effects that illness can have on an individual and controlling the spread of disease. Services and activities are being refreshed to provide a greater focus on prevention and early intervention and supporting people in taking ownership of their healthy lifestyle choices. These services are continuing to develop collaborative relationships across the Council and with local partners to develop health and wellbeing services and the wider determinants that affect the health and wellbeing of the local population.

115. In 2015/16 the Council will continue to deliver some of these services through the Alternative Service Delivery Vehicle, Everybody Sport and Recreation Trust, which was set up in May 2014.

Key Considerations

116. Whilst the overall health profile of Cheshire East is good, there are areas where improvement is required and demographic pressures that need to be planned for. Between the 2001 and 2011 census, the median age of residents has increased from 40.6 years to 43.6 years[3]. Between the same years, the number of over 65s has increased by 11,700 residents or 26%, which is a greater increase than the North West (15%), and England and Wales (20%). Whilst this may present a pressure to the Council in terms of providing services to older residents, currently only a small proportion (3.6%) of residents aged 65 to 89 receive some form of social care funded by the Council[4]. This proportion increases to 24% for residents over the age of 90, of which there are an estimated 3,300.

Male and Female Life Expectancy at birth[35]

Female Life Expectancy	Male Life Expectancy
Macclesfield Town Tytherington	Wilmslow Town South West
92.3	84.0
Central & Valley (Crewe)	Alexandra (Crewe)
77.9	73.4

117. The level of excess winter deaths in Cheshire East remain higher than average and this continues to be a priority. There are links to fuel poverty, social isolation, quality of housing and uptake of flu

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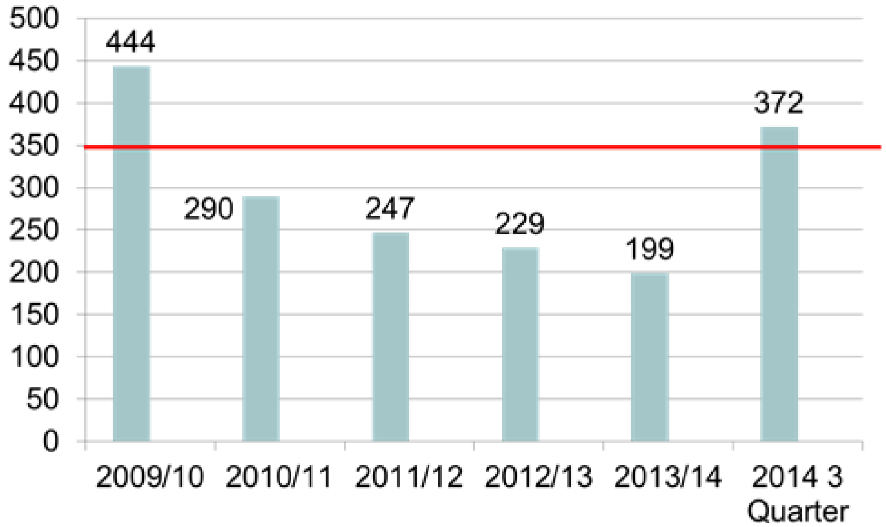
vaccinations – all of which impact upon the vulnerability of older residents.

118. Ensuring an adequate supply of affordable housing for our residents is a priority. Good housing contributes significantly to positive health and wellbeing outcomes. We have a target of 350 units of affordable housing per annum. Trends show that completions had fallen below this level for a number of reasons including changes to the way in which affordable housing is funded. The National Affordable Housing Programme, which is administered by the Homes and Communities Agency, is over the four year period 2011/12 to 2014/15. The majority of completions are forecast for completion at the end of this financial year as shown below:

2014 has seen a strong increase in providing affordable homes in the area



Source: Cheshire East Council

Further Details of the Medium Term Budget Proposals

Children and Families

119. In 2014/15 the Council received a one year grant for Adoption Reform. This paid for reform activity which has now been completed and the budget is being reduced in line with the loss of grant of -£0.3m.

120. Cheshire East has reduced the average cost of cared for children external agency placements over recent years. Whilst this has improved, it continues to be a priority for 2015/16, including improving value for money, maximising in-house provision, whilst retaining the quality and stability of provision that is vital for this group of children.

121. We are increasing the number of foster carers recruited and the level of specialism and experience they offer. This will maximise in-house provision and negate the need to utilise the external agency market. In addition, best use will be made of the existing North West framework contracts. This includes the effective negotiation of fees with potential providers and ensuring that any additional costs are monitored and removed in a timely manner when appropriate. (Continued efficiencies in the value for money of all placements for Children in Care -£0.7m; Continue successful adoption collaboration and introduce fostering collaboration including LEAN recommendation -£0.35m).

122. The offer of early help and support will continue to be important to ensure potential demand for out of borough residential placements is kept to a minimum. Having a strong and resilient range of internal options (including fostering, adoption, residential children's homes and special schools) prior to consideration of out of borough residential care will be key. When internal provision cannot be achieved, out of borough provision will be

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commissioned that is as close to a young person's home address as possible to ensure connections with family, community and also effective professional support / review where possible. (Further reduce use of out of borough residential provision for both social care and special educational need -£0.4m).

123. In 2015/16 it is planned that current in-borough care residential provision will be reconfigured and will link with care leaver independent housing. The Council currently provides 12 residential children's home placements across three (4 bed) homes. The mixed economy of utilising internal and external provision is to be reviewed in 2015/16 in order to ensure the best use of resources, quality of provision and achievement of excellent outcomes for our cared for children. The 4 bed model that currently operates is frequently under-occupied.

124. The review will assess need and the external market to form an opinion on the best fit for internal provision; the number of beds overall, their configuration and whether managed internally or on a partnership basis. The review will also take the opportunity to assess the menu of options to move young people aged 16+ towards independence and good quality sustainable properties beyond 18. Delivering good pathway plans with the right accommodation and support for young people will ensure preparation for adulthood that leads to positive life outcomes. (Joint Funding / Continuing Healthcare Assessments -£0.1m; Reconfigure current in borough care residential provision and link with care leaver independent housing commission -£0.37m)

125. Outcome 5 funding for improving the health of the 5-19 population -£0.2m.

126. The Council has been allocated a shared of Youth Justice Good Practice Grant £0.3m. This is being added to the budget for one year only pending any further announcements. The Council also receives a grant for troubled families (£230,000 in 2014/15). While figures have not yet been confirmed for 2015/16 the Council is estimating that this grant will reduce by 15% and is adjusting the budget accordingly.

127. The Council needs to increase the work of its Safeguarding service in relation to child sexual exploitation. This follows recent high profile instances, for example, those in Rotherham where practice has been found to be less than satisfactory. The impact on costs for Cheshire East Council has resulted in permanent growth in 2015/16 of £300,000. This increased investment will be a mixture of externally commissioned services and internal staffing. This represents the Council's contribution to a multi-agency response to tackle child sexual exploitation, which includes input from Health, Police and Education. The Local Child Safeguarding Board, at which the Council is a lead partner, will take a strategic overview of how the partners work better together to improve outcomes in dealing with issues in this area.

128. Capital ~ Care Leavers - Supported Accommodation £0.1m ~ to provide a new facility to support care leavers within the Borough and improve their transition through to adulthood.

129. Capital ~ Purchase of Multi Purpose Vehicles - Working on Wheels £0.36m ~ the vehicles will be adapted to be multi-functional, serving the Early Years and Youth Service specifically in the rural areas of Cheshire East.

Adult Social Care and Independent Living

130. The world of Adult Social Care is changing. The Redesign of Adults Social Care Services in Cheshire East, the implementation of the Care Act 2014 and the integration of Health and Social Care

services all offer tremendous opportunities to reshape the offer of care and support to provide true choice and control for residents.

131. The Cheshire East Council Adult Social Care Service is transforming how we work so that we can ensure that people can access services when they need them. This is to be achieved by refocusing our range of services to ensure we facilitate access to early help and advice, reducing duplication by working in an integrated way with Health and other partners, and ensuring that a wide range of care and support services are available to allow choice.

132. In addition, Adult Social Care is reviewing the opportunities to make available improved access to information about what services are available and how to access them. This will be included in the wider Council proposals to increase the digital interface with residents. Our aim is to ensure people can access services in their local communities as far as possible.

133. The implementation of the new Care Act 2014 from April 2015 will increase the numbers of people and their carers requesting assessments from the Council. The new legislation increases the rights of carers to access an assessment and where appropriate an allocation of a personal budget. For individuals who may have care and support needs the access to assessments to identify eligible care needs is anticipated to increase.

134. This additional demand for care services is also impacted by the increase in numbers of young people who are moving through transition from Children's into Adults social care services. The increasing demand including Children in Transition is predicted to be an additional £7.6m over the medium term.

135. Whilst it is recognised that this will create additional financial challenges for the Council it is also seen as a an opportunity to continue to focus on the health and well being of the local population and to support the initiatives within Children and Families to promote health and well being from an early age and into adulthood.

136. The increasing numbers of people over 65 and the increasing longevity of this group does mean that we have more people living longer often with multiple long term conditions, dementia and frailty. The impact of this is an increasing demand on care and support services which will continue to grow in future years. By refocusing on the principles of self care and self management on an individual level and within communities the Local Authority and its partners need to make available the information, advice and support to empower people in their own quest for physical and mental health and well being. Our intention is to support people to live at home for as long as possible.

137. The Council is committed to ensuring that our Social Workers in Adult Social Care are able to use their professional skills to provide people with the most appropriate advice and support to ensure that people are able to live independently for as long as they are able. We have recruited additional Social Workers and will continue to ensure we have sufficient resources to meet the increasing demands of the demographic changes we are facing.

138. From April 2016 additional duties on the Local Authority will increase this number further as individuals who have been able to fund their own care up to this point will be entitled to have the costs of care to meet eligible needs calculated within a Local Authority held 'care account' which will be subject to a maximum cap above which the Local Authority will be expected to fund (subject to agreed conditions).

139. To meet the increased demand and to continue to deliver a high quality service, Adult Social Care services in Cheshire East will continue to maximise the efficiencies in the back office functions and ensure that our social workers and assessment professionals concentrate on the face to face contact with people and their carers, by using new technology and streamlined processes to reduce the administrative elements of the job.

140. It is imperative that we can target our resources where and when they are most needed and most effective. We are increasing our social care capacity overall to meet the new demands but it is important to ensure that our current commitments are regularly reviewed to ensure that people who can be supported to become more independent receive this support as part of a recovery focused model of care. To this end we will continue to focus on regular reviews of the care and support provided to individuals. This will be achieved as part of a robust reassessment of need and the exploration of what support is available to people across a range of options which may include opportunities to access support within the local community or via user led approaches.

141. In addition we will continue to review the commissioning of a range of services to ensure that they achieve the best possible outcomes for those people assessed to need them. A refocusing on outcomes for individuals will enhance our commissioning activity to ensure that we can be confident that we are commissioning services which provide quality services focused on outcomes and can evidence value for money and ensure that people can live well for longer in their own homes.

142. Cheshire East Council aims to achieve £2.4m of savings via these commissioning reviews which at one end will focus on individual care and support packages and at the other consider wholesale review of services being commissioned internally and externally by the Council on its own and in some case with partners, such as health commissioners. These reviews will include carer respite services, the Shared Lives (adult placement) service, supported tenancy services and housing related support services.

143. The Shared Lives service is about finding and matching community and family based care as an alternative to residential care, day care and similar provision. Shared Lives carers open their homes and families to adults in need of support, in much the same way as foster carers for children. For those adults whose personal goal is real family life, this service offers personalised care and support to help achieve that outcome.

144. The Shared Lives service has been running for over twenty years in Cheshire East. There are currently 240 adults supported via Shared Lives in Cheshire and, of these, 16 now reside with their Shared Lives carer. To support the personalisation agenda and the implementation of the Care Act we are investing significantly in the Shared Lives service to increase the capacity of the service. We have taken on an additional three social workers and are now working on increasing public awareness and interest in becoming a Shared Lives carer with the aim of recruiting an additional 25 Shared Lives carers per year. We will also be working with our existing service users to identify those for whom Shared Lives may be appropriate and who would want to move into a Shared Lives setting.

145. The main benefit of the Shared Lives service is improving outcomes for the people supported by the service. However, Shared Lives can also reduce the cost of providing care and support for people. On average, research suggests that £25,000 per annum is saved by providing care in a Shared Lives family setting compared with other care settings. Over the next twenty four months, the reduction in care costs could be as much as £0.75m which can be reinvested

into the Adult Social Care service whilst providing a family environment for the individual and rewarding and valued employment for those who become Shared Lives carers.

146. Reviewing the services within supported living schemes (also known as supported tenancy schemes) is an important element of our plans. With the development of recovery focused models of care, advances in the use of technology to support individuals to remain safe and well whilst still achieving independence and privacy, and the focus on people with long term health problems and disability being supported to access education and employment, it is important that we systematically review the services being commissioned. This will ensure that the models of care and support continue to promote recovery and maintain or increase independence by utilising a range of evidence based interventions and support which maximise, where appropriate, the use of new technological solutions.

147. One of the tools that we will have begun to use to review the commissioning of supported living schemes is the Care Fund Calculator (CFC). This will be applied to the Supported Living services commissioned across the public (Care4CE), private and voluntary sectors. The assessments of the individuals using these services will be robust and take account of their strengths and potential for increased independence. They will also review the potential support available for the individuals with new technological solutions. The allocation of the care and support hours in such schemes are often focused on the group of tenants as a whole and have at times been limiting for the flexibility of being able to use the allocation of a personal budget in a more personalised way. This will be a major element of the reassessment of need.

148. The Medium Term Financial Strategy has to take account of increasing challenges in terms of the Care Act, the transfer of the Independent Living Fund to the Local Authority in 2015, additional costs associated with the Deprivation of Liberty Safeguards within the Mental Capacity Act 2005 and Pay & Pension allocations. In total these four areas create a need for an additional £7.3m over the medium term.

149. The new Care Act will help make the care and support system more consistent across the country. 'Care and support' is the term used to describe help with things like washing, dressing, eating, getting out and about and keeping in touch with friends or family. Many of us will need care and support at some point in our lives and the new national changes are designed to put the person in control of the help they receive. Any decisions about care and support will consider the person's wellbeing and what is important to them and their family, so they can stay healthy and remain independent for longer.

150. The Cheshire East Council approach to implementing the Care Act begins and finishes with the customer's perspective. We started by designing a new customer journey through Adult Social Care which will be supported by a new ICT system which will be implemented by July 2015. There are new responsibilities which in turn have an impact on the Adult Social Care budget. We have sought to minimise the impact of these additional financial responsibilities by harnessing efficiencies enabled by new technology and ways of working. However we still require additional funding to meet the requirements of the Care Act.

151. In March 2014 the Supreme Court passed judgement in relation to the Deprivation of Liberty safeguards element of the Mental Capacity Act 2005. The judgement established case law which has a significant impact for all local authorities governed by the

legislation. Since April 2014 Cheshire East Council has seen a huge increase in the number of Deprivation of Liberty Safeguards (DOLS) cases. The Association of Directors of Adult Social Services (ADASS) estimates the increase to be 100%. The demand on resources is significant requiring trained social work and medical expertise to conduct the assessments as well as Local Authority authorised signatories to review each case. We have invested in additional training and capacity both for Social Workers and signatories in order to remain compliant with the legislation.

152. To mitigate the increased cost of the areas of growth detailed above, Adult Social Care services will introduce a range of efficiencies which relate to Business Systems and Processes, new ways of working at the front line, tighter controls and budget management and a review of service commissioning to ensure we explore all options to do more for less by considering how we can do things differently. These initiatives will aim to deliver savings of £7.4m over the medium term. The focus of this work is to ensure we maximise the collaboration with partners across a range of sectors to ensure we combine our efforts and available budgets to align our commissioning activity to achieve the best outcomes from working together. This will reduce areas of duplication by agreeing with partners joint areas of commissioning and provision.

153. In addition, it will be necessary to review the range of different opportunities to meet need and deliver outcomes. This will involve us reviewing the type of services we commission and who is able to provide them going forward. This will require a flexible approach to doing things differently. We will commission a range of new services from potential new providers to achieve this going forward.

154. The Council has invested in new technology and systems to support social care. The new ICT social care system will be implemented by July 2015 and will deliver a revised robust electronic client care record with clear control and authorisation processes in addition to providing a data capture system which will improve our business intelligence function in the Council. This is supported by a number of complementary systems such as the Adults Financials IT system which was implemented in 2014. Together these systems streamline the recording of case information, automate previously manual tasks and enable the service to do more for less.

155. The Council is also proposing to make changes to our financial charging policy for social care. In order to meet the additional demand for care and support, the Council needs to ensure that it is able to ensure income is maximised. This means that the Council needs to review those services which are subsidised, review the fees and charges levied and ensure that debt incurred from non-payment is managed effectively. The Council's Charging Policy supports the principle that no one is asked to contribute more than they can afford to pay.

156. The Council, with health colleagues from the Clinical Commissioning Groups, is embarking on a review of the approach to the assessments and decision making for people eligible for Continuing Health Care funding. This will ensure that the people who may be eligible for health funding for their care needs are supported to be assessed in a timely way. This will allow the local authority and the health commissioners to determine funding levels and be in a better position to forecast and therefore plan appropriately to ensure that the health and social care needs of people with more complex problems are addressed without delay or dispute.

157. The Adult Social Care Redesign aims to ensure that people can access help and advice much earlier in the process and to this end is investing in a pilot to deliver universal service offering low level support and advice which will focus on assistive technology and support for assisting with daily living. The intention is that people

can seek out help and advice at an early stage which would have a preventative element to slow down any further deterioration of a condition or the impact of frailty by getting early help at the right time. If this pilot proves successful the initiative will be expanded to ensure best effect in terms of outcomes for individuals and reduce the demand for services in the longer term.

158. In addition, the review will continue of how Council services are delivered to ensure we use our resources to best effect in order to meet increased demands and deliver on individual and population outcomes. This will inevitably involve considering a range of new ways of working, new job roles, opportunities for partnerships and a range of new services which will deliver what is required to meet future demand in terms of range, quality and quantity.

159. Adult Social Care has at its disposal the Community Capacity Grant of £3.4m. This is capital funding provided by the Department of Health to enable local authorities to support development in Adults Social Service in three key areas of Personalisation, Reform and Efficiency. Investment in new technology and ICT solutions and support for the integration agenda will be the primary use of this capital.

Public Health and Wellbeing

160. Although overall health and wellbeing is good, investment continues to be required to tackle areas where improvement is required or where new responsibilities are being placed upon the Authority. Particular priorities include reducing the life expectancy gap, preventing excess winter deaths, continuing efforts to reduce levels of obesity in children and young people, and supporting older people to live independently and well for longer.

New responsibilities for 0-5 year olds transferred from Health with appropriate funding

161. The commissioning of the 0–5 Health Visiting Service is to be transferred to Cheshire East Council in October 2015. The Council is currently working with NHS England (current Commissioners) to re-commission this service with a start date of September 2015. Local commissioning of this service alongside other Public Health and Council services for children will enhance the co-ordination of service development and delivery across all children’s services commissioned by the Council. This will lead to improved outcomes for our children and young people. (+£2.4m, -£2.4m)

Investment in improving health outcomes across all age ranges as identified in key reporting documents such as the Joint Strategic Needs Assessment and the Director of Public Health's annual report

162. This significant investment across Outcome 5 is to ensure cross cutting contributions to the delivery of Outcome 5 and the Public Health Outcome Framework Indicators. The investment will be targeted to deliver the most effective interventions in relation to areas of greatest need. (+£1.2m, -£1.2m)

3% Efficiency Saving in the management fee for the Leisure Trust

163. Everybody Sport and Recreation Ltd is on target to make the efficiency savings required whilst still delivering the improved health outcomes set out in the contract (£0.1m). This includes a specific requirement to address the health needs of residents of Cheshire East and target activity and services to improving such outcomes. An example of this is the "Everybody Healthy Pilot project" launched in November 2014 which to date has had over 110 referrals from GPs and others. These are people who have specific health needs and have never used a trust facility before. Improving health outcomes will further reduce costs to services in the future.

Outcome 6 ~ A Responsible, Effective and Efficient Organisation

164. The Chief Operating Officer provides high quality, professional and commercial services to the Council and its key stakeholders to support the delivery of their agreed outcomes. The Chief Operating Officer makes effective use of his knowledge and information to provide robust challenge and advice to support continuous improvement and demonstrate value for money.

165. Continuing to improve services and provide better outcomes for Cheshire East residents and business within reducing funding levels requires high quality corporate support and a constant challenge to the way those services are provided. It is clear that the Council's services will need to be provided in the context of reducing resources for the foreseeable future.

166. In order to support the delivery of its good quality services the Council has agreed a sixth outcome - to be a responsible, effective and efficient organisation.

167. The Council expects to agree a fifth successive Council Tax freeze alongside its ambitious capital programme - maximising the use of external funding opportunities for the benefit of Cheshire East residents and businesses. It has already secured savings of over £5m in management costs, and further cost reductions of £1.1m are planned by managing resources in a way that focusses as much funding as possible on front line services.

168. The Council's external auditors, Grant Thornton, issued unqualified opinions on the financial statements and value for money arrangements in September 2014. This provides the Chief Operating Officer, and the corporate leadership team, with the confidence that the senior managers both understand and manage their costs effectively.

169. Year on year increases in confidence and improvement in both performance and financial control - getting better and stronger despite the austerity challenge – are achieved as a result of decisive action, innovative service delivery solutions and a collective determination to get the best deal for our residents. All our professional services contribute to enabling this improvement in performance alongside the effective stewardship of public funds.

170. The Chief Operating Officer will measure and demonstrate achievement across the broad range of support services provided through a blend of external benchmarking, feedback from stakeholders (including the Council's external auditors) and an assessment of the added value of professional advice and expertise given. In addition, he will measure a range of financial indicators including the level of income collection, the rate of return on investment and other funding indicators. More details about the Council's financial resilience indicators are set out in its Value for Money Overview report.

171. In early 2014 the Chief Operating Officer completed his senior management structure and now oversees services provided across five key disciplines - HR and organisational development, legal services, democratic services, corporate resources and stewardship and corporate commissioning. The rest of this section sets out some of the key highlights, challenges and budget proposals for each of these areas.

HR and organisational development

172. Recognising the dynamic environment within which the Council is operating, the HR and organisational development team are developing a new Workforce Strategy for 2015/18. This will aim to further develop an agile, multi-skilled, engaged and high performing workforce ready and able to respond to the challenges ahead. It will also include a suite of indicators so that the Council can monitor and manage its workforce more effectively.

173. Between April 2009 and December 2014, the number of people directly employed by the Council fell by 38.5%. In part, this was achieved by the last management review, when £5m of management costs were removed from the staffing structure. There are now four employees earning annual salaries of over £100,000 at the Council, which is a lot fewer than many other unitary authorities. The Council has also transferred 1,174 people, (651.8 FTE), during 2014 to new service delivery vehicles including the new leisure trust and Council's own companies. Days lost to sickness absence (including schools) are at an average level as compared with other local authorities in the North West.

174. Cheshire East Council continues to focus on and invest in educating and equipping its workforce to meet future business needs. In the last year, over 1,050 people attended Council run training courses with many more attending other events including staff roadshows, team events and workshops. A further 90 managers also participated in Institute of Leadership and Management qualifications and workshops. The team are proactive in encouraging and empowering colleagues to get involved in the journey to improve services. This is best demonstrated through the successful staff suggestion scheme; the new "make my day" and "make a difference initiatives" – these are already having a positive impact. Working with colleagues across the Chief Operating Officer services the team has reviewed office accommodation to generate savings and maximise efficiency. As a result employees are starting to embrace flexible / mobile working.

175. We are always mindful of the need to review policies and new initiatives and will be doing so during 2015/16.

176. As a consequence of the Council's changing requirements the HR and organisational development team expects to be able to restructure its service and better target spend with external organisations to achieve a budget reduction of £135,000 in 2015/16.

Legal Services

177. The Council's monitoring officer has the specific duty to ensure that its actions are legal and that officers and elected Members maintain the highest standards of conduct in all that they do. Together with the legal services team the monitoring officer has three main roles, in summary these are to:

- Report on matters that are, or are likely to be, illegal or amount to maladministration;
- Be responsible for matters relating to the conduct of Members and officers; and
- Be responsible for the application and operation of the Council's Constitution.

178. The Council's clear commitment to putting residents first demands innovative thinking and a flexible approach. Having established itself as a commissioning council it has determined to provide service options that best fit the needs of its residents. Alongside innovation and flexibility comes agility and opportunity. This change demands high quality, up to date legal advice often in fast changing circumstances. As a result the monitoring officer is

reviewing legal services so that it can respond to competing pressures at the same time as ensuring that the Council acts within the law. Particular areas of focus for 2015/16 include:

- Providing support to the Local Plan process and ongoing planning inquiries; continuing to provide a full property and planning legal service;
- Supporting the Council to meet the major changes and challenges of the Children and Families Act and Care Act;
- Continuing to develop an active and involved role providing high quality and timely support to the Council's major programmes and projects.

179. As a consequence of the Council's changing requirements the legal team expects to be able to restructure its service and better target spend with external organisations to achieve a balanced budget in 2015/16.

Democratic Services

180. The democratic services team supports the delivery of the Council's key outcomes by providing a range of services including:

- Ensuring that Council business is conducted in accordance with the constitution and prevailing legislation;
- Supporting all elected Members in their various roles;
- Administrative services that promote effective accountability, transparency and resident participation in the democratic process; and
- High quality and innovative election and registration facilities.

181. The team provides day to day support for some 250 meetings a year and all 82 elected Members. This key role ensures that local democracy is properly planned and supported and that all the required notices and documents are available to Members, residents and other stakeholders.

182. With over 273,000 people registered to vote the Council has the third largest electorate in the North West. The Elections in May 2015 will be the largest piece of electoral work ever undertaken in Cheshire. As well as planning for the all-out Council elections, parliamentary elections, and town and parish council elections, the service has also responded to the greatest change in electoral law and practice in 100 years - Individual Electoral Registration. This initiative provides a more convenient, secure and modern way of registering and will improve the accuracy, completeness and security of the register.

183. Over 10,000 births, deaths or marriages are registered each year. The Council provides a leading-edge registration service taking an innovative approach to service delivery including marketing its offer beyond its own geographical boundaries - maximising the economic benefits of the marriage industry. The registration service also has the duty to refer to the Coroner all deaths which appear to have occurred from unnatural causes, violence, accident or industrial disease. The Coroner may investigate and decide to order a post mortem, or in some cases, may decide to hold an inquest. Nationally, the Coroner Service itself is experiencing an increase in workload, partly as a result of new legislative requirements. This is creating a small budget pressure.

184. The Council's democratic services team expects to be able to manage within its existing budget parameters apart from a small increase in the costs of supporting the work of the Coroner. One-off additional funding of £0.1m in 2014/15 to support individual electoral registration is no longer available. The removal of members from the Council's pension scheme will secure savings of £0.14m.

Corporate Resources and Stewardship

185. Working to the Chief Operating Officer the Council's corporate resources and stewardship team provide a broad range of high quality professional services. Working with colleagues the team has secured a number of important successes to support the Council's objectives and achieve increasing confidence and improvement in year on year performance and financial control. The team supports the delivery of the Council's five outcomes by:

- Providing assurance to residents and businesses on the highest standards of governance, stewardship and reporting of public money;
- Providing challenge, advice, guidance and business intelligence to support continuous improvement;
- Effective long term financial planning, monitoring of outcomes and reporting of results; and
- Ensuring that the right facilities, infrastructure and technologies are in place to enable effective service delivery.

186. The cost of operating the Council's premises is only second to its staffing costs - with an estate of over 600 properties valued at £440m. By early 2015 we will have reduced the number of office buildings from 34 to just 6 since 2011. The ongoing review of operational buildings alongside better workforce planning and use of technology is generating significant savings while increasing productivity and the quality of service delivery. That rationalisation will continue in 2015/16 and secure further savings £0.6m. The budget assumptions also include £0.33m for changes in utility / other premises related costs.

187. The Council has adopted a Corporate Landlord approach to managing its property. This allows one team to oversee and prioritise all maintenance and improvement requirements to make the best use of the capital allocation of £0.9m over the medium term.

188. The procurement team continues to seek to improve the value for money that the Council secures from its many contracts for goods and services. The team takes a Residents First approach across the Council's contracted spend of some £150m. There are always opportunities to improve its buying power at the same time as supporting local businesses. By working with the service managers, finance and legal colleagues and the new Member led Procurement Board the team has secured savings of over £1.8m in recent years. During 2015/16 the team will continue to work with service managers and others to secure a further £0.5m saving.

189. The team plays a key role in ensuring that the Council continues to deliver effective financial control with appropriate levels of reserves, low Council Tax and success in securing external funding. The Council's recent strong financial performance has ensured that reserves are in line with its assessment of financial risks and also to provide opportunities for future investment.

190. Alongside its ambitious major change programme the Council expects to continue to balance its budget despite increased demands and high public expectations. This will be achieved by innovation, creativity and a hard commercial focus on costs, productivity and income generation. There are already robust budget monitoring procedures in place to ensure that spending variances are effectively monitored and enable appropriate mitigating action to be taken. Further changes are either already in place or due to be introduced in early 2015.

191. The provision of fit for purpose equipment is key to both managing the Council's finances and supporting the delivery of front line services. We have nearly 4,000 computers / laptops in almost 350

locations. The Council communicates with residents, business, partners and stakeholders in a variety of ways and, increasingly, via digital means. The ICT Strategy team plays a major role in enabling the Council to identify, procure and commission digital solutions and seeks to identify opportunities and anticipate business needs.

192. In 2015/16 the team will work with CoSocius to secure savings of some £0.36m and also continue to benchmark their services. The Council is nearing completion of the Next Generation Desktop project and ICT staff costs will be charged back to the revenue budget costing £0.3m. Ongoing improvements in financial and other systems and processes costing £17.2m are included in the capital programme. The Digital by Design programme is also included, £4.9m, to provide a platform for the organisation to deliver a wide range of digital services and significantly enhance the customer experience.

193. Responding to the Council's changing requirements the corporate resources and stewardship team will continue to improve and refine their services and secure further budget savings of £0.35m in 2015/16 – in addition to those listed above.

Enabling Adult Social Care Commissioning

194. This service provides specialist commissioning and contracting expertise and support to enable the strategic design and delivery of high quality value for money Adult Social Care support for the residents of Cheshire East. The Council is adopting a Residents First approach which considers the best format of provision, scope for innovation and delivery of required outcomes. Care and support costing £70m is secured and monitored by this service through a variety of contracted external providers. The service also contributes substantially to Outcome 2 - Cheshire East has a strong and resilient economy and Outcome 5 – People live well and for longer.

195. The current challenge for the Council is securing high quality adult social care support in the context of the high growth in demand projected over the next 20 years. Innovation and efficiency in care provision are key to provide new ways of meeting residents' needs and ensuring that advice and support is available. A number of key improvements have already been made:

- A new Quality Assurance function to provide residents with assurance that all contracted social care provision is monitored to maintain quality;
- A new commissioning plan for residents and their families living with dementia, in recognition of its increasing impact on people's lives - including the development of a new support service and make Cheshire East Dementia Friendly;
- A large number of contracts for support and care were re-commissioned to achieve efficiencies and release funding for additional support, for example the re-tender of all preventative and early intervention services from the voluntary sector to provide a high quality range of support to meet the Care Act requirements and promote well-being; and
- A comprehensive commissioning review of all in-house residential respite services to identify opportunities to improve the range of services and deliver value for money.

196. Plans for 2015/16 include the delivery of efficiencies and new ways of working, key examples are:

- A commissioning review of supported living for adults with Learning Disability to identify opportunities for innovative support – including further increasing the use of assistive technologies to retain and develop independent living; and

- Re-commissioning a large number and range of contracted services to ensure innovation and efficiency of service delivery.

197. As a consequence of the Council's changing requirements the team expects to manage within its existing budget parameters.

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2. Financial Stability

Introduction

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

199. The Government's Autumn Statement for 2014 highlighted the continuing need to reduce the public sector deficit and debt to secure economic recovery. Cheshire East Council is proposing to continue supporting this approach in a number of ways:

- Freeze Council Tax for a fifth consecutive year.
- Enter in to no additional external borrowing in 2015/16.
- Maintain appropriate reserves levels that protect against risks.
- React to changes in demand and existing budget proposals that can reduce net expenditure including:
  - Increasing spending in Adult Services.
  - Forecasting income from growth in the tax base and increasing returns on investments.
  - Reducing overall spending in all other service areas by targeted interventions.

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

Source of Funding	**Paragraphs**
Balance of National vs Local Funding	201 to 208
Government Grant Funding of Local Expenditure	209 to 242
Collecting Local Taxes for Local Expenditure	243 to 261
Charges to Local Service Users	262 to 266
Income and expenditure are also influenced by decisions and estimates of the Council in relation to:	
Investment, Borrowing and the Capital Programme	267 to 303
Other Economic Factors	304 to 308
Managing the Reserves Position	309 to 318

Balance of National vs Local Funding

201. Cheshire East Council is becoming more reliant on local funding and less reliant on Central Government grant. The funding for Council Services from Council Tax and Business Rates will have increased to over 78% of the total net funding for 2015/16.

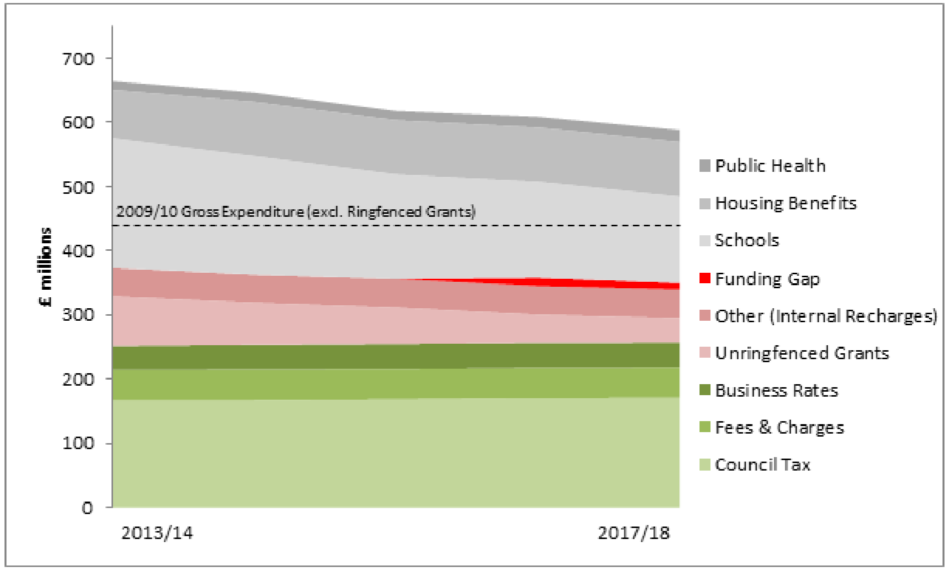
202. The financial stability of the Council, which determines the amount of money available for service expenditure, will be exposed to less

risk from potential Government funding shortfalls in the medium term, but financial planning for the Council now reflects the potential for year on year fluctuations in local funding particularly from business rates.

203. The annual revenue budget for Cheshire East Council is funded by a combination of Council Tax, service user charges, and (relatively low) Government grants. **Chart 1** illustrates how the balance between these funding sources is changing over time placing more emphasis on local funding services.

204. The Budget Report is based on the Provisional Local Government Finance Settlement released on 19th December 2014. The final settlement is expected on 4th February 2015 with a debate in the House of Commons on 10th February. Any further information on funding will be reported to Members and may be managed through reserves.

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



Source: Cheshire East Finance

205. **Table 2** sets out the revised funding forecast for Cheshire East Council for the period 2014/15 and 2015/16. This updates the information previously published in the Council's Pre-Budget Report in September 2014.

Table 2 - Funding available to services has reduced	2014/15 £m	2015/16 £m	Change £m	Change %
Government Grants	-104.7	-95.9	-8.8	**-8.4%**
Council Tax	-167.3	-168.8	1.5	**0.9%**
Funding Available to Services	**-272.0**	**-264.7**	**-7.3**	**-2.7%**

Source: Cheshire East Finance

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

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

208. Cheshire East Council is putting residents first:

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

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

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

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

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

Government Grant Funding of Local Expenditure

209. The detailed funding settlement from Government impacts on longer term financial planning. Issues for 2015/16 include:

- The release of the Autumn Statement on 3rd December.
- The release of the Provisional Settlement on 19th December 2014. (Final Settlement expected on 4th February 2015.)
- Late confirmation of Council Tax Freeze Grant and calculation of business rates estimates.
- Late announcement of Education Services Grant.

These have set out changes to:

- General funding levels – confirming a 19.9% reduction in Revenue Support Grant.
- Funding from Business Rates – a cap on the multiplier and a change to discount / relief arrangements.

210. Local authority finances in England are undergoing significant changes as part of the Government's overall deficit reduction programme. Overall, grant funding is still expected to reduce, but will vary depending on local levels of house building, commercial development and employment levels. The short term nature of recent estimates means forecast funding levels from Government may be subject to significant change in the medium term.

211. Funding for local government is forecast to continue reducing over the next five years, and is likely to continue to reduce beyond this timeframe. In the medium term this presents itself as funding deficits for the Council which could place strain on local service levels.

212. A summary of the Council’s grant funding is shown in **Table 3.**

Table 3 - Grant Funding is reducing by 8.8% in 2015/16	2014/15 £m	2015/16 £m	Change £m	Change %
Business Rate Retention Scheme	-37.9	-38.6		
Revenue Support Grant	-48.6	-38.9		
Specific Grants	-18.2	-18.4		
Funding Available to Services	**-104.7**	**-95.9**	**-8.8**	**-8.4%**

Source: Cheshire East Finance

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

- Business Rate Retention Scheme
- Revenue Support Grant
- Specific Grants (unring-fenced)
- Specific Grants (ring-fenced)

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

Business Rate Retention Scheme (BRRS)

214. The Council anticipates collection of approximately £139.5m in business rates in 2015/16 (based on the Council’s NNDR1 return to the DCLG). The Council is continuing to use the DCLG Business Rates baseline figures for budget setting purposes of £137.7m. This is slightly below the NNDR 1 reflecting a prudent approach to business rates growth. This will be kept under review.

215. Under the BRRS arrangements 72% of this funding is paid to Government with 28% being retained specifically to support Cheshire East Council services.

216. Growth in business rates can increase local funding, but recent trends in rateable values have remained at a constant level. The Council’s reaction, as set out in the Medium Term Financial Strategy, is to promote inward investment to the area. There are positive signs of investment already, with developments in the south of the borough at Bentley and in the north of the borough at Alderley Science Park. There is also significant capital investment in infrastructure in the middle of the borough with work at Junction 17 of the M6 and progress towards a Congleton link road.

217. As part of the BRRS, authorities are able to come together on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. 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.

218. Cheshire East Council has agreed to enter into a BRRS pool with the Greater Manchester authorities for 2015/16. This has been confirmed in the provisional settlement for 2015/16.

Revenue Support Grant (RSG)

219. In addition to retained business rates the Government provides RSG which is not ringfenced for specific purposes. Historically, RSG and retained business rates were allocated based on a complicated formula that reflected local characteristics such as deprivation, age profiles and road lengths. Links to this complex approach have been dropped in favour of promoting economic growth through named grants. Residual RSG could reduce by as much as 50% in the medium term.

220. Transitional grants to town and parish councils for the implementation of the local Council Tax support scheme will continue to reduce in line with reductions to the Council's Revenue Support Grant (-£93,000). The approach will continue to be reviewed annually. We have communicated this message to our Town and Parish Councils so that they can plan for this reduction.

Specific Grants

221. A number of separately identified but unring-fenced Specific Grants have been retained. The detailed list is shown in **Annex 7** and summarised in **Table 4**.

222. The list of Specific Grants mainly relates to funding for the New Homes Bonus, Education Services Grant and Social Care Grants linked to new responsibilities, which together equate to 71% of the total expected in 2015/16.

Table 4 - Separate specific grants have increased slightly	2014/15 £m	2015/16 £m	Change £m	Change %
New Homes Bonus	-5.4	-6.7		
Education Services Grant	-4.3	-3.0		
Council Tax Freeze Grant	-1.8	-1.8		
Social Care Grants	0	-3.3		
Other Grants	-6.7	-3.6		
Total Specific Grants	**-18.2**	**-18.4**	**0.2**	**1.1%**

Source: Cheshire East Finance

223. Cheshire East Council has been allocated £2.3m from DCLG to support the delivery of additional responsibilities under the Social Care Act which comes into effect from April 2015. The changes to financial thresholds and the introduction of the care cap are introduced from April 2016 and the funding allocations are yet to be announced beyond 2015/16.

224. From 1st July 2015, the responsibility for the Independent Living Fund (ILF) will transfer from the Department of Work and Pensions to local authorities. Cheshire East Council expects associated funding of approximately £1m to continue to provide ILF care and support to people already in receipt of ILF. The funding will transfer to the Council via a s31 grant. The full year grant of £1.5m is expected in 2016/17. From 2016/17 the grant will be subject to a reduction of 5% for attrition. The ILF is not open to new entrants.

225. New Homes Bonus funding is provided to the Council based on the net increase in properties and affordable homes. The scheme is now coming into its fifth year of a six year rolling programme with unring-fenced funding of £6.7m expected for 2015/16. It is not yet clear what will happen to the New Homes Bonus beyond 2015/16.

Education Services Grant (ESG)

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

227. The provisional allocation for local authorities was made on 18th December 2014 and set a figure of £3.5m for Cheshire East. However, a risk analysis of all schools has been carried out to ascertain the likelihood of possible conversion to academy status during 2015/16. Based on this analysis, local estimates have set the provisional return of funds to be £3.0m and this has been factored into the scenario.

228. Beyond March 2015 the position is less clear and prudent estimates of £3.0m per annum have been factored in. This reflects the receipt of some element of funding or subsequent service reductions, or increased income, to the wider Council and the latest risk assessment.

Ring-fenced Grants

Dedicated Schools Grant (DSG)

229. The Government has announced the indicative allocations of DSG for 2015/16 which is ring-fenced. Following extensive educational funding reforms by the DfE, the grant is now allocated in notional funding blocks, namely the High Needs Block, the Schools Block and the Early Years Block.

230. The value of the High Needs Block is determined by identified 2014/15 local authority budgets to which adjustments have then been made. Funding is based on a Guaranteed Unit of Funding (GUF) per pupil for the latter two blocks. The Pupil numbers used in the calculation are based on the October 2014 Pupil Level from Schools Census information. Final allocations of the 2015/16 DSG will include an adjustment for pupils reflected in the January 2015 Early Years Census.

231. An additional £6.8m has been received in the schools block as a result of a national increase in available funding. The funding for the provision of education for eligible two year olds (£3.4m in 2014/15) is yet to be announced as funding will be based on January 2015 Early Years Census.

232. **Table 5** shows the actual DSG received for 2014/15, the indicative DSG for 2015/16, the actual GUF (Amount per Pupil) received for 2014/15 and the Block GUFs to be received for 2015/16 (excluding the adjustment for Academy recoupment).

Table 5 - Dedicated Schools Grant are allocated in three notional blocks from 2015/16	Actual 2014/15 £m	Estimated 2015/16 £m	Change £m	Change %
Total Dedicated Schools Grant	238.5	243.0	4.5	1.9
Comprising:				
Schools Block (notional)	187.0	193.8	6.8	3.7
Early Years Block (notional)	13.3	13.6	0.2	1.6
High Needs Block (notional)	35.1	35.5	0.5	1.3
New responsibilities	3.1	0.1	3.0	-97.8
Per Pupil Funding	**£ / pupil 2014/15**	**£ / pupil 2015/16**		
Dedicated Schools Grant:				
Schools Block (notional)	4.1	4.2		
Early Years Block (notional)	4.0	4.0		
Figures quoted are before the Academy recoupment				

Source: Cheshire East Finance

233. 93% of Dedicated Schools Grant (DSG) is passported directly through to schools and this is one of the highest levels nationally.

Dedicated Schools Grant (DSG) ~ Academy Funding

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

235. The Individual Schools Budget (ISB) receivable for the 37 academies which opened before or during 2014/15 has not been removed from the total DSG award to be received (as reflected in **Table 5**). The funding for these academies of approximately £82m will be

recouped from the Authority's DSG as part of the academy recoupment process.

Sixth Form Funding

236. Total sixth form funding of £16.1m is receivable for schools (this is an estimated figure to be confirmed when actual sixth form pupil numbers are known) of which £4.4m is provided directly to maintained schools with the balance of £11.7m being allocated directly to Academies by the Education Funding Agency.

Pupil Premium Grant

237. The Government has also announced on-going increases to the Pupil Premium Grant which is now in its fourth year. Grant allocations are based on October 2014 census figures for deprived pupils in years from Reception to Year 11.

238. The indicator for eligibility will be Free School Meals received in any of the prior six years by any pupil. The allocations for 2015/16 have been confirmed at £1,320 for primary-aged pupils and £935 for secondary-aged pupils for every eligible child in both maintained schools and academies. All looked after children, adopted children and children with guardians will attract funding of £1,900 and children whose parents are in the armed forces continue to attract £300 per annum. It is estimated that Cheshire East Council will receive £6.8m in relation to the Pupil Premium for 2015/16.

Public Health

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

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

241. Public Health grant will remain ring-fenced for the first three years as a minimum, so expenditure is incurred in line with the definition of public health. The Council has been notified of the funding for the first three years, £12.7m in 2013/14 which was subsequently revised to £13.7m and, £14.3m in 2014/15 and finally, £14.3m for 2015/16.

242. The Council expects to receive additional funding and responsibility for 0-5 year olds from the NHS mid-way through 2015/16. The impact of this is forecast to be £2.4m.

Collecting Local Taxes for Local Expenditure

Council Tax

243. Despite the increase in demand for services, such as waste collection and social care, which is expected from a growing population, the amount of Council Tax charged to occupied properties in 2015/16 will be frozen at the 2014/15 levels. For 2015/16 the Band D Council Tax for Cheshire East Council will therefore remain at £1,216.34.

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

Table 6 - The calculation of the Cheshire East Council Band D Council Tax		2015/16 £m	2015/16 £m
2015/16 Revenue Budget recommended to Council on 26th February 2015 (1)			246.3
Less External Support:			
Business Rates Retention Scheme	(15.8%)	38.9	
Revenue Support Grant	(15.7%)	38.6	77.5
Surplus / Deficit on Collection Funds			0.0
Amount to be Raised from Council Tax (68.5%)			**168.8**
No. of Band D Equivalent Properties			138,764.19
Band D Council Tax			**£1,216.34**

1. This figure is net of specific grants of £18.4m.

Source: Cheshire East Finance

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

Table 7 - Impact of Council Tax on each Band				
Band	**A**	**B**	**C**	**D**
Council Tax £	810.89	946.04	1,081.19	1,216.34
No of Dwellings	29,478	34,840	33,015	24,563
Band	**E**	**F**	**G**	**H**
Council Tax £	1,486.64	1,756.94	2,027.23	2,434.68
No of Dwellings	19,037	13,040	11,864	1,776

Source: Cheshire East Finance

Council Tax Freeze Grant

244. By freezing Council Tax, the Council is entitled to a grant for 2015/16 equal to the amount that could have been raised by a 1% increase (before adjusting for Council Tax Support). As a result of this decision, and past decisions to freeze Council Tax, the Council will receive £9.9m of freeze grant in 2015/16 as set out in **Table 8**.

Table 8 - Council Tax Freeze Grant Equals 10.4% of Cheshire East Council's Government Funding in 2015/16	2015/16 £m
Allocation for:	
2011/12 (now rolled into BRRS)	4.5
2013/14 (now rolled into BRRS)	1.8
2014/15 (now rolled into BRRS)	1.8
2015/16 (Year 1)	1.8
Total Freeze Grant to be Received	**9.9**

Source: Cheshire East Finance

245. Beyond 2015/16 the Council's medium term financial planning assumptions continue to assume a freeze in Council Tax levels. However, at this stage no additional Freeze Grant has been assumed.

Council Tax Base

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

Band D). The level of Council Tax multiplied by the tax base equals the expected income from local taxation.

247. The gross tax base for 2015/16 (before making an allowance for non-collection) is calculated as 140,521.00. After taking into account current collection rates, a non-collection rate was set at 1.25%. This results in a final tax base of **138,764.49** Band D equivalent domestic properties.

248. The tax base for 2015/16 reflects an increase of 0.9% on the 2014/15 equivalent position. This reflects the overall increase in properties in Cheshire East after allowing for the impact of Council Tax Support. The Council Tax Base was approved by Council on 11th December 2014.

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

The impact of the Council Tax Support Scheme

250. 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 are not affected by this change.

251. The impact of Council Tax Support reductions is decreasing in Cheshire East, reflecting a positive trend away from a dependence on support from the local authority. Further details are provided in the Tax base Report to Council on 11th December 2014.

252. Cheshire East will continue to compensate local town and parish councils for any reduction in tax base as a result of the Council Tax Support Scheme. However, this compensation grant will be reduced in line with the funding reductions being experienced by the Council for the Revenue Support Grant (of which the compensation forms a part).

Collection Fund

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

254. A predicted deficit in the Collection Fund reduces revenue funding for the following annual budget and vice versa in the case of a surplus. This can happen if predicted changes in the tax base do not occur or if payments are delayed.

255. The estimated balance on the Collection Fund has been forecast as a net nil position for 31st March 2015. This represents no change from the position forecast at 31st March 2014.

256. The year-end balance on the Business Rates Collection Fund is estimated to be in line with budgeted base line funding levels.

Council Tax on Second Homes

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

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

258. The final figures cannot be calculated until each authority has set its 2015/16 Council Tax. Contributions under the Second Homes agreement to the CDRP from the Police and Crime Commissioner and Cheshire Fire and Rescue Authority will be made during 2015/16 by adjusting the precept payments to those authorities. The provisional contribution from Cheshire East Council is £160,000.

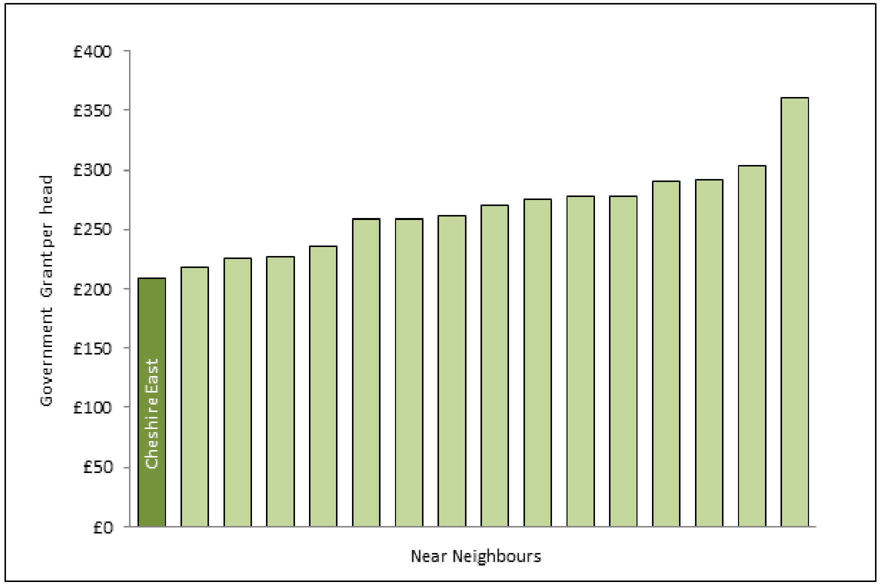
259. Any further changes to Second Homes discounts are not part of the local agreement and therefore the additional income from any change is not included in the figure shown.

Funding Comparisons to similar Councils

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

Chart 2

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



Source: Cheshire East Finance

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What is the Council doing about it?

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

Responding to Key Consultations

2014/15 has seen fewer major consultations on changes to local government finance. The Council has had the opportunity to input into the relevant responses collated by the Society of County Treasurers and the Local Government Association (Cheshire East Council is a member of both) and therefore, in some cases, relied on their collective responses to make any relevant comments. The consultations that have taken place so far in 2014/15 are as follows:

- Rates Retention and Formula Grant
  - Administration of Business Rates in England (closed June 2014)
  - Local Government Finance Settlement 2015/16: Technical Consultation (closed September 2014)
- Public Health
  - Health Premium Incentive Scheme 2014/15 and Public Health Allocation (closed October 2014)
- Schools and Academies
  - Fairer Schools Funding 2015/16 (closed April 2014)
  - Savings to the Education Services Grant for 2015/16 (closed June 2014)
  - Early Years Pupil Premium and Funding for Two Years Olds (closed August 2014)
- Adult Social Care
  - Funding Formula for Implementation of the Care Act in 2015/16 (closed October 2014)
- General
  - CIPFA Nearest Neighbours Model (closed June 2014)
  - Local Audit Regulations (closed July 2014)
  - Independent Commission on Local Government Finance Call for Evidence (closed August 2014)
- Schools Funding
  - The DfE consulted earlier in 2014 on the Schools Funding Formula for 2015/16 and Minimum Funding Levels to be used in that formula. The Local Authority consulted with all schools and governing bodies over the potential changes to the funding formula, with the results of the consultation being considered by the Schools Forum and the Local Authority in producing the Funding Formula for 2015/16. The DfE is still intending to implement a National Fair Funding Formula (NFFF). A consultation on any proposed changes to the schools funding formula for 2016/17 is expected in 2015, although this may not be the NFFF.
- Provisional Settlement
  - The Council has responded to the settlement through the Society of County Treasurers' response. This collective response raised the key issues of: late release; lack of information beyond 2015/16; and the misleading nature of the spending power calculations.

Membership of Collective Groups

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

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

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

Monitoring Developments

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

On-going briefing with Members of Parliament

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

Charges to Local Service Users

262. 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.

263. Approximately 7.5% of the Council's gross income is received through Fees & Charges and the prices are reviewed at least annually.

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

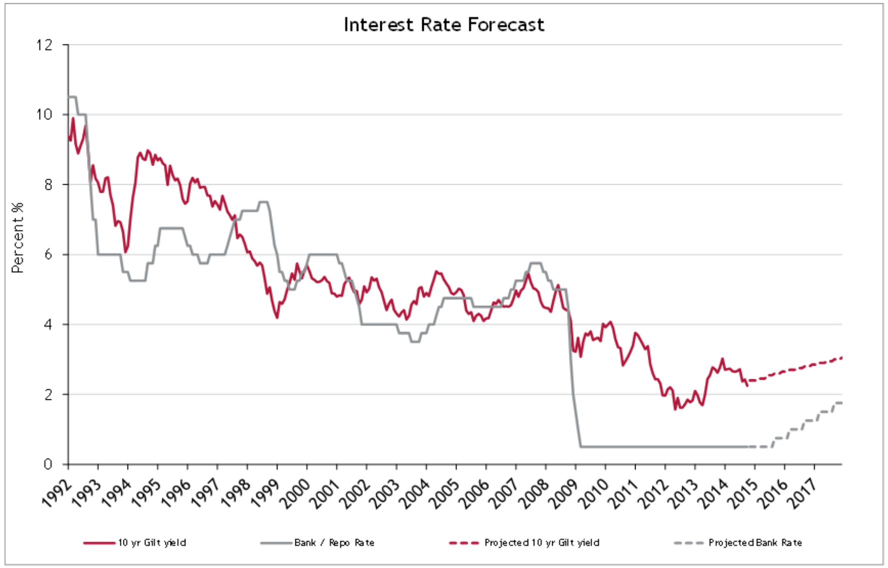
265. To assist officers and Members to recover full cost, the Council has produced a Charging and Trading Strategy to provide the relevant guidance to be applied. This document is available on request.

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

Investment, Borrowing and the Capital Programme

267. The Council's advisors, Arlingclose, forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. They believe the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. Further information on the economic and interest rate forecast are provided in the Treasury Management Strategy 2015/16.

Chart 3 - UK Interest Rates 1992 to 2017 (forecast)



Capital Financing Costs

268. The capital programme is intentionally aspirational, reflecting the Council's priority to put Residents First and to promote local growth. To support this ambition the Council will pursue additional external funding, private sector investment and capital receipts. This approach allows flexibility, so that schemes can be phased, reviewed and if necessary put on hold until the resources required are identified and secured, or alternatively, brought on stream to take advantage of funding and market opportunities as they arise. Cheshire East resources will be utilised accordingly to allow flexibility within the 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.

269. The Council has continued its policy of utilising investment balances instead of taking out new external borrowing in order to finance capital expenditure. External loans amounting to £20m have been repaid since 2009. Together with debt restructuring this has reduced external interest costs by £2m per year.

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

271. The capital financing budget for 2015/16 is shown in **Table 9**. This includes amounts charged in respect of the repayment of outstanding debt and the amount of interest payable on the Council's portfolio of long-term loans. These budgeted costs are partly offset by the amount of interest the Council anticipates earning from the temporary investment of its cash balances during the year.

272. The process of challenging business cases through the Technical Enabler Group and Executive Monitoring Board will manage the need to achieve cost savings from key projects in the capital programme.

Table 9 - Capital Financing Budget	2015/16 £m
Repayment of Outstanding Debt	10.0
Contribution re: Schools Transforming Learning Communities Schemes	-0.9
Direct Revenue Funding	0.8
Interest on Long Term Loans	4.3
Total Debt Repayment	**14.2**
Less: Interest Receivable on Cash Balances	-0.2
Net Capital Financing Budget	**14.0**

Source: Cheshire East Finance

273. The budgeted provision for the repayment of debt in the year 2015/16 comprises of the following elements:

- The charge in respect of borrowing incurred after April 2008 is calculated on a basis that charges the amount borrowed to the Council's income and expenditure account in equal instalments over the anticipated life of the asset. These periods vary from five years to 25 years depending on the type of expenditure funded from the borrowing.

- Historical borrowing prior to this is calculated as 4% of the outstanding balance at 31st March 2013.

274. Details of the Council's Minimum Revenue Provision Policy are shown at **Annex 9**.

275. The amount of interest paid on the Council's portfolio of long-term loans is mainly at a fixed rate of interest (circa 3.93%). This provides a degree of certainty to the capital financing budget.

276. Currently, long-term fixed interest rates are around 3.4%.

277. The rate of interest to be earned from temporary investment of the Council's cash balances (c.£65m) is estimated to be 0.5% during 2015/16.

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

279. The Council sets out the approach to these issues in its Treasury Management Strategy which is also being reported to Cabinet and Council in February 2015.

Capital Programme Planning

280. The 2014/17 capital programme was approved by Council on 27th February 2014. Updates have been provided via quarterly reports to Cabinet during 2014/15.

281. The Third Quarter Review of Performance and the revised profile of spend for 2015/16 onwards forms the base for the 2015/18 programme, which is detailed in **Annex 11**.

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

283. It is very important to manage projects within approved resources and at best value to the Council.

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

285. Since 2012/13, the inclusion of a project in the capital programme is subject to the Council's enhanced governance arrangements. Schemes over £250,000, or where there is a significant risk, are required to go through a gateway process. Schemes are assessed for technical viability by the Technical Enabler Group (TEG) and then reviewed and challenged by a member led Executive Monitoring Board (EMB).

286. Projects are required to go through a second stage (Gate 2) and provide detailed robust project documentation before they have approval to commence. EMB may reject proposals if they are unconvinced of the viability of the business case and any other aspect of the delivery plan including the fit with corporate priorities, which may result in the recommendation to stop the project or a request for a revised proposal.

287. Proposals are at various stages of this process during the year and are included in the programme for planning purposes. Where costings are not yet available indicative estimates are included. Schemes are categorised in the programme according to status, and the schemes that are continuing from the 2014 programme or that have passed through the Gate 2 process will be monitored against progress and spend during 2015/16.

288. Spending plans will be subject to scrutiny throughout the gateway process which ensures a robust quality assurance framework is followed for each project. The governance arrangements will safeguard against projects proceeding where costs may escalate beyond budgets. Variances from approved budgets will be subject to supplementary approval in accordance with financial regulations.

Capital Programme Funding

289. Capital Funding will be provided from four main sources:

- Government Grants
- Capital Receipts
- Borrowing
- External Contributions

Each is detailed below.

290. The Council has discretion over the use of internally-generated capital resources such as receipts from the sale of surplus assets, prudential borrowing and revenue contributions. Discretion is used to ensure that these scarce capital resources are used to support capital schemes that make a major contribution to ensuring the Council's assets are suitable for achieving outcomes for residents and generating revenue savings.

Table 10 - Capital Programme Summary	2015/16	2016/17	2017/18	Total 2015/18
	£m	£m	£m	£m
Committed Schemes	40.0	6.6	1.8	48.4
Medium Term and Recurring Programmes	63.4	46.7	36.4	146.5
Long Term Proposals	42.9	57.8	159.9	260.6
Total Capital Programme	**146.3**	**111.1**	**198.1**	**455.5**
Financing				
Prudential Borrowing	41.5	4.8	19.9	66.2
Government Grants	48.5	46.3	115.1	209.9
Capital Receipts	37.3	39.2	33.9	110.4
External Contributions	17.7	20.8	29.2	67.7
Other Revenue Contributions	1.3	0.0	0.0	1.3
Total Sources of Funding	**146.3**	**111.1**	**198.1**	**455.5**

Source: Cheshire East Finance

Government Grants

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

292. The Council seeks to maximise such allocations of grant, developing appropriate projects and programmes which reflect Government-led initiatives and agendas but address priority needs for local residents. Overall Government funding has reduced in recent years but the Council still receives external support towards a number of projects such as school improvements and major highways infrastructure. Over the medium term these resources equate to £210m, which is 45% of the total Capital Programme.

Capital Receipts

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

294. The Council applies a policy whereby receipts are pooled centrally in the capital reserve and are allocated in line with corporate priorities. An asset disposal schedule is maintained which indicates the timing and estimated values of future receipts.

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

Borrowing

296. 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.

297. The level of Prudential Borrowing required in 2015/16 and in future years is detailed in **Annex 10** – Prudential Borrowing Indicators. The revenue consequences have been considered as part of the medium term strategy to ensure they can be afforded in future years.

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

External Contributions

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

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

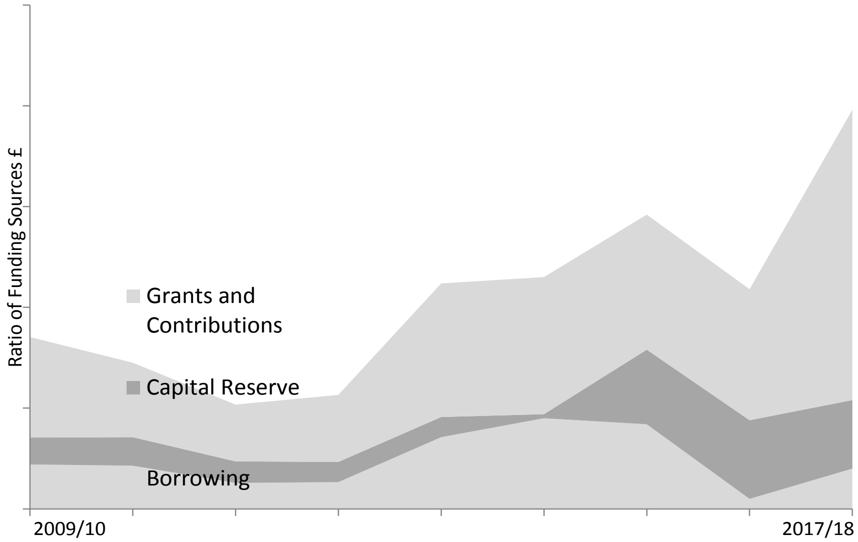
301. As at 31st March 2014 the authority held Section 106 balances totalling £4.8m. The use of the funding is restricted by the terms of the original agreement and the timing of developer contributions is less predictable than other sources.

Other Revenue Contributions

302. Capital expenditure may be funded directly from revenue, but not vice-versa. Whilst overall funding reductions continue pressure on the Council's revenue budget limits the extent to which this may be used. At present no revenue contributions are planned for new schemes.

303. **Chart 4** demonstrates the balance of funding over time. The increase in grants and contributions from 2014 to 2018 relates, in the main, to the Superfast Broadband project and strategic highways schemes.

Chart 4
Balance of Capital Funding Sources from 2009 to 2018



Source: Cheshire East Finance

Other Economic Factors

304. The Council makes an assessment of its financial position over the next three years by using a model known as the financial scenario. It is based on a series of planning assumptions (for example: estimated inflation rates). The planning assumptions were published in the Pre-Budget Report 2015/16 issued in September 2014, and updated through the year via Central Finance Group. Allowance will be made in the 2015/16 budget for other economic factors, largely inflation and pension costs; totalling **£2.9m**.

305. The Budget Report for 2015/16 continues the theme of not including any central allowance for non-pay inflationary pressures on the basis this is being mitigated by service efficiency proposals, increased charges or specifically bid for as a separate policy proposal.

306. The original funding shortfall allowed for a payment of £0.6m for payments of actuarial costs in relation to staff who left the Authority during reorganisation.

307. During 2014/15 it was agree to repay these costs in-year (saving interest costs). Therefore, this has been removed from the Financial Scenario.

Employer Pensions Contributions

308. The Workforce Planning section provides further details on the Pensions provision.

Managing the Reserves Position

309. The Council Reserves Strategy 2015/18 states that the Council will maintain reserves to protect against risk and support investment.

310. 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 are set aside for specific projects where spending will occur outside of the usual annual spending pattern of the budget.

311. Cheshire East Council's Reserves Strategy has been updated and is included at **Annex 12** to this report. For the 2015/16 Budget the Section 151 Officer is satisfied that the strategy remains consistent with previous years.

General Reserves

312. The Budget Report for 2014/15 anticipated an opening balance for 2015/16 of £14.0m. The latest estimate is set at £14.2m, as adjusted for the projected 2014/15 outturn which is based on the three-quarter year review.

313. The medium term financial outlook reflects a reduction in real terms expenditure on Council services. Reducing expenditure over time may require up-front investment in change management that will sustain the financial resilience of the Council.

314. Strategically the Council must therefore utilise short term funding to support change and not to build up reserves. As for 2014/15, there is therefore no planned contribution for 2015/16 to reflect a reduced level of overall risk.

315. Reserves levels will therefore be maintained to protect the Council against risk and should only require amendment if risk materialises or to support short term cashflow issues. General Reserves will therefore now be stabilised over the medium term.

316. £1.7m is proposed to be transferred to earmarked reserves in 2015/16 to provide for costs of planning appeals, potential staffing restructuring, insurances, and to further support activity that will increase the longer term financial stability of the Council.

317. A summary of the updated forecast reserves position over the life of the medium term strategy is shown in **Table 11.**

Table 11 - Reserves levels will be maintained in the medium term	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Opening Balance	19.8	14.2	12.5	12.5
Change	-5.6	-1.7	0.0	0.0
Closing Balance	14.2	12.5	12.5	12.5

Source: Cheshire East Finance

Earmarked Reserves

318. It is anticipated that at 1 April 2015, balances on existing revenue earmarked reserves will be £24.2m (see **Annex 12**).

Summary of Financial Stability

319. **Table 12** summarises the position for 2015/16 to 2017/18.

Table 12 - Three Year Summary Position	2015/16	2016/17	2017/18
	£m	£m	£m
Children and Families	42.9	43.2	43.9
Adult Social Care and Independent Living	95.4	96.3	99.5
Public Health and Leisure	2.3	2.5	2.5
Environmental	27.5	27.5	26.6
Highways	11.0	11.0	11.2
Communities	9.2	9.2	9.4
Economic Growth and Prosperity	22.2	22.4	22.7
Chief Operating Officer	39.3	39.4	40.6
Corporate Contributions and Adjustments	0.9	0.9	0.9
Sub Total: Service Budgets	**250.7**	**252.4**	**257.3**
Capital Financing	14.0	14.0	14.0
Additional Reductions to closing Funding Deficit Yr 2/3			*-13.0*
TOTAL: Estimated Service Budgets	**264.7**	**266.4**	**258.3**
Funded by:			
Business Rate Retention Scheme	-77.5	-68.0	-62.1
Specific Grants	-18.4	-14.7	-14.9
Council Tax	-168.8	-170.7	-171.1
TOTAL: Central Budgets	**-264.7**	**-253.4**	**-248.1**
Potential Funding Deficit	**0.0**	**13.0**	**10.2**

Source: Cheshire East Finance

320. Service expenditure for 2015/16 is shown as **£264.7m**. This represents a decrease of £7.7m (2.8%) on the Budget at the Three Quarter Year Review position.

321. The Funding Available to Services in 2015/16 is estimated at **£264.7m** to give a balanced position.

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

Allocating Funding to Services

323. The Medium Term Financial Strategy – Executive Summary sets out further details of how the Council is approaching delivery of the Three Year Council Plan.

Balancing the Medium Term Budget 2016/17 and 2017/18

324. **Table 12** illustrates that Council funding is forecast to reduce over the medium term by as much as 8.9%. These estimates are prudent, but there is little doubt that Government funding is expected to decrease and that inflationary pressure on services will continue to increase. Setting a robust budget in these circumstances is therefore challenging and plans will be subject to review.

325. The Medium Term Financial Strategy (MTFS) reflects a balanced position for 2015/16 with a mix of specific policy proposals in each Service.

326. The position for 2016/17 and 2017/18 continues to reflect a deficit position. This has been significantly reduced from this time last year and the challenge to remove that gap will continue during 2015/16.

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

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

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

Measure	Table 13 – Balancing the Medium Term Budget
Measure One Challenge Financial Assumptions	- Nationally, there is uncertainty around funding levels beyond 2015/16 in terms of percentage changes to grant, New Homes Bonus and the level of specific grants (such as Education Services Grant and those related to Adult Social Care). Existing forecasts remain prudent and in line with general grant funding assumptions. - Growth in the amount of Business Rates paid, beyond inflation, is not assumed in the medium term. However, the Business Rate Retention Scheme approach to funding local authorities would see a return of £0.3m on 1% of additional growth. Although the Council has ambitious development plans the impact of rating appeals and the overall national economic picture means a currently prudent approach is appropriate at this point in time. The agreement to pool business rates for the purpose of the Business Rates Retention Scheme may assist the forecast growth through reduced levy payments. - New Homes Bonus attracts funding of £1,400 per annum for six years for every additional band D property. The estimates in the MTFS match those detailed in the Local Plan and these will be reviewed in light of in year performance, planning permission granted and sites being developed. From 2017/18 the year one grant falls away and is replaced by a bonus arising from growth in 2017/18. Therefore, the Council will need to at least maintain the housing supply to ensure no change to this figure. However, the impact of the election and additional funding reductions on New Homes Bonus are unknown.
Measure Two Review Local Taxation	The Council retains the opportunity to review current funding assumptions: - There is no assumed increase in Council Tax charges at this stage, nor any assumption about receipt of further freeze grants. This position can be re-examined each year to reflect local and national ambition. - The Council will continue to maximise its tax base through any further flexibility made available by legislation. The potential for development in the area, backed by the Council's continued support for economic growth, is also likely to increase the domestic and non-domestic tax bases over time.

Measure	Table 13 – Balancing the Medium Term Budget
	- Impacts from the continuation of the local Council Tax Support Scheme will be reviewed and scrutinised during the medium term. The scheme may be amended where appropriate, but overall the ambition is to reduce claimant numbers in relation to out of work residents through the promotion of economic growth in the area. - As the potential benefits of investment in local infrastructure are realised local business may engage with the Council to consider the introduction of a Business Rate Supplement to raise funds for specific local purposes. For example, if businesses opted to pay an additional rate of 1p on the rating multiplier they could raise as much as £2.1m each year, this level of funding could support a 15% increase in the Council's Capital funding costs for an agreed scheme. - There is potential to work with local businesses to introduce business improvement districts for specific purposes. - Continued high collection rates may result in a surplus that can be released to support investment in improved services in the local area.
Measure Three Manage Reserves	- The Council adopts a rigorous approach to managing in year expenditure. Service heads will sign off their Budget allocations to endorse accountability. In-year reporting will continue to identify emerging pressures and associated mitigating actions. - The robustness of the proposals in the budget will improve budget management, significantly reducing the risks of unforeseen budget pressure. - The Reserves Strategy for 2015/18 aims to maintain reserve levels over the medium term, although emerging risks or opportunities may require short-term use of reserves.
Measures Four and Five Manage Cost Drivers & Income	The Council's proposals for change can be found within the Medium Term Financial Strategy. Many of the financial implications relate specifically to 2015/16. However, many of these programmes will deliver further savings through to 2017/18. - Employer pension's costs are assumed to rise in the medium term. The results of the next actuarial review have added to the pressure. However, the Council will continue to refine its pensionable pay costs to determine an accurate provision.

Measure	Table 13 – Balancing the Medium Term Budget
	- Pay Inflation is being assumed at 1% in the medium term and will be reviewed in light of available funding and economic circumstances. - Continuously reviewing management levels and staffing structures. Expenditure on employees accounts for c.40% of the Council's expenditure on services, and the reviews will look to ensure that the Council operates an effective commissioning model that focuses on cost benefits and efficiency. - Maintaining the focus on priorities, using a scale-able approach to service delivery that can continue to adapt to available funding and provide essential services. - Reshaping Corporate Services, which account for c.16% of the Council's net budget, to reflect a smaller organisation. - Challenging discretionary services to ensure these meet priority needs, are afforded in the most effective way or are instead ceased or transferred to alternative providers. - Review subsidy levels in services that are also supported by charges to service users. Users pay c.£48m each year towards direct service provision already. Any review will focus on the adequacy of this funding with a view to re-assessing or removing some existing subsidies for discretionary services. - Introducing a robust and effective Community Infrastructure Levy that can engage developers and other stakeholders in delivering appropriate funding in key areas. - Continue to develop an effective commissioning council approach that challenges providers outcomes through innovation. - Maximising development opportunities from the increasing broadband coverage. Increasing commercial development located in Cheshire East would see returns from Business Rate Retention. For example a 1% increase in Business Rates would realise c.£0.3m of additional income per year. - Exploring opportunities to improve health and reduce dependency through integration of the local health programme with key partners. Net expenditure on Adult Services is currently accounting for 36% of the Council's budget. This is the largest budget area so managing costs in this area is essential.

Measure	Table 13 – Balancing the Medium Term Budget
	- Engaging with community groups and local Town & Parish Councils to explore ways of maintaining service delivery at a local level. There are c.300 such groups already financially engaged with Cheshire East Council. The third sector is a powerful economic partner, employing nearly 4,000 staff and generating an income of over £125m per annum, the vast proportion of which is invested back into our local communities and economies. Further opportunities will be explored as part of the Council’s Three Year Plan. - Utilising capacity that can be purchased from the private sector, or other potential partners, to support modern ways of working, opting where possible for no-win, no-fee arrangements, but in any case ensuring low risk returns on investment. Where the Council cannot practically retain expertise it is suitable to purchase this from appropriate suppliers. - Delivering efficient internal processes, such as debt collection and low complexity, high volume transactions in a way that achieves high efficiency without deflecting expenditure from front line services. This may involve lowering any level of tolerance for non-compliance. - Carrying out a further Capital Challenge to ensure the benefits of the ambitious programme are realised. - Promoting “digital by default” approach across the Council where suitable to improve access to services. - Continuing to rationalise the Council’s assets to minimise costs associated with utilities and rates and maximise receipts that can support economic growth outcomes.

Annexes to the

Medium Term Financial Strategy

Report

2015/18

February 2015

Annex 1 Cheshire East Council Three Year Plan

To assist with reading this page a PDF version is has been made available at: www.cheshireeast.gov.uk/budget

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Annex 2 Business Planning Process – Engagement

Introduction

1. Cheshire East Council is conducting an engagement process on its Medium Term Financial Plans through a number of stages running from July 2014 to Council in February 2015, and beyond that as proposals are implemented.

2. The Pre-Budget Report, published on the 4th September 2014 included details of the proposals from each service area for the next financial year. This report was made available to various stakeholder groups and through a number of forums. It was accompanied by a short animation to explain the budget setting process.

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

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

5. Therefore, the prompt identification of proposals that could require additional consultation and a judgement on the potential impact of that consultation process will inform the calculation of the minimum level of reserves held. This is a key calculation as it results in funding being held back to cover risk.

Background

6. Local authorities have a statutory duty to consult on their Budget with certain stakeholder groups including the Schools Forum and businesses. In addition, the Council chooses to consult with other stakeholder groups. In September 2013, Council conducted a stakeholder analysis to identify the different groups involved in the budget setting process, what information they need from us, the information we currently provide these groups with, and where we can improve our engagement process.

7. This report helped to inform the consultation process for the 2014/15 Budget and has been further refined to improve the process for 2015/16. It has continued to identify additional channels of communication which were used to facilitate consultation with more of our stakeholder groups.

Business Planning Process

8. The Business Planning Process for 2015/16 followed a different timescale to previous years. This allowed consultation to take place earlier and for longer.

9. The engagement exercise used existing meetings, as well as specific events, to provide a briefing on the Council's Three Year Plan, outcomes, the budget setting process, and updates on progress for

various stakeholder groups. It was based around the proposals that were shared with Members of Corporate Overview and Scrutiny Committee on 21st July 2014 and then published in the Council's Pre-Budget Report 2015/16, issued on 4th September 2014.

10. All Member Finance Briefings were organised for the 5th August and 16th December 2014. These included updates on the Budget Setting Process, in-year performance and the Council's Value for Money document.

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

Table 1 – Key Engagement Events

Events	Comments
Corporate Overview and Scrutiny Committee - 21st July 2014	Receive details of final outturn and broad Budget process / proposals
All Member Briefing - 5th August 2014	The Chief Operating Officer updated Members on the Budget process and broad proposals to vary budgets.
Cheshire East Council website – 4th September 2014	Pre-Budget Report and animation placed on Council's website and Centranet to launch consultation exercise. Social media used. Over 15,000 people have viewed social media posts.
TeamTalk – 4th September 2014	Issued to all staff and Members to headline Pre-Budget Report.
Corporate Overview and Scrutiny Committee – 11th September 2014	Received Pre-Budget Report and First Quarter Review of Performance and agreed comments for Cabinet on FQR.
Schools Forum – 2nd October 2014	The meeting noted the following points: - The total Cheshire East budget is approximately £750m. - The Council is continuing to move towards a strategic commissioning model.

Events	Comments
	- The Dedicated Schools Grant is the largest slice of the budget at £184m. - The General Grant from the Government is being reduced, year on year, so the Council is having to control costs to maintain services. - Forum members can contribute ideas for closing the budget deficit via shapingourservices@cheshireeast.gov.uk .
Trades Unions – 8th October 2014	The meeting noted the risks associated with further transfers of service to ASDVs
Access to Finance Business Event – 23rd October 2014	Over 100 businesses attended the event and welcomed the chance to feedback on the proposals. Cllr Raynes chaired the event and briefed on the Pre-Budget Report. Further details of the event are provided here.
Staffing Committee – 23rd October 2014	The meeting noted the following points: - The impact of proposals on training and development budgets should be considered. - Future attendance at the meeting should only focus on the staffing elements of the budget.
Corporate Overview and Scrutiny Committee – 10th November 2014	Received the Mid-Year Performance Report and agreed comments for Cabinet
Cabinet – 11th November 2014	Received the Mid-Year Performance Report
Town and Parish Councils Conference – 11th November 2014	The Leader of Cheshire East Council presented an overview of the Council's Finances and the Pre-Budget Report. - Plan for surplus in 2014/15 and give back again if necessary. - The Council will target there being no NEETs (Not in Education, Employment or Training) in Cheshire East. The budget will balance

Events	Comments
	and going for more savings on waste. - Q1: Why is the conference being held in Middlewich again? Will move Town and Parish Council Seminar around the Borough, starting next year. - Q2: Well done on accounts, why join-up Cheshire? It is a personal view that we are better together, but this could be with anyone. - Q3: What's landfill approach? Anaerobic Digestion (Food Waste) and more recycling to 2017, to reduce landfill. - Q4: Recycling confusing? If in doubt recycle and let the Council sort it. - Q5: How often will food waste be collected? We'll be sensible and use most appropriate mix of weekly, fortnightly or even monthly.
East Cheshire Chamber of Commerce and Enterprise Business Event – 20th November 2014	Cllr Raynes presented the Council's Pre- Budget Report to an East Cheshire Business networking event. Issues raised: - Q1: What is state of Congleton relief road? We are undertaking options development, and seeking funding - timing is more difficult to predict as with all road schemes. The Chamber is working with the business engagement team to help this process. - Q2: View on Congleton town centre? It should be better with less traffic and more accessible for visitors.
Macclesfield Chamber of Commerce Business Event – 1st December 2014	Cllr Raynes presented the Council's Pre-Budget Report to a joint event with Macclesfield Chamber of Commerce. Issues raised: - Q1: What is formula grant based on? It is an historical needs based calculation allowing for local issues such as road lengths and deprivation.

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Events	Comments
	- Q2: Who decides where to invest Council funds? The Chief Operating Officer manages the process based on risk and cashflow. Market advice is provided by Arlingclose. - Q3: (follow-up to 2) - is your approach allowing you to avoid borrowing? Yes, the balance sheet position is strong and debt repayments have been made this year. - Q4: What is the reason for Cheshire East having 17,700 businesses and only 13,500 business premises? The larger figure represents all VAT registered entities, so may include people working from home, or subsidiary companies sharing premises. - Q5: When did changes on 2nd property Small Business Rate Relief and payment over 12 months come in? As part of the Autumn Statement 2013. - Q6: Discussions followed on appeals process, issues and local data. A primary contact for business rates issues was provided. - Q7: It is a significant hardship paying 100% rates for empty premises, can anything be done? We will explore the opportunity to feed this back to DCLG. - Q8: Will fees and charges go up? Some fees may increase to recover costs, and options to index link prices will be considered, but there is no wholesale approach to increasing charges. - Q9: Why not have car parking free for the first hour? A car parking review is underway and details can be shared with the Chambers, it is also possible to send comments to randc@cheshireeast.gov.uk and they will be collated. - Q10: Who is the business contact at CEC, to receive support? The Chambers rep will provide contact details to delegates. - Q11: Could the presentation be provided to the Make it

Events	Comments
	Macclesfield group? Yes, this will be offered.
Corporate Overview and Scrutiny Committee – 2nd December 2014	Receive Budget Setting Process update report
Cabinet – 9th December 2014	Consider the Council Tax Base for recommendation to Council.
Council – 11th December 2014	Agree Council Tax Base
All Member Briefing – 16th December 2014	Budget proposals
Funding announcements – 18th December 2014	From Government
Corporate Overview and Scrutiny Committee special meeting 20th January 2015	Receive Draft Budget Proposals
Final Medium Term Financial Strategy (MTFS) / Budget Report released – late January 2015	
Cabinet – 11th February 2015	Consider MTFS Report

Annex 3 Impact Assessment

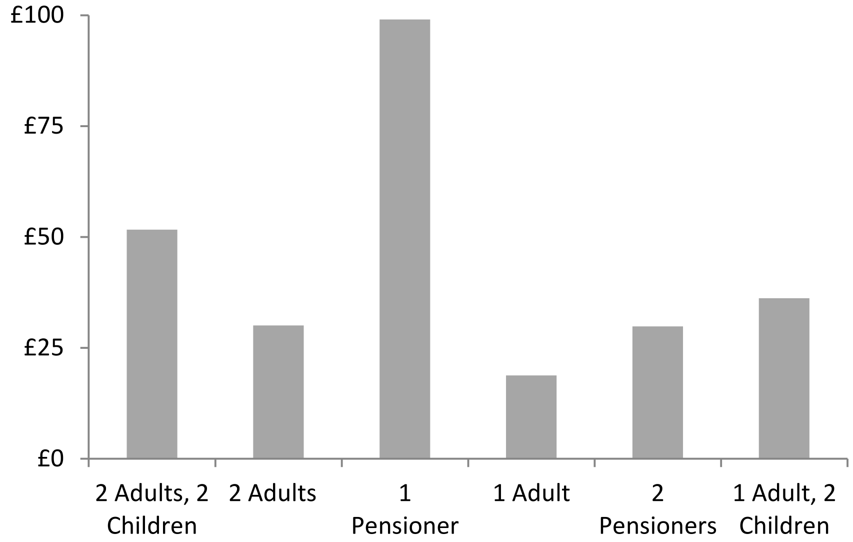
Household Calculator

1. The 2015/16 Budget is the result of a major process to set a balanced budget that can meet the needs of local people in the local environment. The details of the Budget have been set out in previous sections in terms of financial stability and allocation to services. This section considers the impact of the Budget on typical groups of service users in terms of the changes they may see and the charges they may pay.

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

3. **Chart 5** below illustrates the annual impact on six typical households accessing a variety of different services if a blanket increase in line with Retail Price Index (RPI), as at December 2014, were to be applied.

Chart 5
Households could face £20 to £100 increases in costs if the Council just applied inflation to its charges



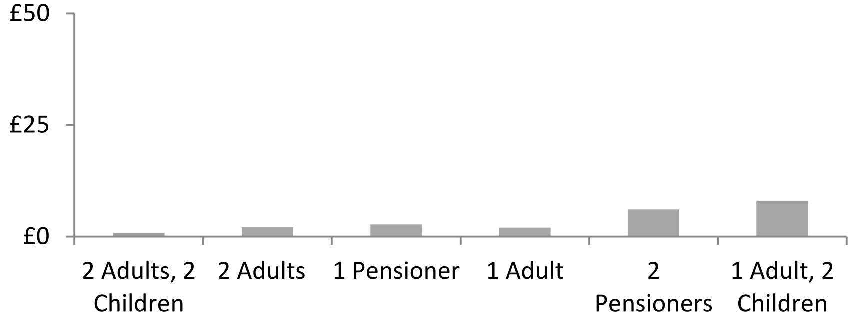
Source: Cheshire East Finance

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

5. The Strategies calculate full cost of the service being provided and therefore set out the resulting subsidy or surplus each time a charge is made. This will then be used to inform the setting of future levels of fees and charges to ensure fairness and that the Council meets any statutory obligations.

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

Chart 6
Actual increases in potential costs are minimal across all groups



Source: Cheshire East Finance

7. The policy proposals of the Council have offered protection to all typical groups saving a typical household £41 a year.

8. Further details on the impact on businesses, communities and the environment are shown in **Table 14** on the following pages.

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Table 14: Impact of the 2015/16 Budget Proposals on **Local Businesses**

Typical Facts:

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

Working with Businesses

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

The team provides:

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

The Council has a strong commitment to the development and regeneration of our town centres. This will be supplemented further over the 2015/18 period, through further investment in its regeneration programme, alongside the strategic use of its own land and property, to lever in additional private sector investment. This will enhance the attractiveness of our towns to residents and visitors, and increase confidence in the developer and investor communities.

Government sets new Business Rates multipliers for 2015/16

- Multiplier set by Government capped at 2% for a further year (September's RPI, by which bills were due to increase, was 1.6%).
- Provisional 2015/16 Multiplier at 49.3p* in the £.
- Small business multiplier provisionally 48.0p** in the £.

* Includes supplement to fund small business relief.

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

Small Business Rate Relief (SBRR)

- Extension of the doubling of the SBRR to April 2016.
- 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.

Deferment Scheme for 2013/14

Business ratepayers who chose to defer part of the payment of their 2013/14 rates bill under the 2013/14 deferment scheme will pay back 50% of the deferred amount in 2014/15.The remaining 50% will be due in 2015/16.

Supplementary Business Rates

There are no proposals for Cheshire East Council to charge supplementary rates in 2015/16.

Local Retention of Business Rates

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

Local Discretionary Rate Relief

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

Other measures to support local businesses with business rates

- Temporary reoccupation relief, granting a 50% discount from business rates for new occupants of previously empty retail premises for 18 months (property must have been empty for 12 months or more).
- Increasing the temporary discount of £1,000 up to £1,500 against business rates bills for retail premises (including pubs, cafes, restaurants and charity shops) with a rateable value of up to £50,000 in 2015/16.
- Continuation of the option to spread business rates bills over 12 months rather than 10 months.
- A commitment by Government to resolve 95% of outstanding rating appeal cases by July 2015.

Council Partners and Stakeholders  Mayor Cllr Wesley Fitzgerald with Deputy Mayor Cllr Hilda Gaddum For Example: Town and Parish Councils, Health, Fire, Police, Schools, Colleges, Universities, Community, Voluntary and Faith Organisations, Housing Providers, Community Partnerships.	The Council proactively works with partners to deliver services in Cheshire East. We seek to commission and deliver jointly with our partners, both across Cheshire East and at a local level. We are working with partners to focus our joint resources on early intervention and prevention, and supporting the development of resilient, self-reliant communities. Specifically, this budget reflects the changes to financial arrangements arising from the reform of the health care sector, including the integration of Public Health into the local authority. The Council will continue its work with Town and Parish Councils to develop local service delivery options including the transfer of assets and devolution of services where appropriate. The budget includes a one off payment to Town and Parish Councils to reflect changes in funding arising through Council Tax Support. The total amount allocated for 2015/16 is £298,000. This grant allocation is reviewed on an annual basis. The Council is committed to further developing and managing collaborative partnership working in local areas to deliver services as locally as possible and to develop strong communities. We are leading activity to secure outcomes based on understanding the needs of the community through: - Developing our strategic partnerships across Cheshire East to enable joint commissioning and improve integration of local services. - Bringing local partners together to better share resources and redesigning public sector services across Cheshire East to better meet local needs. - Community engagement work to support and develop strong communities, with local communities identifying and being involved in addressing their local issues. - Promoting and supporting community partnerships to further develop communities with a stronger sense of neighbourliness. - Developing Community Hubs across Cheshire East which provide services where local people will use them, so that services are delivered in the way which gives best value for local people. - Working collaboratively with partners to deliver against our joint rural priorities, and to rural proof key decisions. - Working with partners and communities to ensure that local people feel safe and are safe in their communities. - Developing positive relationships between the Council and the community, voluntary and faith sector, at both a local and strategic level, and supporting the sectors to become commissioning ready. - Investing in our Community Grants scheme to ensure communities can develop initiatives which are important to them.

The Local Environment  	Cheshire East Council is committed to continuing to reduce its energy consumption and carbon emissions from its buildings and will continue to develop strategies during 2015/16, and beyond, to reduce the environmental impact of its activities. The Council has achieved its Carbon Management Plan target of reducing our carbon emissions by 25% by March 2016 a full two years early. The target for reducing energy use in its corporate buildings has been increased to 35%. The Council has embedded carbon reduction into its service delivery and continues to improve by undertaking carbon reducing projects: - Energy saving measures and property rationalisation in our own Council buildings to continue to reduce our carbon footprint. - Reducing carbon emissions from its own vehicles by undertaking a whole fleet review, installing technology and educating staff to reduce fuel consumption. - Completion of our £5.2m capital investment in street lighting combining a number of measures to reduce energy use including a borough wide replacement of traffic signal lamps with LED's, which will cut energy and carbon. - Reducing the impact of our staff travel through a number of measures including changes to staff travel rates and promotion of alternatives to single car occupancy.

Equality Impact	We have a statutory duty to understand the equality impacts of our decisions, policies, strategies and functions. We ensure that our budget decisions do not discriminate against any group and promote equality of opportunity and good community relations. We undertake equality assessments where necessary, and continue to do so as projects develop across the lifetime of the Three Year Plan. This process helps us to understand if our budget proposals: - Have an adverse impact on any of the protected characteristics listed in the 2010 Equality Act, - Result in direct or indirect discrimination. The process assists us to consider what actions could address or alleviate any adverse impact and help us to recognise where investment could alleviate an adverse impact from a saving. Completed equality assessments form part of any detailed Business Cases.

Annex 4 Workforce Strategy

Introduction

1. Recognising the dynamic environment within which the Council is operating, work is underway to develop our Workforce Strategy for 2015/18 to enable the following outcomes:
    - We have an agile, multi-skilled, engaged and high performing workforce ready and able to respond to the challenges ahead.
    - Where appropriate we attract and retain the best people from all sectors of the community to work for the Council.
    - Share and deploy available resources across the Council in the best way to ensure priorities are achieved.
2. The strategy will focus on six broad dimensions as outlined below. The outcomes will be measured against national standards and benchmarks, alongside key performance indicators such as our staff survey results and employee engagement index.

Culture and Values

3. Last year saw the introduction of our revised framework of core values which at their heart is our commitment of 'Putting Residents First'. The five values reflect what we collectively believe will stand us in good stead in the years to come and define the culture we believe will enable success. The focus for 2015/16 will be on fully integrating the values and associated behaviours into the Councils strategies, policies and processes to ensure that we consistently live and embed the values in our approach to service delivery.
4. Role models of our values were celebrated in December 2014 through a number of Making a Difference annual awards to individuals and teams as part of the Making a Difference staff recognition scheme. Around 60 nominations were received from staff and members, resulting in more than 500 colleagues being recognised for putting residents first and making a real difference to colleagues, citizens and communities. The Making a Difference staff recognition scheme will run throughout 2015/16 to recognise colleagues who go the extra mile and put our residents first.
5. Innovation and building a strong creative dimension to the Council’s culture will be a primary focus over the next year. A series of conferences are planned during early 2015 to kick start this initiative to explore and put into practice how we can be more creative and innovative in an ever changing world. The aim being to release the collective creative potential of our workforce to support and enable the Council's continued journey of transformation - this will be built on further during the course of the year.

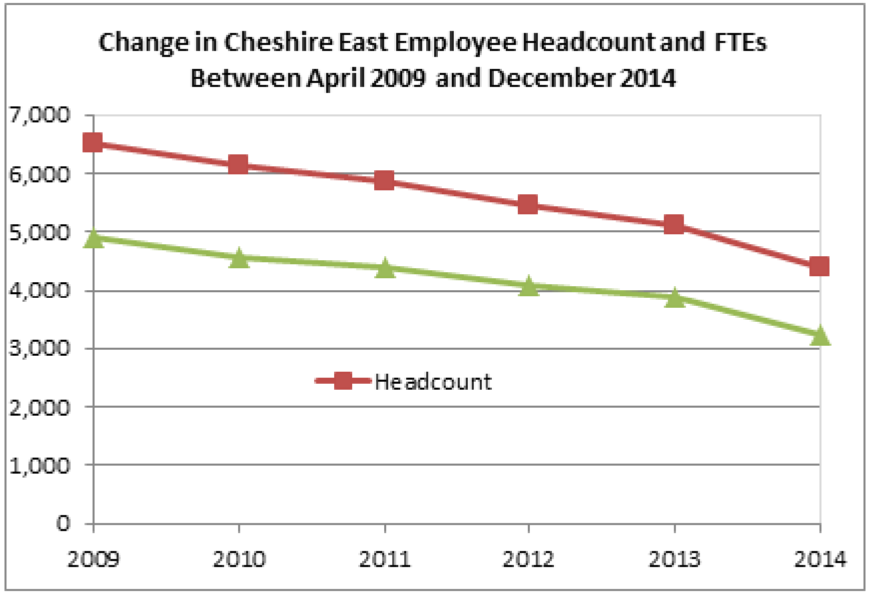
Organisational Design

6. The Council's journey as a strategic commissioning authority continues at pace with a range of Alternative Service Delivery Vehicles (ASDV's) now established.

7. Between April 2009 and December 2014, the Cheshire East Headcount has reduced by 38.5%; the largest reduction in headcount occurred between April 2013 and April 2014 when the Cheshire East headcount reduced by 13.7% (equivalent to a 16.7% reduction in FTE). This was, in part, attributable to the TUPE transfer of staff to the ASDV's – with a total of 1,174 employees (651.8 FTE) transferring during 2014. Further creation of ASDVs or the transfer of Council services is under consideration.

8. Looking ahead for 2015/16 in terms of service design and delivery, the focus will increasingly be on improved demand management, prevention and early intervention as well as multi-disciplinary / inter organisational design in areas such as integrated care. Appropriate governance will continue to play an important role in service redesign and delivery.

Headcount Analysis and Trend



Pay and Benefits

9. A two year NJC pay agreement (1 April 2014 to 31 March 2016) has been reached and budgeted for in 2014/15 and 2015/16. This includes a pay rise from 1 January 2015 (ranging from 8.56% at lower grades, and 2.2% from Grade 3 (SCP11) and above). The agreement also includes "non-consolidated payments" for those in post on 1 December 2014. The lowest pay-scale (scale point 5) will be abolished on 1 October 2015 and people on this lowest pay scale will be moved to scale point 6. A pay award for Chief Officers has yet to be agreed.

10. Market pressures on pay are increasingly evident in a number of areas and a review of the Council's approach to fair pay and reward is proposed for 2015/16. In some professional areas in particular this is expected to explore approaches to keep pace with the

market and fully leverage intrinsic and extrinsic reward. Recognition processes to further align reward with performance may build increased flexibility, whilst maintaining equity, fairness and affordability.

Leadership and Management

11. A specific priority continues to be developing authentic change leadership and robust operational and people management capabilities at all levels. This has been achieved through the Council's Management Institute of Excellence with a range of tailored development programmes underway or in the pipeline. 2015 will see an increased focus on integrated leadership across both health and adult social care and developing a collaborative leadership pipeline working with partners from across the sub-region.

Building Capability

12. The Council continues to focus on and invest in educating and equipping our workforce with continuous professional development, vocational, technical, statutory and mandatory skills. In addition, work is ongoing to build key organisational capabilities including increased commercial awareness, commissioning skills and performance improvement.

13. Towards Excellence, the learning, development and staff improvement corporate training programme, continues for all employees comprising of statutory, mandatory, vocational and professional themes and topics. This ensures that Cheshire East creates a workforce which is safe, knowledgeable and competent in performing their duties to the highest possible standard, providing the best quality services to the residents and businesses.

14. In the last year over 1,050 delegates have attended statutory, mandatory and vocational training, with the Management Institute of Excellence programme delivering a further range of workshops attended by 39 delegates interested in improving their business and commerce awareness, in addition to 90 managers undertaking Institute of Leadership and Management qualifications and workshops.

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

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

17. The Council continues to develop high calibre registered social work professionals as follows: supporting 44 new qualified social workers (adults and children's) with a further cohort to register on Assessed and Supported Year in Employment programmes from January 2015; 24 children's social workers undertaking the Progression Year 2 programme and Post Graduate Diploma / modules; ensuring that 29 specialist mental health practitioners

and 21 Best Interest Assessors created to adhere to changes in legislation are appropriately trained, together with confirmed Social Work Practice placements increasing to 14. Partnership arrangements within local networks continue to deliver on Safeguarding and Integration agendas too.

Talent Maximisation

18. Recognising that talent and potential exists throughout the organisation increased emphasis will be placed on introducing mechanisms to identify, develop and deploy those individuals with the highest levels of potential in a systematic and proactive way during 2015/16, and to build talent across the Council to yield the best return on investment.

19. Following a successful pilot during 2014/15, the Council's "Coaching Matters" programme will continue into 2015/16 to develop and embed a coaching style to developing potential, accelerating change and maximising performance. Early evaluation has highlighted positive changes in behaviours and performance through this approach.

Annex 5 Risk Management

1. Risk management continues to be an integral part of our business planning processes. Through the identification and managed response to risk, we are maximising opportunities to achieve our priorities, intended outcomes and key projects and we avoid or minimise any significant actions or events that may prevent us from achieving our plan.

2. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective. Risk management is not just about dealing with problems effectively; it is also an aid to improvement.

3. The arrangements for Risk Management are set out within the 'Risk Management Policy 2014/15, which was last updated in June 2014. The Policy provides a strong basis on which to develop the Council's risk management approach but it was felt that it may not be readily understood by those less familiar with the risk management process. The Policy will therefore be revised in order to provide greater clarity with regard to:

   - How the Council's Senior Managers and elected Members intend to manage risk - being explicit about what needs to be accomplished, how, by when, and who is responsible for what, recognising that embedding risk management and strong controls in the daily and regular business of the Council is an iterative process.
   - The scope of the risk management activity in the Council - being explicit about how all of the risks faced by the organisation are being considered, starting at the strategic level and cascading down into the Council's structure as considered appropriate.
   - What processes are to be applied corporately to ensure consistency of approach.

   The work the Council has been carrying out to introduce commissioning plans has afforded the opportunity to fully integrate risk management as part of the Service Planning process.

4. Risk is considered and responses chosen at the business planning stage and that risk activity is focused on the delivery of key organisational objectives. Furthermore, the performance management processes ensure that the Risk Registers are critically examined and refreshed throughout the year. Further refinement to this process is planned to ensure that:

   - A balance is struck in managing risk so that the approach is not over bureaucratic and process driven but has sufficient rigour.
   - Risk management is not just about preventing things from happening it is also about capitalising on opportunities.

5. The internal controls of the Council are influenced by the risks. An effective control manages the identified risk, by reducing the likelihood of the risk happening, or minimising the impact. When controls are reviewed their success in managing those risks is considered. Sometimes controls are put in place to manage risks but continue to operate even though the risk has changed or other controls now address the risk.

6. Our internal control framework includes the work undertaken by the Technical Enabler Group and Executive Monitoring Board established for our significant projects and programmes. Reports to Committee and Leadership Board also include a standard section on risk management which we use to maximise our opportunity of evidenced decision making. Report writers share their knowledge of the cause and effect of risks to ensure that decision makers fully understand risks before taking decisions, so that we are open, transparent and able to justify our decisions.

7. Risk management is underpinned by new learning and development opportunities and guidance material to support those tasked with identifying and managing risks on behalf of the Council.

8. Significant risk impacting upon the achievement of the Council's corporate plan is escalated through the new Corporate Assurance Group and reported to and monitored by the Corporate Leadership Board and Cabinet. Assurance of the risk management framework is provided through the Audit and Governance Committee. Our response to risk is taken from both a top down and bottom up approach so that oversight and recognition of risk and the resource of sensible protection of threats and exploitation of opportunities can be considered corporately.

9. The latest comprehensive review has updated the risk register in January 2015. The audit committee was informed of progress managing our corporate risks. CAG, the Corporate Leadership Board and Cabinet, are included as part of the process to identify new and emerging risks and seek agreement for the 2015/16 Corporate Risk Register.

10. Key messages from the management of our corporate risks during 2014/14 include;

Financial control risk - The Council has continued to develop its financial management processes and has reflected upon the recent audit by the Council's external auditors. The audit process has shown improvements with a clean audit, including a positive value for money assessment and achievement of financial targets

Financial and performance improvements have been made during 2014/15, including developing and improving the financial reporting across the Council. This demonstrates that risk faced by the Council continues to be carefully managed and has allowed us to continue reduce the risk score in this area.

Evidenced decision making risk -The Council has put in place a core Business Intelligence (BI) Team to address opportunities for additional funding. This resource now provides relevant business intelligence data capable of informing and driving commissioning decisions thereby ensuring that resources are targeted at areas of most need.

Commissioning and service delivery chains risk - The Procurement Board now regularly meets to oversee the developments of the new procurement arrangements, the monitoring of procurement activity, including monitoring the savings and reductions that are being achieved and the future direction for procurement activity across the Council.

Contract and relationship management risk - The Council has made progress establishing the client commissioning function reporting through to the Executive Director of Strategic Commissioning, which has allowed the business case and plans for a number of ASDVs to have been formalised and put in place. Further negotiations have begun to develop the management fees for the ASDVs for 2015/16, which incorporates contract specification and management.

Annex 6 The Budget Setting Process

Set Parameters	Gather Evidence	Consult and refine	Approve
April 2014	May 2014 to June 2014	July 2014 to November 2014	December 2014 To February 2015
Assumptions reported to Cabinet / Council in February 2014:	Develop Pre-Budget Report:	Changes post Pre-Budget Report:	Budget Report:

Assumptions reported to Cabinet / Council in February 2014:

Revenue Budget 2015/16	£m	
Cost of services	269.2	→
Council Tax	-167.3	→
Government Grants	-95.3	→
Total	6.6	

Develop Pre-Budget Report:

Review Assumptions	£m	
Draft Proposals for 2015/16	-4.3	→
Determine Tax base (New properties less discounts)	-1.0	→
Estimated reduction in Capital Financing costs	-0.7	→
Removal of Severance costs repaid early in 2014/15	-0.7	→
Total	-6.7	

Changes post Pre-Budget Report:

Confirm Proposals	£m	
Proposed changes following consultation	+3.4	→
Tax base agreed	-0.5	→
Restatement of Capital Financing costs	+0.7	→
Removal of One Year Budgets	-3.0	→
Grant estimate further increased following Provisional Settlement	-0.5	→
Sub Total	+0.1	

Budget Report:

Latest Position	£m
Cost of services	264.7
Council Tax	-168.8
Government Grants	-95.9
Total	0.0

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Annex 7 Grant Funding Details

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
SPECIFIC USE (Held within Services)				
Schools				
Dedicated Schools Grant	238,454	242,949	242,949	242,949
Less Academy Recoupment	79,413	82,314	100,345	123,722
Dedicated Schools Grant (Cheshire East)	159,041	160,635	142,604	119,227
Pupil Premium	6,795	6,795	6,795	6,795
Sixth Forms	4,408	4,408	3,513	3,513
Total Schools	**170,243**	**171,838**	**152,912**	**129,535**
Housing Benefit Subsidy	84,518	84,518	84,518	84,518
Public Health	14,274	14,274	16,597	18,920
Bus Services Operators Grant	348	0	0	0
Restorative Justice Development	8	8	0	0
TOTAL SPECIFIC USE	**269,391**	**270,638**	**254,027**	**232,973**
GENERAL PURPOSE (Held Corporately)				
Central Funding				
Revenue Support Grant	48,601	38,941	29,423	23,539
Business Rates Retention Scheme	37,883	38,607	38,607	38,607
Total Central Funding	**86,484**	**77,548**	**68,030**	**62,146**
Children and Families Services				
Troubled Families	130	110	94	80
Troubled Families - Co-ordinator	100	85	72	61
Adoption Improvement	275	0	0	0
Extended Right to Free Transport	153	0	0	0
Special Education Needs Reform	384	0	0	0
Youth Detention - Looked after Children	27	0	0	0
Youth Justice Grant	353	326	0	0
Staying Put	36	0	0	0
Special Educational Needs and Disabilities	280	0	0	0

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Adult Social Care and Independent Living				
Local Reform and Community Voices	262	265	0	0
Care Bill Implementation Grant	125	0	0	0
Independent Living Fund	0	1,000	1,500	1,425
Adult Social Care	0	2,272	0	0
Environment				
Lead Local Flood Authorities	52	35	0	0
Highways				
Sustainable Drainage Systems Capability and Capacity Building	123	0	0	0
Economic Growth & Prosperity				
Skills Funding Agency	890	627	474	403
Neighbourhood Planning	40	0	0	0
Communities				
Housing Benefit and Council Tax Administration	1,760	1,549	1,000	1,000
NDR Admin Allowance	562	559	475	428
Social Fund - Programme Funding	612	0	0	0
Social Fund - Administration	119	0	0	0
Council Tax Support	135	53	0	0
Implementing Welfare Reform Changes	57	0	0	0

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Chief Operating Officer				
Education Services Grant Note 1	4,262	3,000	3,000	2,550
New Homes Bonus 2011/12	870	870	870	0
New Homes Bonus 2012/13	1,844	1,844	1,844	1,844
New Homes Bonus 2013/14	1,037	1,037	1,037	1,037
New Homes Bonus 2014/15	1,358	1,356	1,356	1,356
New Homes Bonus 2015/16	0	1,200	1,200	1,200
New Homes Bonus 2016/17	0	0	1,583	1,583
New Homes Bonus 2017/18	0	0	0	1,727
New Homes Bonus 2013/14 - top slice	129	128	0	0
Affordable Homes 2012/13	85	85	85	85
Affordable Homes 2013/14	82	82	82	82
Affordable Homes 2015/16	0	63	63	63
Council Tax Freeze Grant 2013/14	0	0	0	0
Council Tax Freeze Grant 2014/15	1,807	0	0	0
Council Tax Freeze Grant 2015/16	0	1,816	0	0
Community Rights to Challenge	9	0	0	0
Community Rights to Bid	8	0	0	0
Individual Electoral Registration	117	0	0	0
NNDR Software Changes - Retail Relief	8	0	0	0
Open Data and Transparency Programme	74	0	0	0
Total Service Funding	**18,165**	**18,362**	**14,735**	**14,924**
TOTAL GENERAL PURPOSE	**104,649**	**95,910**	**82,765**	**77,070**
TOTAL GRANT FUNDING	**374,040**	**366,548**	**336,792**	**310,043**

Note 1 - Reflects the final allocation of Education Services Grant which resulted in a reduction of £0.4m.

Annex 8 Capital Grants

	Prior Years Grant Received £000	Expected Receipt 2015/16 £000	Application of Grants in 2015/16 £000	Expected Receipt 2016/17 £000	Application of Grants in 2016/17 £000	Expected Receipt Future Years £000	Application of Grants in Future Years £000
SPECIFIC PURPOSE (Held Corporately)							
Children and Families Services							
Basic Need Grant 2014/15	2,156		2,156				
Basic Need Grant 2015/16		2,797	2,797				
Basic Need Grant 2016/17				2,337	2,337		
Basic Need Grant 2017/18						2,800	2,800
Targeted Basic Need 2014/15	1,733		1,305		428		
Department for Education Grant 17/18						15,000	15,000
Capital Maintenance Grant 2013/14	614		614				
Capital Maintenance Grant 2014/15	4,066		4,066				
Capital Maintenance Grant 2015/16		3,367	3,367				
Capital Maintenance Grant 2016/17				3,367	3,367		
Capital Maintenance Grant 2017/18						3,367	3,367
Devolved Formula Capital 2012/13	138		138				
Devolved Formula Capital 2013/14	329		329				
Devolved Formula Capital 2014/15	565		565				
Devolved Formula Capital 2015/16		656	148		508		
Devolved Formula Capital 2016/17				656	656		
Devolved Formula Capital 2017/18						656	656
Universal Infant School Meals	62		62				
Short Breaks Disabled Children 2012/13	80		80				
Total Children & Families Services	**9,743**	**6,820**	**15,627**	**6,360**	**7,296**	**21,823**	**21,823**

	Prior Years Grant Received £000	Expected Receipt 2015/16 £000	Application of Grants in 2015/16 £000	Expected Receipt 2016/17 £000	Application of Grants in 2016/17 £000	Expected Receipt Future Years £000	Application of Grants in Future Years £000
Adult Social Care and Independent Living							
Community Capacity Grant 2013/14	212		212				
Community Capacity Grant 2014/15	796		796				
Community Capacity Grant 2015/16		800	800				
Community Capacity Grant 2016/17				800	800		
Community Capacity Grant 2017/18						800	800
Total Adult Social Care and Independent Living	**1,008**	**800**	**1,808**	**800**	**800**	**800**	**800**
Economic Growth & Prosperity							
Disabled Facilities Grant 2015/16		990	990				
Disabled Facilities Grant 2016/17				990	990		
Disabled Facilities Grant 2017/18						990	990
Gypsy Traveller Sites/ Housing Communities Agency		900	900				
Crewe Green Link Road / Department of Transport		426	426				
Tatton Vision / Heritage Lottery Funding		796	796	34	34		
Congleton Relief Road / Department of Transport				4,421	4,421	40,578	40,578
Poynton Relief Road / Department of Transport						24,000	24,000
Macclesfield Movement Strategy / Department of Transport				2,500	2,500	800	800
Crewe Transformation Project / Phase 3				1,500	1,500	9,500	9,500
Private Sector Assistance Grant / 2011/12	231		231				
Crewe Town Centre Regeneration / Local Growth Fund		5,000	5,000	2,500	2,500	2,500	2,500
Maintenance Block 2015/16		100	100				
A34 Corridor Improvements / Department of Transport		500	500	9,500	9,500		
King Street Enhancement / Department of Transport		600	600	900	900		
Sydney Road Bridge / Department of Transport		1,285	1,285	1,667	1,667	2,898	2,898
A6 Corridor Improvements / Department of Transport		100	100	900	900		
Total Economic Growth & Prosperity	**231**	**10,697**	**10,928**	**24,912**	**24,912**	**81,266**	**81,266**

	Prior Years Grant Received £000	Expected Receipt 2015/16 £000	Application of Grants in 2015/16 £000	Expected Receipt 2016/17 £000	Application of Grants in 2016/17 £000	Expected Receipt Future Years £000	Application of Grants in Future Years £000
Highways							
Maintenance Block 2012/13	6		6				
Maintenance Block 2015/16		10,450	10,450				
Integrated Transport Block 2015/16		1,987	1,987				
Maintenance Block 2016/17				9,580	9,580		
Integrated Transport Block 2016/17				1,987	1,987		
Maintenance Block 2017/18						9,290	9,290
Integrated Transport Block 2017/18						1,987	1,987
Total Highways	**6**	**12,437**	**12,443**	**11,567**	**11,567**	**11,277**	**11,277**
Chief Operating Officer							
Connecting Cheshire Phase 1 & 2 - Super Fast Broadband		7,643	7,643	1,716	1,726		
TOTAL SPECIFIC PURPOSE - CAPITAL GRANT FUNDING	**10,988**	**38,397**	**48,449**	**45,355**	**46,301**	**115,166**	**115,166**

Annex 9 Minimum Revenue Provision

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

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

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

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

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

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

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

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

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

10. The MRP Statement will be submitted to Council before the start of the 2015/16 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.

Annex 10 Prudential Borrowing Indicators

Prudential Indicators revisions to:
2014/15 and 2015/16 – 2017/18, and future years

Background

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

Gross Debt and the Capital Financing Requirement

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

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

4. The Chief Operating Officer reports that the Authority had no difficulty meeting this requirement in 2013/14, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

Estimates of Capital Expenditure

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

Table 1 - Capital Expenditure	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	Future Years Estimate £m
Total	116.9	146.3	111.1	120.3	77.8

Source: Cheshire East Finance

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

Table 2 - Capital Financing	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	Future Years Estimate £m
Capital Receipts	10.0	37.3	39.2	18.2	15.7
Government Grants	54.2	48.5	46.3	80.3	34.8
External Contributions	14.1	17.7	20.8	7.2	22.0
Revenue Contributions	0.9	1.3	0.0	0.0	0.0
Total Financing	**79.2**	**104.8**	**106.3**	**105.7**	**72.5**
Prudential Borrowing	37.7	41.5	4.8	14.6	5.3
Total Funding	**37.7**	**41.5**	**4.8**	**14.6**	**5.3**
Total Financing and Funding	**116.9**	**146.3**	**111.1**	**120.3**	**77.8**

Source: Cheshire East Finance

7. The above table shows that the capital expenditure plans of the Authority cannot be funded entirely from sources other than external borrowing.

Ratio of Financing Costs to Net Revenue Stream

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

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

Table 3 - Ratio of Financing Costs to Net Revenue Stream	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
Total	4.93	5.68	5.88	5.96

Source: Cheshire East Finance

Capital Financing Requirement

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

Table 4 - Capital Financing Requirement	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Total	230	261	253	260

Source: Cheshire East Finance

Actual External Debt

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

Table 5 - Actual External Debt as at 31st March 2014	£m
Borrowing	128
Other Long-term Liabilities	25
Total	**153**

Source: Cheshire East Finance

Incremental Impact of Capital Investment Decisions

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

Table 6 - Incremental Impact of Capital Investment Decisions	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
Band D Council Tax	16.28	23.51	0.00

Source: Cheshire East Finance

Authorised Limit and Operational Boundary for External Debt

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

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

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

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

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

Table 7	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Authorised Limit for Borrowing	240	275	265	270
Authorised Limit for Other Long-term Liabilities	25	22	23	22
Authorised Limit for External Debt	**265**	**297**	**288**	**292**
Operational Boundary for Borrowing	230	265	255	260
Operational Boundary for Other Long-term Liabilities	25	22	23	22
Authorised Limit for External Debt	**255**	**287**	**278**	**282**

Source: Cheshire East Finance

Adoption of the CIPFA Treasury Management Code

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

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

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

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

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

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

Table 8	Existing Level (or Benchmark level) at 02/01/2015 %	2014/15 Approved %	2014/15 Revised %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	0%	100%	100%	100%	100%	100%

Source: Cheshire East Finance

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

Maturity Structure of Fixed Rate borrowing

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

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

24. The Lenders Option Borrowers Option (LOBO) is classified as maturing on the next call date i.e. the earliest date that the lender can require repayment. As all LOBOs can be called within 12 months the upper limit for borrowing maturing within 12 months has remained at 35% to allow for the value of LOBOs and any potential short term borrowing that could be undertaken in 2014/15.

Table 9 - Maturity structure of fixed rate borrowing	Level as at 31st March 2015 (based on Current Borrowing) %	Lower Limit for 2015/16 %	Upper Limit for 2015/16 %
Under 12 months	22	0	35
12 months and within 24 months	5	0	25
24 months and within 5 years	16	0	35
5 years and within 10 years	4	0	50
10 years and within 20 years	23	0	100
20 years and within 30 years	7	0	100
30 years and within 40 years	14	0	100
40 years and within 50 years	9	0	100
50 years and above	0	0	100

Source: Cheshire East Finance

Credit Risk

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

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

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

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

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

Annex 11 Financial Summary Tables

Note: the 2014/15 Budget, shown as the starting point in the following tables, takes account of any permanent changes made during the 2014/15 financial year to date. There may be differences from the budget position at the Three Quarter Review which includes both permanent and temporary budget changes. The table below summarises these changes. Further details are available on request.

Summary of Budget Movements from 2014/15 Budget at Three Quarter Review to Permanent Base Carried Forward

Service	Current Net Budget 2014/15 at Three Quarter Review £m	Less Cost of Investment budget £m	Less temporary specific grant allocations £m	Less other temporary in- year budget adjustments £m	Permanent Base Budget carried forward to 2015/16 £m
Children and Families	46.1	-0.4	-0.7	-0.1	**44.9**
Adult Social Care and Independent Living	94.4	-2.2	-0.1		**92.1**
Public Health and Leisure	2.2			0.1	**2.3**
Environmental	28.3	-0.9			**27.4**
Highways	10.7		-0.1	-0.1	**10.5**
Communities	10.1	-0.2	-0.1		**9.8**
Economic Growth and Prosperity	24.7	-1.6	-0.1	0.2	**23.1**
Chief Operating Officer	41.3	-0.7	-0.1	-0.1	**40.4**
Corporate Contributions and Adjustments	1.0				**1.0**
TOTAL:	**258.8**	-6.0	-1.2	0.0	**251.6**

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CHESHIRE EAST COUNCIL REVENUE BUDGET SUMMARY

	2015/16 Budget Calculation			2016/17 Budget Calculation			2017/18 Budget Calculation		
	Previous Balance Brought Forward								
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Children and Families	221,644	-176,785	**44,859**	221,302	-178,379	**42,923**	202,718	-159,454	**43,264**
Adult Social Care and Independent Living	126,847	-34,751	**92,096**	130,082	-34,751	**95,331**	130,992	-34,751	**96,241**
Public Health and Wellbeing	16,626	-14,274	**2,352**	19,128	-16,827	**2,301**	21,647	-19,150	**2,497**
Environmental	30,555	-3,123	**27,432**	30,716	-3,201	**27,515**	30,689	-3,210	**27,479**
Highways	11,787	-1,297	**10,490**	12,863	-1,817	**11,046**	12,899	-1,817	**11,082**
Communities	104,805	-95,006	**9,799**	103,818	-94,631	**9,187**	103,789	-94,631	**9,158**
Economic Growth and Prosperity	45,437	-22,307	**23,130**	44,568	-22,357	**22,211**	44,734	-22,357	**22,377**
Chief Operating Officer	50,959	-10,581	**40,378**	49,856	-10,581	**39,275**	49,936	-10,581	**39,355**
Corporate Contributions and Adjustments	1,022	0	**1,022**	922	0	**922**	922	0	**922**
Base Budget (Note 1)	**609,682**	**-358,124**	**251,558**	**613,255**	**-362,544**	**250,711**	**598,326**	**-345,951**	**252,375**
	Changes to Budget Requirement								
Children and Families	-342	-1,594	**-1,936**	-18,584	18,925	**341**	-22,706	23,377	**671**
Adult Social Care and Independent Living	3,235	0	**3,235**	910	0	**910**	3,228	0	**3,228**
Public Health and Wellbeing	2,502	-2,553	**-51**	2,519	-2,323	**196**	0	0	**0**
Environmental	161	-78	**83**	-27	-9	**-36**	-888	0	**-888**
Highways	1,076	-520	**556**	36	0	**36**	173	0	**173**
Communities	-987	375	**-612**	-29	0	**-29**	235	0	**235**
Economic Growth and Prosperity	-869	-50	**-919**	166	0	**166**	318	0	**318**
Chief Operating Officer	-1,103	0	**-1,103**	80	0	**80**	1,239	0	**1,239**
Corporate Contributions and Adjustments	-100	0	**-100**	0	0	**0**	0	0	**0**
Financial Impact of Policy Proposals (Note 1)	**3,573**	**-4,420**	**-847**	**-14,929**	**16,593**	**1,664**	**-18,401**	**23,377**	**4,976**
Total Cost of Service	**613,255**	**-362,544**	**250,711**	**598,326**	**-345,951**	**252,375**	**579,925**	**-322,574**	**257,351**

Note 1: Excludes one year budget allocations of £7.2m in 2014/15.

Children and Families — REVENUE

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

	Outcome Reference	2015/16 Budget Calculation Expenditure £000	2015/16 Income £000	2015/16 Net £000	2016/17 Budget Calculation Expenditure £000	2016/17 Income £000	2016/17 Net £000	2017/18 Budget Calculation Expenditure £000	2017/18 Income £000	2017/18 Net £000
		Previous Balance Brought Forward								
Schools	3	174,483	-174,483	**0**	176,077	-176,077	**0**	157,152	-157,152	**0**
Education Support	3	4,978	-1,064	**3,914**	4,254	-1,064	**3,190**	4,254	-1,064	**3,190**
Children Social Care	5	29,126	-624	**28,502**	26,726	-624	**26,102**	26,726	-624	**26,102**
Early Help and Protection	5	10,381	-115	**10,266**	10,672	-115	**10,557**	10,317	-115	**10,202**
Integrated Safeguarding	5	2,676	-499	**2,177**	2,976	-499	**2,477**	2,976	-499	**2,477**
Unallocated Pay & Pensions	3 / 5				597		**597**	1,293		**1,293**
Base Budget (Note 1)		**221,644**	**-176,785**	**44,859**	**221,302**	**-178,379**	**42,923**	**202,718**	**-159,454**	**43,264**
		Changes to Budget Requirement								
Schools										
Academy Conversions		-2,901	2,901	**0**	-18,925	18,925	**0**	-23,377	23,377	**0**
DSG Growth		4,495	-4,495	**0**			**0**			**0**
Education Support										
Support the frontline, Business Systems and Processes		-340		**-340**			**0**			**0**
Fall out of Special Educational Needs Reform Grant		-384		**-384**			**0**			**0**
Pay & Pension allocation		137		**137**	160		**160**	160		**160**
Children's Social Care & Directorate										
Pay & Pensions Allocation		460		**460**	536		**536**	536		**536**
Joint Funding / Continuing Healthcare Assessments		-100		**-100**			**0**			**0**
Fall out of Adoption Reform Grant		-275		**-275**			**0**			**0**
Continued efficiencies in the value for money of all placements for Children in Care		-685		**-685**			**0**			**0**
Continue successful adoption collaboration and introduce fostering collaboration including LEAN recommendation		-350		**-350**			**0**			**0**
Further reduce use of out of borough residential provision for both social care and special educational need		-425		**-425**			**0**			**0**
Reconfigure current in borough care residential provision and link with care leaver independent housing commission		-365		**-365**			**0**			**0**
Outcome 5 funding for improving the health of the 5-19 population		-200		**-200**			**0**			**0**
Youth Justice Good Practice Grant		326		**326**	-326		**-326**			**0**
Fall out of Troubled Families Grant		-35		**-35**	-29		**-29**	-25		**-25**
Safeguarding										
Safeguarding - additional costs		300		**300**			**0**			**0**
Financial Impact of Policy Proposals (Note 1)		**-342**	**-1,594**	**-1,936**	**-18,584**	**18,925**	**341**	**-22,706**	**23,377**	**671**
Total Cost of Service		**221,302**	**-178,379**	**42,923**	**202,718**	**-159,454**	**43,264**	**180,012**	**-136,077**	**43,935**

Note 1: Excludes one year budget allocations of £1.1m in 2014/15.

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

This page provides details of budgets funded by specific ring fenced grants used to support schools, including Dedicated Schools Grant (£243m), Education Funding Agency 6th Form Funding Grant (£4.4m) and Pupil Premium Grant (£6.7m) indicatively for 2015/16. The largest proportion of the DSG is allocated directly to schools, with a proportion held back to fund Local Authority Schools-related expenditure. This Central Spend budget is funded by the Dedicated Schools Grant and is included here for information. It is not shown on individual service pages.

		2015/16 Budget Calculation			2016/17 Budget Calculation			2017/18 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Nursery Schools	3	303	-10	**293**	280	-10	**270**	280	-10	**270**
Primary Schools	3	99,487	-3,064	**96,423**	98,725	-3,064	**95,661**	90,813	-3,064	**87,749**
Secondary Schools	3	37,833	-1,108	**36,725**	36,809	-1,108	**35,701**	25,796	-1,108	**24,688**
Special Schools	3	5,661	-21	**5,640**	5,323	-21	**5,302**	5,323	-21	**5,302**
Pupil Referral Unit	3	823		**823**	1,163		**1,163**	1,163		**1,163**
Private Voluntary and Independent Nurseries	3	13,684		**13,684**	10,330		**10,330**	10,330		**10,330**
Other Schools Provision	3	-3,890		**-3,890**	3,739		**3,739**	3,739		**3,739**
Central Spend: C&F (Director / Social Care / Safeguarding)	3	280		**280**	280		**280**	280		**280**
Central Spend: C&F (Strategy, Planning & Performance)	3	18,841	-36	**18,805**	17,967	-36	**17,931**	17,967	-36	**17,931**
Central Spend: C&F (Early Intervention and Prevention)	3	600		**600**	600		**600**	600		**600**
Central Spend: Economic Growth and Prosperity)	3	147		**147**	147		**147**	147		**147**
Central Spend: Chief Operating Officer	3	714		**714**	714		**714**	714		**714**
Base Budget		**174,483**	**-4,239**	**170,244**	**176,077**	**-4,239**	**171,838**	**157,152**	**-4,239**	**152,913**
		Changes to Budget Requirement								
Academy Conversions										
Academy Conversions (In Year)		-2,901		**-2,901**			**0**			**0**
Academy Conversions (Potential)				**0**	-18,925		**-18,925**	-23,377		**-23,377**
DSG Growth		6,627		**6,627**			**0**			**0**
Increase in Pupil Numbers		1,222		**1,222**			**0**			**0**
2 Year Old Funding Reduction		-3,354		**-3,354**			**0**			**0**
Financial Impact of Policy Proposals		**1,594**	**0**	**1,594**	**-18,925**	**0**	**-18,925**	**-23,377**	**0**	**-23,377**
Total Cost of Service		**176,077**	**-4,239**	**171,838**	**157,152**	**-4,239**	**152,913**	**133,775**	**-4,239**	**129,536**

Adult Social Care and Independent Living — REVENUE

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

	Outcome Reference	2015/16 Budget Calculation Expenditure £000	2015/16 Income £000	2015/16 Net £000	2016/17 Budget Calculation Expenditure £000	2016/17 Income £000	2016/17 Net £000	2017/18 Budget Calculation Expenditure £000	2017/18 Income £000	2017/18 Net £000
		Previous Balance Brought Forward								
Adult Social Care	5	13,421	-1,239	**12,182**	16,283	-1,239	**15,044**	16,783	-1,239	**15,544**
Care packages	5	73,976	-17,163	**56,813**	74,154	-17,163	**56,991**	73,636	-17,163	**56,473**
Care4CE (Internal Care Provision)	5	19,234	-2,841	**16,393**	19,234	-2,841	**16,393**	19,234	-2,841	**16,393**
Prevention	5	19,895	-13,187	**6,708**	19,195	-13,187	**6,008**	19,195	-13,187	**6,008**
Public Health	5	321	-321	**0**	321	-321	**0**	321	-321	**0**
Unallocated Pay & Pensions	5			**0**	895		**895**	1,823		**1,823**
Base Budget (Note 1)		**126,847**	**-34,751**	**92,096**	**130,082**	**-34,751**	**95,331**	**130,992**	**-34,751**	**96,241**
		Changes to Budget Requirement								
Commissioning Reviews										
Improvements in respite, review supported living support, invest in Shared Lives and review Supporting People commissioned services.		-858		**-858**	-1,518		**-1,518**			**0**
Legislative and External Change										
Care Act, Transfer of Independent Living Fund, Deprivation of Liberties and Pay & Pension allocations		4,917		**4,917**	1,428		**1,428**	928		**928**
Efficiencies										
Initiatives to Deliver Care Efficiencies, Business Systems and Processes efficiencies, new ways of working, tighter controls and budget management at the frontline assessment and care management service.		-3,760		**-3,760**	-1,000		**-1,000**			**0**
Integration										
Review costs and charges of jointly commissioned services with the two Clinical Commissioning Groups, Joint funding / continuing healthcare assessments, Better Care Fund (S256) funding.		-364		**-364**			**0**			**0**
ASC Demand Management										
Increasing Demand including Children in Transition.		3,300		**3,300**	2,000		**2,000**	2,300		**2,300**
Financial Impact of Policy Proposals (Note 1)		**3,235**	**0**	**3,235**	**910**	**0**	**910**	**3,228**	**0**	**3,228**
Total Cost of Service		**130,082**	**-34,751**	**95,331**	**130,992**	**-34,751**	**96,241**	**134,220**	**-34,751**	**99,469**

Note 1: Excludes one year budget allocations of £2.3m in 2014/15.

Public Health and Wellbeing — REVENUE

Public Health is a local authority responsibility transferred from Health in 2013/14, the service will take the lead on promoting and commissioning services that improve the Public Health of the residents of Cheshire East. This includes the commissioning of the Leisure Service through the Everybody Sport and Recreation (ESAR) leisure trust.

		2015/16 Budget Calculation			2016/17 Budget Calculation			2017/18 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Public Health	5	14,274	-14,274	**0**	16,627	-16,627	**0**	18,950	-18,950	**0**
Leisure	5	2,352		**2,352**	2,291	-200	**2,091**	2,242	-200	**2,042**
Pay & Pensions Allocation	5			**0**	210		**210**	455		**455**
Base Budget		**16,626**	**-14,274**	**2,352**	**19,128**	**-16,827**	**2,301**	**21,647**	**-19,150**	**2,497**
		Changes to Budget Requirement								
Additional responsibilities for 0-5 year olds transferred from Health over two years		2,353		**2,353**	2,323		**2,323**			**0**
Additional Grant Funding expected			-2,353	**-2,353**		-2,323	**-2,323**			**0**
Investment in Outcome 5 activities		1,200		**1,200**			**0**			**0**
Outcome 5 funding for services		-1,200		**-1,200**			**0**			**0**
Pay & Pensions Allocation		210		**210**	245		**245**			**0**
Outcome 5 Funding to improve health and wellbeing			-200	**-200**			**0**			**0**
3% Efficiency Saving		-61		**-61**	-49		**-49**			**0**
Financial Impact of Policy Proposals		**2,502**	**-2,553**	**-51**	**2,519**	**-2,323**	**196**	**0**	**0**	**0**
Total Cost of Service		**19,128**	**-16,827**	**2,301**	**21,647**	**-19,150**	**2,497**	**21,647**	**-19,150**	**2,497**

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Environmental — REVENUE

This service is responsible for Waste Collection & Recycling Services, Waste Disposal, Waste Strategy & Minimisation, Grounds Maintenance (including Verges), Street Cleansing, Bereavement Services, Public Conveniences, Markets, and Parks Development (Parks, Open Spaces & Playing Fields). From 1st April 2014, many of these services are delivered through the wholly owned companies of ANSA and Orbitas.

		2015/16 Budget Calculation			2016/17 Budget Calculation			2017/18 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
				0			**0**			**0**
Environmental Operations Client	4	3,860	-718	**3,142**	3,860	-688	**3,172**	3,860	-688	**3,172**
ANSA - Management Fee	4	25,496		**25,496**	25,065		**25,065**	24,638		**24,638**
Bereavement Services Client	4	59	-2,405	**-2,346**	59	-2,513	**-2,454**	59	-2,522	**-2,463**
Orbitas - Management Fee	4	1,140		**1,140**	1,140		**1,140**	1,140		**1,140**
Pay & Pensions Allocation	4			**0**	592		**592**	992		**992**
Base Budget (Note 1)		**30,555**	**-3,123**	**27,432**	**30,716**	**-3,201**	**27,515**	**30,689**	**-3,210**	**27,479**
		Changes to Budget Requirement								
Environmental Operations - base budget adjustments re: contracts & inflation		331		**331**	335		**335**			**0**
Savings from Environmental Operations		-762		**-762**			**0**			**0**
Environmental Operations - Service Review				**0**	-200		**-200**			
New Delivery Model - Environmental Operations				**0**	-562		**-562**	-1,239		**-1,239**
Bereavement Company			-108	**-108**		-9	**-9**			**0**
Income Generation & Income base budget adjustments			30	**30**			**0**			**0**
Pay & Pensions Allocation		592		**592**	400		**400**	351		**351**
Financial Impact of Policy Proposals (Note 1)		**161**	**-78**	**83**	**-27**	**-9**	**-36**	**-888**	**0**	**-888**
Total Cost of Service		**30,716**	**-3,201**	**27,515**	**30,689**	**-3,210**	**27,479**	**29,801**	**-3,210**	**26,591**

Note 1: Excludes one year budget allocations of £0.9m in 2014/15.

Highways REVENUE

The Highway's Service, through the Client Team is responsible for the management of the Highway Service Contract which includes highway maintenance, structures, network management, street lighting, drainage, and road safety. The Client team also oversee the delivery of the Council's ambitious major projects programme.

		2015/16 Budget Calculation			2016/17 Budget Calculation			2017/18 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Highways Client Team	4	333	-115	**218**	333	-115	**218**	333	-115	**218**
CEC Managed Maintenance	4	767	-598	**169**	767	-598	**169**	767	-598	**169**
Cheshire East Highways	4	7,795		**7,795**	8,363	-520	**7,843**	8,313	-520	**7,793**
Road Safety	4	758	-584	**174**	758	-584	**174**	758	-584	**174**
Street Lighting Energy	4	1,878		**1,878**	2,063		**2,063**	2,063		**2,063**
Flood Levy	4	256		**256**	506		**506**	506		**506**
Pay & Pensions Allocation				**0**	73		**73**	159		**159**
Base Budget (Note 1)		**11,787**	**-1,297**	**10,490**	**12,863**	**-1,817**	**11,046**	**12,899**	**-1,817**	**11,082**
		Changes to Budget Requirement								
Highways Contract - Inflation and Efficiency savings		98		**98**			**0**			**0**
Reversal of energy consumption savings in Street Lighting		185		**185**			**0**			**0**
New Permit Scheme - Income / new staff		320	-520	**-200**			**0**			**0**
Pay & Pensions Allocation - Highways		73		**73**	86		**86**	75		**75**
Flood Defence - new responsibilities		250		**250**			**0**			**0**
Signing and Lining		150		**150**	-50		**-50**			**0**
Year 3 Pressures (estimated) - contract inflation				**0**			**0**	98		**98**
Financial Impact of Policy Proposals (Note 1)		**1,076**	**-520**	**556**	**36**	**0**	**36**	**173**	**0**	**173**
Total Cost of Service		**12,863**	**-1,817**	**11,046**	**12,899**	**-1,817**	**11,082**	**13,072**	**-1,817**	**11,255**

Note 1: Excludes one year budget allocations of £0.1m in 2014/15.

Communities REVENUE

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

		2015/16 Budget Calculation			**2016/17 Budget Calculation**			**2017/18 Budget Calculation**		
		Previous Balance Brought Forward								
	Outcome Reference	**Expenditure £000**	**Income £000**	**Net £000**	**Expenditure £000**	**Income £000**	**Net £000**	**Expenditure £000**	**Income £000**	**Net £000**
Head of Communities	1	124		**124**	127	-200	**-73**	131	-200	**-69**
Local Community Services	1	97,627	-88,120	**9,507**	96,759	-88,320	**8,439**	96,676	-88,320	**8,356**
Local Area Working	1	2,259	-111	**2,148**	2,186	-111	**2,075**	2,136	-111	**2,025**
Consumer Protection & Investigations	1	957	-4	**953**	929	-4	**925**	955	-4	**951**
Car Parking	1	1,021	-5,721	**-4,700**	1,035	-4,971	**-3,936**	1,051	-4,971	**-3,920**
Emergency Planning	1	164	-11	**153**	167	-11	**156**	170	-11	**159**
Regulatory Services & Health	1	2,653	-1,039	**1,614**	2,615	-1,014	**1,601**	2,670	-1,014	**1,656**
Base Budget (Note 1)		**104,805**	**-95,006**	**9,799**	**103,818**	**-94,631**	**9,187**	**103,789**	**-94,631**	**9,158**
		Changes to Budget Requirement								
Head of Communities										
Pay & Pensions Allocation		277		**277**	322		**322**	555		**555**
Local Community Services										
New operating model for Customer Services		-113		**-113**	-3		**-3**			**0**
Development of a sustainable Library Service		-100		**-100**			**0**			**0**
Fall out of Housing & Council Tax Benefit admin grant		-211		**-211**	-275		**-275**	-275		**-275**
Fall out of Emergency Assistance Scheme		-612		**-612**			**0**			**0**
Local Area Working										
Transitional grants to Town & Parish Councils for the implementation of the local Council Tax Support scheme		-93		**-93**	-73		**-73**	-45		**-45**
New Proposals										
Car parking income - correction of base budget			750	**750**			**0**			**0**
Outcome 5 funding to support activities in libraries that help to prevent determinants of poor health and wellbeing including chronic loneliness and isolation.			-200	**-200**			**0**			**0**
Outcome 5 funding to Libraries to help people live well and for longer			-200	**-200**			**0**			**0**
Enforcement Services - exploration of commercial opportunities and focus on key enforcement activities to support residents		-135	25	**-110**			**0**			**0**
Financial Impact of Policy Proposals (Note 1)		**-987**	**375**	**-612**	**-29**	**0**	**-29**	**235**	**0**	**235**
Total Cost of Service		**103,818**	**-94,631**	**9,187**	**103,789**	**-94,631**	**9,158**	**104,024**	**-94,631**	**9,393**

Note 1: Excludes one year budget allocations of £0.3m in 2014/15.

Economic Growth and Prosperity — REVENUE

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

		2015/16 Budget Calculation			2016/17 Budget Calculation			2017/18 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Director and Business Management	2	288		**288**	291		**291**	295		**295**
Strategic and Economic Planning	2	4,668	-4,603	**65**	4,730	-4,603	**127**	4,803	-4,603	**200**
Assets	2	3,254	-2,411	**843**	2,670	-2,461	**209**	2,704	-2,461	**243**
Visitor Economy, Culture and Tatton Park	2	5,906	-4,203	**1,703**	5,818	-4,203	**1,615**	5,802	-4,203	**1,599**
Investment	2	4,703	-863	**3,840**	4,836	-863	**3,973**	4,898	-863	**4,035**
Strategic Infrastructure	2	705	-218	**487**	713	-218	**495**	722	-218	**504**
Transport	2	24,417	-9,657	**14,760**	24,014	-9,657	**14,357**	24,014	-9,657	**14,357**
Public Rights of Way / Countryside	2	1,496	-352	**1,144**	1,496	-352	**1,144**	1,496	-352	**1,144**
Base Budget (Note 1)		**45,437**	**-22,307**	**23,130**	**44,568**	**-22,357**	**22,211**	**44,734**	**-22,357**	**22,377**
		Changes to Budget Requirement								
Director & Business Management										
Indicative allocation of Pay and Pensions		193		**193**	226		**226**	355		**355**
Assets										
Rationalisation Project & income generation		-293		**-293**	6		**6**			**0**
Farm Estates review to realise efficiency savings		-140		**-140**			**0**			**0**
Service review to realise efficiency savings		-175		**-175**			**0**			**0**
Rent Review			-50	**-50**			**0**			**0**
Visitor Economy, Culture & Tatton Park										
Visitor Economy: service efficiency				**0**	-6		**-6**			**0**
Tatton Park Vision: reduce subsidy to the trading account		-88		**-88**	-65		**-65**	-37		**-37**
Cultural Services: World War 1 Commemoration		-8		**-8**	5		**5**			**0**
Visitor Economy & Cultural Services: efficiency savings		-35		**-35**			**0**			**0**
Investment										
Budget growth to create a strong and commercially focused service, securing investment and funding		80		**80**			**0**			**0**
Home To School Transport										
Home to school transport - safer routes		-100		**-100**			**0**			**0**
Delegate Home to School Transport to Schools		-150		**-150**			**0**			**0**
Fall out of Extended Rights to Travel Grant		-153		**-153**			**0**			**0**
Financial Impact of Policy Proposals (Note 1)		**-869**	**-50**	**-919**	**166**	**0**	**166**	**318**	**0**	**318**
Total Cost of Service		**44,568**	**-22,357**	**22,211**	**44,734**	**-22,357**	**22,377**	**45,052**	**-22,357**	**22,695**

Note 1: Excludes one year budget allocations of £1.7m in 2014/15.

Chief Operating Officer — REVENUE

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

		2015/16 Budget Calculation			2016/17 Budget Calculation			2017/18 Budget Calculation		
		Previous Balance Brought Forward								
	Outcome Reference	**Expenditure £000**	**Income £000**	**Net £000**	**Expenditure £000**	**Income £000**	**Net £000**	**Expenditure £000**	**Income £000**	**Net £000**
Resources and Stewardship	6	37,054	-8,102	**28,952**	36,448	-8,102	**28,346**	36,203	-8,102	**28,101**
Procurement Savings - to be allocated	6			**0**	-500		**-500**	-500		**-500**
Organisational Development	6	3,798	-863	**2,935**	3,663	-863	**2,800**	3,530	-863	**2,667**
Monitoring Officer	6	2,324	-450	**1,874**	2,324	-450	**1,874**	2,324	-450	**1,874**
Governance and Democratic	6	5,232	-1,146	**4,086**	5,047	-1,146	**3,901**	5,047	-1,146	**3,901**
Commissioning	6	1,820		**1,820**	1,820		**1,820**	1,820		**1,820**
Communications	6	731	-20	**711**	731	-20	**711**	731	-20	**711**
Unallocated Pay & Pensions	6			**0**	323		**323**	781		**781**
Base Budget (Note 1)		**50,959**	**-10,581**	**40,378**	**49,856**	**-10,581**	**39,275**	**49,936**	**-10,581**	**39,355**
		Changes to Budget Requirement								
Resources & Stewardship										
Utilities change in charging mechanism and inflation, and base correction		334		**334**	671		**671**	701		**701**
Carbon Reduction Tax		41		**41**	41		**41**			**0**
Assets Major Change Project (vacating buildings)		-394		**-394**	-181		**-181**			**0**
Contract savings		-175		**-175**			**0**			**0**
Employee cost savings		-50		**-50**	-100		**-100**			**0**
Resources & Stewardship employee cost savings		-200		**-200**	-300		**-300**			**0**
Supplies & services		-100		**-100**	-100		**-100**			**0**
Further savings from Procurement		-500		**-500**			**0**			**0**
CoSocius - Savings		-362		**-362**	-276		**-276**			**0**
Remove Capitalisation of Next Generation Desktop		300		**300**			**0**			**0**
HR & Organisational Development										
HR and OD - reduction to be met via a combination of changes to staffing, supplies and services budgets and revision to income targets		-135		**-135**	-133		**-133**			**0**
Governance & Democratic Services										
Elections - Individual Electoral Registrations		-108		**-108**			**0**			**0**
Coroner's Act - additional costs		65		**65**			**0**			**0**
Removal of LGPS employers contributions for Members		-142		**-142**			**0**			**0**
Other										
Pay & Pensions		323		**323**	458		**458**	538		**538**
Financial Impact of Policy Proposals (Note 1)		**-1,103**	**0**	**-1,103**	**80**	**0**	**80**	**1,239**	**0**	**1,239**
Total Cost of Service		**49,856**	**-10,581**	**39,275**	**49,936**	**-10,581**	**39,355**	**51,175**	**-10,581**	**40,594**

Note 1: Excludes one year budget allocations of £0.8m in 2014/15.

CAPITAL PROGRAMME 2015/16 - 2016/17 and Future Years

Glossary of Terms

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

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

Committed Schemes - in Progress

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

Committed Schemes - Gate 1 Stage

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

Medium Term & Recurring Programmes and Longer Term

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

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

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Committed Schemes - In Progress				
Children and Families	2,869	1,369	656	**4,894**
Public Health and Wellbeing	9,471	0	0	**9,471**
Environmental	1,388	0	0	**1,388**
Highways	2,448	2,731	0	**5,179**
Communities	782	39	0	**821**
Economic Growth and Prosperity	7,795	2,061	1,129	**10,985**
Chief Operating Officer	11,829	0	0	**11,829**
Total Committed Schemes	**36,582**	**6,200**	**1,785**	**44,567**
Committed Schemes at Gate 1 Stage				
Children and Families	3,371	428	0	**3,799**
Public Health and Wellbeing	0	0	0	**0**
Environmental	0	0	0	**0**
Highways	0	0	0	**0**
Communities	0	0	0	**0**
Economic Growth and Prosperity	0	0	0	**0**
Chief Operating Officer	0	0	0	**0**
Total Committed Schemes at Gate 1 Stage	**3,371**	**428**	**0**	**3,799**
Total Committed Schemes	**39,953**	**6,628**	**1,785**	**48,366**

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CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Medium Term & Recurring Programmes				
Children and Families	10,032	5,705	6,167	**21,904**
Adult Social Care	1,808	800	800	**3,408**
Public Health and Wellbeing	500	4,000	4,000	**8,500**
Environmental	7,130	7,156	0	**14,286**
Highways	18,937	16,567	16,277	**51,781**
Communities	0	0	0	**0**
Economic Growth and Prosperity	10,672	3,055	2,200	**15,927**
Chief Operating Officer	14,331	9,425	6,997	**30,753**
Total Medium Term & Recurring Programmes	**63,410**	**46,708**	**36,441**	**146,559**

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CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Longer Term Proposals				
Children and Families	280	180	30,000	**30,460**
Public Health and Wellbeing	0	250	0	**250**
Environmental	470	200	200	**870**
Highways	2,550	1,360	1,360	**5,270**
Communities	0	975	0	**975**
Economic Growth and Prosperity	31,885	50,258	128,372	**210,515**
Chief Operating Officer	7,720	4,548	0	**12,268**
Total Longer Term Proposals	**42,905**	**57,771**	**159,932**	**260,608**
Total	**146,268**	**111,107**	**198,158**	**455,533**

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Funding Requirement				
Indicative Funding Analysis: (See note 1)				
Government Grants	48,449	46,301	115,166	**209,916**
External Contributions	17,718	20,798	29,179	**67,695**
Revenue Contributions	1,248	23	0	**1,271**
Capital Receipts	37,296	39,140	33,940	**110,376**
Prudential Borrowing (See note 2)	41,557	4,845	19,873	**66,275**
Total	**146,268**	**111,107**	**198,158**	**455,533**

Notes:

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

2. Appropriate charges to the revenue budget will only commence in the year following the completion of the associated capital asset. This allows the Council to constantly review the most cost effective way of funding capital expenditure (See Minimum Revenue Policy Statement ~ Annex 9)

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Committed Schemes - In Progress				
Primary Schools	204	0	0	**204**
Springfield Special School	102	0	0	**102**
Schools Maintenance Projects	274	0	0	**274**
Suitability/Minor Works & Accessibility Projects	160	0	0	**160**
Devolved Formula Capital	1,143	1,163	656	**2,962**
Capital Maintenance Grant - Committed	100	0	0	**100**
Short Breaks for Disabled Children	80	0	0	**80**
Free Early Years Education Grant for 2 year Olds	600	0	0	**600**
Foster Carers Capacity Scheme	206	206	0	**412**
Total Committed Schemes In progress	**2,869**	**1,369**	**656**	**4,894**
Committed Schemes at Gate 1 Stage				
Primary Schools	3,371	428	0	**3,799**
Total Committed Schemes at Gate 1 Stage	**3,371**	**428**	**0**	**3,799**
Total Committed Schemes	**6,240**	**1,797**	**656**	**8,693**

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Medium Term & Recurring Programmes				
Basic Need Programme	5,699	2,337	2,800	**10,836**
Capital Maintenance Programme	4,333	3,368	3,367	**11,068**
Total Medium Term & Recurring Programmes	**10,032**	**5,705**	**6,167**	**21,904**
Longer Term Proposals				
Care Leavers - Supported Accommodation	100	0	0	**100**
Purchase of Multi Purpose Vehicles - Working on Wheels	180	180	0	**360**
Knutsford Achievement	0	0	10,000	**10,000**
Crewe Achievement	0	0	20,000	**20,000**
Total Longer Term Proposals	**280**	**180**	**30,000**	**30,460**
Total	**16,552**	**7,682**	**36,823**	**61,057**

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Funding Requirement				
Indicative Funding Analysis:				
Government Grants	15,627	7,296	21,823	**44,746**
External Contributions	439	0	0	**439**
Revenue Contributions	0	0	0	**0**
Capital Receipts	0	0	15,000	**15,000**
Prudential Borrowing	486	386	0	**872**
Total	**16,552**	**7,682**	**36,823**	**61,057**

CAPITAL PROGRAMME 2015/16 - 2017/18

Details of Medium Term, Recurring Programmes & Longer Term Proposals

Basic Need
Grant from the Department for Education for local authorities to provide additional school places where needed in their area.

Capital Maintenance
Estimated allocation of the capital maintenance grant which is to enable local authorities to support the needs of the schools that they maintain and for the Sure Start children's centres in their area.

Care Leavers Supported Accommodation: To provide a new facility to support care leavers within the Borough and improve their transition through to adulthood.

Purchase of Multi Purpose Vehicles - Working on Wheels
The vehicles will be adapted to be multi-functional, serving the Early Years and Youth Service specifically in the rural areas of Cheshire East.

Knutsford & Crewe Achievement
- To create an All Through School educational establishment in Knutsford.
- Part of the All Change for Learners programme to enhance secondary education provision in Crewe to a worldclass standard.

The Council will work with the government and other organisations to achieve funding targets for these schemes.

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Medium Term & Recurring Programmes				
Community Capacity Grant	1,808	800	800	**3,408**
Total Medium Term & Recurring Programmes	**1,808**	**800**	**800**	**3,408**
Longer Term Proposals				
Total Longer Term Proposals	**0**	**0**	**0**	**0**
Total	**1,808**	**800**	**800**	**3,408**

Adult Social Care CAPITAL

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Funding Requirement				
Indicative Funding Analysis:				
Government Grants	1,808	800	800	**3,408**
External Contributions	0	0	0	**0**
Revenue Contributions	0	0	0	**0**
Capital Receipts	0	0	0	**0**
Prudential Borrowing	0	0	0	**0**
Total	**1,808**	**800**	**800**	**3,408**

CAPITAL PROGRAMME 2015/16 - 2017/18

Details of Medium Term & Recurring Programmes

Community Capacity Grant

Capital Funding provided by the Department of Health to enable local authorities to support development in Adults Social Service in three key

- Personalisation
- Reform
- Efficiency

Public Health and Wellbeing — CAPITAL

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Committed Schemes - In Progress				
Crewe Lifestyle Centre	9,471	0	0	**9,471**
Total Committed Schemes In progress	**9,471**	**0**	**0**	**9,471**
Total Committed Schemes	**9,471**	**0**	**0**	**9,471**

Public Health and Wellbeing CAPITAL

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Medium Term & Recurring Programmes				
Congleton Lifestyle Centre	500	4,000	4,000	**8,500**
Total Medium Term & Recurring Programmes	**500**	**4,000**	**4,000**	**8,500**
Longer Term Proposals				
All Weather Pitch - Cumberland Arena	0	250	0	**250**
Total Longer Term Proposals	**0**	**250**	**0**	**250**
Total	**9,971**	**4,250**	**4,000**	**18,221**

Public Health and Wellbeing CAPITAL

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Funding Requirement				
Government Grants	0	0	0	**0**
External Contributions	0	0	0	**0**
Revenue Contributions	0	0	0	**0**
Capital Receipts	500	4,000	0	**4,500**
Prudential Borrowing	9,471	250	4,000	**13,721**
Total	**9,971**	**4,250**	**4,000**	**18,221**

CAPITAL PROGRAMME 2015/16 - 2017/18

Details of Long Term Proposals

All Weather Pitch - Cumberland Arena
To replace the 3G "Carpet" on the football pitch at the Cumberland Sports Arena, Crewe.

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Committed Schemes - In Progress				
Replacement Cremators at Crewe Crematorium	109	0	0	**109**
Crewe Crematorium Refurbishment	1,080	0	0	**1,080**
Environmental Section 106 Schemes	199	0	0	**199**
Total Committed Schemes In Progress	**1,388**	**0**	**0**	**1,388**
Total Committed Schemes	**1,388**	**0**	**0**	**1,388**

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Medium Term & Recurring Programmes				
Replacement Litter Bins	50	50	0	**100**
Park Development Fund	80	90	0	**170**
Waste Recycling Centre	7,000	7,016	0	**14,016**
Total Medium Term & Recurring Programmes	**7,130**	**7,156**	**0**	**14,286**
Longer Term Proposals				
Household Bin Replacement	200	200	200	**600**
Restoration of Coronation Valley, Queens Park	80	0	0	**80**
Restoration of South Park Lake	190	0	0	**190**
Total Longer Term Proposals	**470**	**200**	**200**	**870**
Total	**8,988**	**7,356**	**200**	**16,544**

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Funding Requirement				
Indicative Funding Analysis:				
Government Grants	0	0	0	**0**
External Contributions	199	0	0	**199**
Revenue Contributions	1,189	0	0	**1,189**
Capital Receipts	4,000	7,356	0	**11,356**
Prudential Borrowing	3,600	0	200	**3,800**
Total	**8,988**	**7,356**	**200**	**16,544**

CAPITAL PROGRAMME 2015/16 - 2017/18

Details of Medium Term, Recurring Programmes & Longer Term Proposals

Replacement Litter Bins
The delivery of replacement litter bins over a three year period across the Borough.

Park Development Fund
A Park Development Fund to halt the decline and manage a sustained improvement to our park and open spaces within the Borough.

Waste Strategy Implementation
Investment in the depot infrastructure in order for the waste collection, treatment and disposal services to be delivered efficiently. Includes central new site within the Borough. This will be part funded from a linked capital receipt of £4m.

Household Bin Replacement
To establish a rolling programme to replace wheeled bins.

Restoration of Coronation Valley, Queens Park
The final stage of the restoration work at Queens Park, along with the Heritage Lottery fund, to restore the water feature outside the valley houses.

Restoration of South Park Lake
The lake requires the build up of silt to be removed, establish an efficient depth of the water and ensure the lake is safe to all users of the park.

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Committed Schemes - In Progress				
Alderley Edge Bypass Scheme	2,232	2,709	0	**4,941**
Alderley Edge Village Enhancements	66	0	0	**66**
Highways Section 106 & 278 Schemes	150	22	0	**172**
Total Committed Schemes In Progress	**2,448**	**2,731**	**0**	**5,179**
Total Committed Schemes	**2,448**	**2,731**	**0**	**5,179**

Highways CAPITAL

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Medium Term & Recurring Programmes				
Highway Investment Programme	6,500	5,000	5,000	**16,500**
Maintenance Block	10,450	9,580	9,290	**29,320**
Integrated Transport Block	1,987	1,987	1,987	**5,961**
Total Medium Term & Recurring Programmes	**18,937**	**16,567**	**16,277**	**51,781**
Longer Term Proposals				
Replacement of Structurally Defective Lighting Columns	2,550	1,360	1,360	**5,270**
Total Longer Term Proposals	**2,550**	**1,360**	**1,360**	**5,270**
Total	**23,935**	**20,658**	**17,637**	**62,230**

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Funding Requirement				
Indicative Funding Analysis:				
Government Grants	12,443	11,567	11,277	**35,287**
External Contributions	210	22	0	**232**
Revenue Contributions	0	0	0	**0**
Capital Receipts	5,000	6,360	0	**11,360**
Prudential Borrowing	6,282	2,709	6,360	**15,351**
Total	**23,935**	**20,658**	**17,637**	**62,230**

CAPITAL PROGRAMME 2015/16 - 2017/18

Highway Investment Programme
A continuing programme of re-surfacing and improvements to assist in the maintenance of the carriageway in Cheshire East.

Maintenance and Integrated Transport Block.
An allocation of grant funding from the Department of Transport to support capital works on the carriageway network and bridges within Cheshire

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Committed Schemes - In Progress				
Sustainable Libraries	264	0	0	**264**
Residents Parking	5	5	0	**10**
Car Parking Improvements	34	34	0	**68**
CCTV Infrastructure Rationalisation	100	0	0	**100**
Customer Access	279	0	0	**279**
Community Facilities Grants	100	0	0	**100**
Total Committed Schemes In Progress	**782**	**39**	**0**	**821**
Total Committed Schemes	**782**	**39**	**0**	**821**

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Longer Term Proposals				
Hurdsfield Family Centre	0	975	0	**975**
Total Longer Term Proposals	**0**	**975**	**0**	**975**
Total	**782**	**1,014**	**0**	**1,796**

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Funding Requirement				
Indicative Funding Analysis:				
Government Grants	0	0	0	**0**
External Contributions	72	0	0	**72**
Revenue Contributions	36	0	0	**36**
Capital Receipts	0	1,014	0	**1,014**
Prudential Borrowing	674	0	0	**674**
Total	**782**	**1,014**	**0**	**1,796**

CAPITAL PROGRAMME 2015/16 - 2017/18

Details of Longer Term Proposals

Hurdsfield Family Centre

The improvement of the facilities at the family centre to create an improved environment for the Children's Social Care function .

Economic Growth and Prosperity CAPITAL

CAPITAL PROGRAMME 2015/16 - 2017/18				
	Budget 2015/16 £000	**Budget 2016/17 £000**	**Budget 2017/18 £000**	**Total Budget 2015/18 £000**
Committed Schemes - In Progress				
A500 Widening at Junction 16	6	10	31	**47**
Crewe Green Link Road - Phase 2	6,614	1,140	173	**7,927**
Crewe Rail Exchange	25	0	0	**25**
Farms Strategy	919	911	925	**2,755**
Private Sector Assistance	231	0	0	**231**
Total Committed Schemes In Progress	**7,795**	**2,061**	**1,129**	**10,985**
Total Committed Schemes	**7,795**	**2,061**	**1,129**	**10,985**

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Economic Growth and Prosperity CAPITAL

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Medium Term & Recurring Programmes				
Gypsy & Traveller Sites	2,778	262	0	**3,040**
Development Programme for Housing and Jobs	2,929	0	0	**2,929**
Regeneration & Development Programme	596	300	0	**896**
Disabled Facilities Grant	1,200	1,200	1,200	**3,600**
Housing Innovation Fund	573	0	0	**573**
Tatton Park Investement	2,596	1,293	1,000	**4,889**
Total Medium Term & Recurring Programmes	**10,672**	**3,055**	**2,200**	**15,927**
Longer Term Proposals				
Energy projects	4,600	12,120	0	**16,720**
Crewe Town Centre Regeneration	15,500	3,250	3,250	**22,000**
Macclesfield Town Centre Renewal	300	200	0	**500**
Empty Homes Initiative	150	150	150	**450**
Congleton Relief Road (Includes Prior Years Option Development	1,700	4,421	69,726	**75,847**
Poynton Relief Road (Includes Prior Years Option Development	1,300	1,000	28,983	**31,283**
Jodrell Bank Square Kilometre Array Support Project	1,000	0	0	**1,000**

Economic Growth and Prosperity CAPITAL

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Longer Term Proposals (continued)				
Handforth Mitigation Package	100	900	0	**1,000**
Congleton Public Realm	1,000	0	0	**1,000**
A34 Corridor Improvements	500	15,500	0	**16,000**
Macclesfield Movement Strategy	500	2,500	3,300	**6,300**
A51/500 Corridor - Nantwich	1,000	1,000	2,000	**4,000**
King Street Enhancement Scheme	1,100	900	0	**2,000**
Sydney Road Bridge	1,335	1,667	5,963	**8,965**
A6 Corridor Improvements	600	1,400	0	**2,000**
Crewe Transformation Phase 3	500	2,000	14,000	**16,500**
Leighton West Bentley Highways Transformation scheme	500	500	1,000	**2,000**
Crewe Replacement Bus Interchange Facility	200	2,750	0	**2,950**
Total Longer Term Proposals	**31,885**	**50,258**	**128,372**	**210,515**
Total	**50,352**	**55,374**	**131,701**	**237,427**

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CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Funding Requirement				
Indicative Funding Analysis:				
Government Grants	10,928	24,912	81,266	**117,106**
External Contributions	11,641	18,530	29,179	**59,350**
Revenue Contributions	23	23	0	**46**
Capital Receipts	18,421	10,532	14,940	**43,893**
Prudential Borrowing	9,339	1,377	6,316	**17,032**
Total	**50,352**	**55,374**	**131,701**	**237,427**

CAPITAL PROGRAMME 2015/16 - 2017/18

Details of Medium Term & Recurring Programmes

Gypsy & Traveller Sites
To provide a secure and safe location for Gypsy and Travellers to reside whilst travelling through the borough.

Development Programme for Housing and Jobs
A development programme to generate significant economic growth and prosperity for local residents, including over 4,000 new

Regeneration & Development Programme
A programme of regeneration and development within the major towns and villages throughout Cheshire East.

Corporate Landlord Model - Non-Operational
To undertake a rationalisation of current Council non-operational assets into fewer buildings, releasing efficiencies in overheads, emissions and generating capital receipts as sites are released.

Disabled Facilities Grant
The grants provided support the early intervention and prevention agenda by delaying the need for residential care, encouraging independence and allowing people to stay in their own homes longer.

Housing Innovation Fund
This fund is to finance a number affordable housing projects within the borough recognising the supply of appropriate housing provision as a key priority for the authority.

CAPITAL PROGRAMME 2015/16 - 2017/18

Details of Longer Term Proposals

Energy Projects

To establish a dry anaerobic digestion plant in Cheshire East for the processing of household green and food waste and secure a long term income stream from gas energy generated during the processing of the waste material.
To assist in the exploration of Geothermal Energy in Cheshire East.
A programme to introduce renewable technologies to key assets as part of the Energy Framework.
A programme of works to replace inefficient and end of life conventional boilers with biomass boilers. Thus reducing carbon emissions and running cos
To enhance key assets with the introduction of renewable technologies.

Crewe Town Centre Regeneration

This project aims to stimulate the physical and economic regeneration of Crewe Town Centre, with a focus on leisure, culture, retail and residential will increase its vitality and viability.

Macclesfield Town Centre Renewal

Further capital investment in Macclesfield Town Centre to deliver against the Whole Town Vision and deliver benefits to residents and retailers.

Empty Homes Initiative

To bring empty homes back into use in partnership with property owners in order to improve the street scene, increase the supply of affordable maximise the New Homes Bonus.

Congleton Relief Road

To deliver the outcome of the Congleton relief road Option Development scheme.

Poynton Relief Road

To deliver the outcome of the Poynton relief road Option Development scheme.

Jodrell Bank Square Kilometre Array Support Project

The development of an astrophysics research campus on the Jodrell Bank site through the development of new laboratories and research facilities.

CAPITAL PROGRAMME 2015/16 - 2017/18

Details of Longer Term Proposals

Handforth Mitigation Project

As part of the Manchester Airport Relief Road project this funding is to put in place mitigation measures for those areas in and around the relief road t may experience changes in traffic flows. This is the other main location in Cheshire East that requires measures to address additional traffic caused b the semmms road.

Congleton Public Realm

To increase the commercial investment by developers and occupiers by improving the infrastructure of the town, including the carriageway and footpa

A34 Corridor (Including Handforth East)

Development of measures to reduce congestion on the A34. Linked to the possible development of the Handforth

Macclesfield Movement Strategy

To assess traffic management improvement at key junctions within Macclesfield.

A51/500 Corridor - Nantwich

Delivery of highway improvements, including Burford Cross roads and Alvaston roundabout. Some Section 106

King Street Enhancement Scheme

Improved pedestrian facilities, reduced congestion. Key to improving the retail environment of Knutsford.

Sydney Road Bridge

To undertake improvements to Sydney Road Railway Bridge.

A6 Corridor Improvements

Traffic management measures to help mitigate the traffic impact of the semmms road scheme. This is mainly in Disley. Measures being scoped out and costed now. Funding contribution from the semmms road scheme.

CAPITAL PROGRAMME 2015/16 - 2017/18

Details of Longer Term Proposals

Crewe Transformation Projects - Phase 3

Will allow key infrastructure improvements identified in the the Local Plan Infrastructure Plan to be delivered, enabling key employment and housing sites to kick start the implementation of the Local Plan in this area and assist with 5 year supply targets. Going forward the fund can also support key access and investment needs arising from the proposed HS2 North West Gateway Hub Station.
The schemes to be developed from the fund in 2015/ 16 are at Nantwich Road/ South St/ Gresty Road area and investigate Crewe Town Centre access improvements.The medium term programme will be developed following the approval of the Local Plan and its Infrastructure Plan.

Crewe Replacement Bus Interchange Facility

A replacement facility to provide a safe, accessible, managed environment as a central hub for waiting and interchange for bus passengers in the town centre.

Tatton Park Investment

Includes Phase three of the Tatton Vision project to develop the Top Farm Yard and Outdoor Events Infrastructure.

Chief Operating Officer CAPITAL

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Committed Schemes - In Progress				
Connecting Cheshire - Phase 1	11,829	0	0	**11,829**
Total Committed Schemes In Progress	**11,829**	**0**	**0**	**11,829**
Total Committed Schemes	**11,829**	**0**	**0**	**11,829**

Chief Operating Officer CAPITAL

CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Medium Term & Recurring Programmes				
Corporate Landlord Model - Operational	608	304	0	**912**
Asset Management Maintenance Programme	2,400	2,400	2,400	**7,200**
Minor Works Programme	520	0	0	**520**
Digital by Design	2,435	1,500	1,000	**4,935**
ICT Infrastructure Investment Programme (Essential Replacement & Enhancement)	4,540	2,724	1,816	**9,080**
Information Assurance and Data Management	2,828	1,697	1,131	**5,656**
Core Financials, HR Services	1,000	800	650	**2,450**
Total Medium Term & Recurring Programmes	**14,331**	**9,425**	**6,997**	**30,753**
Longer Term Proposals				
Connecting Cheshire - Phase 2	2,170	4,548	0	**6,718**
Supporting Strategic Projects	5,550	0	0	**5,550**
Total Longer Term Proposals	**7,720**	**4,548**	**0**	**12,268**
Total	**33,880**	**13,973**	**6,997**	**54,850**

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CAPITAL PROGRAMME 2015/16 - 2017/18

	Budget 2015/16 £000	Budget 2016/17 £000	Budget 2017/18 £000	Total Budget 2015/18 £000
Funding Requirement				
Indicative Funding Analysis:				
Government Grants	7,643	1,726	0	**9,369**
External Contributions	5,157	2,246	0	**7,403**
Revenue Contributions	0	0	0	**0**
Capital Receipts	9,375	9,878	4,000	**23,253**
Prudential Borrowing	11,705	123	2,997	**14,825**
Total	**33,880**	**13,973**	**6,997**	**54,850**

CAPITAL PROGRAMME 2015/16 - 2017/18

Details of Medium Term and Recurring Programme and Long Term Proposals

Maximise Corporate Landlord Model - Operational
To continue the rationalisation of current Council operational asset portfolio to consolidate delivery of services into fewer buildings, releasing efficiencies in overheads, reducing carbon emissions and generating capital receipts as sites are released. This will include dilapidations and other capital works to facilitate the changes.

Asset Management Maintenance & Minor Works Programme
A rolling programme of capital works to maintain and improve the Cheshire East Operational Asset portfolio. The Asset Management Planned Maintenance block of £3m per annum, will at least maintain the current maintenance backlog, which is in the region of £45m, rather than allowing the position deteriorate, leaving buildings unfit for use. Examples include boiler replacement, window refenestration, roofing replacement and emergency remedial action.

The minor works allocation will enable the Council to carry out a programme of redecoration and improvements within all buildings, as have been undertaken in Corporate buildings during 2014/15, for example Westfields, Municipal Buildings and Macclesfield Town Hall - in addition to a programme of redecoration and improvement in other operational buildings. As the Council utilises its building stock more fully there will be an increased and on-going need to ensure the buildings remain fit for purpose, with increased need for minor work activity.

Digital by Design
• Implementation of PWC Digital Customer Services
• Investment in wider digital services to support Digital Agenda

CAPITAL PROGRAMME 2015/16 - 2017/18

Details of Medium Term and Recurring Programme and Long Term Proposals

ICT Infrastructure Investment Programme (Essential Replacement & Enhancement)
• Joint programme delivered by CoSocius for its primary customers including CEC, CWaC
• Assures compliance with mandatory standards, sustains currency and enables innovation
• Primary focus is to maintain Business As Usual (BAU) levels of service availability
• Additional investment to achieve business agility, efficiency, value and customer satisfaction
• Main areas of investment, Desktop, ERP (Oracle), Network, Security and Storage

Information Assurance and Data Management
• Information Assurance (incl. Compliance, SIRO, support of Caldecott)
• Data Management (Open data, Business Intelligence, Reporting, Data Storage)
• Transparency
• Model Office (enabling FMW)

Core Financials, HR Services
• Deliver developments, maintenance and security to the Council and ASDV core financial/HR systems including e-Business Suite, Cash Receipting Income Management, financial reporting, banking interfaces, merchant interfaces, PCard solution.
• Projects include setting up new ASDVs on e-Business Suite, implementation of new recruitment solution, statutory tax changes, implementation of Cash Receipting Income Management system upgrade, implementation of financial reporting solution, implementing the change of banking, merchant account & PCard contracts.

Connecting Cheshire Phase 2
The second phase of Connecting Cheshire will build on phase 1 seeking to ensure all premises have access to high capacity and high quality broadband which will support economic growth, especially of rural SMEs.

Cheshire East Council

Reserves Strategy

2015/18

February 2015

Contents

Executive Summary

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

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

This strategy reflects how these two purposes are intrinsically linked as financial risks will reduce through appropriate investment in schemes that will generate sustainable returns. However, 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 more prudent levels of reserves in the short term.

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

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

Cheshire East Council's Reserve Strategy was last approved at Council on 27th February 2014.

The quarterly review process informs the Council's thinking on reserves and an updated Reserves Strategy for 2015/18 is being reported to Cabinet and Council in February 2015.

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

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

P J Bates

Peter Bates CPFA CIPD MBA

Chief Operating Officer
(Section 151 Officer)

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

1. Introduction

Types of Reserves

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

General Reserves (see Section 2)

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

Increasing General Reserves

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

Decreasing General Reserves

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

Earmarked Reserves (see Section 3)

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

Assessing the Adequacy of Reserves

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

3. There is a requirement for local authorities to include an Annual Statement of Governance with the Statement of Accounts. The Section 151 Officer ensures that the Authority has put in place effective arrangements for internal audit of the control environment and systems of internal control, as required by professional standards.

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

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

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

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

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

Source: CIPFA – LAAP Bulletin 55, 2003

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

2. General Fund Reserves (Revenue)

Purposes

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

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

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

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

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

Opening Balances

13. The 2014/15 Budget anticipated that the Council would hold general reserves of £19.3m. However, an improved final outturn position resulted in a revised balance of £19.8m.

14. During 2014/15 Council approved the use of £5.8m of general reserves to support investment in sustainability and local communities.

15. At 1st April 2015, it is anticipated that the Council will hold general reserves of £14.2m, as calculated in **Table 2**.

Table 2	Estimated Balance 1 April 2015 £m
Amount of General Fund Balance available for new expenditure (Source: 2013/14 Statement of Accounts)	19.8
Approved in–year transfer to earmarked reserves	-5.8
The impact of performance against the 2014/15 Revenue Budget (Source: 2014/15 Three Quarter Year Review of Performance)	0.2
	14.2

Estimated Movement in Reserves (2014/15 onwards)

16. **Table 3** (overleaf) summarises the current estimated movements in general reserves from 2014 to 2017. It is proposed to transfer £1.7m to earmarked reserves in 2015/16 to provide for costs associated with the Council's planning functions and investment service structure, insurances, and sustainable investment.

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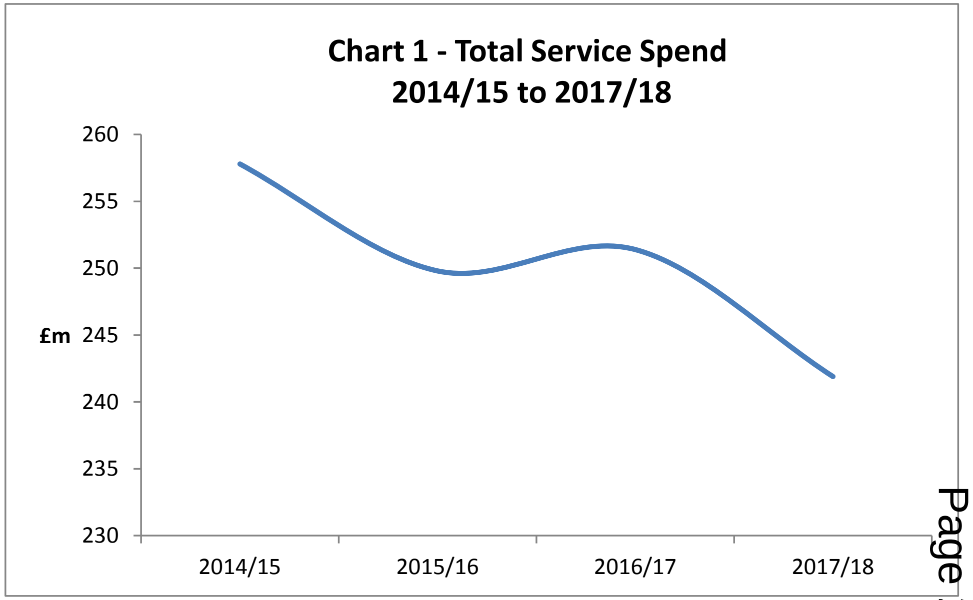
17. This position makes a clear assumption that any recently identified in-year, or future, emerging financial pressures will be met from within the Council's funding envelope.

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

Table 3 – The level of reserves will be maintained in the medium term	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Estimated Balance @ 1st April	19.8	14.2	12.5	12.5
Estimated Impact of Spending	0.2	0.0	0.0	0.0
Planned Contribution to Earmarked Reserves	-5.8	-1.7	0.0	0.0
Forecast General Reserves @ 31st March	**14.2**	**12.5**	**12.5**	**12.5**
Risk Assessed Minimum Level – February 2015	14.0	12.5	12.5	12.5

Source: Cheshire East Finance

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

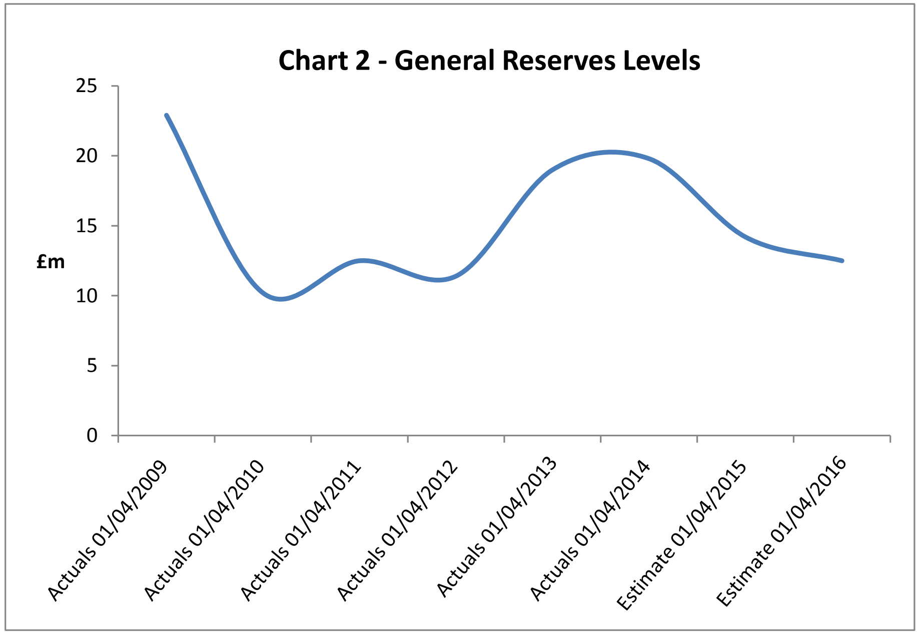


Source: Cheshire East Finance

20. Reducing net expenditure over time reflects the reductions in Government funding. At the same time the Council continues to minimise the impact on local residents by not raising Council Tax. However, this approach has required investment in change management to sustain the financial resilience of the Council. For example reducing staffing numbers has required expenditure on severance payments, automation of services requires investment in information technology. Investment in infrastructure can generate receipts from the Council's estate, and from new business and domestic premises in the area.

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

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



Source: Cheshire East Finance

23. The level at which reserves are set for 2015/16, reflects the aim of Cheshire East Council to match the Risk Assessed Minimum Level, ensuring reserves are adequate, and provide sufficient flexibility to manage short term cashflow.

General Fund Reserves – Risk Assessment

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

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

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

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

28. New medium term risks are emerging as the Council is undertaking significant change to embed its commissioning approach and there is still significant uncertainty about the long term effect of changes to funding from business rates. However, the level of risk in the Medium Term Financial Strategy has reduced following improvements in reporting and achievement of budget targets. Separate provision will also be made in 2015/16 for specific risks (for example, local planning pressures and insurances), which overall has the effect of reducing the level of general risk for the period 2015/18.

29. £12.5m remains a relatively prudent overall target for reserves at 5.1% of the net budget. This reflects the following potential negative financial issues facing the Council in the medium term:

- Further changes to the local government financial settlement may create funding deficits, and the medium term strategy of the Council remains unbalanced in later years at present.
- Some savings targets may need to be re-phased or revised following more detailed appraisal or consultation work.
- There is a significant pensions deficit which may need to be managed outside of the current medium term estimates, despite significant additional budget being provided for in the Medium Term Financial Strategy, to reflect increasing contribution rates from 1st April 2014 following the triennial valuation. This has continued into 2015/16.

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

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

a. The risk may impact within the medium term.

b. Risks are potential one-off events.

c. The risk will have genuine financial consequences beyond insurance cover.

d. Mitigating actions will be in place to minimise the potential requirement for financial support.

e. If a risk becomes 100% likely it will be allocated to earmarked reserves or included within appropriate Revenue Budget estimates.

f. Emerging risks will be addressed from in-year surplus or virement before any request to allocate general reserves.

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

Class of Risk	Knock on Effects	Effect on Budget / Mitigating Action	Risk Assessment
Budget Pressures	Opening Balances vary from current predictions Efficiency savings challenged by changing priorities, and reduced income from economic downturn and additional VR costs.	Impact on opening balances / apply prudent assumptions to opening balances Impact of 2014/15 projected outturn / robust remedial plans and monitoring of progress In-Year emerging issues / Robust plans and monitoring of progress	**£6,800,000**
	Higher than anticipated inflation arising in year	Increased inflation on contracts and services / contract management and robust remedial plans	
	Potential decrease in Council Tax and Business Rates collection rate	Lower than forecast income or increased reliefs/robust assessment criteria and debt recovery procedures	
	Changes to Government forecasts of Business Rates during the year.	Potential to change income received through the Business Rate Retention Scheme	

Class of Risk	Knock on Effects	Effect on Budget / Mitigating Action	Risk Assessment
Legal & IT costs	Legal challenges to Council service delivery / charges for services Data corruption and need to improve security	Court costs and claims for compensation / clear processes and good workforce management ICT service days to repair, loss of service / robust security policies and firewalls	**£500,000**
Industrial relations / External organisations	Disruption to service and possible costs of arbitration / tribunal	Loss of income, costs of providing essential services or direct costs of resolution, reduced pay costs / emergency planning	
Strategic Reserve		Strategic / Emergency risk cover, potential further invest to save options and future pay and structure changes	**£4,700,000**
		OVERALL RISKS	**£12,500,000**
		% of Net Revenue Budget	**5.1%**

Source: Cheshire East Finance

32. The outcome of this analysis has been to place an estimated total value on the range of risks that may arise and which are not covered by insurance. This is equivalent in total to £12.5m.

33. It should be noted that these risks reflect the net effect of issues relating to sustainable performance against the 2015/16 Revenue Budget. The key factors are:

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

Adequacy of General Reserves

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

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

3. Earmarked Reserves (Revenue)

Purpose

36. The purpose of earmarked reserves is:

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

    b. To set aside amounts for projects which extend beyond 1 year.

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

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

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

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

Table 5: All earmarked reserves should have a clear rationale

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

Source: CIPFA – LAAP Bulletin 55, 2003

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

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

42. Earmarked Reserves will be:

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

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

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

Opening Balances

45. At 1st April 2015, it is anticipated that balances on existing earmarked reserves held by Cheshire East Council will be £24.2m. It is estimated that balances will reduce by £11.1m by the end of 2015/16. **Table 6** (overleaf) shows the position on each earmarked reserve.

46. Council are asked to approve the establishment of a specific earmarked reserve of £1m to provide for costs associated with the planning function and investment service structure changes.

47. It is also proposed to provide additional funding from general reserves of £0.45m to the earmarked reserve for Sustainable Investment (activity funded from this reserve could relate to investment in schemes that can increase locally controlled income sources such as the commercial or domestic tax bases) and £0.25m for the Insurance Reserve (to provide for potential increased claims on the Council).

Table 6: Earmarked Reserves that are statutory or essential have been retained for 2015/16				
Service Description	**Estimated Available Balance at 1 April 2015 £000**	**Forecast Movement in 2015/16 £000**	**Estimated Balance at 31 March 2016 £000**	**Reason / Use**
Children and Families				
Long Term Sickness	213	0	**213**	Carried forward surplus of contributions paid by schools – operated as a trading account.
Education All Risks (EARS)	261	0	**261**	Carried forward surplus of contributions paid by schools – operated as a trading account.
Children's Social Care	238	-238	**0**	To support implementation of the Children's social care bill.
Adult Social Care and Independent Living				
Extra Care Housing (PFI)	1,681	198	**1,879**	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
Individual Commissioning	193	-193	**0**	To provide capacity to perform Deprivation of Liberties and Best Interest reviews of care customers following recent case law.
NHS Section 256	1,000	-750	**250**	To support adult social care which also has a health benefit, as agreed with Eastern Cheshire and South Cheshire Clinical Commissioning Groups and governed by Cheshire East Health and Wellbeing Board.
Public Health and Wellbeing	1,950	0	**1,950**	Ring-fenced underspend to be invested in areas to improve performance against key targets. Including the creation of an innovation fund to support partners to deliver initiatives that tackle key health issues.

Table 6: Earmarked Reserves that are statutory or essential have been retained for 2015/16				
Service Description	**Estimated Available Balance at 1 April 2015 £000**	**Forecast Movement in 2015/16 £000**	**Estimated Balance at 31 March 2016 £000**	**Reason / Use**
Environmental				
Crematoria	544	175	**719**	Mercury abatement income set aside to fund potential replacement cremators as per the capital programme.
Winter Weather	240	120	**360**	To provide for future adverse winter weather expenditure.
Communities				
Communities Investment	1,010	-850	**160**	Amalgamation of Promoting local delivery, Grant support, New initiatives and funding to support community investment.
Emergency Assistance	500	-500	**0**	Carry forward of underspend on previous years' schemes to provide for future hardship payments.
Economic Growth and Prosperity				
Building Control	80	0	**80**	Ring-fenced surplus (could be used to off-set service deficit, if applicable)
Tatton Park	241	0	**241**	Ring-fenced surplus on Tatton Park trading account.
Economic Development	141	-141	**0**	Support for town centres and economic development initiatives.

Table 6: Earmarked Reserves that are statutory or essential have been retained for 2015/16				
Service Description	**Estimated Available Balance at 1 April 2015 £000**	**Forecast Movement in 2015/16 £000**	**Estimated Balance at 31 March 2016 £000**	**Reason / Use**
Chief Operating Officer				
Elections	616	-616	**0**	To provide funds for Election costs every 4 years.
Insurance and Risk	4,630	0	**4,630**	To settle insurance claims and manage excess costs.
Climate Change	67	-67	**0**	Renewable Energy project.
Investment (Sustainability)	7,350	-5,000	**2,350**	To support investment that can increase longer term financial independence and stability of the Council.
Business Rates Retention Scheme	1,478	-1,478	**0**	To manage cash flow implications as part of the Business Rates Retention Scheme.
Service Manager carry forwards	1,784	-1,784	**0**	Allocations for Costs of Investment or grant funded expenditure.
Total	**24,217**	**-11,124**	**13,093**	

Source: Cheshire East Council

Note: The above table excludes the proposed additional contribution of £1.7m from general reserves in 2015/16 to the following earmarked reserves:

Planning costs and Investment service structure	1,000	-1,000	**0**	Current estimates of the base budget related to the planning function may not be sufficient in the short-term whilst strategic plans are established and therefore additional provision may be required from the reserve.
Insurance and Risk	250	-250	**0**	To settle insurance claims and manage excess costs.
Investment (Sustainability)	450	-450	**0**	To support investment that can increase longer term financial independence and stability of the Council. Access to such reserves will be monitored by the Portfolio Holder for Finance and Section 151 Officer.
Total	**1,700**	**-1,700**	**0**	

4. Capital Reserves

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

49. 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

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

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

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

Background Papers

Cheshire East Council – Final Accounts 2013/14

Cheshire East Council – Budget Report 2014/17

Cheshire East Council – First Quarter Review of Performance 2014/15

Cheshire East Council – Mid Year Review of Performance 2014/15

General Fund Reserves – Risk Assessment Working Papers 2015

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

The Council's Value for Money document 2014/15

Annex A to Reserves Strategy

Protocols and Controls

The Existing Legislative / Regulatory Framework

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

2. There are three significant safeguards in place that militate against local authorities over-committing themselves financially:
    1. The balanced budget requirement.
    2. Chief Finance Officers' S114 powers.
    3. The External Auditor's responsibility to review and report on financial standing.

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

4. While it is primarily the responsibility of the local authority and its Chief Finance Officer to maintain a sound financial position, External Auditors have a responsibility to review the arrangements in place to ensure that financial standing is soundly based. In the course of their duties External Auditors review and report on the level of reserves taking into account their local knowledge of the Authority's financial performance over a period of time. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

The Role of the Chief Financial Officer

5. It is the responsibility of the Chief Finance Officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. There is no statutory minimum.

6. Local authorities, on the advice of their Chief Finance Officers, are required to make their own judgements on the level of reserves taking into account all the relevant local circumstances. Such circumstances vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.

Good Governance

7. It is important that Members take responsibility for ensuring the adequacy of reserves and provisions when they set the budget. CIPFA recommend that the respective roles of officers and Councillors in relation to reserves should be codified locally and given due recognition in the Constitutions. This codification should:

- State which council bodies are empowered to establish reserves
- Set out the responsibilities of the Chief Finance Officer and Councillor – or group of Councillors – responsible for finance
- Specify the reporting arrangements

A New Reporting Framework

8. The Chief Finance Officer has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

9. The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Chief Finance Officer. To enable the Council to reach its decision, the Chief Finance Officer should report the factors that influenced his or her judgement and ensure that the advice given is recorded formally. Where the advice is not accepted this should be recorded formally in the minutes of the Council meeting.

CIPFA recommended that:

10. The Business Planning report to the Council should include a statement showing the estimated opening general reserve fund balance for the year ahead, the additional contribution to / withdrawal from balances, and the estimated end of year balance. Reference should be made as to the extent to which such reserves are to be used to finance recurrent expenditure this should be accompanied by a statement from the Chief Finance Officer on the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the Authority's medium term financial strategy.

11. A statement reporting on the annual review of earmarked reserves should also be made at the same time to the Council. The review itself should be undertaken as part of the budget preparation process. The statement should list the various earmarked reserves, the purposes for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions / withdrawals and the estimated closing balances.

Annex 13 Abbreviations

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

Term	Meaning
ASDV	Alternative Service Delivery Vehicles – part of the Council's commissioning approach to funding services.
BRRS	Business Rates Retention Scheme – the system of local authority funding introduced on 1st April 2013.
DCLG / CLG	Department for Communities and Local Government – the Government department responsible for supporting local government.
DSG	Dedicated Schools Grant – grant received from Government to fund schools.
ESG	Education Support Grant – a grant provided to support services the Council provides to schools.
FQR	First Quarter Review of Performance.
HR	Human Resources – one of the Council's corporate service areas under the Chief Operating Officer.
ICT	Information and Communication Technology – the service responsible for computers, networks, software, phones, etc.
MYR	Mid-Year Review of Performance.
NEETs	Not in Education, Employment or Training
NNDR	National Non Domestic Rates – the contribution to general local authority costs by businesses. The rate is set by central Government.
PWLB	Public Works Loan Board – a Government agency providing loans to public bodies for capital works.
RSG	Revenue Support Grant – a grant that forms part of the Business Rate Retention Scheme.
SLE	Separate Legal Entity – a delivery model for delivering services in a different way.
TQR	Third Quarter Review of Performance.

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	11th February 2015
Report of:	Chief Operating Officer
Subject/Title:	Treasury Management Strategy and MRP Statement 2015/16
Portfolio Holder:	Councillor Peter Raynes (Finance)

1.0 Report Summary

1.1 Cheshire East Council is a large unitary local authority, providing services to over 370,000 residents and almost 18,000 businesses. The budget for delivering services can be as much as £1bn in a single year. The Council puts residents first and takes a responsible approach to managing and controlling the finances that meets the ambitions around service delivery and infrastructure development whilst also managing risks associated with investing and borrowing on a large scale.

1.2 The Treasury Management strategy is an important element in the overall financial health and resilience of Cheshire East Council. The strategy focuses on the management of the Council's investment and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

1.3 Strong financial management has strengthened the balance sheet, enabling the Council to continue its policy of utilising investment balances instead of taking out new external borrowing in order to finance capital expenditure. This has meant that the loans portfolio has not increased from the inherited position of the former County Council.

1.4 The Council remains committed to delivering appropriate levels of capital investment to support service improvement and local economic growth, which increases the importance of sound Treasury Management Strategy in the medium term. The current strategy is to ensure that investment in capital schemes is sustainable by controlling the consequential impact on the revenue account and council tax levels, ensuring good value for money to local businesses and residents.

1.5 In 2015/16 the Council will continue to minimise the net cost of borrowing by ensuring that the capital programme can be funded without the need for additional external borrowing. This is supported by maximisation of alternative funding sources such as grants, developer contributions and capital receipts, as well as careful management of capital cash flows to ensure that any short term borrowing requirements can be met from internal resources.

1.6 The key elements of the strategy for 2015/16 are for the Council to:

- Retain capital financing costs within an affordable limit of c.£14m
- Not enter into any overall additional external borrowing in 2015/16
- Take an appropriate approach to risk if short term loans are required, by only borrowing from lenders identified in the strategy
- Maintain security of investments by only using counterparties detailed in the strategy
- Support a flexible approach to treasury management that can react to opportunities and market conditions to maximise effectiveness, whilst protecting the public funds managed within the strategy

1.7 The Treasury Management Strategy set out in Appendix A is also reported to the Audit & Governance Committee for scrutiny before being presented to Full Council for approval on 26th February 2015.

2.0 Recommendations

Cabinet is requested to recommend to Council the approval of the Treasury Management Strategy and the MRP Statement for 2015/16 (Appendix A).

The Strategy includes the Department for Communities and Local Government (DCLG) reporting requirements in accordance with the Local Government Investments Guidance under Section 15(1) (a) of the Local Government Act 2003.

3.0 Reasons for Recommendations

3.1 The report presents the 2015/16 Treasury Management Strategy Statement (TMSS), incorporating the Minimum Revenue Provision (MRP) Policy Statement, Investment Strategy and Prudential and Treasury Indicators 2015/18, required under Part 1 of the Local Government Act 2003.

3.2 The Treasury Management Strategy details the activities of the Treasury Management function in the forthcoming year 2015/16. The Strategy for 2015/16 reflects the views on interest rates of leading market forecasts provided by Arlingclose, the Council's advisor on treasury matters. It also includes the Prudential Indicators relating to Treasury Management.

3.3 The CIPFA Code of Practice on Treasury Management requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year. The strategy should incorporate the setting of the Council's prudential indicators for the three forthcoming financial years.

4 Wards Affected

4.1 Not applicable

5.0 Local Ward Members

5.1 Not applicable

6.0 Policy Implications

6.1 Not applicable.

7.0 Implications for Rural Communities

7.1 Not applicable

8.0 Financial Implications

8.1 Effective Treasury Management provides support towards the achievement of service priorities, it ensures that the Council's capital investment programme delivers value for money by demonstrating that capital expenditure plans are affordable, external borrowing is prudent and sustainable and treasury decisions are taken in accordance with good practice.

9.0 Legal Implications

9.1 It is a requirement of the CIPFA's Treasury Management in the Public Services: Code of Practice, that Council receives an Annual Report on its Treasury Strategy, that Council sets Prudential Indicators for the next three years and approves an Annual Investment Strategy and an Annual MRP Policy Statement. There are stringent legislative requirements in place which dictate the way that a local authority deals with financial administration.

10.0 Risk Management

10.1 The Council operates its treasury management activity within the approved Treasury Management Code of Practice and associated guidance.

10.2 The Council 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 risk are therefore central to the Authority's treasury management strategy as no treasury management activity is without risk. The aim is to operate in an environment where risk is clearly identified and managed.

10.3 To reduce the risk that the Council will suffer a loss as a result of its treasury management activities down to an acceptable level a number of risk management procedures have been put in place. The procedures cover liquidity risk, credit and counterparty risk, re-financing risk, legal and regulatory risk, and fraud, error and corruption risk. These are referred to within the borrowing and investment strategies, prudential indicators and the Treasury Management Practices Principles and Schedules.

10.4 The arrangements for the identification, monitoring and controlling of risk will be reported on a regular basis in accordance with the Strategy.

11.0 Background and Options

11.1 A number of important decisions taken since 2009, including debt restructuring; repayment of prior year's debt using available reserves; rigorous daily investment decisions and the monitoring of available cash flows has enabled the Council's cash resources to be used to optimum benefit.

11.2 The treasury management team work closely with the Council's advisors Arlingclose to gain the maximum benefit from their expertise and guidance, including benchmarking performance against other local authorities on a quarterly basis. The Treasury Management Strategy takes into account future borrowing requirements, based on the Council's three year capital spending plans, projected cash flow requirements and money market opportunities. The aim is to maintain control over borrowing activities, with particular regard for longer term affordability; but also to allow sufficient flexibility to respond to changes in the capital and money markets as they arise.

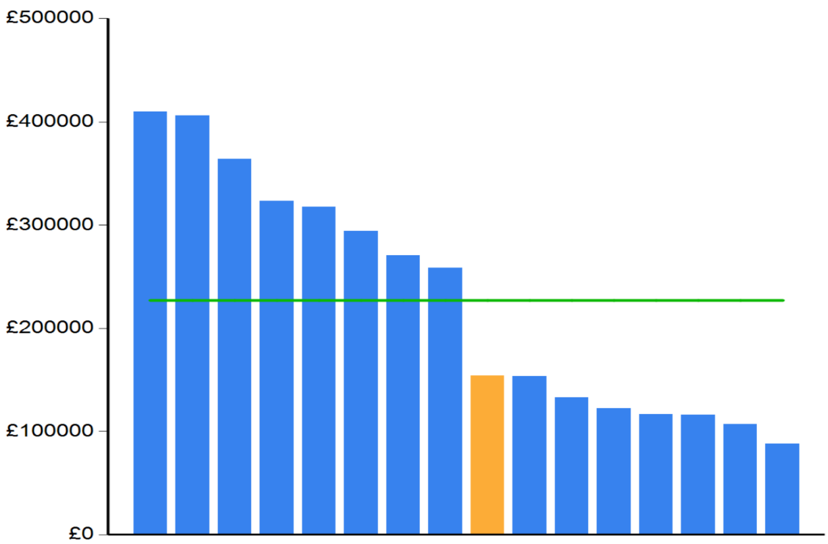
11.3 The capital programme for 2015/18 is intentionally aspirational, reflecting the Council's ambition to pursue additional external funding, private sector investment and capital receipts. Future capital receipts arising from the rationalisation of the asset base will be utilised to fund new proposals, including infrastructure to generate local economic growth; investment in new service delivery models and improvements in the Council's asset base.

11.4 The priority is to ensure that expenditure plans are affordable over the medium term. The programme is designed to allow flexibility so that cash flows i.e., the timing of capital receipts and payments, can be monitored and managed to minimise the risks to the Council of forward funding capital expenditure in advance of realising grant income, developer contributions and proceeds of planned asset sales and disposals. Where temporary borrowing is required this will be funded from internal resources and repaid as soon as receipts allow.

11.5 The Council currently has external borrowing of £117m. The amount of interest paid on the Council's portfolio of long term loans is mainly at fixed rates of interest (circa 3.8%). Currently long term interest rates are around 3.4%.

11.6 Compared to our nearest neighbours' levels of external borrowing are significantly below average. Data is available for the 2012/13 position and is highlighted in the graph below. In the year before this graph had been produced Cheshire East borrowing, including PFI arrangements, remained level compared to an average increase of £55m by near neighbours.

Cheshire East Council compared to similar areas: Statistical nearest neighbours, 2012/13



11.7 The Council has further reduced borrowing by £17m since this comparison above was provided. Over the financial period covered by this strategy, a further £14m of PWLB loans are also due to be repaid (see table 1 – Balance Sheet Summary and Forecast).

11.8 Within the Treasury Management Strategy, the Council will continue to minimise additional borrowing by making use of internal balances. This not only minimises costs, but also reduces the credit risk associated with investments, as the amount being invested is reduced. Given the current low interest rate environment is expected to continue throughout 2015/16 and beyond, the interest rate risk associated with delayed borrowing is assessed to be low.

11.9 The rate of interest to be earned on the Council's cash balances that are temporarily invested pending their being used is budgeted to be £0.2m.

11.10 The capital financing budget is at a very prudent level of £14m, 5.7% of the 2015/16 net revenue budget.

Capital Financing Budget 2015/16

Capital Financing Budget	2014/15 Original £m	2014/15 Revised £m	2015/16 £m
Repayment of Outstanding Debt	8.0	7.8	10.0
Contribution re: Schools TLC Schemes	-0.9	-0.9	-0.9
Direct Revenue Funding	0.4	0.4	0.8
Interest on Long Term Loans	5.2	4.9	4.3
Total Debt Repayment	12.7	12.2	14.2
Less: Interest Receivable on Cash Balances	-0.2	-0.2	-0.2
Net Capital Financing Budget	12.5	12.0	14.0

11.11 The principal changes to the 2015/16 Treasury Strategy have been:

3.0 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Councils aims to diversify into more secure and/or higher yielding asset classes during 2015/16; these include covered bonds, repurchase agreements and investments in pooled property funds. This diversification will represent a substantial change in strategy over the coming year as the majority of the Council's surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds.

4.0 The Local Capital Finance Company has recently been established by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. The Council currently has no plans to undertake any external borrowing in 2015/16 and any decision to borrow from the Agency in the future will be the subject of a separate report to Cabinet and Council.

Contract for merchant card services and treasury advice

11.12 Following a retendering exercise for the contract for merchant card services, this will now be provided by Lloyds banking group for a four year period commencing in 2015/16.

11.13 The contract for treasury advice services expired in December 2014, following a tender exercise Arlingclose have been re-appointed for a further 3 years.

12.0 ***Access to Information***

The background papers relating to this report can be inspected by contacting the report writer:

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Appendix A

Treasury Management Strategy Statement and Investment Strategy 2015/16 to 2017/18

Contents

Annexes

1. Background

1.1. On 23rd February 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

1.2. In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

1.3. The report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

1.4. 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 risk are therefore central to the Authority's treasury management strategy.

2. External Context

2.1 **Economic background:** There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is benign and is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.

2.2 The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee. Despite two MPC members having voted for an 0.25% increase in rates at each of the meetings August 2014 onwards, some Committee members have become more concerned that the economic outlook is less optimistic than at the time of the August *Inflation Report*.

2.3 **Credit outlook:** The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The *Bank Recovery and Resolution Directive* promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast *Deposit Guarantee Schemes Directive* includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

2.4 The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, **the credit risk associated with making unsecured bank deposits will increase** relative to the risk of other investment options available to the Authority.

2.5 **Interest rate forecast**: The Authority's treasury management advisor Arlingclose forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. The risk to the upside (i.e. interest rates being higher) is weighted more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year. Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 10 year PWLB loan rate for 2015/16 to 3.40%.

2.6 A more detailed economic and interest rate forecast provided by the Authority's treasury management advisor is attached at ***Annex A***.

2.7 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.50.

3. Local Context

3.1 The Authority currently has borrowings of £117m and 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 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.14 Actual £m	**31.3.15 Estimate £m**	**31.3.16 Estimate £m**	**31.3.17 Estimate £m**	**31.3.18 Estimate £m**
General Fund CFR	204	230	261	253	260
Less: Other long-term liabilities *	-25	-24	-23	-22	-22
Borrowing CFR	**179**	**206**	**238**	**231**	**238**
Less: External borrowing **	-128	-117	-108	-102	-103
Internal (over) borrowing	**51**	**89**	**130**	**129**	**135**
Less: Usable reserves	-72	-67	-64	-61	-59
Less: Working capital	-44	-43	-43	-40	-41
Investments (or New borrowing)	**65**	**21**	**(23)**	**(28)**	**(35)**

* finance 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

3.2 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, subject to holding a minimum investment balance of around £20m for liquidity purposes.

3.3 The Authority has an increasing CFR due to the capital programme and will therefore be required to borrow up to £58m over the forecast period.

3.4 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 2015/16.

4. Borrowing Strategy

4.1 The Authority currently holds loans of £117m, a decrease of £11m on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority does not expect to need to borrow in 2015/16.

4.2 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty 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.

4.3 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 either use internal resources, or to borrow short-term loans instead.

4.4 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 borrowing will monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose 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 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.5 In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

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

- Public Works Loan Board
- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
- UK public and private sector pension funds (except Cheshire Pension Fund)
- capital market bond investors
- local capital finance company and any special purpose companies created to enable joint local authority bond issues.

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

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

4.8 The Authority has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

4.9 **LGA Bond Agency:** Local Capital Finance Company was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable; and up to 5% of the loan proceeds will be withheld from the Authority and used to bolster the Agency's capital strength instead. Any decision to borrow from the Agency will therefore be the subject of a separate report.

4.10 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 as 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 LOBOS have options during 2015/16, and although the Authority understands that lenders are 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.

4.11 Short-term and variable rate loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

4.12 **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. Some bank 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 saving or reduction in risk.

5. Investment Strategy

5.1 The Authority holds significant 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 £49m and £109m. Slightly reduced levels are expected to be maintained in the forthcoming year.

5.2 Both the CIPFA Code and the CLG Guidance require the Authority to invest its 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 receiving unsuitably low investment income.

5.3 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2015/16. This is especially the case for the estimated £20m that is available for longer-term investment. The majority of the Authorities surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This diversification will therefore represent a substantial change in strategy over the coming year.

5.4 The Authority may invest its surplus funds with any of the counterparties in table 2 below, subject to the cash and time limits shown.

Table 2: Approved Investment Counterparties and Limits

Credit Rating	Banks* Unsecured	Banks* Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£5m 5 years	£10m 20 years	£10m 50 years	£5m 20 years	£5m 20 years
AA+	£5m 5 years	£10m 10 years	£10m 25 years	£5m 10 years	£5m 10 years
AA	£5m 4 years	£10m 5 years	£10m 15 years	£5m 5 years	£5m 10 years
AA-	£5m 3 years	£10m 4 years	£10m 10 years	£5m 4 years	£5m 10 years
A+	£5m 2 years	£10m 3 years	£5m 5 years	£5m 3 years	£5m 5 years
A	£5m 13 months	£10m 2 years	£5m 5 years	£5m 2 years	£5m 5 years
A-	£5m 6 months	£10m 13 months	£5m 5 years	£5m 13 months	£5m 5 years
BBB+	£3m 100 days	£5m 6 months	£3m 2 years	£3m 6 months	£3m 2 years
BBB or BBB-	£3m next day only	£5m 100 days	n/a	n/a	n/a
None	£1m 6 months	n/a	£5m 25 years	£50,000 5 years	£5m 5 years
Pooled funds	£10m per fund				

*Banks includes Building Societies

The above limits apply to individual counterparties and represent the maximum amount and maximum duration of any investment per counterparty.

5.5 **Credit Rating:** Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

5.6 **Banks 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. Unsecured investment with banks rated BBB or BBB- are restricted to overnight deposits at the Authority's current account bank, Barclays Bank.

5.7 **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they 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 highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

5.8 **Government:** Loans, 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 an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

5.9 **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

5.10 **Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

5.11 **Pooled Funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

5.12 Bond, equity and property funds 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.

5.13 **Segregated Fund Manager:** Although not currently used, this type of fund, which is managed on a discretionary basis by an appointed fund manager, is an option for future investments. The manager has scope to add value through the use of the investments listed in table 2 and must operate within the same limits. Performance is monitored and measured against the benchmark set for the fund, prevailing economic conditions and investment opportunities.

5.14 **Risk Assessment and Credit Ratings**: The Authority uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. 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.

5.15 **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 and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

5.16 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, 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, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

5.17 **Specified Investments**: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

5.18 The Authority defines "high credit quality" organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

5.19 **Non-specified Investments**: Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Maximum % of Total Investments	**Cash limit**
Total long-term investments	50%	£40m
Total investments without credit ratings or rated below A-	50%	£25m
Total investments in foreign countries rated below AA+	15%	£15m
Total non-specified investments	50%	£60m

5.20 **Investment Limits**: In order to minimise the Authority's exposure to counterparty risk, the maximum that will be lent to any one organisation (other than the UK Government) will be £10m. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts *(e.g. King & Shaxson)*, foreign countries and industry sectors as below:

Table 4: Investment Limits

Type of Counterparty	Maximum % of Total Investments	Cash limit
Any single organisation, except the UK Central Government	10%	£10m each
UK Central Government	100%	unlimited
Any group of organisations under the same ownership	10%	£10m per group
Any group of pooled funds under the same management	50%	£25m per manager
Negotiable instruments held in a broker's nominee account	100%	£25m per broker
Foreign countries	40%	£10m per country
Registered Providers	25%	£25m in total
Unsecured investments with Building Societies	10%	£10m in each
Loans to unrated corporates	10%	£10m in total
Money Market Funds	50%	£10m in each

5.21 **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

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

6.2 **Interest Rate Exposures**: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	100%	100%	100%

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

6.3 **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 fixed rate borrowing will be:

	Upper	Lower
Under 12 months	35%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	35%	0%
5 years and within 10 years	50%	0%
10 years and within 20 years	100%	0%
20 years and above	100%	0%

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

6.4 **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:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£40m	£25m	£15m

7. Other Items

7.1 There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

7.2 **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).

7.3 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, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

7.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

7.5 **Investment Advisers:** Following a recent tender exercise, the Authority has re-appointed Arlingclose Limited as treasury management advisers to provide specific advice on investment, debt and capital finance issues. The quality of this service is controlled by through regular meetings and periodic tendering for services.

7.6 **Investment Training:** The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by our treasury management advisers, Arlingclose Limited and other relevant providers.

7.7 **Investment of Money Borrowed in Advance of Need**: The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

7.8 The total amount borrowed will not exceed the authorised borrowing limit of £295 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

8. Financial Implications

8.1 Anticipated investment income in 2015/16 is £0.32 million, based on an average investment portfolio of £65 million at an interest rate of 0.50%. The budget for debt interest paid in 2015/16 is £4.3 million, based on an average debt portfolio of £112 million at an average interest rate of 3.8%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

Annex A – Arlingclose Economic & Interest Rate Forecast (December 2014)

Underlying assumptions:

- The UK economic recovery has continued. Household consumption remains a significant driver, but there are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP in 2015.

- We expect consumption growth to slow, given softening housing market activity, the muted outlook for wage growth and slower employment growth. The subdued global environment suggests there is little prospect of significant contribution from external demand.

- Inflationary pressure is currently low (annual CPI is currently 1.3%) and is likely to remain so in the short-term. Despite a correction in the appreciation of sterling against the US dollar, imported inflation remains limited. We expect commodity prices will remain subdued given the weak outlook for global growth.

- The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.

- Nominal earnings growth remains weak and below inflation, despite large falls in unemployment, which poses a dilemma for the MPC. Our view is that spare capacity remains extensive. The levels of part-time, self-employment and underemployment are significant and indicate capacity within the employed workforce, in addition to the still large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.

- However, we also expect employment growth to slow as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.

- In addition to the lack of wage and inflationary pressures, policymakers are evidently concerned about the bleak prospects for the Eurozone. These factors will maintain the dovish stance of the MPC in the medium term.

- The continuing repair of public and private sector balance sheets leave them sensitive to higher interest rates. The MPC clearly believes the appropriate level for Bank Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5 and 3.5%.

- While the ECB is likely to introduce outright QE, fears for the Eurozone are likely to maintain a safe haven bid for UK government debt, keeping gilt yields artificially low in the short term.

- The probability of potential upside risks crystallising have waned a little over the past two months. The primary upside risk is a swifter recovery in the Eurozone.

Forecast:

- We continue to forecast the first rise in official interest rates in Q3 2015; general market sentiment is now close to this forecast. There is momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.

- We project a slow rise in Bank Rate. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Bank Rate post-crisis to range between 2.5% and 3.5%.

- Market sentiment (derived from forward curves) has shifted significantly lower in the past two months; market expectations are now for a later increase in interest rates and a more muted increase in gilt yields.

- The short run path for gilt yields is flatter due to the deteriorating Eurozone situation. We project gilt yields on an upward path in the medium term.

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Official Bank Rate													
Upside risk				0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	**0.50**	**0.50**	**0.75**	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.50**	**1.50**	**1.75**	**1.75**	**1.75**
Downside risk			0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00
3-month LIBID rate													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	**0.60**	**0.75**	**0.90**	**1.05**	**1.20**	**1.35**	**1.50**	**1.60**	**1.70**	**1.80**	**1.90**	**2.00**	**2.10**
Downside risk	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	-0.95	-0.95	-0.95	-0.95	-1.00
1-yr LIBID rate													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	**1.00**	**1.05**	**1.20**	**1.35**	**1.50**	**1.65**	**1.80**	**1.95**	**2.10**	**2.20**	**2.30**	**2.40**	**2.50**
Downside risk	-0.15	-0.20	-0.30	-0.50	-0.55	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80	-0.80	-0.80
5-yr gilt yield													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	**1.45**	**1.60**	**1.75**	**1.90**	**2.00**	**2.15**	**2.25**	**2.35**	**2.45**	**2.50**	**2.55**	**2.60**	**2.60**
Downside risk	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.60	-0.65	-0.70	-0.70	-0.70	-0.70
10-yr gilt yield													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	**2.00**	**2.10**	**2.20**	**2.30**	**2.40**	**2.50**	**2.60**	**2.70**	**2.75**	**2.80**	**2.85**	**2.90**	**2.95**
Downside risk	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60	-0.60
20-yr gilt yield													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	**2.55**	**2.65**	**2.75**	**2.85**	**2.95**	**3.00**	**3.05**	**3.10**	**3.15**	**3.20**	**3.25**	**3.30**	**3.30**
Downside risk	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.60	-0.60
50-yr gilt yield													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	**2.65**	**2.70**	**2.80**	**2.90**	**3.00**	**3.05**	**3.10**	**3.15**	**3.20**	**3.25**	**3.30**	**3.55**	**3.60**
Downside risk	-0.35	-0.35	-0.35	-0.40	-0.45	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60	-0.60

Annex B

Existing Investment & Debt Portfolio Position

	05/01/15 Actual Portfolio £m	05/01/15 Average Rate %
External Borrowing:		
PWLB - Fixed Rate	100	3.91%
PWLB - Variable Rate	0	-
Local Authorities	0	-
LOBO Loans	17	4.63%
Total External Borrowing	**117**	**4.01%**
Other Long Term Liabilities:		
PFI	21	-
Finance Leases	5	-
Total Gross External Debt	**143**	-
Investments:		
Managed in-house		
Short-term investments	44	0.63%
Long-term investments	5	0.74%
Managed externally		
Pooled Funds	10	0.93%
Property Funds	5	?
Total Investments	64	0.69%
Net Debt	79	-

Annex C

Prudential Indicators revisions to 2014/15 and 2015/16 – 2017/18

1. **Background:**
   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.

2. **Gross Debt and the Capital Financing Requirement:**
   This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.
   If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with **gross** external debt.
   The Chief Operating Officer reports that the Authority had no difficulty meeting this requirement in 2014/15, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. **Estimates of Capital Expenditure:**

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

Capital Expenditure	2014/2015 Estimate £m	2015/2016 Estimate £m	2016/2017 Estimate £m	2017/2018 Estimate £m	Future years Estimate £m
Total	**116.9**	**146.3**	**111.1**	**120.3**	**77.8**

Source: Cheshire East Finance

3.2 Capital expenditure will be financed or funded as follows:

Capital Financing	2014/2015 Estimate £m	2015/2016 Estimate £m	2016/2017 Estimate £m	2017/2018 Estimate £m	Future years Estimate £m
Capital receipts	10.0	37.3	39.2	18.2	15.7
Government Grants	54.2	48.5	46.3	80.3	34.8
External Contributions	14.1	17.7	20.8	7.2	22.0
Revenue Contributions	0.9	1.3	0.0	0.0	0.0
Total Financing	**79.2**	**104.8**	**106.3**	**105.7**	**72.5**
Prudential Borrowing	37.7	41.5	4.8	14.6	5.3
Total Funding	**37.7**	**41.5**	**4.8**	**14.6**	**5.3**
Total Financing and Funding	**116.9**	**146.3**	**111.1**	**120.3**	**77.8**

Source: Cheshire East Finance

4. Ratio of Financing Costs to Net Revenue Stream:

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

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

Ratio of Financing Costs to Net Revenue Stream	2014/2015 Estimate %	2015/2016 Estimate %	2016/2017 Estimate %	2017/2018 Estimate %
Total	**4.93**	**5.68**	**5.88**	**5.96**

5. Capital Financing Requirement:

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

Capital Financing Requirement	2014/2015 Estimate £m	2015/2016 Estimate £m	2016/2017 Estimate £m	2017/2018 Estimate £m
Total	**230**	**261**	**253**	**260**

Source: Cheshire East Finance

6. Actual External Debt:

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

Actual External Debt as at 31/03/2014	£m
Borrowing	128
Other Long-term Liabilities	25
Total	**153**

7. Incremental Impact of Capital Investment Decisions:

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

Incremental Impact of Capital Investment Decisions	2015/2016 Estimate £	2016/2017 Estimate £	2017/2018 Estimate £
Band D Council Tax	**16.28**	**23.51**	**0**

8. Authorised Limit and Operational Boundary for External Debt:

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

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

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

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

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

	2014/2015 Estimate £m	2015/2016 Estimate £m	2016/2017 Estimate £m	2017/2018 Estimate £m
Authorised Limit for Borrowing	240	275	265	270
Authorised Limit for Other Long-Term Liabilities	25	22	23	22
Authorised Limit for External Debt	**265**	**297**	**288**	**292**
Operational Boundary for Borrowing	230	265	255	260
Operational Boundary for Other Long-Term Liabilities	25	22	23	22
Operational Boundary for External Debt	**255**	**287**	**278**	**282**

Source: Cheshire East Finance

9. Adoption of the CIPFA Treasury Management Code:

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

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

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

10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

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

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

	Existing Level or (Benchmark level) at 02/01/2015 %	2014/2015 Approved %	2014/2015 Estimate %	2015/2016 Estimate %	2016/2017 Estimate %	2017/2018 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	0	100%	100%	100%	100%	100%

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

11. Maturity Structure of Fixed Rate borrowing:

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

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

11.3 LOBOs are classified as maturing on the next call date i.e. the earliest date that the lender can require repayment. As all LOBOs are can be called within 12 months the upper limit for borrowing maturing within 12 months is relatively high to allow for the value of LOBOs and any potential short term borrowing that could be undertaken in 2015/16.

Maturity structure of fixed rate borrowing	Level as at 31st March 2015 (based on Current Borrowing) %	Lower Limit for 2015/2016 %	Upper Limit for 2015/2016 %
under 12 months	22%	0%	35%
12 months and within 24 months	5%	0%	25%
24 months and within 5 years	16%	0%	35%
5 years and within 10 years	4%	0%	50%
10 years and within 20 years	23%	0%	100%
20 years and within 30 years	7%	0%	100%
30 years and within 40 years	14%	0%	100%
40 years and within 50 years	9%	0%	100%
50 years and above	0%	0%	100%

12. Credit Risk:

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

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

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

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

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

Annex D – MRP Statement 2015/16

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

Capital expenditure is expenditure that provides ongoing benefits to the Council for a period of longer than 1 year. Accounting rules require that where this capital expenditure is not funded through external contributions, external grants, capital receipts or contributions from revenue budgets it must be charged against the Council's General Fund Balances. The period over which this charge is made should reflect the length of time that the expenditure will provide benefits to the Council.

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

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

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

Charges will commence in the year following the creation of the capital asset, i.e, in the assets first full year of operation.

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

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

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

The MRP Statement will be submitted to Council before the start of the 2015/16 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	11th February 2015
Report of:	Head of Governance and Democratic Services
Subject/Title:	Notice of Motion – Location of Strategic Planning Board Meetings
Portfolio Holder:	Cllr Don Stockton, Housing and Jobs Cllr Paul Findlow, Governance

1.0 Report Summary

1.1 The purpose of this report is to respond to the following Motion to Council on 11 December 2014 on Location of Strategic Planning Board (SPB) meetings which was proposed by Cllr D Brickhill and seconded by Cllr A Moran:

"In the light of the chairman's decision to hold a Strategic Planning Board meeting in Macclesfield when all the items of the agenda (bar one in Ollerton) were in the south of the Borough, it is clear that the previous decision of Council is not being observed by him. Therefore his discretion in this matter is withdrawn. The location of the meeting in Crewe or Macclesfield shall be decided only on the basis of whether the majority of the agenda items are in the south or north of the Borough, as this was clearly the intention of council especially to avoid residents having to travel long distances e.g. Wrenbury to Macclesfield."

2.0 Background

2.1 The Council takes a Residents First approach to its meeting arrangements and therefore seeks to ensure that meetings of the SPB are accessible and convenient for those residents wishing to attend them. It is recognised that, on occasions, the arrangements put in place for meetings could have been improved, and that greater emphasis should be placed on residents' needs. Improvements can also be made to the way in which the Council's administrative processes are handled and further effort is needed to ensure that this takes place.

2.2 The current rules relating to the arrangement for agreeing venues for SPB meetings, are as follows:

"That the Capesthorne Room, Macclesfield Town Hall and the Council Chamber, Municipal Buildings, Crewe be reserved in advance for every scheduled meeting of the Strategic Planning Board, with the room that is not required for a particular meeting being released at the appropriate time, the choice of venue to be at the discretion of the Chairman of the Strategic Planning Board in consultation with

the Vice-Chairman of the Board and officers, provided that in exercising such discretion, the Chairman will have regard to the following considerations:

The number of planning matters which are to be considered at the meeting in question and the proximity of the development sites to the two meeting venues;

The scale of the proposed development associated with the applications to be dealt with at the meeting in question; the complexity of issues associated with, or the controversial nature of, the proposed development, and the likely consequential public interest".

2.3 The motion referred to in paragraph 1.1 refers specifically to an SPB meeting held on 17 September 2014. This included items / applications from Wrenbury (2), Crewe, Sandbach, Ollerton, Congleton and Poynton. There was therefore more than one item from the 'North' of the Borough. (Items in Congleton are now presented to the Northern Committee.)

2.4 The location of the SPB is determined on the basis of a discussion between the Chairman and officers. In reaching his decision upon meeting venues, the Chrarman is reliant upon the advice given to him by officers. As a rule, this will be where the majority of the applications are located. This is demonstrated by the fact that meetings since January 2014 have resulted in 11 being held at Crewe and 9 at Macclesfield.

2.5 There are, however, times when the nature of the applications may mean that simply having the meeting located on a 'majority' basis may be inappropriate. For example, an application of high public interest and public attendance could be pushed to a location further away because the agenda consists of 2 or 3 minor changes to schemes with little, if any, public interest. This is why it is considered that an element of discretion is still needed to enable the most suitable venue to be determined.

2.6 Taking into account the need for the implications for residents to be more firmly taken into consideration when decisions about meeting arrangements are made, it is considered that the existing rules, set out in paragraph 2.2, provide all of the flexibility needed in the circumstances. The arrangements could be further enhanced by consideration being given to the development of key performance indicators, which would enable officers to provide information upon the locations of SPB meetings, and the fundamental reasons for those decisions, taking into account the criteria set out in paragraph 2.2.

3.0 Recommendation

3.1 That the Chairman's discretion in determining the venue for a meeting of the Strategic Planning Board be retained in accordance with the arrangements approved by Council on 27 February 2014.

4.0 Reason for Recommendation

4.1 To ensure that the arrangements are appropriate and practicable.

5.0 Wards Affected

5.1 All

6.0 Local Ward Members

6.1 All

7.0 Policy Implications

7.1 There are no such direct implications.

8.0 Implications for Rural Communities

8.1 The locations of SPB meetings have implications for rural communities, taking into account important considerations, such as accessibility to public transport, and the availability of other forms of transport to rural residents.

9.0 Financial Implications

9.1 None.

10.0 Legal Implications

10.1 None.

11.0 Risk Management

11.1 None.

12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	11th February 2015
Report of:	Executive Director of Growth and Prosperity – Caroline Simpson
Subject/Title:	Notice of Motion - Local Plan
Portfolio Holder:	Councillor Peter Raynes - Finance

1.0 Report Summary

1.1 The report requests Cabinet to consider and respond to the following motion which had been moved by Councillor D Newton and seconded by Councillor S Corcoran at the Council meeting on 11 December 2014 and referred to Cabinet for consideration:

This Council notes:

1) The recent comments of Steven Pratt on the Cheshire East Local Plan; and
2) the appeal recovery criteria that enable a decision on any appeal that involves a potential conflict with an emerging (or recently made) Neighbourhood Plan to be taken by Ministers
And resolves to write to Edward Timpson MP, Fiona Bruce MP, David Rutley MP, George Osborne MP and Stephen O'Brien MP asking them to call

> *a) for any appeal that involves a potential conflict with an emerging (or recently made) Neighbourhood Plan in Cheshire East to be recovered and taken by Ministers; and*
> *b) for emerging Local Plans to be afforded greater weight at planning appeals.*

2.0 Recommendation

2.1 That Cabinet note the points raised in the motion referred to in paragraph 1:1 and confirm that all the issues raised are the subject of work already underway which was instigated immediately after the feedback from the Inspector Stephen Pratt on 6 November 2014.

3.0 Reasons for Recommendation

3.1 The Council has long called for emerging Plans to be given greater weight in the planning system. This request has been made previously in respect of the Local plan – and now with an accelerated programme of Neighbourhood Plans these form part of this ongoing work.

4.0 Wards Affected

4.1 All

5.0 Local Ward Members

5.1 All

6.0 Policy Implications

6.1 The Local Plan is a key Policy Document for the Council; Neighbourhood Plans provide a more detailed planning policy framework, tailored to a localised area.

7.0 Implications for Rural Communities

7.1 The majority of Neighbourhood Plans approved nationally are in villages and small towns. Cheshire East follows a similar pattern – with many rural parishes engaged – as well as some of the larger towns. Accordingly a neighbourhood plan can be a particularly important tool for the planning of villages and rural areas.

8.0 Financial Implications

8.1 There are no particular financial implications arising from the notice of motion

9.0 Legal Implications

9.1 The NPPF at paragraph 216 requires decision makers to take account of policies in emerging plans according to their progress, level of objection and conformity with the Framework. The Secretary of State has powers to recover appeals against the refusal of planning permission made under s.78 of the Planning Act – so that the final decision is made by the minister and not the individual Inspector.

10.0 Risk Management

10.1 No significant risk implications

11.0 Background and Options

11.1 This report addresses the issues raised by the motion referred to in paragraph 1.1.

11.2 The Cheshire East Local Plan was submitted in May 2014, but the examination has now been suspended following the first three weeks of hearings. Following the publication of the Planning Practice Guidance in March 2014 and the conclusion of key court cases it has become increasingly common for Councils to encounter a delay in the progress of their local plan or a requirement to undertake further work. Recent examples include authorities as diverse as Chiltern, Uttlesford, Derbyshire Dales, Eastleigh and Birmingham.

11.3 In response to the Inspector's interim views, the Council established a task force to oversee its response. This has formulated a programme of additional work based on four principal themes; this was sent to the inspector in December. The necessary work is now underway and regular updates will be provide to the Inspector and public on a monthly basis.

11.4 The hearings held in the autumn of 2014 dealt with strategic matters but not individual sites. Accordingly, the weight to be given to sites within the emerging Local Plan remains at a level commensurate with a plan submitted to the Secretary of State but not yet examined. It is anticipated that a proportion of new development will be met through sites identified at the site allocations stage of the plan – or via Neighbourhood Plans where these are being prepared.

11.5 In line with many areas nationally, the Borough continues to face a large number of planning applications for housing – many of which are located on sites which are not allocated in any existing or emerging development plan. Where such applications are refused and an appeal is launched, the conflict with an emerging plan is always highlighted within the appeal statement.

11.4 Thus far, no draft Neighbourhood Plan has been published in Cheshire East, but the first draft plans are expected to be made public in the coming months. A steady pipeline of Neighbourhood Plans is now underway, facilitated by the comprehensive programme of support provided by the Council. As a consequence, more draft plans can be anticipated to be published as the year progresses.

11.5 The Secretary of State and Planning Inspectors have tended to give limited weight to emerging local plans – both in this borough and elsewhere – unless it is at a very advanced stage. With regard to Neighbourhood Plans, Ministers have displayed a greater willingness in recent months to attribute weight to emerging plans when deciding appeals. A recent example of this is the decision to refuse residential development in the town of Devises in Wiltshire because of a conflict with the neighbourhood plan currently under preparation.

11.6 The Decision to recover appeals is made by the planning case work unit at CLG – but not every request for recovery is accepted. The Council has seen requests made in 2014 on various appeals rejected – but where important issues arise, requests continue to be made. Accordingly the notice of motion aligns with the approach that the Council has adopted over time on emerging plans

12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	11th February 2015
Report of:	Executive Director of Economic Growth and Prosperity – Caroline Simpson
Subject/Title:	Notice of Motion – Sandbach Neighbourhood Plan
Portfolio Holder:	Councillor Don Stockton – Housing and Jobs

1.0 Report Summary

1.1 The purpose of this report is to consider and respond to the following motion which had been moved by Councillor S Corcoran at the Council meeting on 11th December 2014 and referred to Cabinet for consideration:

'This Council welcomes the strong community involvement in and the cross party support for the Sandbach Neighbourhood Plan and regrets the comments of the Leader of the Council about the Sandbach Neighbourhood Plan on the Sunday Politics Show on 30 November.'

2.0 Recommendations

2.1 That Cabinet consider and respond to the motion referred to in paragraph 1.1 above.

2.2 That Cabinet recognise and endorse the high level commitment this council has made to the residents of Cheshire East in it's support for neighbourhood planning

2.3 That Cabinet recognise the significant and fast progress that our communities are making in bringing forward their plans

2.4 That Cabinet support the ambition to make Cheshire East the leading local authority in neighbourhood planning.

2.5 That Cabinet also continue to support the resources necessary to enable the hard work of our Councillors, officers, town and parish councillors and most importantly, of our residents, that underpins this progress toward sustainable planning in Cheshire East, by, and for, all of our communities.

3.0 Reasons for Recommendations

3.1 Since neighbourhood planning was introduced in 2011 there's been a revolution in plan making with communities across the country now taking up their right to plan for their own futures and define for themselves what sustainable development means in the context of their own towns and villages.

3.2 It's an agenda that nationally, now covers almost 1300 communities and some 5 million people resulting in 32 finalised plans to date; plan making is now in the hands of our communities and Cheshire East Council is at the forefront of supporting this.

3.3 The government has confirmed funding to support neighbourhood plans into the next financial year and beyond and is fully supporting the views expressed in them when it comes to planning decisions. A series of appeal decisions and high court rulings have now definitively confirmed this and signalled the overriding weight given to neighbourhood plans, even in instances where the neighbourhood plan is at a draft stage, even where the host local authority has no five year supply of housing land and even where there is no up to date local plan in place. Even in these scenarios, the views of the community are, expressed in a neighbourhood plan, are becoming the de facto framework against which planning decisions should be made. Cases from Tattenhall, Winslow, Devizes, Hurstpierpoint, Malmesbury, Malpas and beyond confirm this. Neighbourhood plans are fast becoming the cornerstone of a new planning system, built from the ground up that puts residents first across the whole country.

3.4 In Cheshire East we are most definitely continuing to put our residents first, and put them at the heart of sustainable planning. This Council has committed to resisting development which is not sustainable and in July 2014 the Council made a high level commitment to support neighbourhood planning, ensuring the financial and staff resources were made available to get neighbourhood plans in place as quick as possible.

3.5 To make this happen the council entered a partnership with Cheshire Community Action and their team of six neighbourhood planning specialists. Six months later, excellent progress is being made across Cheshire East with the first draft plans expected in the spring. There are now 19 plans underway in the borough, with communities joining in week by week.

3.6 The continuing efforts of our councillors and officers in driving this agenda and bringing neighbourhood planning front and centre, should be recognised and the continued commitment of this Council to building sustainable planning is generating more and more requests for assistance (we've now had discussions with at least 40 communities).

Our residents want to plan for their own futures and with high level support from this council and it's members, we're making that happen.

4.0 Wards Affected

4.1 Sandbach Wards

5.0 Local Ward Members

5.1 Councillor Sam Corcoran; Councillor Gill Merry; Councillor Barry Moran; Councillor Gail Wait

6.0 Policy Implications

6.1 None

7.0 Implications for Rural Communities

7.1 None

8.0 Financial Implications

8.1 None

9.0 Legal Implications

9.1 None

10.0 Risk Management

10.1 None

11.0 Background and Options

11.1 This report addresses the issues raised by the motion referred to in paragraph 1.1.

11.2 The Localism Act 2011 introduced new legal rights that enable communities to prepare local development plans (neighbourhood plans) with equal weight to the Local Plan for decision making purposes on development proposals.

11.2 Such plans have the power to allocate land for development purposes and establish local policies applicable to the development of land. Any future neighbourhood plan must be prepared in accordance with the National Planning Policy Framework (NPPF) and the strategic policies held within the Development Plan of the host local authority.

12.0 Access to Information

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	11th February 2015
Report of:	Executive Director of Economic Growth & Prosperity – Caroline Simpson
Subject/Title:	Notice of Motion – Heyes Lane Allotments
Portfolio Holder:	Councillor Peter Raynes – Finance

1.0 Report Summary

1.1 This report requests Cabinet to consider and respond to the following motion, which had been moved by Councillor S Corcoran at the Council meeting on 11th December 2014 and referred to Cabinet for consideration:

This Council commits that it will not agree to vary the lease with Alderley Edge Parish Council for the Heyes Lane site to allow any use other than allotments, unless the Secretary of State exercises any powers that he might have to require a variation of the lease.

2.0 Recommendations

2.1 That Cabinet consider the motion referred to in paragraph 1.1.

2.2 That Cabinet consider any future variation to the lease in respect of the plans and ambitions of the Parish Council, the legal position regarding the covenanters of the land, with the intention of securing the best solution for Alderley Edge.

3.0 Reasons for Recommendations

3.1 Allotments play a major role in supporting healthy and prosperous communities.

3.2 The Lease of Heyes Lane Allotments to Alderley Edge Parish Council aligns with the first priority of the Sustainable Community Strategy "nurturing strong communities" and is part of Cheshire East's stated drive to ensure that working locally is at the heart of what the Council does.

3.3 The Local Service Delivery -Transfer and Devolutions to Town and Parish Councils process is key to the Councils 'our residents' first approach' to asset management and in line with localism Act which was introduced to create new freedoms and flexibilities for local government and new rights and powers for communities and individuals.

3.4 The Devolution initiative was implemented to support the view that it is beneficial for local people to choose what services they pay for under devolved services delivered by Town and Parish Councils. Local Town and Parish Councils have acquired allotment plots from the Local Authority which provide the opportunity to establish vibrant community groups and a venue creating a community hub. To date the Council, over the past couple of years has transferred / devolved 11 allotment sites in various parts of the Borough.

3.5 Whilst allotments may appear to suggest activity carried out by an individual, there are many examples of the wider social value they provide; Bringing people together to share a common interest, forming of friendships and involvement of wider members of the local community. Gardening is an activity which is associated with increased neighbourhood attachment, it is an activity that is accessible regardless of income, education, ethnic background and (largely) age and supports social interaction with family, friends and neighbours.

4.0 Wards Affected

4.1 Alderley Edge

5.0 Local Ward Members

5.1 Cllr Frank Keegan

6.0 Policy Implications

6.1 All transfers were in line with the Councils policy of transfer and devolution of asset to Town and Parish Councils.

7.0 Implications for Rural Communities

7.1 Allotments support all communities and although they are mainly focused in urban areas there are strong links to wider rural issues of local food production and supply.

8.0 Financial Implications

8.1 The Council has a duty to obtain best consideration under section 123 of the Local Government Act 1972 for releasing or varying any lease terms where such actions create an increase in value of the land.

9.0 Legal Implications

9.1 The Duty on an Allotment Authority is to ensure that there is sufficient provision of allotments in its area. The Secretary of State has power to determine if land can cease to be used as an allotment and agree (if there is reason to continue with Allotment provision) a substitution of other land where land has been purchased or appropriated. The Secretary of State under the Allotment legislation does not have the power to vary the terms of a lease, from a Lessor to the Parish Council, nor a lease to Allotment holders from an Allotment Authority. Nor does the Secretary of State have power to remove the interest of a land owner or to restrict their control of that land under the lease

9.2 The Small Holdings and Allotments Act 1908- deals with the Provision of Allotments, Powers of Councils and Acquisition of Land.

9.3 The Allotments Act 1925 specifies that land purchased or appropriated by local authorities for use as allotments must not be disposed of without Ministerial consent. The Secretary of State must be satisfied that 'adequate provision will be made for allotment holders displaced by the action of the local authority, or that such provision is unnecessary or not reasonably practicable'. (Section 8) Here land has not been purchased or appropriated.

9.4 A Parish Council can use s126 of the Local Government Act 1972 to ‘appropriate’ land to another use. This right is not absolute and is subject to restriction. Sub section 126 (3) provides that the appropriation shall be subject to the rights of other persons in, on over or in respect of the land concerned.

9.5 Here such rights to which a s126 decision would be subject are (i) the leasehold rights (to include the rights of this Council as Lessor and owner of the freehold title to determine the use of the land and receive an income) and (ii) the restrictive covenants mentioned in a deed of gift (under which the land was first acquired for use and which specified the uses to which the land could be put) that restrict the use of the land. The deed of gift restricts intended uses of the land to open space, recreation ground, playing fields, allotments, or public gardens.

10.0 Risk Management

10.1 If the Council did agree to vary the lease then this may represent a risk to the Council and set precedent to all other Local Town and Parish Councils with regard to the Assets that the Council has already transferred.

11.0 Background and Options

11.1 On 5th September 2011 Cabinet approved that a number of properties including Heyes Lane Allotments, Alderley Edge should be transferred to Town and Parish Councils under the first phase of the Local Service Delivery -Transfer and Devolutions to Town and Parish Councils process.

11.2 Heyes Lane Allotments were transferred under a 125 Year lease at a peppercorn rent and on a standard set of heads of terms. These terms included a clause that the only authorised use of the site was for Allotments use only.

11.3 Should the Parish Council wish to vary the lease from then, the Council will require full detail of their proposal and financial breakdown, to allow this Council to consider if, any financial consideration is due to this Council in return for varying the lease terms in accordance with section 123 of the Local Government Act 1972.

11.4 The opportunities to acquire an allotment have increased in demand and many local authorities have extensive waiting lists for plots for a hobby which has gained a huge national appeal.

11.5 A number of benefits have been derived by individual plot holders in addition to growing their own fresh fruit, vegetables and flowers to reduce the impact on their weekly expenditure. Through appropriate management of an allotment plot sufficient food can produce enough food to supplement a family's weekly shop with fresh produce over the year.

11.6 In addition to the financial benefits, those keen to tend to an allotment plot benefit from the health benefits from spending time out in the fresh air building up levels of vitamin D. Allotment work has positive effects on the body to ward off illnesses and offers a feel good factor which stimulates physical activity.

12.0 Access to Information

12.1 The background papers relating to this report can be inspected by contacting the report writer:

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting: 11th February 2015
Report of: Executive Director of Economic Growth and Prosperity - Caroline Simpson
Subject/Title: Jobs Regeneration and Assets Overview and Scrutiny Committee - High Growth City Project Task and Finish Group Report
Portfolio Holder: Councillor Don Stockton – Housing and Jobs

1.0 Report Summary

1.1 This report introduces the High Growth City Project Task and Finish Group's (the Task Group) Report on its findings, conclusions and recommendations following its review. The Report and the Group's terms of reference are attached.

2.0 Recommendations

2.1 That Cabinet receive the Task Group's Report (attached).

2.2 That Cabinet note the Task Group's recommendations below, which are contained in the attached report:

2.2.1 To ensure that benefits of an HS2 NW Hub Station in Crewe are realised, the Group recommends that:

A. The Council must ensure that it is prepared to deal with the scale of growth potential associated with HS2 and High Growth City by putting the necessary resources and structures in place to enhance the delivery of services, particularly in our planning, infrastructure and regeneration teams.
B. The Council must consider how the changes that need to be made to its resources and structures are going to impact on its overall budgets and where funding for projects is going to come from.
C. The Council must work with Government, Neighbouring Authorities and Local Enterprise Partnerships to create a strong governing board needed to realise the maximum benefit of the opportunity to create higher quality places and life opportunities for our residents. The Council must be clear about the role it will play alongside its partners when choosing the preferred delivery mechanisms.
D. The Council should learn the lessons of other local authorities which have been impacted by national infrastructure projects such as HS1, and where they failed or succeeded in making the most of the opportunities.
E. Even though the Government has not yet formally decided on Crewe as the location for NW Hub Station for HS2, the Council must develop an evidence based Growth Strategy to inform future planning requirements and growth

deals to ensure the area secures the right levels of investment to deliver the strategy outcomes.

F. The Council must consider how the anticipated growth in Crewe and the surrounding area is going to affect the demographics of the Borough and the impact this will have on demand for services like education, health, leisure and waste to ensure plans are in place to prepare for new demand.
G. The Council should anticipate a review of the Local Plan in the future once a Growth Strategy has been delivered to ensure we have a credible planning approach.
H. The Council must develop a local communication strategy with the public and key stakeholders to ensure residents and local businesses understand and support the benefits that HS2 will bring.
I. The Council should develop a Business and Skills Engagement Plan with local companies, universities, colleges, schools and Government agencies to address how the area can prepare for and deliver the economic transformation of the area.

2.3 That a response to the Task Group's report be submitted to the Jobs Regeneration and Assets Overview and Scrutiny Committee.

3.0 Reasons for Recommendations

3.1 The Task Group was established to assess the Council's readiness to capture the full economic and social benefits of a potential hub station for HS2 in Crewe. The Task Group's findings and recommendations provide advice to Cabinet and Officers to aid efforts to put strategies and partnerships in place to maximise the benefits of HS2 for Crewe and the wider region.

4.0 Wards Affected

4.1 All

5.0 Local Ward Members

5.1 All

6.0 Policy Implications

6.1 If there is a Government decision that the route for HS2 will include a North West Hub Station at Crewe there are going to be major implications for a variety of policy areas including, regeneration, planning and development, education and skills, jobs, transport and highways.

7.0 Financial Implications

7.1 Consideration of financial implications is not required at this stage.

8.0 Legal implications

8.1 Consideration of the legal implications is not required at this stage.

9.0 Risk Management

9.1 If effective strategies, partnerships and delivery mechanisms are not put in place there is a risk that the Council may not realise the full economic and social benefits arising from a North West Hub Station in Crewe.

10.0 Background

10.1 The Jobs Regeneration and Assets Overview and Scrutiny Committee agreed to set up the task and finish group at its meeting on 22 September 2014. The purpose was to assess the readiness of the Council to capture the full economic and social benefits that a potential superhub station at Crewe could bring for Crewe, Cheshire East and the wider sub-region.

10.2 Over the previous few weeks the Task Group has met with Officers, the Leader of the Council and reviewed documentation to gain an understanding of the implications for the Council of HS2 and what needs to be done to capitalise on the opportunities it will bring. The group focused its considerations on the following key questions:

1. What are the implications of HS2 for Cheshire East Council and the local economy?
2. If Crewe was the location of a Superhub station how do we ensure successful delivery of the projected 64,000 jobs that this investment would create?
3. What do we need to do to ensure the right infrastructure is in place to maximise the benefit of HS2 for the local area the boarder sub-region?
4. What are the key business sectors of the economy that would benefit from the Crewe Superhub?
5. How can we best ensure we can deliver the skilled residents, needed to support these businesses?

10.3 The attached report documents the Task Group's findings, conclusions and recommendations to Council.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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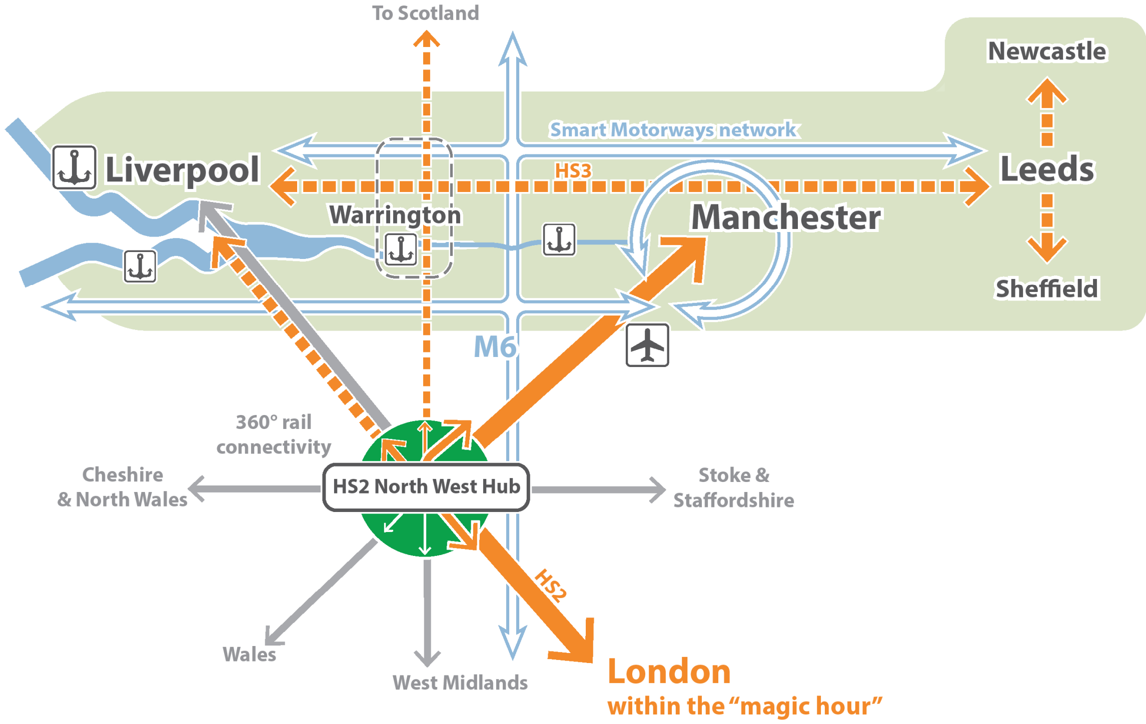
Cheshire East Council

Jobs Regeneration and Assets Overview and Scrutiny Committee



High Growth City Project

Task and Finish Group

Final Report

December 2014

1.0 Chairman's Foreword

1.1 Our task and finish group was set up by the Jobs Regeneration and Assets Overview and Scrutiny Committee at its meeting on 22 September 2014. The purpose was to assess the readiness of the Council to capture the full economic and social benefits that the potential HS2 NW Hub station at Crewe could bring for Crewe, Cheshire East and the wider region. At our first meeting we considered how to approach the review and agreed the terms of reference attached at Appendix A.

1.2 Over the previous few weeks we have met with Officers and reviewed relevant documentation, listed at Appendix B, to gain an understanding of the implications for the Council of HS2 and what needs to be done to capitalise on the opportunities it will bring. The scale and significance of HS2 for the Council is huge, and there are many questions that need to be answered before we are able to realise the ambitious plans that are being put in place. There are going to be difficult decisions on the Council's budgets and on planning and development in future but these decisions must be taken if we are to genuinely improve the long term prosperity of our residents.

1.3 It is essential that we strengthen both the strategic and operational capability of the Council's structure. We will see the need for enhanced delivery of core services such as Assets, Planning and Regeneration. In order that these can be delivered successfully, it is essential that the right structure is in place. Failure to achieve this could have a devastating effect on the future success of the opportunity in front of us.

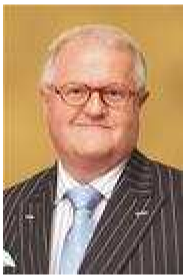
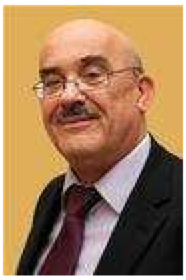
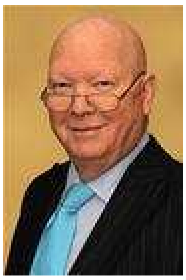
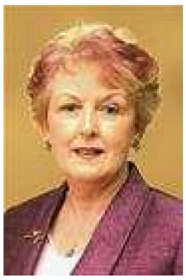
1.4 I wish to note that Members have shown great commitment and hard work to get this report completed in a short period of time. The task group and I would like to thank all the Officers who have contributed to the review.

1.5 This report documents the task and finish group's findings, conclusions and recommendations.

Councillor Peter Groves

Chairman of the High Growth City Task and Finish Group

Task and Finish Group Membership

Cllr Peter Groves, Cllr Steven Hogben, Cllr Frank Keegan and Cllr Jacquie Weatherill

2.0 Recommendations and Report Summary

Recommendations

2.1 To ensure that benefits of an HS2 NW Hub Station in Crewe are realised, the Group recommends that:

A. The Council must ensure that it is prepared to deal with the scale of growth potential associated with HS2 and High Growth City by putting the necessary resources and structures in place to enhance the delivery of services, particularly in our planning, infrastructure and regeneration teams.

B. The Council must consider how the changes that need to be made to its resources and structures are going to impact on its overall budgets and where funding for projects is going to come from.

C. The Council must work with Government, Neighbouring Authorities and Local Enterprise Partnerships to create a strong governing board needed to realise the maximum benefit of the opportunity to create higher quality places and life opportunities for our residents. The Council must be clear about the role it will play alongside its partners when choosing the preferred delivery mechanisms.

D. The Council should learn the lessons of other local authorities which have been impacted by national infrastructure projects such as HS1, and where they failed or succeeded in making the most of the opportunities.

E. Even though the Government has not yet formally decided on Crewe as the location for NW Hub Station for HS2, the Council must develop an evidence based Growth Strategy to inform future planning requirements and growth deals to ensure the area secures the right levels of investment to deliver the strategy outcomes.

F. The Council must consider how the anticipated growth in Crewe and the surrounding area is going to affect the demographics of the Borough and the impact this will have on demand for services like education, health, leisure and waste to ensure plans are in place to prepare for new demand.

G. The Council should anticipate a review of the Local Plan in the future once a Growth Strategy has been delivered to ensure we have a credible planning approach.

H. The Council must develop a local communication strategy with the public and key stakeholders to ensure residents and local businesses understand and support the benefits that HS2 will bring.

I. The Council should develop a Business and Skills Engagement Plan with local companies, universities, colleges, schools and Government agencies to address how the area can prepare for and deliver the economic transformation of the area.

Strategic Case for the HS2 NW Hub being at Crewe

2.2 An HS2 North West Hub located in Crewe is a huge opportunity for the town and the surrounding area to become an extremely attractive place for businesses to operate, which will create higher value jobs for local people and improve the standard of living in the area. With almost five million people within one hour of the NW Hub the enhanced and reinforced connectivity will stimulate business investment and achieve a more agglomerated economy, giving better access to bigger markets and labour supplies, enhancing the competitive advantage of the North West. However the Council should recognise the scale and pace of the challenge ahead if it is going to maximise the benefits of an HS2 NW Hub Station.

Impact on the Council's Resources

2.3 The scale of the HS2 as a national infrastructure project involves an unprecedented level of planning and engagement with Government for Cheshire East Council. To deliver an effective contribution to ensuring the Borough maximises this opportunity the Council will need to ensure it has the necessary resources and structures in place; particularly in its planning, infrastructure and regeneration teams. This will have an impact on the Council's budgets.

Impact on the Local Plan

2.4 The current Local Plan has been developed in the context of High Growth City and signals that HS2 may come forward before the end of the plan period. The extensive and unprecedented economic growth potential of a new rail line for HS2 and NW Hub Station in Crewe will have major implications for the Council's Local Plan in the future, in terms of housing and employment in and around Crewe and the wider area. There will likely be a need to review the Local Plan informed by a Growth Strategy developed to achieve strategic outcomes set to maximise the benefits of HS2.

2.5 It will be important during the growth of the region that towns' identities are protected by green belts. The anticipated growth of employment and housing will be a significant opportunity for brownfield development to ensure that disused town centre sites are regenerated to improve the vitality of our towns.

Delivery Mechanisms and Governance Arrangements

2.6 In order to realise the large scale regional transformation a strong local partnership is going to be needed. Working in partnership with key stakeholders and Government, neighbouring authorities and local enterprise partnerships is going to be vital to ensure that local strategies and delivery vehicles complement each other to maximise the benefits of opportunities. The Task Group is aware of work that is taking place to develop the necessary partnerships and hopefully this is effective in producing effective strategies and delivery mechanisms.

2.7 Due to the cross boundary impact, and the involvement of Government agencies in a national infrastructure project like HS2 the possibility of establishing either an Urban Development Corporation (UDC), Regional Development Corporation (RDC) or Joint Venture Vehicle with the appropriate Government departments and neighbouring authorities has been suggested. The choice of delivery mechanism is going to have a major impact on the Council's role in the future of HS2 and the NW Hub. Therefore the Council needs to be clear about the role it wishes to play and what it wants to achieve for its residents.

Delivery of Jobs in Crewe and the Surrounding Area

2.8 It is projected that 64,000 jobs could be created in the local area if the NW Hub Station if its growth potential is fully exploited. However to realise that potential and make the most of the opportunities the Council will need to ensure the right environment is created for the jobs to be generated, building on growth plans that are already being developed.

2.9 It is expected the 64,000 jobs will be spread across a variety of locations, and the people that take those jobs will come from a wide area. This is why it is extremely important for Cheshire East to work closely with its neighbours in Cheshire West and Chester, Staffordshire, and Stoke. Where there are jobs, there needs to be housing and effective infrastructure linking housing and jobs.

2.10 It is anticipated that a development corridor along the M6 and HS2 proposed route from Northwich down to Stoke-on-Trent could be delivered by the introduction of HS2 and NW Hub and employment sites in all towns in the corridor could be realised.

Delivery of the Right Infrastructure

2.11 The Group believes that it is absolutely vital to get the right infrastructure in place to maximise the benefit of HS2. Local infrastructure improvements, including road and superfast broadband, are going to be key to attracting new businesses to the area and linking the towns around Crewe so that the wider sub region is able to benefit from investment and jobs created by HS2.

2.12 Notwithstanding the final location of the HS2 NW Hub station, major infrastructure development around the town will be required, including major links between the station and the town centre. Links between the station and the M6 via local A roads are going to be vital to commuters and businesses accessing HS2 from the broader sub region if the benefits of this highly connected location are going to be maximised.

2.13 Links between Crewe and the constellation of towns in the surrounding area also need to be improved to ensure our residents and local businesses benefit as much as possible from HS2. Careful consideration of local public transport is required, given it will play an increasingly important role in the wider infrastructure and connectivity of the area.

2.14 Some of these required infrastructure developments are already being developed such as improvements to Junctions 16 and 17 of the M6, the Crewe Green Link Road and Congleton Link Road. Other projects such as A500 Expressway, North Crewe Link Road and rail developments to Middlewich and the Potteries are being planned for 2020 onwards all leading to the HS2 NW Hub being completed in 2027. A great deal of consideration needs to be given to how these projects are going to be delivered and funded.

Business Sectors That May Benefit From a Crewe Superhub

2.15 The Group is keen to ensure those businesses in Crewe and the surrounding area benefit to their full potential with the introduction of HS2, and that growth is not restricted to a commuter belt for London and other major cities. Key business sectors likely to benefit would include Advanced Engineering and Research and Development. Other key sectors will be attracted including

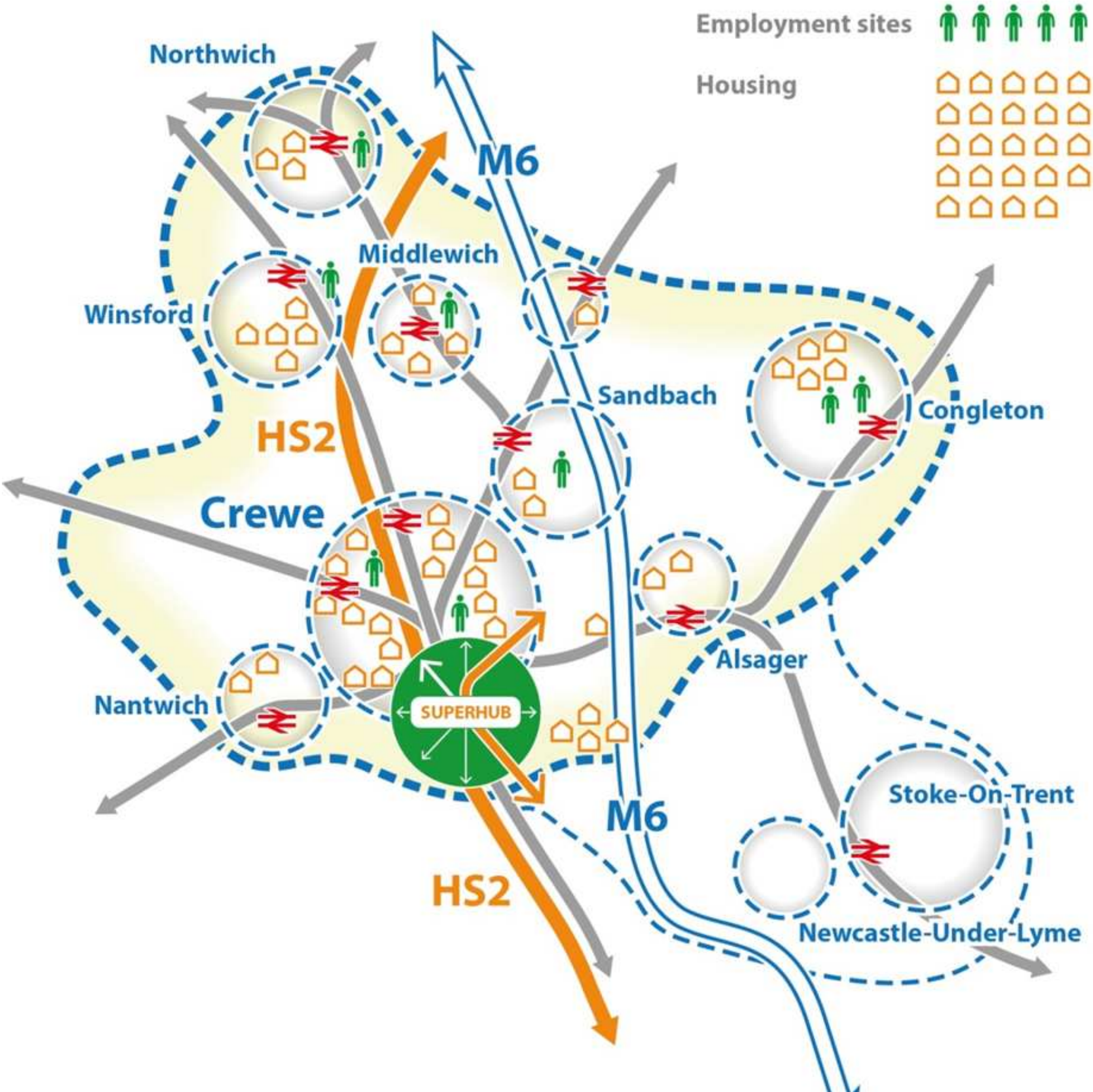
Distribution and Logistics, and higher value Professional Services, particularly opportunities for city based operations looking for lower cost back office solutions.

2.16 The impact of the HS2 NW Hub will also provide benefits to the retail and leisure industry. With more employment opportunities and improved living standards attracting more professionals to the area, the demand for quality retail, leisure and cultural services is going to increase.

Delivery of Skilled Residents

2.17 To ensure residents in the area have the skills and knowledge to benefit from new jobs in the area the Council needs to ensure high quality training and education are available. The opening of a University Technical College in Crewe in 2016 is going to be vital to the provision of skilled residents for the engineering, design and manufacturing sectors. With a wide catchment area young people from Cheshire West, Staffordshire and Stoke will also benefit from the opportunities created by UTC Crewe.

2.18 As well as delivering skilled residents for the engineering, design and manufacturing industries the Council should be encouraging our local young people to develop professional skills such as law, accounting and finance, management etc., to enable them to compete for the management and business support jobs. It will be critical that clear and understood relationships between skills providers and employers are established to develop the future workforce in the employment sectors expected to boom as a result of an NW HS2 Hub.



3.0 Key Findings

Strategic Case for the HS2 NW Hub being at Crewe

3.1 Through its discussions with Officers and the Leader of the Council, the Group recognises that HS2 and the possibility of the NW Hub Station being at Crewe is a huge, once in a generation, opportunity for the town and the surrounding area to transform its local economy and influence the rebalancing the national economy. An HS2 NW Hub in Crewe will improve the connections between London, Birmingham, and their major airports, and Greater Manchester, Liverpool, Wales and the Cheshire and Warrington Region as well as the rest of the West Coast, North into Scotland. With almost five million people within one hour of the NW Hub, the enhanced and reinforced connectivity will stimulate business investment and achieve a more agglomerated economy, giving better access to bigger markets and labour supplies, enhancing the comparative advantage of the North West. The economic benefit of networked high speed connectivity will also be felt throughout neighbouring towns and regions, in particular North Wales, Stoke and North Staffordshire.

3.2 High Growth City is a major development opportunity for a number of towns, centred on the M6 corridor and radial rail connectivity from Crewe. Given its latent capacity, and its growing competitiveness, there is accelerated growth potential within this area for both businesses and housing. The towns within the cluster of towns, referred to as a “networked constellation of towns” by the LEP, include: Nantwich, Sandbach, Alsager, Middlewich, Congleton and Holmes Chapel, which are all currently connected by existing road and rail corridors. The constellation also includes towns like Winsford, Northwich, Newcastle-under-Lyme and Stoke-on-Trent in neighbouring authorities.

3.3 While the Group recognises this huge opportunity for economic growth and improved living standards in the Borough, it also recognises that in order to maximise the benefit there will be major implications for Crewe and the surrounding area. Some of the main implications and issues that need to be tackled are considered below.

Impact on the Council’s Resources

3.4 The scale of the HS2 as a national infrastructure project involves an unprecedented level of planning and engagement with Government for Cheshire East Council. To ensure the Borough maximises this opportunity the Council will need to ensure it has the necessary resources and structures in place: particularly in its planning, infrastructure and regeneration teams.

3.5 On 11 December 2014, the Council made a decision to establish a new role of Executive Director of Economic Growth and Prosperity to strengthen the strategic and operational capability of the Council’s structure. The new role will oversee enhanced delivery around core services such as assets, regeneration and planning, and will need to level additional resources and devolution of responsibilities from Government.

3.6 There will be a significant impact on the Council’s budget of its involvement in HS2, not only to ensure it has the appropriate resources in place to work with Government and other partners to develop strategies for growth but also in capital funding for some of the projects that will be necessary to deliver on those strategies.

3.7 The Council also needs to consider how all of this will impact on other service areas, particularly in the future, as the anticipated economic growth in Crewe and the surrounding area generates greater demand for education, health and care services, waste and recycling, and leisure.

Impact on the Local Plan

3.8 A new rail line for HS2 and NW Hub Station in Crewe will have major implications for the Council's Local Plan in the future. The Group is aware that the current Local Plan as submitted was developed in anticipation of HS2 coming through Cheshire East with a possible hub station at Crewe. However it could not be predicated on HS2 being realised so had to be developed so that it would work either way (i.e. The Local Plan is designed to pave the way for HS2 coming in late 2020s early 2030s however development would still be effective if it didn't).

3.9 There are two potential ways of dealing with the implications, of the approval of HS2 in Crewe, for the Local Plan (which are recognised in the Local Plan at 15.19-15.21). The first relates to the immediate impact and the work that will be required to prepare the town for a HS2 line through the Borough and a NW Hub Station at Crewe, a so called Area Action Plan (AAP). AAPs are intended to address specific development issues in a particular part of a town/settlement. An AAP for the areas likely to be affected by HS2 could be completed relatively quickly without jeopardising the submitted Cheshire East Local Plan Strategy.

3.10 The second would be to conduct a partial review of the Local Plan following the development of a Growth Strategy. This would be an evidence based strategy that identifies key planning requirements and investment that would be needed to achieve strategic outcomes set to achieve maximum benefits from HS2. The Growth Strategy would hopefully be in place by 2017 with a review of the Local Plan being concluded in 2020.

3.11 The Review would be a much more substantial piece of work than an AAP taking much longer to complete, however it would encompass a wider range of issues in terms of broader infrastructure, housing and employment. A review on this scale could be carried out with Neighbouring Authorities to take account of the broader implications of HS2 for the sub region.

3.12 It is considered vitally important to get the Local Plan approved and in place so an AAP or partial review are considered the best options rather than attempting to adapt the current Local Plan following the HS2 announcement which still has much more detail to be added at this stage.

3.13 Due to the cross boundary impact of HS2 the possibility of establishing either an Urban Development Corporation (UDC) or Joint Venture Vehicle with the appropriate Government departments and neighbouring authorities has been suggested.

Delivery Mechanisms and Governance Arrangements

3.14 HS2 is a national infrastructure project involving a variety of Government agencies and key stakeholders. The Council will need to work in partnership with these bodies, and with neighbouring authorities that are going to be affected, to explore which governance arrangements will be the most appropriate.

3.15 UDCs are statutory bodies of Government charged with the urban development of an area outside the usual system of Town and County Planning. A recent example of where the use of a UDC has worked well is the development of Olympic Park in London which covered an area overlapping several London Boroughs. An UDC would however take responsibility for the planning of development out of the hands of the local authorities and therefore local partnership working and agreements may be preferable. It is unclear whether the planning authority as it is can cope with the scale of the projects involved; this is one reason why a UDC would be preferable.

3.16 An alternative delivery arrangement has been suggested by Government HS2 Economic Task Force led by Lord Deighton. This would involve the establishment of a Joint Venture Vehicle, which would include all the Government agencies involved in an UDC, but would leave decision making on key considerations such as planning in the local area.

3.17 Greater Manchester is an example of an area where neighbouring authorities find it more effective to have a combined spatial planning framework were they all benefit more by working together. There is scope for Cheshire East, Cheshire West, Staffordshire and Stoke to work together in a similar way if the benefits of HS2 and High Growth City are going to be maximised for all. These parties would need to be consulted on which form of delivery vehicle is pursued.

Delivery of Jobs in Crewe and the Surrounding Area

3.18 The arrival of the HS2 NW Hub in Crewe would provide a lot of potential and opportunities for the local area. It is projected that 64,000 jobs could be created in the area if the NW Hub Station is delivered in such a way as to maximise the potential of the key employments, in particular the Basford West and East Strategic Investment Sites.

3.19 However to realise that potential and make the most of the opportunities the Council will need to ensure the right environment is created for the jobs to be generated. The suggestion that 64,000 jobs could be created as a result of HS2 relies on local areas making the most of the opportunity presented. The 64,000 jobs will be spread across a variety of locations and the people that take those jobs will come from a wide area. This means that development land for new businesses needs to be available and transport links between those locations and major networks need to be effective.

3.20 In order to provide 64,000 jobs in the local area there also needs to be housing for those employees to live in. As well as opening up opportunities for business we need to provide an environment and wider infrastructure that supports a high quality of life for local people and to attract new workers to the area. This is why it is extremely important for Cheshire East to work closely with its neighbours in Cheshire West and Chester, Staffordshire, and Stoke. There needs to be a joined up approach to development and strategic infrastructure to ensure the sub region as a whole provides an environment for businesses to thrive and jobs to be created.

3.21 The prospect of a “development corridor” along the M6 and HS2 proposed route from Northwich down to Stoke-on-Trent could be delivered by the introduction of HS2 and NW Hub and employment sites in all towns in the corridor could be realised. Northwich, Winsford, Middlewich, Congleton, Crewe, Sandbach, Alsager, Newcastle-under-Lyme and Stoke-on-Trent will all contribute towards employment sites and housing, and benefit from new road and rail links providing regenerated town centres proving greater prosperity and quality of life to residents.

3.22 Unemployment in Cheshire East is relatively low meaning that, in order to fill the projected jobs created there will need to be a migration of workers from other areas and, potentially, a reduction in out-commuting from Cheshire East to other areas. This is why we need to ensure the routes into the Borough enable commuters to travel easily or we need to provide more housing so that people can come here to live and work. Stoke-on-Trent has higher unemployment rates than Cheshire East and their residents will be able to benefit from jobs created by HS2 and working with the City Council, we can ensure the creation of the infrastructure and housing needed to support them.

Delivery of the Right Infrastructure

3.23 In order to deliver the projected jobs the whole area needs to be better connected. The Group believes that it is absolutely vital to get the right infrastructure in place to maximise the benefit of HS2. Whatever the final location of the HS2 NW Hub it will have a major impact on the local roads and transport networks. Links between the station and the M6 via local A roads are going to be vital to commuters and businesses accessing HS2 from the broader sub region if the benefits of this highly connected location are going to be maximised.

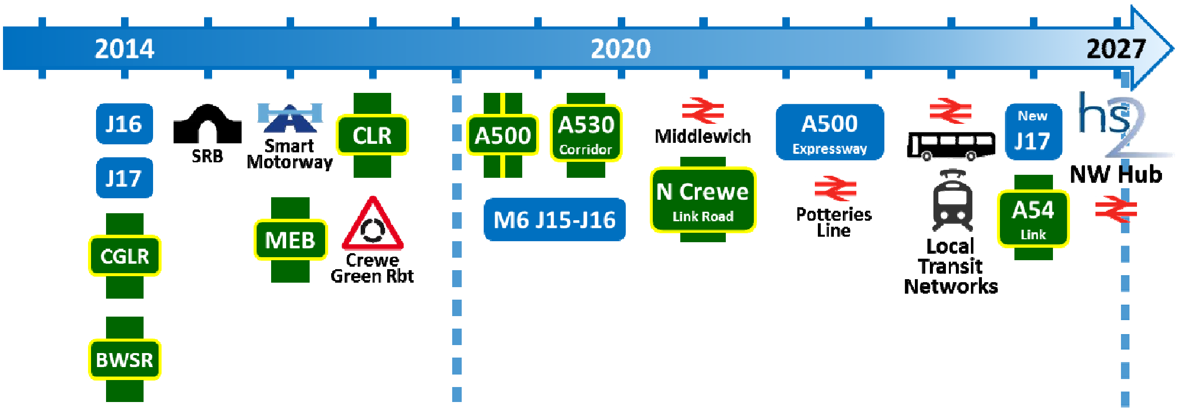
3.24 Although there is some local support for the current station being retained it may be the case that any new NW Hub Station could not be delivered at this location. If the main station did move, there is the potential for the new station access to be developed into a stop for local transit and rail services. Whichever site were chosen it would require major infrastructure development around the town, including major road connections and improvements between the station and the town centre, as well as a major new local public interchange and a fast local transit link to connect the station to all the town’s key destinations. . If a site outside of the town were to be the location of the new station then a transit link with the centre of Crewe would be needed to make the town centre a viable location for users of HS2 to live and work. It is proposed that this Local Transit Link would also connect to the site of the existing station as a stop on the link, as well as other potential locations within the town.

3.25 The A500 will need to be improved through to the M6 Junction 16, to ensure that road links from North Cheshire, Greater Manchester, Merseyside and Staffordshire have a high quality access route to HS2. The creation of a dual carriageway expressway is proposed, including grade separation at the M6 J16. This Expressway will be particularly vital for North Staffs, Newcastle and Stoke-on-Trent to maximise the benefits from HS2 and for its residents and businesses.

3.26 Links between Crewe and the constellation of towns in the surrounding area of Cheshire East also need to be improved to ensure our residents and local businesses benefit as much as possible from HS2. Improved road links between Crewe and Middlewich and the reopening of the Middlewich rail line and station to passenger services, connecting Knutsford and Northwich into the Hub will all be needed as well as an improved link between Crewe, Congleton and onto Macclesfield.

3.27 The Council will need to work with the Department for Transport, Highways Agency, Rail North, Local Enterprise Partnerships (LEPs) and neighbouring authorities to ensure that an effective strategy for improvements to the sub region's infrastructure and services are made before HS2 is completed.

3.28 Local public transport in the region is also going to play an important role in the wider infrastructure and connectivity of the area. Effective links between the constellation of towns in the region are needed now to ensure more people are able to benefit from employment opportunities as well as in the future when HS2 is completed. When developing a strategy for improvements to infrastructure enabling effective public transport will be important to encourage commuters, shoppers and visitors to use public transport and reduce traffic and congestion on the local road network. Initial proposals for public transport links in Crewe were developed by the Council as part of its evidence base for a HS2 superhub, which will need to be more fully developed and extended to the surrounding towns in the area.



3.29 Some of these required infrastructure developments are already being developed such as improvements to Junctions 16 and 17 of the M6, the Crewe Green Link Road and Congleton Link Road. Other projects such as A500 Expressway, North Crewe Link Road and rail developments to Middlewich and the Potteries are being planned for 2020 onwards all leading to the HS2 NW Hub being completed in 2027. A great deal of consideration needs to be given to how these projects are going to be delivered and funded.

3.30 As well as transport infrastructure, it is going to be important to ensure communications infrastructure in the region is adequate enabling businesses and residents to make the most of technology and modern business practices. Video conferencing and flexible working (i.e. working from home) are examples of growing practices in most business sectors as organisations look to become more efficient and allow employees greater freedom to manage a work/life balance. These practices rely heavily on the internet meaning that, without an effective and reliable connection, businesses will not realise the full benefits. The Connecting Cheshire Partnership between the four local authorities in Cheshire is a programme to ensure 96% of premises in Cheshire have access to fibre broadband by 2015 meaning that the vast majority of businesses and residents in Cheshire should be able to access superfast broadband internet. There is also an ambitious target of reaching 99% of homes and businesses with a fibre broadband service by March 2017.

Business Sectors That May Benefit From a HS2 NW Hub

3.31 The Group is keen to ensure that Crewe and the surrounding area benefit to their full potential with the introduction of HS2 and that growth is not restricted to a commuter belt for London and other major cities.

3.32 With 5 million people within 1 hour, the HS2 NW Hub will deliver stronger links between regional centres transforming access to markets, skills and intellectual capital, labour and housing, stimulate business investment and agglomeration economies thus enhancing the comparative advantage of the North West i.e. provide ‘The Northern Powerhouse’ effect.

3.33 Key business sectors likely to benefit from the development would include Advanced Engineering and Research and Development not only as part of the rail industry but through the development of existing established local and regional companies and connected in to the UTC and also the Automotive sector through consolidation at Bentley Motors and the resultant supply chain & new innovative spin off businesses that could be associated.

3.34 With over 2,000 hectares of employment land potentially unlocked by the HS2 NW Hub, other key sectors will be attracted including Distribution and Logistics, principally those seeking direct access to deep port and rail freight, and higher value Professional Services, particularly opportunities for city based operations looking for lower cost back office solutions.

3.35 The HS2 NW Hub will transform connectivity improving links with the rest of the country and opening up new national and international markets. This will provide new opportunities through Business Tourism and meeting/hotel facilities and also for Digital and Creative sector businesses.

3.36 The impact of the HS2 NW Hub will also provide benefits to the retail and leisure industry. With more employment opportunities and improved living standards attracting more professionals to the area, the demand for quality retail, leisure and cultural services is going to increase. This could stimulate town centre redevelopment.

3.37 While it is possible to anticipate the sectors likely to benefit from a HS2 NW hub at Crewe, the opportunities presented could be realised by all types of business that are able to take advantage of them. Further work will need to be undertaken to develop an investment action plan that can inform which sectors/businesses could be the focus for new inward investment and indigenous business growth.

Delivery of Skilled Residents

3.38 To ensure residents in the area have the skills and knowledge to benefit from new jobs in the area the Council needs to ensure high quality training and education opportunities are available. The Group has identified a number of priorities that need to be addressed if this is to be achieved. These are; ensuring that young people are better prepared whilst at school for transition to work or higher education; better engagement of employers in order to provide more apprenticeships at advanced and higher levels; greater collaboration between the Council, schools, colleges, MMU and employers to increase provision of Science, Technology, Engineering and Mathematics subjects; effective support and greater collaboration between the Council, education providers and DWP for NEETs and 19-24 year olds who are unemployed. Additionally, the Group believes that the building of a University Technical College in Crewe, which is due to open in September 2016, is going to be vital.

3.39 The UTC will provide local young people with an opportunity to learn and develop the appropriate skills in engineering and design, enabling them to gain employment with one of the area's key businesses such as Bentley. The UTC will be vital not only in the future when HS2 is completed but also in the short term. UTCs typically have a wide catchment area meaning that young people from Cheshire West, Staffordshire and Stoke, as well as further afield, will also benefit from the opportunities created by UTC Crewe. Enabling young people from around the sub region to attend the UTC is another reason effective connectivity through infrastructure and public transport in the sub region is vital.

3.40 As well as looking to the UTC in the future, Crewe is also home to Manchester Metropolitan University's Cheshire Campus which has a business management department with a wide range of business degrees and subject combinations. As well as delivering skilled residents for the engineering, design and manufacturing industries the Council should be encouraging our local young people to develop professional skills such as law, accounting and finance, management etc. to enable them to compete for the management and business support jobs that are likely to come with the engineering and manufacturing industries as well as other business sectors that will be attracted to the High Growth City area.

Appendix A

CHESHIRE EAST COUNCIL

JOBS, REGENERATION AND ASSETS OVERVIEW AND SCRUTINY COMMITTEE

CREWE HIGH GROWTH CITY TASK AND FINISH GROUP

DRAFT TERMS OF REFERENCE

1. PURPOSE

1.1 The Council's Jobs, Regeneration and Assets Overview and Scrutiny Committee has established a Task and Finish Group to undertake an in-depth review into the Council's ambition to support the future growth of Crewe and its surrounding area as Crewe High Growth City. Crewe is located at the heart of a strategic rail and road network with 4.9 million people within one hour's travel time. It is a focal point and hub for regional connectivity and its future growth potential builds upon this and the potential for Crewe to benefit from a High Speed 2 (HS2) SuperHub station. The growth plan for Crewe and its network of surrounding towns is a key priority for both Cheshire East Council and the Cheshire and Warrington LEP and focuses on taking advantage of Crewe's current and future connectivity, capacity for growth, and growing competitiveness based on recent major investments by key employers such as Bentley and by the Council and its partners.

1.2 HS2 presents the largest single opportunity to rebalance the UK's economy and stimulate investment in our northern towns and cities. Crewe may be placed at the heart of this national infrastructure, with the announcement in autumn 2014 by the Secretary of State for Transport on the final HS2 route and planned station investment. Whilst we cannot pre-empt the Secretary of State's decision, it is important that places like Crewe prepare for a positive response and work is underway to further develop the strategic case for a SuperHub Station at Crewe and to scope out the development of a Growth Strategy for the Crewe SuperHub. This Review will seek to support the development of this Growth Strategy by assessing the readiness of the Council to capture the full economic and social benefits that a positive announcement regarding a SuperHub Station at Crewe could bring for Crewe, Cheshire East and the wider Sub-region.

2. MEMBERSHIP AND REPORTING

2.1 The Task and Finish Group is responsible to the Jobs, Regeneration and Assets Overview and Scrutiny Committee and comprises:

- Councillor Peter Groves
- Councillor Steven Hogben
- Councillor Frank Keegan
- Councillor Jacqueline Weatherill

2.2 The Task and Finish Group will be supported by officers from Democratic Services and Economic Growth and Prosperity.

3. OBJECTIVES

3.1 The Task and Finish Group will assess Cheshire East Council's readiness to support the future growth of Crewe High Growth City and realise the economic and social opportunities presented by a potential HS2 Superhub station at Crewe, feeding into the development of a Growth Strategy for the Crewe SuperHub. The review will focus on answering the following key questions:

1. What are the implications of HS2 for Cheshire East Council and the local economy?

2. If we are successful in securing a positive announcement regarding a Superhub station, how do we ensure successful delivery of the projected 64,000 jobs that this investment would create?

3. What do we need to do to ensure the right infrastructure is in place to maximise the benefit of HS2 for the local area and the broader sub-region?

4. What are the key business sectors of the economy that would benefit for the Crewe SuperHub?

5. How can we best ensure we can deliver the skilled residents needed to support these businesses?

4. APPROACH

4.1 The Task and Finish Group will receive documentary evidence and will call key witnesses as appropriate.

5. EXPECTED OUTPUTS

5.1 The Task and Finish Group will produce a report setting out its assessment of the Council's readiness to capture the full economic and social potential that a positive announcement regarding a Superhub station could bring for Crewe and highlight areas for further development.

6. TIMESCALES

6.1 The initial review will be completed by the end of November 2014 but there may be additional work for the Task and Finish Group following on from the Government's announcement regarding HS2.

Appendix B

REFERENCE DOCUMENTS

- Sir David Higgins Report – HS2 Plus - http://www.hs2.org.uk/david-higgins-launches-his-vision-for-hs2
- Lord Deighton Report - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/294851/hs2-get-ready.pdf
- HS2 Growth Taskforce (papers and reports) - https://www.gov.uk/government/groups/hs2-growth-taskforce
- CEC consultation response –HS2 in Cheshire East
- Network Rail consultation response – HS2 in Cheshire East
- Chancellor's Northern Powerhouse speech (5 August 2014) - https://www.gov.uk/government/speeches/chancellor-on-the-pathway-to-a-northern-powerhouse
- One North report – One North | Manchester City Council
- Greengauge 21 Report (August 2014) - http://www.greengauge21.net/wp-content/uploads/Staffordshire-a-key-HS2-beneficiary-Final-GG21.pdf
- Birmingham Curzon Street Growth Strategy – https://www.birminghambeheard.org.uk/development/birmingham-curzon-hs2-masterplan-for-growth/supporting_documents/Curzon%20HS2%20Masterplan%20Part%201.pdf
- Old Oak Common Growth Strategy - https://www.london.gov.uk/priorities/planning/consultations/old-oak-common
- UK Central Growth Strategy - http://centreofenterprise.com/wp-content/uploads/2013/06/M42-Brochure-Rev-4b-rdu.pdf
- University Technical College Crewe Website - http://www.utccrewe.co.uk/index.html
- University Technical Colleges Website - http://www.utcolleges.org/about/overview/
- Manchester Metropolitan University Cheshire Campus Website - http://www.cheshire.mmu.ac.uk/departments/
- Energising the Northern Powerhouse – presentation by Leader of Cheshire East Council, 4 December 2014
- Senior Management Structure - Report to Cheshire East Council meeting 11 December 2014 by the Chief Executive

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	11th February 2015
Report of:	Executive Director for Economic Growth and Prosperity – Caroline Simpson
Subject/Title:	Cheshire East Energy Framework (Ref CE 14/15-37)
Portfolio Holder:	Councillor Don Stockton - Housing and Jobs

1.0 Report Summary

1.1 Securing long-term sustainable energy for the residents and businesses of Cheshire East is vital for the prosperity of the Borough. Natural resources are being rapidly exploited and our fuels are now mainly imported from abroad. Electricity generation is dominated by centralised power plants feeding into an ageing distribution network, which are expected to struggle existing and new demands, and prices of gas and electric are predicted to increase by up to 50% in the next 5 years.

1.2 This combination of energy insecurity and soaring price will bring into sharp focus the need to lead the way to find more sustainable energy solutions for Cheshire East residents. In response to these challenges Cheshire East Council is developing an ambitious energy programme, to reduce fuel poverty for our residents, particularly amongst the elderly and vulnerable, to Increase the production of energy from renewable and low carbon sources, and to increase the number of jobs in the Borough in the low carbon economy.

1.3 The energy programme will support the authority to further reduce its carbon footprint, building on the significant 25% reduction already achieved, exploit one of the UK's most significant deep geothermal heat resources, and become a national exemplar for sustainable energy through innovation and adoption of new technology .

1.4 This report seeks endorsement and proactive support of the overarching Energy Framework, which has been produced to assist the Council in achieving these outcomes and set out a clear ambition in the following areas:

1. *Affordable Energy*- Putting Residents First

2. *Growing Energy Businesses*- Developing a local energy economy

3. *Independent Energy*- Support secure decentralised and locally managed energy services.

2.0 Recommendations

a) To endorse the Energy Framework and Vision for the Council.

b) To Pro-actively support the Energy Framework and its promotion and delivery.

3.0 Reasons for Recommendations

3.1 The Framework will help to deliver the Council's key priority to be a Green and Sustainable Place:

- Outcome 1 – *Local communities are strong and supportive*
- Outcome 4.5.2 – *We will help to reduce the number of households in fuel poverty.*

3.2 The Energy Framework sets out clear directive in terms of the Energy Agenda, and the Council's role in the Low Carbon Economy, thereby demonstrating its commitment to tackling fuel security and fuel poverty issues in Cheshire East. It also key part of securing growth through the green economy which is worth over £5bn each year.

3.3 'Ambition for All: Sustainable Communities Strategy 2010-2025' – Priority 2 Creates conditions for business growth, harness emerging growth opportunities and create a climate attractive to business investment.

3.4 'Cheshire East Corporate Plan 2013-2016' – Outcome 2 Cheshire East has a strong and resilient local economy. Priority 1 – investment to support business growth.

3.5 A proactive and coordinated approach will enable the Council to stay at the forefront in the energy arena, and to ensure resilience in a period of increasing energy uncertainty and competing pressures, recognising renewable and sustainable energy sources are no longer a "nice to have", they are an essential requirement of a stable future. It will support the significant growth potential of the Low Carbon Economy, already worth over £200m per annum to the Borough, created high skilled job opportunities for residents.

4.0 Wards Affected

4.1 All wards

5.0 Local Ward Members

All ward members

6.0 Policy Implications

6.1 The Framework is aligned to the Government's ambitious targets to tackle fuel poverty, fuel sustainability and carbon reduction.

6.2 The proposal to endorse the Energy Framework also accords with, and is complementary to the following:

Ambition for All: Sustainable Communities Strategy 2010-2025: Priority 5 "Ensure a Sustainable Future".

Actions will include:

- Promote energy efficiency and renewable energy measures to households, public, private and community buildings
- Develop a charter promoting environmentally sustainable behaviour addressing transport, energy and resource use
- Work with local communities to promote waste reduction and reuse through raising awareness and working with voluntary networks such as the Cheshire Furniture Reuse Forum

Cheshire East Corporate Plan 2011-2013
Objective 2 Cheshire East is a Green and Sustainable Place. Cheshire East's rural and urban character is protected and enhanced through sensitive development, environmental management, transport and waste disposal policies.

Cheshire East Economic Development Strategy
Ensure that Cheshire East maintains and enhances its role as a 'knowledge economy'; Promote economic diversification across a range of business sectors, with a focus on future growth sectors.

7.0 Implications for Rural Communities

7.1 The Framework has the potential to make an important and positive difference to residents in rural areas. Many rural areas are not connected to the gas grid, making it more expensive to heat properties as there is a reliance on oil, LPG and electricity. According to the Department for Energy and Climate Change, proportionately more households in rural areas are in fuel poverty than the national average, and the area to the west of Crewe has one of the highest proportions of households not connected to the gas grid in the North West.

7.2 For those rural households in fuel poverty, and particularly for those who rely on electricity for heating, the potential to reduce the dependency on Grid and traditional fuels, also reducing energy costs.

8.0 Financial Implications

8.1 There are no immediate financial implications. Projects contained within the framework will be subject to due diligence, business cases and financial appraisals. A number of the projects within the Framework will enable CEC to gain significant external returns on investment from incentive schemes such as the Renewable Heat Incentive, Feed in Tariff and government grants. The projects will also help to reduce the Carbon Reduction Commitment Payments, which CEC is obligated to pay for each tonne of carbon it emits.

9.0 Legal Implications

9.1 There are no immediate legal implications. The legal implications of projects detailed in the framework will be considered on a case by case base with due consideration being given to all relevant policies including legal, consultation, regulatory, procurement and planning as applicable.

10.0 Risk Management

10.1 There is no immediate risk associated with the Energy Framework. However it does outline areas within energy sectors that should be further investigated and could be of benefit to the residents of Cheshire East. The risks of making investments in the energy sector are varied. Suitable specialists and experts would be commissioned for each potential project to ensure any risk is minimised.

10.2 It is important to note that failure to establish a sustainable and long term approach to addressing energy security and fuel poverty will undermine the delivery of the agreed vision for Cheshire East to have a "sustainable" future and be a "green and sustainable place".

11.0 Background

National Picture

11.1 Carbon reduction, energy security and fuel cost are a key concern of both national and international governments. A number of significant acts and policies have been introduced in the UK in the last 10 years including:

- Energy White Paper, 2003
- Energy Review, 2006
- Energy White Paper, 2007
- Climate Change Act, 2008
- UK Low Carbon Transition Plan, 2009
- Energy Bill, 2012 - 2013

11.2 The growing frequency of new policy being released demonstrates the increasing precedence of energy and the importance of taking a co-ordinated and proactive approach to the future of it.

Local Picture -Cheshire East

11.3 Energy, fuel security, sustainability and carbon reduction are a key consideration for the Council not only because of its obligatory targets, but in terms of its need to be proactive in finding alternative energy solutions for its residents.

11.4 The Council set out clear carbon reduction targets through its 2020 Carbon Reduction Plan. However, improving energy efficiency and energy security presents great challenges and great opportunities for the authority and go far beyond just carbon reduction alone.

11.5 In 2014, the Council established an internal Energy Advisory Board to steer and govern its action on the energy agenda. The Energy Framework is culmination of the work of the Board and is an integral part of drawing together and helping to deliver the aspirations of the Authority around sustainable energy. A single framework will bring together all work on energy maximising its impact.

11.6 The Energy Framework sets out European, National and Local levels of policy, and funding for all aspects of the Energy Agenda. It also contains a strategic evidence base which underpins CEC's ability to deliver its aspirations with regard to energy initiatives.

11.7 The Framework will enable CEC to work at the forefront of an agenda that will have significant benefit to residents both in terms of fuel poverty reduction and fuel security. The Green Economy in the UK is also worth over £1.28bn and growing year on year; it is one of the fastest growing economies globally. Endorsement of this Framework will enable CEC to directly stimulate further "low carbon" economic growth and with it create more jobs for local people and support local business.

12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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Cheshire East Council

Report:

Cheshire East Energy Framework

Cheshire East Council

January 2015

Quality Control

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Approved by:	Nicola Ball		
Prepared for:	Matt O'Neill, Senior Responsible Officer, Major Projects, Cheshire East Council		
Revision History	V18a	27/1/2015	Issue version incorporating changes requested

Gyron LLP was appointed to provide specialist energy support to a range of projects being considered by Cheshire East Council in February 2014, working as part of the Major Projects Team. Gyron's role includes advising the Council about the low carbon and renewable energy sector, new and existing technologies, industry trends and developments, relevant legislation and Government policy.

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Gyron LOW CARBON | BUSINESS GROWTH

Foreword by the Leader of Cheshire East Council

Much of our development and rise in living standards over the past century has been driven by access to cheap energy. British coal, oil and gas resources have been rapidly exploited[1]. Our fuels are now mainly imported, leading to expensive, volatile and potentially insecure energy. Our electricity generation is still dominated by centralised power plants feeding into an ageing distribution network. The risk of power blackouts is increasing[2] over the coming years as our energy infrastructure struggles to cope with existing and new demands.

However, recent work commissioned by Cheshire East Council[3] demonstrates that renewable and low carbon technologies have the ability to make a significant contribution towards meeting the Borough's energy needs. The Council has made sure its Local Plan Strategy[4] is supportive of potential energy and energy efficiency proposals in line with Government policy[5].

Cheshire East has already scored some significant successes. Bentley Motors in Crewe is home to one of the largest roof mounted solar panel electricity projects in the UK[6] and the Council has reduced its own carbon footprint by 25%. It is also actively looking to exploit one of the UK's most significant deep geothermal heat resources[7].

Cheshire East Council knows the move to low carbon energy is not enough. It believes a radical shake-up of the wider local energy economy is vital. While many authorities would view having a significant impact on their energy market as impossible, Cheshire East Council does not[8]. Indeed it believes if it does not start to make significant interventions, the future growth and prosperity of Cheshire East will be adversely affected.

To this end, Cheshire East Council has produced an ambitious but achievable three point Energy Vision and this Energy Framework. We want to give you the energy to succeed.

Michael Jones Leader, Cheshire East Council

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[1] http://www.bbc.co.uk/news/science-environment-27435624
[2] www.raeng.org.uk/news/publications/list/reports/RAEng_GB_Electricity_capacity_margin_report.pdf
[3] www.cheshireeast.gov.uk/pdf/CC%20and%20Sust%20Energy%20Summary%20Report%20with%20Erratum.pdf
[4] www.cheshireeast.gov.uk/planning/spatial_planning/cheshire_east_local_plan/local_plan_strategy.aspx
[5] www.gov.uk/government/uploads/system/uploads/attachment_data/file/47613/3702-the-carbon-plan-delivering-our-low-carbon-future.pdf
[6] www.gov.uk/government/case-studies/bentley-motors-solar-pv-rooftop-array
[7] www.crewechronicle.co.uk/news/local-news/crewe-sitting-vast-supplies-geothermal-5597032
[8] www.ippr.org/publications/city-energy-a-new-powerhouse-for-britain

Contents

Executive Summary

Local Authorities have traditionally provided the planning context to ensure sustainable development but the international drive to address climate change and the national push to improve competition and security in the UK's energy market has led to changes. Councils are increasingly becoming involved in low carbon and energy-related projects, delivering savings to help reduce the cost of local government and new income streams to support local investment priorities and stimulate growth and resilience in the local economy.

Cheshire East's ***Energy Vision*** is a bold but achievable statement of what needs to be done to ensure these goals are reached locally. It is distilled into three strands:

1. ***Affordable Energy*** – Putting Residents First
2. ***Growing Energy Businesses*** – Developing a local energy economy
3. ***Independent Energy*** – Secure, decentralised and locally managed energy services

This document sets out the legislative and financial framework which underpins the Energy Vision. It provides a detailed evidence base for the development of energy-related projects which will deliver the Energy Vision.

The following table summarises future priority recommendations to ensure the successful implementation of the Energy Vision and these are discussed briefly below along with the key findings from the research and analysis completed. More detail on the recommendations can be found in Section 6: Summary and Conclusions.

Future Priorities:	Description
Energy Vision consultation	Further external consultation with four key groups is recommended: Cheshire and Warrington LEP, Local residents and communities, the local business community and potential financial investors.
Council Plans and policies	Several Council strategic plans and policies should be updated, amended or developed quickly to support the Energy Vision. These include the draft Local Plan, Supplementary Planning Documents, the Waste and Minerals Plans and the Carbon Management Plan.
Council Processes	Several Council processes need complete development or enhancement to support decision-making and the delivery of projects under the Energy Vision. These processes cover: the Community Infrastructure Levy, Business Rate Retention, the Asset Investment program, Business Support Services and updating the Energy Framework.
Priority projects	Several projects should be treated as priorities, based on their benefits in facilitating other energy projects, delivery of important benefits to Cheshire East Residents or the need to exploit short windows of opportunity regarding financing the projects or replacing older solutions at contract renewal.

Table 1 - Future priorities for successful implementation of the Energy Vision

Strong UK legislation such as the Electricity Market Reform is now making it easier for new entrants to enter the energy supply market against the established, multinational 'Big Six'. This will allow Cheshire East to develop the Fairer Power™ business model to deliver ***Affordable Energy*** to residents and assist in reducing fuel poverty.

Cheshire East's Local Plan, once adopted, provides strong energy policies particularly around decentralised heat networks. This needs to be consolidated with Supplementary Planning

Documents to define precisely what is expected within energy proposals, including support for community involvement in energy projects. As the Waste and Minerals Plans emerge, officers should ensure they include supportive energy policies that will serve Cheshire East well in developing ***Independent Energy*** from economically and environmentally sound technologies in appropriate locations.

Whether taking forward energy projects alone or in partnership with others, the funding environment is supportive for local authorities. As well as the traditional route of low interest prudential borrowing, some council energy projects have already been financed with Salix interest free loans. Support via Feed in Tariffs and Renewable Heat Incentive are currently extremely attractive but may not remain so; there is a small window of opportunity to maximise income from these incentives.

Cheshire East needs to remain engaged with the Local Economic Partnership to ensure that low carbon energy finance from European Structural and Investment Fund and the Growth Fund is maximised for the ***Energy Vision***. In an area such as Cheshire East, with a higher proportion of individuals of high net worth, financing proposals via the Enterprise Investment Scheme and crowdfunding should be actively pursued.

With a new model of local authority funding in place through business rate retention, renewable energy presents an increased opportunity for Councils to retain funds locally. Supporting local communities and businesses to implement energy efficiency measures and ***Independent Energy*** can positively impact local business competitiveness, improving ***energy affordability***, ***growing energy businesses*** as well as boosting locally retained business rates.

To deliver the Council's energy aspirations, a wholly owned company, Cheshire East Energy Ltd (CEE Ltd) has been established. This fits within the authority's Alternative Service Delivery Vehicle model which Cheshire East, as a strategic commissioning authority, endorses. While Cheshire East Energy Ltd will develop projects and carry out certain functions directly, it is likely to develop a range of separate partnerships and joint ventures to deliver the strands of the ***Energy Vision*** including services aimed at ***Growing Energy Businesses***. The company will be steered by the council's Energy Advisory Board made up of Councillors, Chief Officers and external specialist advisors and will provide the Council with a specialist delivery arm to enable it to optimise its investments in energy-related projects.

Cheshire East's energy aspirations are outwardly facing, putting **Residents First** and assisting businesses. The 2016 target expressed in the Council's Carbon Management Plan for its own asset base has already been met, helping to keep energy costs down. The Council has multiple opportunities for low carbon and renewable energy generation on its assets as highlighted by recent reports. The Council is therefore looking at a number of projects which will deploy ***Independent Energy*** technologies on its highest energy-consuming assets to deliver further energy savings for local tax payers and demonstrate energy leadership for local businesses to follow.

Helping residents and communities to implement energy efficiency measures and ***Independent Energy*** will improve the prospects of making their ***Energy Affordable*** and could help local ***Energy Businesses Grow.***

The ***Energy Vision*** now needs to be communicated and consulted on more widely with external parties, not only to raise awareness and buy-in from key groups but also to ensure that all sources of possible funding and financing, including local communities, are made aware of the investment opportunities that may arise.

Through the ***Energy Vision***, Cheshire East Council has clearly stated that business as usual is not an option. This Framework, CEE Ltd and the Energy Advisory Board are the foundations on which this new way of working will develop, rolling out game-changing programmes and projects.

1 Introduction

1.1 Cheshire East overview

Cheshire East encompasses a diverse mixture of urban and rural areas with approximately 39% of the population living in rural areas and 61% in our towns.[9] There are two major towns in Crewe and Macclesfield and a number of smaller towns including Wilmslow, Congleton, Sandbach, Poynton, Nantwich, Middlewich, Knutsford and Alsager.

93% of the area is classed as at least 'more rural than urban', while 88% is classified as greenspace. There is a wide variety of green spaces including parts of the Peak District National Park, the Cheshire plain, mosses, meres and heaths. Cheshire East contains a valuable natural energy asset: the epi-centre of one of the six geothermal hot spots within Great Britain is located in the East of the region.

The region is crossed by two major motorways (the M6 to the East and the M56 to the North), several major trunk roads (including the A556,A534,A51 and A49) and a large number of rural roads. Crewe is world famous for its railway station and serves as a rail hub for the North-West of England. Six major railway lines converge and cross through Crewe and within the 'High Speed 2' rail project, Crewe has been chosen as one of very few station stops on the Western branch of the route. Transport in the region is currently dominated by private car usage.

A significant proportion of the rural areas in the region are not reached by the national gas-grid[9], with the largest area being rural Nantwich, with more than 90% of households unconnected. In these areas more expensive fuels are used for heating, making energy relatively expensive for the local domestic and business residents.

The Borough is a generally affluent area, especially in the north, but there are some pockets of deprivation, particularly in Crewe. Fuel poverty, as measured by the new Low Income High Cost indicator, stands at about 11.6% across the whole region with high incidence levels in the Crewe and Macclesfield areas.[10]

Cheshire East has a strong economy, contributing the highest share of the North-West region's workforce, businesses and economic output and with its largest business sectors in manufacturing (automotive and pharmaceuticals sectors).[11] Employment in the Financial services, digital, creative and media and computing services has continued to grow. The region is a major dairy-producing area and its strong industrial heritage contributes to a vibrant visitor economy. There is a new focus on developing a cross-regional Science Corridor encompassing Alderley Park to the North-East of the area. The region's low carbon and renewable energy sector is described in detail in Section 2.3.

Cheshire East's population has an older age profile than the UK as a whole (2% higher). Over the next 20 years a significant increase in the older population and reduction in number of children and young people is expected.

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[9] https://www.gov.uk/government/statistics/lsoa-estimates-of-households-not-connected-to-the-gas-network
[10] Internal report on Fuel Poverty produced for the Council's Environment and Prosperity Policy Development Group, April, 2014.
[11] http://www.cheshireeast.gov.uk/pdf/Co-Loc-Sus-Ambition-full.pdf

1.2 Purpose

This document sets out the Council's Energy Vision for the Cheshire East region and brings together research and analysis on the legislative and financial framework which underpins it. The document provides an evidence base supporting the Energy Vision and related current and possible future projects. It highlights actions that can be taken to strengthen current Council planning documents to maximise the Council's benefits from implementing the Vision and indicates possible sources of finance appropriate to possible energy projects.

1.3 Cheshire East's Energy and Low Carbon Vision

This section outlines Cheshire East Council's Energy and Low Carbon Vision. The final version will be announced in a Council press release and published on the Council website. The evidence and detail for the Vision is provided by this Energy Framework.

The Vision was initially drafted and presented to the Energy Advisory Board in April 2014. The Board asked that the Vision be fully developed for their approval.

A consultation process during the drafting of the Energy Vision has involved the following internal departments:

- Regeneration and Major Projects
- Facilities Management
- Strategic & Economic Planning
- Highways
- Spatial Planning and Development Management
- Communications and Media Relations

Selected external consultation partners included Energy Projects Plus, Campaign for Rural England and the Renewable Energy Association. The comment from Mike Landy, Senior Policy Analyst at the Renewable Energy Association is worth highlighting:

> *"I would like to congratulate Cheshire East Council on its Draft Energy Vision, which is progressive and realistic. Its application will serve the people of Cheshire East well.*
>
> *We only wish that central Government did more to encourage amongst local authorities the sort of forward thinking that you have shown. I hope it gets the full endorsement of your members and wish you good luck with its implementation".*

Comments to date on this document have been favourable and noted that The Vision was ambitious but achievable. Full details of these consultation responses can be obtained from Cheshire East's Major Projects Team.

The final consultation draft, after amendments by the Communications team, was presented to the Energy Advisory Group and approved in September 2014.

Further external consultation on the Energy Vision has been recommended with various groups representing householders and businesses in the Borough as well as potential investors.

The Vision centres on three key objectives:

1. **Affordable Energy** – Putting Residents First

As of 2014 there are an estimated 18,500[12] households defined as being in fuel poverty in Cheshire East. These are some of the borough's most vulnerable residents. Many purchase their energy on a Pay-As-You-Go basis. Even though they pay upfront, they are more likely to be paying more per unit of electricity than those paying by other methods. Those not connected to the mains gas network will also end up paying more to heat their properties. The rural areas to the West of Crewe contain some of the highest proportions of households not connected to the mains gas network in North West England[13].

Cheshire East, first and foremost supports the reduction in energy use and energy efficiency measures to make energy more affordable. However it believes that this is not enough. It will actively support measures to disrupt the existing energy supply market locally and drive down the cost of energy to residents and businesses. Initially this will be done by working with other organisations to establish a local energy supply company, which offers affordable, simple price tariffs irrelevant of the payment method.

2. **Growing Energy Businesses –** Developing a local energy economy

Over 160,000[14] households in Cheshire East each spend on average £1300 a year[15] on energy, predominantly with the Big Six energy companies. This means that over £200 million of residents' money per year ultimately leaves Cheshire East to companies outside the Borough. By using local energy supply companies who purchase locally produced energy, more income will recirculate in the local economy, improving prosperity.

Cheshire East also wants to demonstrate it is open to business for new and ambitious energy and low carbon companies to base themselves and expand here. It wants to be first to exploit any innovations that may flow from these businesses.

3. **Independent Energy** – Secure, decentralised and locally managed energy services

Virtually all of the electricity and heating used in the Borough originates from elsewhere. Even in a UK context, the country became a net importer of natural gas in 2004[16] and most of our electricity is generated by coal[17] the majority of which is imported[18]. This is neither sustainable nor healthy. The majority needs to be generated, distributed and supplied locally; a move towards a more **decentralised** and resilient energy economy. Key to this will be;

- The creation of local energy companies capable of generating, purchasing and supplying power to residents and businesses
- Local heat distribution networks in urban areas utilising geothermal and other low carbon heat sources

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[12] Internal CE Document –- Environment and Prosperity Policy Development Group
[13] www.merseyforest.org.uk/files/documents/.../offgasgridstudy_final.pdf
[14] Census data
[15] Internal CE Document –- Environment and Prosperity Policy Development Group
[16] www.gov.uk/government/uploads/system/uploads/attachment_data/file/65800/DUKES_2013_Chapter_4.pdf
[17] www.gov.uk/government/uploads/system/uploads/attachment_data/file/279546/DUKES_2013_Chapter_5.pdf
[18] www.gov.uk/government/uploads/system/uploads/attachment_data/file/170721/et_article_coal_in_2012.pdf

- A rapid move away from electric, gas and oil to renewable heat in the extensive off-gas areas in rural Cheshire
- Renewables such as solar electricity deployed more widely and appropriately located with any surplus sold to local energy companies
- More combined heat and power schemes serving major developments
- Energy generation from locally produced alternative fuels such as biomass and biogas.
- New building design and orientation optimised for low carbon energy generation
- Retain fuels produced in the Borough for local energy generation rather than export them wherever practicable

Cheshire East Council will not discount any potential energy source and will seek to embrace new and emerging low carbon energy sources and technologies. By being a leading authority in the energy field and championing innovation, Cheshire East Council is demonstrating how it is putting residents and businesses first.

2 Research and Intelligence

Cheshire East's Energy Vision has been formed based on an understanding of the UK's energy market status and drivers, legislation and government policy.

This section of the report provides a snapshot of the UK Energy market and reviews relevant European and national law and policy affecting it. It also provides an overview of regional and local policies and plans and reviews sources of EU UK funding and finance for energy-related projects which could be used to help enable many of the energy projects which will realise the Energy Vision.

Please note that this is not an exhaustive list of energy-related legislation.

2.1 Energy Market Background

The energy market is often described as a natural monopoly and is one that most national Governments have felt the need to have strong control over in the past. Energy is a prime resource for the economy and for society as a whole and control of energy assets is important for these reasons as well as for national security.

The UK energy market developed initially as a heterogeneous, regionally-owned and controlled set of energy generation and distribution assets, was centralised in the intra-war years, nationalised during the 2nd World War and privatised from the mid-1980s onwards. Important milestones in the industry were the development of the "National Grid" of electricity and gas distribution systems which happened between the 1930s and 1950s and the deregulation of the whole UK energy market, starting in 1986, to improve competitiveness.

Today, the UK energy market is heavily regulated and the main roles in both the electricity and gas energy markets are licenced by the industry regulator, OfGEM. The licences contain requirements for standards of service and reporting of various data to OfGEM to ensure that competition can be monitored in a market that is still dominated by a few, very large companies. The most important energy industry roles are:

- Distribution network operators
- Energy Generators (electricity) / Shippers (gas)
- Interconnector operator (networks between countries for electricity or gas)
- Energy Suppliers
- System operator (National Grid)
- Transmission network operator
- Industry regulator (OfGEM – Office of Gas and Electricity Markets)

Figure 1 below gives an overview of how the energy market infrastructure and these roles relate.

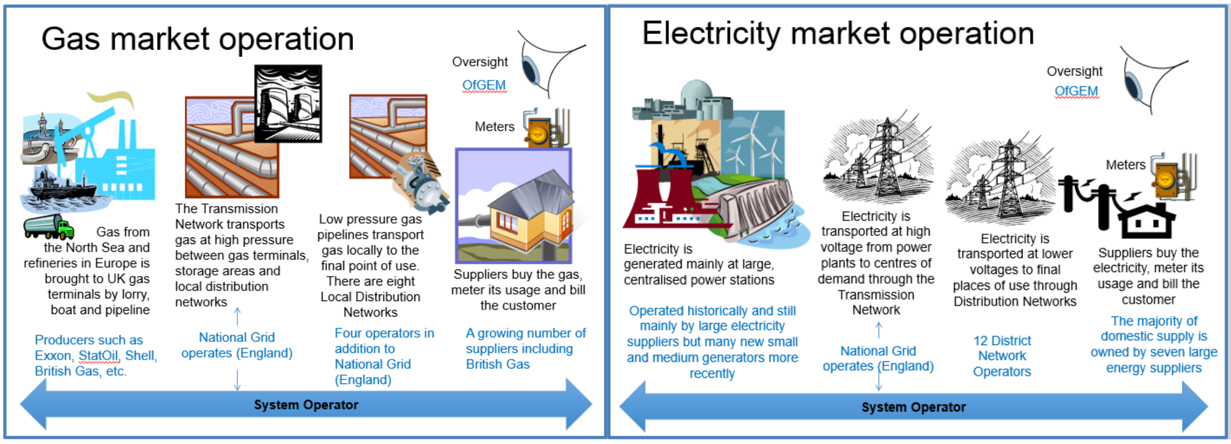

Figure 1 - Operation of Energy Markets

More information about these and other roles in the UK energy market can be found on the National Grid and OfGEM websites.[19]

A key element of market operation is the trading of energy on wholesale energy markets. Energy traders buy energy of different types in bulk over fixed periods of time and in "half-hourly" markets. Energy can be classified according to the fuel-type, either used to generate electricity or directly shipped to consumers as fuel to be converted to energy locally (typically gas).

Fossil fuels include coal, coke, oil, natural gas, diesel and petrol and these were all derived from former plant matter that has been covered and compressed over a very long period of time during previous geological eras. They all emit carbon-based gases such as carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O) when burnt to produce energy or heat. Coal emits the most greenhouse gases and natural gas the least[20], considering the fuels that are used most widely either for electricity generation or for direct local usage.

Renewable energy includes all forms of solar, wind, hydro, wave, tidal and geothermal energy.

Low Carbon energy sources include nuclear, alternative fuels and biomass based fuels.

Alternative fuels include solid recovered fuel (SRF) which includes certain waste types recovered or retrieved from municipal and commercial waste streams which have a calorific value enabling them to be burnt to produce heat and/or generate power.[21]

Biomass based fuels are created from plant matter and emit carbon-based gases when burnt but are not regarded as finite in nature.

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[19] See http://www2.nationalgrid.com/about-us/our-history/
and https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licensable-activities
[20] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69568/pb13792-emission-factor-methodology-paper-120706.pdf (Table 1, page 11)
[21] http://www.sita.co.uk/downloads/SITAUK-GuideToSolidRecoveredFuel-1307-web.pdf

Cheshire East Council

2.2 Market Drivers and Status

In the UK, three market drivers have dominated government policy affecting the energy sector since 2007. These are:

1. International commitments on climate change

The subject of climate change was reviewed for UK Government by Lord Stern in 2006 following numerous United Nations (UN) debates since 1986.[22] Global warming is now accepted by scientific research worldwide and is connected to the level of concentration of gases containing carbon in the Earth's atmosphere. If the concentration of these so-called greenhouse gases rises too far then heat absorbed from the sun during daylight hours cannot escape the atmosphere back into space and temperatures will rise sufficiently to cause significant climate change.

Some of the more negative issues of climate change include: More and different pests and diseases may be prevalent in previously productive agricultural areas, causing crop failures, food shortages and human sickness. Increases in climate extremes such as droughts, floods and storms may cause wildlife and human deaths and further crop failures. Rising sea levels may reduce the amount of land available for living on and for growing food.[23] Evidence of these effects can be found in international and national news[24] but the most recent scientific evidence and consolidated views are documented in the International Panel on Climate Change's (IPCC) Fifth Assessment Report.[25]

The UK, along with many other countries, has made international commitments under the UN Framework Convention on Climate Change to reduce greenhouse gas emissions significantly with the aim of limiting global climate change. International commitments were first made in 1997 at the Kyoto Climate Change Conference[26] and are revisited yearly to assess progress.[27] These commitments include a series of national greenhouse gas emissions limits[28] for years going forward to 2050 which have been put into UK law in the Climate Change Act, 2008 (described later in this section) to create binding commitments.

Energy is the life-blood of developed economies, providing power, heat and transport fuel for domestic and business use but generation and usage of energy from fossil fuels is the biggest contributor to worldwide greenhouse gas emissions. The UK has had a high dependence on fossil fuels for power, heat and transport[29], which still makes up over 80% of the fuel mix. Any decarbonisation of the UK's energy supply will help the UK to reach the greenhouse gas emissions limits that have been agreed internationally.

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[22] http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hmtreasury.gov.uk/d/CLOSED_SHORT_executive_summary.pdf
[23] http://www.bbc.co.uk/climate/impact/flooding.shtml
[24] http://www.bbc.co.uk/news/science-environment-27228408
[25] http://www.ipcc.ch/pdf/assessment-report/ar5/syr/SYR_AR5_SPM.pdf
[26] http://unfccc.int/kyoto_protocol/items/2830.php
[27] http://unfccc.int/meetings/items/6240.php
[28] http://www.theccc.org.uk/tackling-climate-change/the-legal-landscape/climate-change-act-and-uk-regulations/
[29] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/357432/ET_Sep_14.PDF (See Chart 1.7, Page 8)

Decreases in the overall level of energy usage through energy efficiency measures will also help in this regard.

2. Energy security

As the UK's energy usage for transport, heat and power continues to grow increasingly dependent on importing fossil fuels to generate energy, government concerns have arisen as to the security of the nation's energy supply. The UK imported 25% of the fuel used to generate energy in 2008 and DECC[30] expects this to rise to 60% by 2018. There are concerns that energy prices will inflate rapidly as global demand for energy rises driven by population growth and the emergence of new, large, developing economies in Asia and South America. The International Energy Agency estimates that global demand will have risen by up to 40% during the period 2007 to 2030.[31]

As a result, the UK has developed policies to become more self-sufficient in production of energy to alleviate these problems. The key elements of achieving more self-sufficiency are:

- Generating more energy (both renewable and lower carbon) in the UK so that less fuel and energy needs to be imported and less investment in national energy infrastructure is required
- Increasing the level of decentralised energy generation assets so that:
  - There is more independence and resilience in energy supplies locally
  - Local demand can be matched with local supply, so minimising the need to upgrade the national distribution network infrastructure
- Reducing the overall level of energy demand by driving long-term energy efficiency measures in all sectors and short-term demand-side reduction actions by large energy users at peak times of national demand

3. Energy Market Reforms

Decarbonising energy. Fossil fuels are finite in nature and will eventually be exhausted. Before economically viable fossil fuel supplies run out, other forms of energy production will have to be fully developed to fill the void. In addition, the legal requirement to meet greenhouse gas emissions targets has resulted in government policies and incentives for the energy and other sectors to accelerate this process of decarbonisation, quickly increasing the contribution of renewable and low carbon energy to the nation's "fuel mix". To enable this transition, the energy sector in particular needs to make significant investments in a number of areas including[32]:

- Energy generation plant
- Energy distribution systems
- Computer systems used to manage energy supply and demand

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[30] DECC (2009) "Low Carbon Transition Plan" https://www.gov.uk/government/publications/the-uk-low-carbon-transition-plan-national-strategy-foyr-climate-and-energy
[31] http://www.worldenergyoutlook.org/media/weowebsite/factsheets/fact_sheets_WEO_2009.pdf
[32] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209279/PU1524_IUK_new_template.pdf (Chapters 4 and 3)

Other sectors including vehicles and transport fuel will also need to make investments.

UK energy market reform. An ongoing process of deregulation is focused on creating greater levels of competition in UK energy markets and delivering lower and fairer energy costs for consumers. Other market reforms have been focused on addressing the issues of energy decarbonisation and energy security mentioned above.

OfGEM launched a Retail Market Review in 2010[33] with the objective of encouraging more consumers to switch supplier more frequently and making that process easier.

Changes to encourage energy efficiency in domestic and business properties as well as within industry are extensive. A national rollout of 'smart' energy meters for domestic properties from 2015 and the upgrade of communications networks to support communication between these meters and energy suppliers will raise awareness of energy usage and be used to help ensure national energy security.

The Government's 2014 Electricity Market Reform policy introduces increased price competition between different types of energy, (i.e. fossil, low carbon, renewable and nuclear-fuelled energy generation or supply) and places a market value on short-term demand-reduction actions. OfGEM also referred the whole energy market to the Competition and Markets Authority in summer 2014 to investigate claims regarding including price-fixing in wholesale energy markets, which defrauds consumers and acts as a barrier to entry for new energy generators and suppliers.

In summary, the costs of change for the energy market will be reflected in higher energy prices in the short-term, to prevent much worse energy price increases and environmental and security crises in the longer term. This will in turn exacerbate problems for some households, increasing levels of *"fuel poverty"*, impacting business costs and competitiveness and the public sector if the topics of energy efficiency and independence are not given appropriate management attention.

The Council's ***Energy Vision*** is well aligned with these three national drivers:

- The objective of ***independent energy*** (low carbon and renewable) addresses both energy security and the international agreements on climate change
- The objective of ***growing energy businesses*** gives rise to greater local energy independence and the opportunity to explore business growth in the low carbon sector that can be stimulated by promoting energy efficiency measures for all Cheshire East residents, both domestic and business
- The objective of ***affordable energy*** addresses the drive for energy efficiency to achieve energy security and the continued market deregulation and competition themes in national policy towards making the market fairer and energy pricing more transparent for consumers.

[33] https://www.ofgem.gov.uk/simpler-clearer-fairer/retail-market-review-background-and-publications

2.3 Low Carbon and Renewable Energy Industry

The low carbon and renewable energy industries are sub-sectors of the low carbon and environmental goods and services (LCEGS) industry. The UK LCEGS industry was ranked 6th globally by sales for 2011/12 (£128.1bn) with 51,252 companies employing 937,923 people and has continued to grow sales continuously at over 4% through the recent recession.[34]

Detailed findings of a local study (the Environmental Sustainability Technical Assistance project or ESTA) showed that in 2011/12 this local industry in Cheshire East employed 5,394 people across 245 companies and achieved sales of £480.5m. More than 50% of this activity is in the low carbon sub sector which includes all building-related energy efficiency measures such as insulation, double glazing, etc. The general trend for growth in sales in this industry in Cheshire East is 4.3% annually although there has been low or no growth in the number of companies and people employed. This trend is not restricted to Cheshire East and the industry across the UK has seen growth in sales since 2008/09 unlike many other industries throughout the recent economic recession.

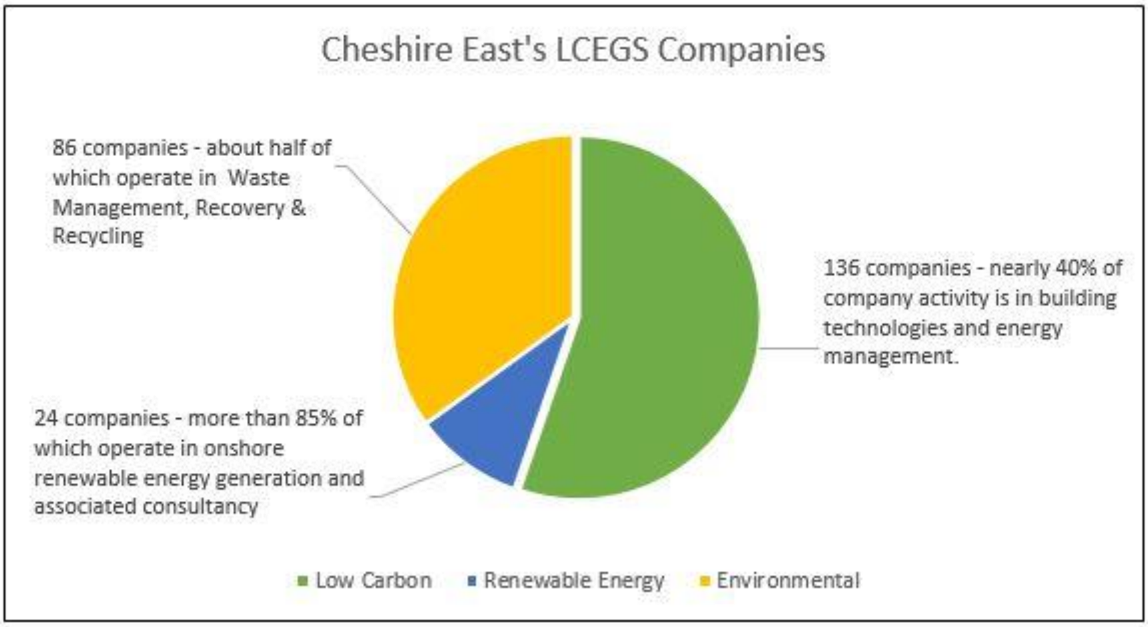

Figure 2 - Low Carbon Energy and Environmental Industry in Cheshire East

The LCEGS industry is a flexible construct capturing disparate activities spread across many existing sectors such as manufacturing, transport, construction and energy, not otherwise mapped by standard industry codes, as this young and dynamic sector continues to develop and grow. The LCEGS industry is sub-divided into three sectors; low carbon, environmental and renewable energy, which are further sub-divided into twenty four goods and services.

The low carbon sector includes businesses providing building technologies and associated services which improve the energy efficiency of buildings. This would include insulation

[34] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224068/bis-13-p143-low-carbon-and-environmental-goods-and-services-report-2011-12.pdf

materials, energy management technologies and associated consulting services. It also includes low carbon energy technologies such as nuclear power, alternative fuels and alternative fuel vehicles as well as carbon capture and storage and energy storage technologies.

The Renewable Energy sector includes renewable energy generation technologies such as hydro, wind and wave, geothermal, solar. Biomass and associated consulting.

The Environmental sector includes waste management, recovery and recycling, water supply and waste water treatment, emissions control technology and all forms of environmental consultancy including environmental monitoring.

The above graph is based on figures provided in the regional ESTA project; a study funded in 2013 which mapped the LCEGS industry across four LEP areas in the North West of England, including Cheshire and Warrington.[35] The findings of the study showed that the industry is growing in Cheshire and Warrington and recommendations were made around supporting the development of the building technologies, energy management, renewable energy and recovery and recycling sub-sectors.

The LCEGS industry in Cheshire East is a valuable asset made up of businesses which can help Cheshire East deliver its ***Energy Vision*** and help Cheshire East residents, both household and business, to realise more ***Affordable Energy*** and more ***Independent Energy***. Helping this industry will help ***growing energy businesses*** and can result in new income streams for the Council to use locally.

[35] http://www.enworks.com/ESTA-project-outcomes

2.4 European and National Legislation and Policy

A significant volume of European and national legislation has been developed over the last 20 years which compels and incentivises industry, consumers and Local Authorities to take action to address the sources of climate change identified by science. The table below sets out a summary of the key items of legislation and policy which inform the Council's Energy Vision. These are then set out in more detail in the following pages. Recommendations are made to address potential gaps and to strengthen the Council's approach in developing its Energy Framework and associated project portfolio further.

Legislation and policy	Energy Vision Objectives			Relevance to Cheshire East
	Affordable energy	Growing Energy Businesses	Independent Energy	Comments and recommendations
EU Directives				
Landfill Directive 99/31/EC			✔	Reflected in existing and draft Local Plan documents
Emissions Trading System Directive 2003/87/EC	✔	✔	✔	No action
Renewable Energy Directive 2009/28/EC		✔	✔	Reflected in existing and draft Local Plan documents
Industrial Emissions Directive 2010/75/EU			✔	Comply with UK legislation - below
UK and National Legislation				
Warm Homes and Energy Conservation Act 2000	✔	✔		Driver for addressing Fuel Poverty - reflected in vision / policy
Utilities Act 2000 and Renewable Obligation Orders 2002 and onwards		✔	✔	Provides a market for unused renewable energy generated
Finance Act 2000 and Climate Change Levy Regs, 2001	✔	✔	✔	Reflected in existing and draft Local Plan documents
Climate Change Act 2008	✔	✔	✔	Reflected in existing and draft documents and policies
Planning Act 2008			✔	Make use of CIL to fund additional energy infrastructure
Energy Act 2008	✔	✔	✔	Reflected in existing and draft documents
Carbon Reduction Commitment Energy Efficiency Scheme Order 2010	✔	✔	✔	Establish business support programme
Energy Act 2011	✔	✔	✔	Establish domestic energy advice support programme
Climate Change Agreements Regulations 2012	✔	✔	✔	Establish business support programme
Non-Domestic Rating (Renewable Energy Projects) Regulations 2013		✔	✔	Finalise local policy and processes
Environmental Permitting Regulations 2013			✔	Reflect in new Local Waste Plan. Comply with for projects.
Energy Act 2013	✔	✔	✔	Establish domestic energy advice support programme
Energy Savings Opportunity Scheme Regulations 2014	✔	✔	✔	Establish business support programme
Energy Market Referral and Electricity Market Reform, 2014	✔	✔	✔	Establish domestic energy advice support programme
Community Energy Strategy, 2014	✔	✔	✔	Add SPDs for specific topics to strengthen
National Planning Policy	✔	✔	✔	Supportive of Energy Vision
Regional and Local Planning Policy		✔	✔	Add SPDs for specific topics to strengthen

Table 2 - Most relevant EU and UK Legislation and Policy for Cheshire East Energy Vision

Cheshire East Council

2.4.1 European Legislation and Policy

1. EU Landfill Directive 99/31/EC

> The Cheshire East ***Energy Vision*** is supported by this directive, which encourages the development of ***Independent Energy*** using waste.

The Landfill Directive came into force in 1999 with the aim of reducing reliance on landfill as a disposal option. It seeks to decrease the environmental impacts of landfills and reduce the risk to human health while imposing a consistent minimum standard for landfills across the EU. The Landfill Directive specifically:

- Sets minimum standards for the location, design, construction and operation of landfills
- Sets targets for the diversion of Biodegradable Municipal Waste from landfill
- Controls the nature of waste accepted for landfill
- It defines the different categories of waste (municipal waste, hazardous waste, non-hazardous waste and inert waste) and applies to all landfills, defined as waste disposal sites for the deposit of waste onto or into land

The directive sets demanding targets for the UK to progressively reduce the biodegradable waste being sent for disposal in landfill. EU wide targets were established for 2006, 2009 and 2016 for reduction of biodegradable waste. As the UK started from a point where over 80% of this waste was being landfilled in 1995, a four-year derogation on these targets was available. The targets are shown below:

- By 2010 - reduce the biodegradable waste landfilled to 75% of that produced in 1995.
- By 2013 - reduce the biodegradable waste landfilled to 50% of that produced in 1995.
- By 2020 - reduce the biodegradable waste landfilled to 35% of that produced in 1995. (If by 2016 target can be reached, the derogation will not be used for this target.)

This legislation has already had a significant impact on the UK's greenhouse gas emissions from the waste sector, reducing emissions from waste landfill sites by 64% by 2011 compared to 1990.[36]

Existing landfill sites containing biodegradable waste (where their design allows) and new landfill sites accepting any level of biodegradable waste are now capturing green-house gases emitted from the waste for use in power generation. Alternative uses for the biodegradable waste diverted from landfill sites, including composting the waste to produce new soil enhancement products and new techniques of composting which maximise the bioenergy produced and captured during the process, have been

[36] http://www.theccc.org.uk/wp-content/uploads/2013/04/Waste-factsheet.pdf

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developed following this Directive. According to DECC, electricity generation from bioenergy grew 24% between 2012 and 2013.[37]

This directive is reflected in existing Cheshire East Plans and strategy, specifically, the energy recovery requirements of the Cheshire Replacement Waste local plan and the Cheshire East Council draft Waste Strategy, both described in the next section of this document.

Further information: http://ec.europa.eu/environment/waste/landfill_index.htm

2. EU Emissions Trading System Directives 2003/87/EC (as amended)

The Cheshire East ***Energy Vision*** is supported by these directives, which encourage reductions in energy-related carbon emissions through energy efficiency and implementation of renewable energy, so supporting ***Affordable Energy*** (for businesses), ***Growing Energy Businesses*** and ***Independent Energy***.

The EU Emissions Trading System (EU ETS) is a greenhouse gas emissions trading scheme which started operation in 2005 with the aim of putting a sufficiently high price on carbon so that investment in clean, low carbon technologies becomes more financially attractive. Now in its third phase (2013 – 2020), the EU ETS has approximately 11,000 participants and 1,000 of these are in the UK. This 'traded sector' will account for over 50% of the emissions reductions needed to meet the UK's 2020 target.

Under the 'cap and trade' principle, a cap (limit) is placed on the total amount of greenhouse gases that can be emitted by installations under the system. The system covers emissions of greenhouse gases from power plants, a wide range of energy-intensive industry sectors and commercial airlines. The cap is reduced over time so that total emissions fall.

The EU ETS will only directly affect a few large Cheshire East businesses but other, smaller Cheshire East businesses may have products and services that enable those required to trade carbon under the EU ETS to reduce their emissions, e.g. renewable energy generation technologies or low carbon heating technologies.

Further information: http://ec.europa.eu/clima/policies/ets/index_en.htm

[37] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/337649/chapter_5.pdf

3. EU Renewable Energy Directive 2009/28/EC

The Cheshire East ***Energy Vision*** is supported by this directive, which encourages the deployment of all forms of renewable and low carbon energy and heat generation, so supporting the objective of ***Growing Energy Businesses*** and ***Independent Energy***.

This directive came into force in 2009 to establish a common framework for the use of energy from renewable sources in order to limit greenhouse gas emissions and to promote cleaner transport across EU Member States. Each Member State has a target calculated according to the share of energy from renewable sources in its gross final consumption for 2020. The UK target is to achieve 15% (up from 3%) of its energy consumption from renewable sources by 2020.

The Member States were required to establish national action plans which set the share of energy from renewable sources consumed in transport, as well as in the production of electricity and heating, for 2020. The action plans had to take into account the effects of other energy efficiency measures on final energy consumption i.e. a reduction in energy consumption would require less energy from renewable sources to meet the target.

This directive is reflected in existing and draft new Cheshire East Planning Policies and strategy and the draft Cheshire East Plan.

Further information:
http://europa.eu/legislation_summaries/energy/renewable_energy/en0009_en.htm

4. EU Industrial Emissions Directive 2010/75/EU

The Cheshire East ***Energy Vision*** will need to comply with this directive which requires that ***Independent Energy*** implementations do not pollute the environment.

This directive aims to control pollution from large industrial installations including energy generation and the thermal treatment of waste. It brings together Directive 2008/1/EC (the 'IPPC Directive'), Directive 2000/76/EC (the 'Waste Incineration Directive') and five other directives, into a single directive on industrial emissions, replacing the previous directives as of 7th January 2014.

Any industrial installation which carries out activities covered by the directive must meet certain basic obligations including preventing pollution, applying best available techniques and remediating sites when activities come to an end. Installations must operate under a permit which sets out the measures to ensure compliance with the basic obligations and environmental quality standards. These measures will include emission limit values and monitoring and management methodologies.

This directive is reflected in existing and draft new Cheshire East Planning Policies and strategy and the draft Cheshire East Plan.

Projects involving the local preparation of pre-separated solid wastes for use in energy recovery will be subject to this directive as will energy from waste plants using the fuel. Any Council projects involving these processes should take advice to ensure the legislation is closely adhered to.

Further information:
http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32010L0075

2.4.2 UK Legislation

1. Warm Homes and Energy Conservation Act 2000

The Cheshire East ***Energy Vision*** is supported by this legislation, which requires Government to address the problem of domestic fuel poverty, so supporting the objective of ***Affordable Energy*** (for domestic residents) and indirectly the objective of ***Growing Energy Businesses*** (supplying products and services related to energy efficiency).

The Warm Homes and Energy Conservation Act set the framework for eradicating fuel poverty in the UK. From this act the 2001 UK Fuel Poverty Strategy was produced which set targets for eliminating fuel poverty in vulnerable households by 2010 (which was missed). A new definition of fuel poverty went out to consultation in 2012 and has subsequently been adopted.

The new definition uses the principle of 'Low Income High Costs' whereby a UK household is considered to be in fuel poverty if their required fuel costs are higher than average and, after purchasing fuel, the household is below the official poverty line. Many health problems such as cardio-vascular and respiratory diseases are made worse by cold housing.

Following the adoption of the new definition, the Government is developing a new UK Fuel Poverty Strategy, which went out to consultation in July 2014. Currently fuel poverty is partly tackled through energy efficiency financing and funding such as the Green Deal and the ECO. Further measures are included under the Government's Community Energy Strategy (see below). The roll-out of smart meters is another measure that should help to tackle fuel poverty since the new meters put consumers in control of their energy use, allowing them to adopt energy efficiency measures that can help save money on their energy bills and offset price increases. The UK Government has committed to roll-out smart meters to 30 million homes and businesses by 2019.

This legislation is reflected in Cheshire East's Residents First policy and in the recent announcements regarding Fairer Energy.

Further information:
https://www.gov.uk/government/consultations/cutting-the-cost-of-keeping-warm-a-new-fuel-poverty-strategy-for-england

https://www.gov.uk/smart-meters-how-they-work

2. Utilities Act 2000 and following Renewable Obligation Orders from 2002

The Cheshire East ***Energy Vision*** is supported by this legislation which provides an incentive for the implementation and operation of renewable energy generation projects. In doing so, it supports the objectives of ***Growing Energy Businesses*** (supplying products and services related to renewable energy) and ***Independent Energy***.

This act gave the Secretary of State power to require UK energy supply licence holders to provide a certain proportion of the energy they sell from eligible renewable sources and to provide incentives for the deployment of renewable electricity generation assets. This proportion (or 'renewable obligation', RO) is set annually in the Renewable Obligation Order and has increased annually in line with targets set under the EU Renewable Energy Directive.

Eligible renewable electricity generation installations are certified and entered onto a register by OfGEM. They report their renewable energy generation regularly to OfGEM and in return are issued with Renewable Obligation Certificates (ROCs) based on the amount of renewable electricity they generate. The level of energy generated per ROC depends on the type of energy.

Generators sell their ROCs to suppliers (or traders), which allows them to receive a premium in addition to the wholesale electricity price. Suppliers present their ROCs to OfGEM to demonstrate their compliance with the RO. Suppliers who do not present enough ROCs to meet their obligation must pay a penalty (known as the 'buy-out price'). The money OfGEM collects in the buy-out and late payment funds is re-distributed on a pro-rata basis to suppliers who presented ROCs.

This legislation is reflected in the Strategic Economic Plan and in Cheshire East Planning policies, described below.

Further information:
https://www.gov.uk/government/policies/increasing-the-use-of-low-carbon-technologies/supporting-pages/the-renewables-obligation-ro

3. Finance Act 2000 and subsequent Climate Change Levy (General) Regulations 2001 (as amended)

The Cheshire East ***Energy Vision*** is supported by this legislation which provides a disincentive for the use of fossil fuel- based energy and a number of incentives for the implementation of energy efficiency measures and local renewable energy generation projects. In doing so, it supports all the objectives of ***Affordable Energy*** (for businesses), ***Growing Energy Businesses*** (supplying products and services related to energy efficiency and renewable energy) and ***Independent Energy***.

The Finance Act of 2000 gave powers for a new tax, the Climate Change Levy (CCL) to be levied and secondary legislation enacted these powers with effect from 1st April 2001 in the CCL Regulations 2001. The climate change levy applies a levy on energy consumption (gas and electricity) by the non-domestic sector with the objective of driving businesses to make more efficient use of energy. CCL applies to businesses in the industrial, agricultural and commercial sectors as well as to public sector bodies who must pay a main rate on their energy consumption. Exemptions from CCL include:

- Public Transport
- Micro firms
- Energy exports

The consumption of energy from renewable sources is also exempt from CCL, subject to presentation of suitable Levy Exemption Certificates (LECs) proofing that the energy was generated by an eligible registered renewable energy installation.

The CCL was intended to be a neutral fiscal policy for the UK economy and so monies raised are injected back into the economy in the following ways:

- Reduced Employer's National Insurance Contributions
- Energy Efficiency Fund
- Enhanced Capital Allowances (ECA) - *a fund to cover capital asset expenditure including installation costs for energy efficient equipment allowing the expenditure to be depreciated*

A second rate applies under CCL, called the carbon price support (CPS) rate. This rate is designed to encourage industry to use low carbon technology for producing electricity and uses a combination of the carbon price established by the EU ETS and a second component, reflecting the amount of fossil fuels used in the UK energy generation mix. Fossil fuels liable to the CPS rates of CCL are:

- Gas
- Liquefied petroleum gas (LPG)
- Coal and other solid fossil fuels

Owners of electricity generating stations and operators of combined heat and power (CHP) stations pay the CPS rates of CCL. The UK element of the CPS rates were capped until 2020 under recent policy changes enabled by the Energy Act.

Existing planning policies and the draft Local Plan support the implementation of renewable energy generation projects. Cheshire East's Carbon Management Plan (CMP) has focused successfully on energy efficiency improvements to date and will contribute to reducing the Council's CCL charges.

The Council's CMP should be reviewed regularly to see if new technologies, techniques and services reaching the market offer enhanced energy efficiency opportunities for the Council. Renewable energy and heat technologies should be included, going forwards.

Supporting local businesses to implement renewable energy and heat generation to avoid CCL costs can positively impact the amount of business rates that can be retained locally for purposes designated by the Council.

Further information: https://www.gov.uk/green-taxes-and-reliefs/climate-change-levy

4. Climate Change Act 2008

The Cheshire East ***Energy Vision*** is supported by this legislation which requires the UK to find ways of reducing carbon emissions. In doing so, it supports the objectives of ***Affordable Energy*** (Energy efficiency in the domestic and non-domestic sectors) ***Growing Energy Businesses*** (supplying products and services related to energy efficiency and renewable energy generation) and ***Independent Energy*** (implementing local renewable and low carbon energy generation)

The UK Government introduced legally binding carbon reduction budgets as part of the Climate Change Act 2008, with a goal to reduce greenhouse gas emissions by at least 80% by 2050. This puts a restriction on the total amount of greenhouse gases the UK can emit over a 5-year period. The first four UK carbon reduction budgets (CRB) run from 2008 to 2027, setting specific limits to greenhouse gases within each budget. The limits of each budget are as follows:

- CRB1 - 3,018 million tonnes of carbon dioxide equivalent (MtCO2e) over the period 2008 to 2012
- CRB2 - 2,782 MtCO2e over period 2013 to 2017
- CRB3 - 2,544 MtCO2e over the period 2018 to 2022
- CRB4 - 1,950 MtCO2e over the period 2023 to 2027

By the end of the fourth budget the UK Government has committed to halving UK emissions, relative to 1990.

Cheshire East's Carbon Management Plan, completed with the Carbon Trust in 2011, documents the Council's plans for reducing its carbon emissions.[38]

This legislation is reflected in the Council's Carbon Management Plan, as described above.

The Council's CMP should be reviewed regularly and extended to include renewable energy and heat.

It is recommended that Business Support Services promote implementation of energy efficiency measures and renewable energy generation technologies to help reduce local carbon emissions. This can positively impact local energy businesses and the amount of business rates that can be retained locally.

Further information: http://www.legislation.gov.uk/ukpga/2008/27/contents

5. Planning Act 2008 as amended by the Localism Bill, 2011

This act supports the Cheshire East ***Energy Vision*** objective of ***Independent Energy***, as it is of considerable importance for energy infrastructure projects such establishing new large energy generation stations and local energy infrastructure.

This act introduces a new system for nationally significant infrastructure planning, described below, and a Community Infrastructure Levy (CIL).

Nationally significant infrastructure projects include onshore and offshore generating stations with a generating capacity above 50MW. Under the Act, responsibility for dealing with development consent applications for nationally significant infrastructure projects was passed to the Planning Inspectorate, which was to examine applications and make recommendations to the Secretary of State at Department for Energy and Climate Change (DECC) for decisions on energy applications.

In 2011, the Localism Act abolished the Infrastructure Planning Commission (Planning Inspectorate) and restored its responsibility for taking decisions to Government ministers. It also ensures the national policy statements, which are used to guide decisions by ministers, can be voted on by Parliament.

In 2011 six National Policy Statements for energy (NPS) were designated under the Planning Act 2008 to ensure that the planning system is rapid, predictable and accountable. Planning decisions must be taken within the clear policy framework set out in the NPSs, making these decisions as transparent as possible. The energy NPSs set out national policy against which proposals for major energy projects are assessed and decided on.

[38] http://moderngov.cheshireeast.gov.uk/ecminutes/documents/s11738/5yearCarbonManagementPlanreport20112016.pdf

CIL is a levy which local authorities are allowed to require developers to pay when they build new houses, businesses or shops. The money raised must go to support new infrastructure, such as roads and schools. This is described further in the Funding section 2.6.2.

The act takes responsibility for making decisions on such infrastructure projects out of the control of local authorities so there is no requirement for local planning policies to cover this sort of large energy infrastructure project.

The imposition of CIL on local developments should consider what additional local energy infrastructure may require funding as a result of the development, including, for example, upgrade and extension of local energy networks, development of heat networks, energy or fuel storage facilities and new, local renewable or low carbon energy generation plant.

Further information: https://www.gov.uk/consents-and-planning-applications-for-national-energy-infrastructure-projects

6. Energy Act 2008

The Cheshire East ***Energy Vision*** is supported by this legislation in the objectives of ***Affordable Energy*** (Energy efficiency in the domestic properties improved by Smart Meters) ***Growing Energy Businesses*** (supplying products and services related to renewable and low carbon energy and heat generation) and ***Independent Energy*** (implementing local renewable and low carbon energy and heat generation).

The Energy Act made provisions to encourage and enable private investment in energy-related infrastructure including carbon capture and storage and small-scale renewable energy generation. Three key outcomes enabled by the Act were:

- Feed-in Tariff Scheme – (FiT) which includes two incentives payments for investors in small-scale generators of renewable and low carbon electricity - described in the Funding section following.
- Renewable Heat Incentive – (RHi) for investors in small-medium scale renewable or low carbon heat generation described in the Funding chapter following
- Smart Meters – Changes in this Act enabled OfGEM to alter the terms of various licenced activities and to define a technical specification of new ‘Smart’ energy meters for gas and electricity to act as a minimum standard

This legislation is reflected in the Council’s existing planning policies, Cheshire Replacement Waste Local Plan and the draft new Cheshire East Local Plan.

It is recommended that Business Support Services promote implementation of energy efficiency measures and renewable energy generation technologies by local businesses to help reduce local carbon emissions. This can positively impact local energy businesses and increase the amount of business rates that can be retained locally.

Further information: http://services.parliament.uk/bills/2007-08/energy.html

7. Carbon Reduction Commitment Energy Efficiency Scheme Order 2010

The Cheshire East ***Energy Vision*** is supported by this legislation in the objectives of ***Affordable Energy*** (through implementation of energy efficiency measures and renewable energy and heat generation for businesses) ***Growing Energy Businesses*** (supplying products and services related to renewable and low carbon energy and heat generation) and ***Independent Energy*** (implementing local renewable and low carbon energy and heat generation)

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is designed to improve energy efficiency and cut carbon dioxide emissions in large, non-energy-intensive organisations including local authorities, all central Government departments, water companies, supermarkets, hotels and banks. Energy use already covered under CCA and EU ETS is not included in CRC. The scheme, now in its second phase (1 April 2014 to 31 March 2019), is administered by the Environment Agency.

The qualifying period for phase 2 of the scheme was between 1 April 2012 and 31 March 2013. An organisation qualified for phase 2 if it:

- Had at least one settled half hourly electricity meter (sHHM).
- Used 6,000 megawatt hours (MWh) or more of qualifying electricity supplied through settled half hourly meters.

In each year of the current phase, all businesses registered under the scheme must do the following:

- Collate information about its energy supplies
- Submit a report about its energy supplies
- Buy and surrender allowances equal to the CO_2 emissions it generated
- Tell the Environment Agency about changes to its organisation that could affect its registration (designated changes)
- Keep records about its energy supplies and organisation in an evidence pack

Registration fees and annual fees apply to all businesses registered under the scheme. Significant fines are payable by those who qualify but did not register by the deadline for the current phase (registration closed on 31 January 2014).

This legislation is reflected in the Council's 2011 Carbon Management Plan (CMP), as described above.

The Council's CMP should be reviewed regularly and extended to include renewable energy and heat.

It is recommended that local businesses are encouraged to implement energy efficiency measures and renewable energy generation technologies to reduce local carbon emissions and drive up locally retainable business rates.

Further information: https://www.gov.uk/crc-energy-efficiency-scheme-qualification-and-registration

8. Energy Act 2011

The Cheshire East ***Energy Vision*** is supported by this legislation, especially the objective of ***Affordable Energy:*** The ECO funds implementation of energy efficiency measures and the Green Deal can help finance both these and renewable energy and heat generation for domestic properties. The legislation also support the objectives of ***Growing Energy Businesses*** (those supplying products and services related to energy efficiency and micro-renewable energy and heat generation and ***Independent Energy*** (micro-generation from renewable energy sources in the domestic sector).

This Energy Act has three principal objectives: tackling barriers to investment in energy efficiency; enhancing energy security; and enabling investment in low carbon energy supplies. This act implements some of the key measures required to deliver the UK Government's low carbon agenda, including:

- Green Deal – creation of the financing framework to enable the provision of fixed improvements to the energy efficiency of households and non-domestic properties under the Green Deal, a "pay as you save" mechanism (see below);
- Energy Company Obligation - enabling the creation of a new Energy Company Obligation to take over from previous obligations on energy companies, (the Carbon Emissions Reduction Target or CERT and Community Energy Saving Programme or CESP), to reduce carbon emissions in domestic properties through installation of energy efficiency measures;
- Private rented sector - ensuring that private residential landlords will be unable to refuse a tenants' reasonable request for consent to energy efficiency improvements, where a finance package or funding, such as the Green Deal and/or the Energy Company Obligation (ECO) is available as from April 2016 and making it unlawful to rent out a residential or business premise that could but does not reach a minimum energy efficiency standard (the intention is for this to be set at EPC rating "E") from April 2018.

The Green Deal and ECO are described in more detail in the Funding section of this document.

This legislation is reflected in the Council's existing Planning policy and draft Cheshire East Local Plan.

It is recommended that Business Support Services promote implementation of energy efficiency measures and renewable energy generation technologies by local businesses to help to reduce local carbon emissions. This can positively impact local energy businesses and increase the amount of business rates that can be retained locally.

Further information:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48199/3211-energy-act-2011-aide-memoire.pdf

9. Climate Change Agreements (Eligible Facilities) Regulations 2012 (as amended)

The Cheshire East ***Energy Vision*** is supported by this legislation in the objectives of ***Affordable Energy*** (Business energy efficiency and renewable energy and heat generation), ***Growing Energy Businesses*** (those supplying products and services related to energy efficiency and renewable / low carbon energy and heat generation) and ***Independent Energy*** (Driving businesses to implement renewable and low carbon energy and heat generation).

Climate Change Agreements (CCAs) are voluntary agreements between the Environment agency and eligible energy-intensive sectors that enable them to receive up to 90% reduction in the Climate Change Levy (CCL) if they sign up to stretching energy efficiency targets agreed with Government. The scheme is administered by the Environment Agency. For operators who hold a CCA, the CCL will be reduced by:

- 90% on electricity bills
- 65% on other fuels

A total of 53 industrial sectors across more than 9,000 sites have signed up to targets. These sectors range from aerospace, textiles and foundries to supermarkets and data centres. Targets apply to participating sectors from 2013 to 2020, with the scheme running until 2023. If all the sectors meet their targets from 2013 to 2020 against agreed baselines, this would:

- Reduce emissions of carbon dioxide by 19 million tonnes;
- Reduce primary energy consumption by approximately 100TWh;
- Deliver an estimated saving to participants of the Climate Change Levy of £300 million each year.

These savings will be delivered through the implementation of cost-effective measures such as high efficiency motors, variable speed drivers, energy efficient boilers, improved energy management systems and process optimisation.

This legislation is reflected in the Council's existing Planning policy and draft Cheshire East Local Plan regarding implementation of renewable and low carbon energy and heat generation.

It is recommended that local businesses are supported to implement energy efficiency measures and renewable energy generation to reach their CCAs. This could positively impact local energy businesses and renewable energy generation technology implemented as a result could increase the amount of locally retained business rates.

Further information: https://www.gov.uk/browse/business/waste-environment/climate-change-agreements

10. The Non-Domestic Rating (Renewable Energy Projects) Regulations 2013

The Cheshire East ***Energy Vision*** is supported by this legislation which could provide a significant income stream for the Council to help it finance many low carbon and renewable energy projects and meet all of its ***Energy Vision*** objectives.

These regulations add to earlier primary legislation on non-domestic rates (enabling Councils to retain up to 50% of additional business rates from all businesses) to enable Councils to retain 100% of new and increased business rates associated with renewable energy generation projects for Council-designated purposes.

This legislation is only just being absorbed and implemented by Councils in England. In Cheshire East, discussions to establish suitable procedures in conjunction with the local Valuation Office are already underway.

It is recommended that the Council focus resources to finalise and implement an agreed process with the local valuation office to share appropriate information on existing and new eligible renewable energy projects.

It is also recommended that local businesses are supported to implement renewable energy generation technologies to increase the level of business rates that can be retained locally.

Further information: http://www.cans.org.uk/notes/local-government/council-tax-and-non-domestic-rates-england-and-wales/40a-local-retention-of-non-domestic-rates

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6086/2146348.pdf

11. Environmental Permitting Regulations (England and Wales) (As Amended) 2013

The Cheshire East ***Energy Vision*** will need to comply with this legislation which requires that ***Independent Energy*** implementations do not pollute the environment.

The Environmental Permitting Regulations implement the requirements of the Industrial Emissions Directive (IED) in UK law.

The regulations control certain industrial installations through a permit system. The permit sets out the requirements that must be met at the installation to achieve environmental quality standards and prevent pollution of the environment. Activities known as Part B and A2 activities are regulated by Local Authorities; these include smaller installations such as mobile waste plant. Part A1 activities, which include large waste management facilities (landfill, energy from waste etc.) and energy facilities, are regulated by the Environment Agency.

The Council may be required to grant permits for certain activities as defined above, which may include stockpiling of biodegradable wastes suitable for Anaerobic Digestion or separation, processing and stockpiling of wastes suitable for use in energy recovery.

This legislation is reflected in existing and draft new Cheshire East Planning Policies and strategy and the draft Cheshire East Plan.

Further information:http://www.defra.gov.uk/industrial-emissions/files/EPR-Regs-2013-consol-changes-RV-April-2013.pdf

12. The Energy Act 2013

The Cheshire East ***Energy Vision*** is supported by this legislation in the objectives of ***Affordable Energy*** (Domestic consumers through better provision of information from Energy Suppliers and fairer pricing of energy through Market reforms), ***Growing Energy Businesses*** (supplying products and services related to energy infrastructure and renewable and low carbon energy generation) and ***Independent Energy*** (encouraging community investment in local renewable and low carbon energy generation).

This act focused on several aims including continued energy decarbonisation, market deregulation and reform. The main items included were:

- Power to set a new carbon decarbonisation target range for electricity generation by 2030 once the Committee for Climate Change sets a 5th carbon budget for the period 2027-2032

- Electricity Market Reform to attract £110 billion of investment for energy infrastructure projects (reviewed later) including the capacity market and contracts for difference
- Establishment of the Office for Nuclear Regulation
- Rights for the sale of the Government Pipeline and Storage System (energy pipelines including light oil pipelines and storage systems)
- Alignment of OfGEM and Government strategy through a joint Strategy and Policy Statement
- Consumer protection actions altering the terms of the Energy Supplier licences limiting the number of tariffs each can offer to the domestic sector and improving consumer communications with annual energy statements and enforced communication of the best energy deal available to domestic energy consumers.
- Introduction of rights for communities to receive renewable energy incentives.

This legislation is largely reflected in the Council's existing planning policies, Cheshire Replacement Waste Local Plan and the draft new Cheshire East Local Plan

Support for community-ownership of renewable energy projects should be strengthened in future supplementary planning documents.

Supporting local communities to implement renewable energy generation using these new rights can positively impact local energy businesses and increase the level of business rates that can be retained locally.

Further information: http://services.parliament.uk/bills/2012-13/energy.html

13. The Energy Savings Opportunity Scheme Regulations 2014

The Cheshire East ***Energy Vision*** is supported by this legislation in the objectives of ***Affordable Energy*** (Business energy efficiency and renewable energy and heat generation), ***Growing Energy Businesses*** (those supplying products and services related to energy efficiency and renewable / low carbon energy and heat generation) and ***Independent Energy*** (Driving businesses to implement renewable and low carbon energy and heat generation).

The Energy Savings Opportunity Scheme (ESOS) places a mandatory obligation on most large businesses and some public sector bodies in the UK to undertake comprehensive assessments of energy use and energy efficiency opportunities at least once every four years. The Environment Agency (EA) is the UK scheme administrator.

Although there is no requirement to implement changes identified in the energy assessments, doing so will offset the cost of completing the ESOS assessment and save organisations money by reducing their energy bills and other associated costs. Qualifying companies must complete their initial energy assessment and notify the EA of their compliance with this regulation by 5 December 2015.

The scheme is estimated to create £1.6bn net benefits to UK businesses as a result of energy savings.

This legislation is reflected in the Council's existing Planning policy and draft Cheshire East Local Plan regarding implementation of renewable and low carbon energy generation.

Supporting local businesses to implement energy efficiency measures and renewable energy generation to become more energy efficient could positively impact local energy businesses and increase the level of business rates that can be retained locally.

Further information:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/351158/ESOS_Guide_FINAL.pdf

14. Energy Market Referral and Electricity Market Reform 2014

The Cheshire East ***Energy Vision*** is supported by this market reform and oversight in the objectives of ***affordable energy*** (Domestic consumers through fairer pricing of energy through Market reforms) and ***independent energy*** (encouraging investment in local renewable and low carbon energy generation through the new energy pricing mechanisms). This will raise demand for local energy sector goods and services to assist with ***growing energy businesses***.

National Government policy has driven the privatisation and deregulation of the energy sector in the UK for the last 30 years and the UK has one of the most privatised energy sectors worldwide. Government pressure on the energy market continues through the regular oversight activities of OfGEM, which recently referred the whole UK energy market to the Markets and Competition Authority to investigate possible price-fixing of wholesale energy costs between the more established, large energy market players.[39]

Powers to reform the electricity market were also provided in the Energy Act 2013 and implemented in 2014. Electricity Market Reform (EMR) is aimed at ensuring that the energy market provides low carbon energy on a reliable basis to meet UK demand, while minimising costs to consumers.[40] EMR introduces two new mechanisms providing incentives for the investment required in the UK's energy infrastructure, namely:

- Contracts for Difference (CFD) – This provides a long-term energy pricing mechanism to offer security to investors in renewable and low carbon energy / heat generation assets whilst minimising the amount of Government support and

[39] https://www.gov.uk/cma-cases/energy-market-investigation
[40] https://www.gov.uk/government/policies/maintaining-uk-energy-security--2/supporting-pages/electricity-market-reform

the price to energy consumers required to encourage deployment of each different technologies.

- The Capacity Market – This provides a regular retainer payment to reliable forms of energy supply or energy demand reduction capacity in return for such capacity being available when the system is tight

Both mechanisms will be administered by National Grid. CFDs are discussed in more detail in the Funding section following. The Capacity Market assists National Grid in its role as System Operator to balance the nation's supply and demand for energy by enabling regular auctions for:

- Generators of controllable forms of energy to bid for stepping up energy generation at short notice
- Large-scale users of energy to bid to step down their demand for energy on a temporary basis at periods of high demand (Demand Side Balancing Reserve - DSBR)

An initial DSBR tender for the Winter of 2014/15 was won by Tata Steel and Flexitricity, collectively offering to reduce demand by 330MW when required. DSBR incentive payments are not included in the Funding section following as they only apply to a few very large energy-intensive businesses that might be eligible to bid.

This legislation is reflected in the Council's existing planning policies, Cheshire Replacement Waste Local Plan and the draft new Cheshire East Local Plan.

It is recommended that Cheshire East retain technical services to enable them to bid to sell Cheshire East–generated renewable energy under the CfD payments scheme in future auctions.

Part community ownership of all large-scale Solar PV schemes in the region should be encouraged, not only to enable payments for the Council or private owners through the CfD scheme but also to comply with the Community Energy Strategy.

Further information: https://www.gov.uk/government/collections/electricity-market-reform-capacity-market

15. Community Energy Strategy 2014

The Cheshire East ***Energy Vision*** is supported by this legislation in the objectives of ***Affordable Energy***, ***Growing Energy Businesses*** (those supplying products and services related renewable / low carbon energy generation) and ***Independent Energy*** (Driving up community involvement in ownership of local renewable and low carbon energy generation).

The Government published its Community Energy Strategy in January 2014. This sets out the strategy for giving communities more control over the energy they use and ultimately saving on their energy bills, which has many wider social and economic benefits.

The strategy describes community energy as many different types of community getting involved in energy issues in many different ways. Examples provided include a group of local people setting up their own solar installation or wind turbine as well as a local authority leading a collective purchasing scheme to help local people get a better deal on their energy tariff. The benefits of community-led action are energy security and savings on energy bills, both of which have wider social and economic benefits. The main objectives of the strategy are summarised below:

- Encouraging partnerships – e.g. shared ownership models with commercial renewable energy developers
- Increasing capability and capacity - giving communities access to information, advice and expertise
- Measuring impact – helping communities to evaluate the impact of projects which in turn will inform future Government policy
- Addressing issues related to communities generating their own electricity and heat – for example DECC has launched two funds for rural and urban community energy projects to provide finance needed at the pre-planning stage.
- Reducing energy use – e.g. increasing the Green Deal Communities scheme from £20m to £80m to provide a new opportunity for community groups, in partnership with local authorities, to get involved in energy efficiency.
- Managing energy demand – e.g. the rollout of smart meters to households by 2020.
- Purchasing energy – collective purchasing of energy and collective switching of energy suppliers.

This legislation is largely reflected in the Council's existing Planning policy and draft Cheshire East Local Plan regarding implementation of renewable and low carbon energy and heat generation but future planning policy should strengthen support for and requirements around community involvement in renewable and low carbon energy and heat generation projects. The recent announcements about Fairer Power also reflect this.

Supporting local communities to implement renewable energy generation could positively impact local energy businesses and increase the level of business rates that can be retained locally.

Further information: https://www.gov.uk/government/publications/community-energy-strategy

Recommendations

- Council projects involving the local preparation of pre-separated solid wastes for use in energy recovery should comply with the EU Industrial Emissions regulation.
- The Council's CMP should be reviewed regularly to see if new technologies, techniques and services reaching the market offer enhanced energy efficiency opportunities for the Council. Renewable energy and heat technologies should be included, going forwards.
- The Council should support local businesses and community groups to implement energy efficiency measures, renewable energy and heat generation to help them reduce their energy costs, positively impact local energy businesses and to increase the level of business rates that can be retained locally.
- The imposition of CIL on local developments should consider what additional local energy infrastructure may require funding as a result of the development, including, for example, upgrade and extension of local energy networks, development of heat networks, energy or fuel storage facilities and new, local renewable or low carbon energy generation plant.
- Resources should be focused to finalise and implement an agreed process with the local valuation office to share appropriate information on existing and new eligible renewable energy projects.
- Support for community-ownership of renewable energy projects should be strengthened in future supplementary planning documents.
- Technical services should be retained to enable them to bid to sell Cheshire East–generated renewable energy under the CfD payments scheme in future auctions.
- Part community ownership of all large-scale Solar PV schemes in the region should be encouraged, not only to enable payments for the Council or private owners through the CfD scheme but also to comply with the Community Energy Strategy.

2.4.3 National Planning Policy

The Cheshire East ***Energy Vision*** is supported by National Planning Policy in the objectives of ***Affordable Energy*** (Encouraging energy efficiency improvements) and ***Independent Energy*** (encouraging investment in local renewable and low carbon energy generation) and in ***Growing Energy Businesses*** (those supplying the energy efficiency and renewable energy measures and services).

1. The National Planning Policy Framework[41]

This document was published on 27th March 2012 and sets out the Government's planning policies for England and how these are expected to be applied. This directly relates to what should be covered with the Local Plan and how planning applications should be handled by Local Authorities. The most relevant polices to energy are;

95 - To support the move to a low carbon future, local planning authorities should:

- plan for new development in locations and ways which reduce greenhouse gas emissions;
- actively support energy efficiency improvements to existing buildings; and
- when setting any local requirement for a building's sustainability, do so in a way consistent with the Government's zero carbon buildings policy and adopt nationally described standards.

96 - In determining planning applications, local planning authorities should expect new development to:

- comply with adopted Local Plan policies on local requirements for decentralised energy supply unless it can be demonstrated by the applicant, having regard to the type of development involved and its design, that this is not feasible or viable; and
- take account of landform, layout, building orientation, massing and landscaping to minimise energy consumption.

97 - To help increase the use and supply of renewable and low carbon energy, local planning authorities should recognise the responsibility on all communities to contribute to energy generation from renewable or low carbon sources. They should:

- have a positive strategy to promote energy from renewable and low carbon sources;
- design their policies to maximise renewable and low carbon energy development while ensuring that adverse impacts are addressed satisfactorily, including cumulative landscape and visual impacts;
- consider identifying suitable areas for renewable and low carbon energy sources and supporting infrastructure, where this would help secure the development of such sources;

[41] http://planningguidance.planningportal.gov.uk/blog/policy/

- support community-led initiatives for renewable and low carbon energy, including developments outside such areas being taken forward through neighbourhood planning; and
- identify opportunities where development can draw its energy supply from decentralised, renewable or low carbon energy supply systems and for co-locating potential heat customers and suppliers.

98 - When determining planning applications, local planning authorities should:

- not require applicants for energy development to demonstrate the overall need for renewable or low carbon energy and also recognise that even small-scale projects provide a valuable contribution to cutting greenhouse gas emissions; and

- approve the application if its impacts are (or can be made) acceptable. Once suitable areas for renewable and low carbon energy have been identified in plans, local planning authorities should also expect subsequent applications for commercial scale projects outside these areas to demonstrate that the proposed location meets the criteria used in identifying suitable areas.

2. National Policy Statements on Energy Infrastructure[42]

Further policy and guidance with regards energy infrastructure is available. Much of this is detailed and high level and not particularly relevant to individual local authorities.

3. Planning Practice Guidance

This guidance further assists local councils in developing policies for renewable energy in their local plans, and identifies the planning considerations for a range of renewable sources such as hydropower, active solar technology, solar farms and wind turbines.

> This legislation is reflected in the Council's existing planning policies, Cheshire Replacement Waste Local Plan and the draft new Cheshire East Local Plan.

[42] www.gov.uk/consents-and-planning-applications-for-national-energy-infrastructure-projects#national-policy-statements-for-energy-infrastructure

2.5 Regional and Local Policy and Planning

This section covers energy-related policies and plans in place or being developed by the Cheshire and Warrington Local Enterprise Partnership and by Cheshire East Council to provide a context of what existing local policy can support the Council's Energy Vision and related plans.

2.5.1 North West Regional Policy

A suite of planning policy was published and approved during the time of the Regional Government experiment. The Regional Spatial Strategy[43], Regional Planning Guidance and renewable energy capacity studies contained detailed evidence and policy to a sub-regional level. All this was officially revoked[44] in 2013.

2.5.2 Cheshire and Warrington LEP

The Cheshire and Warrington LEP's strategies are well placed to provide for grant-funded business support projects aimed at ***Growing Energy Businesses*** in Cheshire East particularly linked to The Cheshire Science Corridor and Crewe High Growth City. Crewe could also benefit from infrastructure funding to support decentralised energy networks furthering ***Independent Energy*** aspirations.

1. European Structural and Investment Fund Strategy[45] (ESIF)

   In January 2014 Cheshire and Warrington LEP submitted its ESIF strategy for 2014-2020 to Government. The strategy acknowledges the requirement to move to a low carbon economy and states that £13.8m from the European Regional Development Fund (ERDF) will be dedicated towards low carbon opportunities. This is expected to be matched by £13.8m of public money. The strategy is being developed with the local authorities, academic and business representation. From this several themes will be produced and requests then put out to deliver projects within these thematic areas. Projects will be assessed on jobs and growth and will be either capital or revenue Projects. Further information on ESIF is provided in the Funding section following.

2. Strategic Economic Plan[46] (SEP)

   The SEP was developed and published alongside the ESIF Strategy and sets out local strategic economic priorities. There are two strategic priorities, which potentially impact on energy for Cheshire East;

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43 www.knowsley.gov.uk/pdf/PG18_RegionalSpatialStrategy-for-the-NorthWest.pdf
44 www.legislation.gov.uk/uksi/2013/934/pdfs/uksi_20130934_en.pdf
45 www.871candwep.co.uk/media/871-ESandI-.pdf
46 www.871candwep.co.uk/media/Strategic-Economic-Plan-and-Growth-Plan.pdf

The Cheshire Science Corridor

While extending across the LEP area, it is Alderley Park and Jodrell Bank which are the key locations for Cheshire East. Within this priority programme, there are eight themes of which energy is one. Within the energy theme, it is likely to be the business support programme aimed at ***Growing Energy Businesses,*** accelerating growth in industries, supply chains and technologies with high growth potential that will be highlighted.

Crewe High Growth City

Another priority within the SEP is centred on Crewe, which is already a priority for Cheshire East, backed up with policies in The Local Plan and projects such as All Change Crewe. Crewe is set to become a key focus for investment with nationally important projects such as High Speed Two (HS2: the planned new high speed railway network linking London to the North-West and North-East).

This growth will see interventions in infrastructure. There are already plans for a district heat network for new developments which will help with decentralised and ***Independent Energy*** aspirations. Supporting interventions in innovation and skills can further assist in ***Growing Energy Businesses***.

To support the delivery of the SEP a Growth Deal from the Government has been secured for Cheshire and Warrington for 2015 onwards, totalling £142.7m. Further information about the Growth Deal is provided in the Funding section, below.

It is recommended that Cheshire East continues to attend the Cheshire and Warrington LEP meetings, especially the ESIF Steering Group, and presents its Energy Vision to this group to enable funds to be ear-marked for energy-related projects which drive the ***Energy Vision*** forward.

2.5.3 Cheshire East Council

1. Planning Policies

Cheshire East's existing planning policies are supportive of all of the objectives within the ***Energy Vision*** but some specific recommendations are made below to strengthen this.

Cheshire East's statutory planning policies will be one of the key mechanisms to drive the Energy Vision with private developers. Developments will have to abide by these policies and may be required to make an additional financial contribution via the Community Infrastructure Levy. This may for example help to pay for upgrades to a decentralised energy network beyond the boundaries of the new development.

Cheshire East's Planning Policies are in a state of flux. Prior to the adoption of documents in the new Local Plan[47], the Saved Policies from the Congleton Local Plan[48], Crewe and Nantwich Local Plan[49], Macclesfield Local Plan[50], Cheshire Waste Plan[51] and Cheshire Minerals Plan[52] will continue to be used. There are currently policies in all these documents relating to energy.

As the Council has high energy aspirations, policy could go further. In the short to medium term it is recommended that this is best taken forward by ensuring a suite of Supplementary Planning Documents on energy and energy efficiency projects are produced.

[47] http://cheshireeast-consult.limehouse.co.uk/file/2949281
[48] www.cheshireeast.gov.uk/planning/spatial_planning/saved_and_other_policies/congleton_local_plan.aspx
[49] www.cheshireeast.gov.uk/planning/spatial_planning/saved_and_other_policies/crewe_and_nantwich_local_plan.aspx
[50] www.cheshireeast.gov.uk/planning/spatial_planning/saved_and_other_policies/macclesfield_local_plan.aspx
[51] www.cheshireeast.gov.uk/planning/spatial_planning/saved_and_other_policies/cheshire_waste_local_plan.aspx
[52] www.cheshireeast.gov.uk/planning/spatial_planning/saved_and_other_policies/cheshire_minerals_local_plan.aspx

2. Documents Supporting Planning Policy

While not statutory planning documents, the following were commissioned by Cheshire East Council as evidence to support planning policy.

Cheshire East climate change & sustainable energy planning research: technical report[53] produced in 2011 by LDA Design for Cheshire East Council, This report looks at the potential of various renewable energy technologies in Cheshire East as well as making recommendations with regards planning policies.

Renewable Energy Policy Study[54] produced for Cheshire East Council in 2010 by EA Technologies. This report suggests planning policies to encourage sustainable development but also back the idea of Council backed Energy Companies and investment in low carbon technologies

Cheshire East Council Draft Waste Strategy[55] went to cabinet and was approved October 14th 2014. It recommends the preparation of a business case for the treatment of co-mingled organic waste using Dry AD to support the future procurement of a treatment solution.

3. Other High Level Cheshire East Policy

Residents First[56]

"Putting Residents First" is a promise to the residents of and communities of Cheshire East and to work hard to deliver on this promise by living fulfilling five core values to underpin its success. Putting Residents First is about really listening and understanding what residents and businesses need and responding appropriately to provide the best possible Service.

- This requires Flexibility, which means the council adapting quickly to changing circumstances and learning together from experiences
- Innovation is about the council being creative in thinking and the way it approaches work and challenging convention where this no longer seems appropriate
- Taking personal Responsibility is at the heart of the council values in delivering the promise, and ensuring efficient use of resources, whether this is people, funding, processes, information or technology

Bringing this together is Teamwork, respecting and working well with others to collectively achieve the best outcomes for residents and communities.

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[53] www.cheshireeast.gov.uk/planning/spatial_planning/research_and_evidence/climate_change.aspx
[54] www.cheshireeast.gov.uk/planning/spatial_planning/research_and_evidence/renewable_energy_policy_study.aspx
[55] http://moderngov.cheshireeast.gov.uk/ecminutes/documents/s36860/Waste%20Strategy%20-%20Appendix%202.pdf
[56] www.cheshireeast.gov.uk/jobs_and_careers/working_for_cheshire_east.aspx

Cheshire East Council

The strands in the ***Energy Vision*** on ***Independent*** and ***Affordable Energy*** fulfil the broader role of Residents First securing Cheshire East as a location of preference to live and work.

Strategic Commissioning Authority[57]

Cheshire East Council leadership has outlined its policy of becoming a strategic commissioning authority as opposed to keeping most services wholly in-house. There is already an Environmental Operations company ANSA, a Bereavement service company Orbitas and the Everybody Sport and Leisure Trust running leisure services. Further arms length companies or Alternative Service Delivery Vehicles (ASDVs) will be rolled out.

Cheshire East Energy Ltd fits into the Commissioning Authority model. This will be the key vehicle by which Cheshire East Council delivers the ***Energy Vision***.

Cheshire East Carbon Management Plan

The Carbon Reduction Commitment[58] (CRC) is designed to improve energy efficiency and cut carbon dioxide emissions in large, non-energy-intensive organisations including local authorities. The scheme started in 2010 and is now in its second phase until 31 March 2019. Cheshire East Council is a statutory participant in CRC. It must report annually on its carbon emissions and buy allowances to cover these carbon emissions. Cheshire East Council also signed up to the Nottingham Declaration in 2009, which is a commitment to reducing CO_2 emissions.

A Carbon Management Plan[59] was approved by cabinet in April 2011. It aimed to reduce CO_2 by 25% by 2016 and make potential financial savings and cost avoidance of around £13.2 million by that date. Since the implementation of the initiative, the council has saved 1200 tonnes of CO_2 annually and has already met its 25% CO_2 reduction target. The target has now been increased to 35%[60]

57 www.cheshireeast.gov.uk/council_and_democracy/council_information/media_hub/leaders_speech_for_council.aspx
58 www.gov.uk/crc-energy-efficiency-scheme-qualification-and-registration
59 www.cheshireeast.gov.uk/pdf/Cheshire%20East%20CMP%20Final%2023%20February%202011.pdf
60 Personal communication from Emma Griffiths via Colin Farrelly

Gyron LOW CARBON | BUSINESS GROWTH

It is recommended that the use of renewable energy technologies is made more prominent in the Carbon Management Plan. While energy efficiency measures can make the quickest and most cost effective impact, the remaining large carbon reductions will only be met by switching to low carbon ***Independent Energy*** generation.

Projects which make use of financial incentives such as FiTs and RHI on Council assets should be prioritized before the tariffs are significantly reduced in order that ***Affordable Energy*** can be maximised.

Recommendations

- Cheshire East Council needs to highlight the importance of its Energy Vision to the Cheshire and Warrington LEP so that it can influence the way that emerging plans for funding themes and streams are shaped
- The Waste and Minerals Plans, which are in development, should be given a strong energy steer at the commissioning phase in line with the Energy Vision.
- A suite of SPDs covering district heating / decentralised energy, community renewable energy and specific energy technologies should be produced to give assistance to developers in producing high quality planning applications. The recent reports by EA Technologies and LDA Design can provide the evidence base and context for these additional documents.
- The Community Infrastructure Levy policy / criteria should include elements to develop independent / decentralised energy infrastructure.
- The Carbon Management Plan should be amended to bring forward renewable energy projects highlighted Cheshire East's Asset Investment Programme, especially those utilising the FiT and RHi incentives
- The Draft Waste Strategy is supportive of energy and it is recommended that this is reinforced in the Local Waste Plan, when produced.

Cheshire East Council

2.6 Financing and funding sources

In order to develop a portfolio of energy-related projects to achieve the Energy Vision, Cheshire East Council will need to leverage funds from a range of funding and financing options both public and private.

This section provides an overview of the main sources of funding and finance for energy-related projects, which are expected to be available in the immediate and medium to long-term. Grants and loans from EU and UK sources are presented separately from other sources of finance such as green tariffs, pension funds and community investments. **Please note that this is not an exhaustive list of available funding and finance.**

The table below summarises all funding and finance sources reviewed and categorises them by status i.e. whether they present an immediate funding or finance opportunity (green), an opportunity in the next 6 to 12 months (orange) or the funding/finance is to be confirmed, is coming to an end or is not directly applicable (red).

Source	Type	Status of opportunity
The North West Fund for Energy and Environmental	Grant/Loan	
Green Investment Bank	Grant/Loan	
Innovate UK	Grant/Loan	
Energy Efficiency Loans Scheme (Salix Finance)	Grant/Loan	
Low Carbon Fund (The Ashden Trust)	Grant/Loan	
Energy Companies Obligation	Other	
Green Deal Finance Plans	Other	
Feed in Tariff and Export Tariff	Other	
Renewable Heat Incentive	Other	
Council Prudential Borrowing	Other	
Equity Finance	Other	
Crowd Funding	Other	
Energy Performance Contracting	Other	
Enhanced Capital Allowances	Other	
Enterprise Investment Scheme	Other	
Seed Enterprise Investment Scheme	Other	
European Structural and Investment Funds	Grant/Loan	
Local Growth Fund	Grant/Loan	
Community Infrastructure Levy	Other	
Renewable Energy Guarantees of Origin and Levy Exemption Certificates	Other	
Contracts for Difference	Other	
Business Rate Retention	Other	
Local Authority Pension Funds	Other	
Regional Growth Fund	Grant/Loan	
North West Evergreen Fund	Grant/Loan	
Renewables Obligation Certificates	Other	
EU Emissions Trading Scheme	Other	

Table 3- Summary of sources of funding and finance

Key

Immediate funding

6 – 12 months

To be confirmed / ending / not directly applicable

2.6.1 EU and UK Grants and Loans

1. EU Structural and Investment Funds (ESIF)

ESIF could support Cheshire East Council in achieving its key objective of ***growing energy businesses***, which is part of the Energy Vision.

The Common Strategic Framework (CSF) sees four previously distinct EU funds; the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), align under the umbrella of the EU Structural and Investment Funds (ESIF) Growth Programme for the funding term of 2014-2020[61]. In England, the majority of the ESIF Growth Programme is allocated to LEPs. LEPs were invited to apply for funding through the submission of strategic plans in early 2014. These applications, which include financial plans and performance targets, were reviewed by Government through the EU Growth Board. The top priorities of the ESIF Growth Programme are:

- Innovation and research and development
- Support for small and medium-sized businesses
- Low carbon
- Skills
- Employment and social inclusion

The ESIF strategy for **Cheshire and Warrington LEP** includes a target objective to support the shift towards a low carbon economy and a funding allocation from the European Regional Development Fund (ERDF) has been planned to help deliver this. This target objective applies to all sectors and the aim is to address climate change issues and promote sustainable economic growth by responding to opportunities for low carbon goods and services which are expected to experience growth. The target beneficiaries for Cheshire and Warrington LEP's ESIF strategy are:

- Businesses in the LCEGS sector
- Construction businesses
- Businesses in the energy sector
- Public, Further and Higher Education Institutions, where working in partnership with businesses or social enterprises
- SMEs operating in the LEP area (i.e. demand beneficiaries)

Cheshire East Council has had an opportunity to contribute to the development of the Cheshire and Warrington LEP ESIF strategy along with other local authorities in the region. Whilst there is a planned funding allocation for low carbon projects and activities, it should be noted that the exact delivery plan including how the funding is to

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[61] https://www.gov.uk/government/policies/making-european-funding-work-better-for-the-uk-economy/supporting-pages/european-structural-and-investment-funds-growth-programme

be distributed or allocated, is not yet known. Included in ESIF is the £1.9m Rural Leader Programme devolved directly to Cheshire East and a Local Action Group.

How funds will be allocated to low carbon energy projects should become clear during 2014-15. It is therefore recommended that Cheshire East Council engages with the LEP through meetings and forums that are relevant to this topic.

ESIF	
Total fund	£13.8m of which: *Low Carbon Markets and Technologies - £5m* *Energy and Resource Efficiency for SMEs - £5.8m* *Evergreen fund for low carbon capital developments - £3m*
Funding period	2014 - 2020
Type of funding	Grant - 50% match funding is required
Eligible activities	• Energy and resource efficiency for SMEs • Growing energy businesses • Localised carbon capture and utilisation • Energy storage • Energy from waste • Decentralised/off grid renewable energy • Resilient energy infrastructure
Further information	http://www.871candwep.co.uk/media/871-ESandI-.pdf

2. Joint European Support for Sustainable Investment in City Areas (JESSICA)

This is not an immediate funding opportunity, but there may be further funding available in the future. If this does emerge, it would present an opportunity for commercial projects aimed at achieving the key objective of ***energy independence*** in Cheshire East Council's Energy Vision, such as decentralised energy infrastructure.

The Joint European Support for Sustainable Investment in City Areas (JESSICA) is a policy initiative of the European Commission (EC) developed jointly with the European Investment Bank (EIB) and in collaboration with the Council of Europe Development Bank (CEB)[62]. It is a sustainable support instrument that provides investment through supporting projects.

[62] http://ec.europa.eu/regional_policy/thefunds/instruments/jessica_en.cfm#1

The JESSICA is funded by contributions from the ERDF, which are allocated to Urban Development Funds (UDFs) that invest them in projects included in an integrated plan for sustainable urban development. This is done through the provision of equity, loans and/or guarantees.

The North West's UDF is called **Evergreen**. The fund is a partnership between 16 local authorities (including Cheshire East) and it exists to support the delivery of commercial property and infrastructure projects in Greater Manchester, Cumbria, Cheshire and Lancashire. It provides funding for eligible projects that are viable but are not able to obtain financing from traditional sources. The current Evergreen fund has now been invested. There are proposals by some North West LEPs to allocate further ERDF funding to Evergreen for future projects, for example Cheshire and Warrington LEP has committed £3m in its ESIF strategy (see above).

North West Evergreen Fund	
Total fund	Unknown, but at least £3m has been committed by Cheshire and Warrington LEP through its ESIF strategy
Funding period	Current period now closed. Future funding to be confirmed.
Type of Funding	Debt funding
Eligible activities	• Decentralised/off grid renewable energy • Resilient energy infrastructure. Exit strategy is required to ensure a short term payback period in order that funds may be recycled as efficiently as possible.
Further information	http://northwestevergreenfund.co.uk/

3. Joint European Resources for Micro to Medium Enterprises (JEREMIE)

This presents an immediate funding opportunity for ***growing energy businesses*** in Cheshire East, which is a key objective of the Energy Vision.

JEREMIE is an initiative of the European Commission developed together with the European Investment Fund (EIF).[63] It promotes the use of financial engineering instruments to improve access to finance for SMEs via Structural Funds interventions. EU countries can use part of their European structural fund allocations to invest in revolving instruments such as venture capital, loan or guarantee funds.

These funds can support a number of activities including creation of new business or expansion of existing ones, technological modernisation of productive structures to help reach low carbon economy targets and productive investments which create and safeguard sustainable jobs.

63 http://ec.europa.eu/regional_policy/thefunds/instruments/jeremie_en.cfm#2

The North West Fund is financed by the ERDF and the EIB under the JEREMIE programme. It is a £155m evergreen investment fund established to provide debt and equity funding to small and medium sized enterprises in the North West of England. The fund's initial investment period extends until December 2015, with a subsequent realisation period through to December 2022.

The Fund is made up of several different funds managed by different Fund Managers and aims to address an identified gap in the lending, venture capital and private equity markets. The North West Fund for Energy & Environmental is managed by 350 Investment Partners.

The North West Fund for Energy & Environmental	
Total fund	Businesses can apply for £200,000 up to £1.2million
Funding period	Up to December 2015
Type of funding	Equity and quasi-equity finance
Eligible activities	Growth and expansion plans of SMEs in the low carbon and renewable energy industry
Further information	http://www.thenorthwestfund.co.uk/funds/energy-environmental

4. Local Growth Fund

This may present a funding opportunity for ***growing energy businesses*** and ***independent energy projects.***

The Government has committed to negotiating a 'Growth Deal' with every Local Enterprise Partnership (LEP)[64] with funding coming from a £2 billion annual Single Local Growth Fund (LGF) to be spent under the direction of LEPs. The LGF is a package of infrastructure funding and is expected to be match funded locally. The allocated fund is to target the growth priorities identified in the Strategic Economic Plan for the LEP area and the Government will expect the LEP to show support for housing, transport and skills.

The payment is to be made as a single annual grant, made at the start of each financial year. As the funding is intended to target the LEP's identified growth priorities the Government will expect evidence of commitment through a report. This report is required annually and shall detail how the funds were used and the effectiveness and propriety of the decision-making involved.

Cheshire and Warrington LEP has secured £142.7m from the Local Growth Fund to support economic growth in the area from 2015 onwards. The 'Growth Deal' will support the delivery of a number of local growth measures set out in the Strategic

[64] http://www.local.gov.uk/c/document_library/get_file?uuid=7b63cf03-d7b0-49ea-977f-895f8ef6c70b&groupId=10180

Economic Plan (SEP) including growing the local skills and business base in key sectors such as energy. Specific commitments in this area include the delivery of a local growth hub, which will coordinate and simplify business support so that it joins up national, local, public and private support. The aim is to create a seamless customer experience for businesses, which makes it easy for them to get the right support at the right time.

How funds will be allocated to support ***growing energy businesses*** or ***independent energy*** projects should become clear during 2014-15. It is therefore recommended that Cheshire East Council engages with the LEP through relevant meetings and forums.

Local Growth Fund	
Total fund	£142.7m secured to date for Cheshire and Warrington
Funding period	2015 onwards
Type of funding	Grant
Eligible activities	Local growth measures set out in the Strategic Economic Plan for Cheshire and Warrington LEP
Further information	http://www.871candwep.co.uk/

5. Regional Growth Fund

This may present a funding opportunity for achieving two key objectives in Cheshire East Council's Energy Vision: ***Growing Energy Businesses*** and ***Independent Energy***, subject to future funding availability.

The Regional Growth Fund (RGF) is a competitive Government fund operating across England to provide grants to private sector-led projects and programmes with significant potential for economic growth. A total of £3.2 billion was to be allocated and drawn down by successful bidders by March 2017. Round 6 closed in September 2014 with successful bids being announced early 2015. Successful bidders in Round 6 will have until March 2017 to draw down funding, which suggests that Round 6 marks the end of the fund.

It is recommended that Cheshire East Council seeks an update from Government in early 2015 in case there is an underspend leading to a further funding round.

Regional Growth Fund	
Total fund	Applications for minimum £1 million
Funding period	Up to March 2017 - to be confirmed
Type of funding	Grant - 100% private sector match is required
Eligible activities	Private sector-led projects which lead to significant economic growth (jobs).
Further information	https://www.gov.uk/understanding-the-regional-growth-fund

6. Green Investment Bank

This is an immediate funding opportunity for supporting ***independent energy*** and ***affordable energy*** projects in Cheshire East.

The Green Investment Bank (GIB) was set up by the UK Government and is underwritten with £3.8bn of public funds. The capital is utilized to back green projects with current investments being focused in the areas of offshore wind, energy efficiency and waste & bioenergy.

Green Investment Bank (GIB)	
Total fund	Underwritten by £3.8b public funds
Funding period	Ongoing
Type of funding	Loans
Eligible activities	To gain funding, each proposal must pass a "green impact' assessment, which refers to the following five measures: • The reduction of CO_2 • The advancement of efficiency in the use of natural resources • The protection or enhancement of the natural environment • The protection or enhancement of biodiversity • The promotion of environmental sustainability Energy Efficiency investments Projects include: • Building retrofits - e.g. lighting, insulation, glazing • Onsite generation - e.g. CHP, renewable heat, heat pumps • Industrial process - e.g. motors, pumps, kilns • Infrastructure - e.g. street lighting, heat networks, transport, smart meters

	The GIB offers a green loan specifically set up to aid local authorities in the transition to low energy street lighting, which Glasgow City Council has benefited from. Waste and bioenergy investments The GIB has recently announced investment in a green power plant in Derby. The plant will help divert household waste from landfill and will generate renewable electricity. The project is expected to run for 25 years and will generate enough electricity to power 14,000 homes.
Further information	http://www.greeninvestmentbank.com/

7. Innovate UK

Innovate UK (formerly the Technology Strategy Board) offers support and funding to help deliver technologies with the greatest scope for improving business, the economy and society.

Over £70m was invested in energy projects between 2007 and 2012. This included £29.5m in hydrogen and fuel cells technologies and £19.5m in carbon abatement technologies.

A priority area identified by Innovate UK is the energy 'trilemma' of a need for low carbon energy, the security of supply of this energy and its affordability, which directly links to Cheshire East Council's ***Energy Vision.***

As well as financial support for research in key areas, Innovate UK also operates a tool called the Knowledge Transfer Network Ltd (KTN). The KTN has over 20,000 members across a multitude of specialties. The KTN gives access to specialist knowledge and networking opportunities.

Innovate UK	
Total fund	Through its 2014 -2015 blueprint for growth, £400m has been ring-fenced for accelerating innovation within the UK, with over £80m of that dedicated to projects in energy.
Funding period	2014 - 2015
Type of funding	Grant funding – this is awarded through competitions, which are usually open for between two and eight months. Funding rates are dependent on the size of organisation applying and type of research activity that is to be funded. If a public sector organisation that is working with a business on an innovation project is not obtaining economic benefit from this, it may be

	entitled to 100% grant funding.
Eligible activities	Each competition covers a different topic of research but in all cases eligible activity includes R&D and innovation carried out by businesses, research organisations or public sector organisations working with business on innovation. This includes feasibility studies, industrial research and experimental development.
Further information	https://www.innovateuk.org/

8. Salix Finance

This presents an immediate funding opportunity for Cheshire East Council for ***Affordable Energy*** projects.

Salix Finance is a not-for-profit organisation funded by the Department for Energy and Climate Change, the Department for Education, the Welsh Government, the Scottish Government and Higher Education Funding Council for England. Salix Finance provides 100% interest-free capital for the public sector to reduce their energy costs by enabling the installation of modern, energy efficient technologies and replacing dated, inefficient technologies.

Salix Finance is keen to work with organisations as they develop and deliver on their carbon management plans and also look to build long term relationships by agreeing funding of projects for subsequent years. The main funding programme in England is the energy efficiency loans scheme. A Recycling Fund (financial savings from projects supported are returned to the fund) for energy projects in the public sector exists but is not open to new applications.

The Salix fund is ideal for and should be considered for all shorter-term pay-back projects (up to 5 years) such as energy saving and efficiency improvements on Council building assets.

Energy Efficiency Loans Scheme - Salix Finance	
Total fund	Up to 100% of the costs of a project can be financed through a loan
Funding period	Ongoing
Type of funding	Interest-free loan to be paid back by direct debit on a 6-monthly basis over 4 years.
Eligible activities	• Energy saving projects in public sector bodies - only those projects where the resultant energy savings, over the lifetime of the project, go directly back to the public sector and the public sector gains a direct financial benefit are eligible.

	• Projects must be 'additional' i.e. they would not have happened without this funding. • Projects must have a payback of less than 5 years at a cost of £100 per tonne of CO_2 over the lifetime of the project. • Eligible energy efficiency technologies include boilers, building management systems, heating, ventilation, cooling, computer & IT systems, energy from waste, insulation, lighting and renewable energy.
Further information	http://salixfinance.co.uk/loans/england-loans

9. The Ashden Trust

This presents an immediate funding opportunity for Cheshire East Council for ***Affordable Energy*** projects.

The Ashden Trust is a grant-making charity that supports programmes focusing on climate change, sustainable development or on improving the quality of life in poorer communities. The Trust recognises the importance of bringing about significant action on climate change and makes funds available through the Low Carbon Fund.

Low Carbon Fund (The Ashden Trust)	
Total fund	Unspecified
Funding period	Applications can be made at any time
Type of funding	Grant funding
Eligible activities	• The Trust will work with an applicant to research their area of interest and bring forward a suitable proposal for a grant. Unsolicited proposals are not normally accepted. • Programmes must have a focus on energy efficiency, green finance or cultural shift (behaviour change). • Proposals must come from charitable or not-for-profit organisations.
Further information	http://www.ashdentrust.org.uk/lowcarbonfund.html

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2.6.2 Other sources of finance

1. Community Infrastructure Levy

This presents an opportunity to raise funds to support the development of ***Independent Energy*** infrastructure in line with the Cheshire East Energy Vision. Cheshire East Council has stated in its Infrastructure Delivery Plan (part of Cheshire East Local Plan) that it intends to introduce the Community Infrastructure Levy.

The Community Infrastructure Levy (CIL) came into force in April 2010. It allows local authorities in England and Wales to raise funds from developers undertaking new building projects in their area. The money can be used to fund a wide range of infrastructure that is needed as a result of development.

The Government has decided that this tariff-based approach provides the best framework to fund new infrastructure to unlock land for growth. Levy rates will be set in consultation with local communities and developers and charging authorities must produce a charging schedule setting out the levy's rates (£ per square metre) in their area; this will provide developers with much more certainty 'up front' about how much money they will be expected to contribute, thus speeding up the development process. The levy creates a fairer system, with all but the smallest building projects making a contribution towards additional infrastructure that is needed as a result of their development and the creation of sustainable communities as set out in the local development framework.

The levy is payable on new building for use by people; buildings housing plant and machinery, structures such as pylons and changes of use of buildings (unless floorspace has increased) will not attract a charge.

The levy is intended to fill the funding gaps that remain once existing sources (to the extent that they are known) have been taken into account. Local authorities will be able to look across their full range of funding streams and decide how best to deliver their infrastructure priorities, including how to utilise monies from the levy. This flexibility to mix funding sources at a local level will enable local authorities to be more efficient in delivering the outcomes that local communities want.

The Council can specify categories of infrastructure on which the CIL Levy will be spent and will need to prepare a Charging Schedule that will be subject to consultation and formal examination. It is recommended that ***independent energy*** infrastructure is included as a category of eligible infrastructure spending.

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Community Infrastructure Levy	
Total fund	Charging schedule yet to be prepared and consulted on.
Funding period	Ongoing
Type of funding	Revenue
Eligible activities	Categories of infrastructure specified by the Council.
Further information	https://www.gov.uk/government/policies/giving-communities-more-power-in-planning-local-development/supporting-pages/community-infrastructure-levy

2. Energy Company Obligation

This presents an immediate opportunity the Council to achieve more ***affordable energy*** in Cheshire East, especially for those residential constituents in fuel poverty. An example of a local authority that has taken this approach is Southampton City Council who formed a partnership with an obligated energy company and procured a contractor (MITIE) to deliver energy saving measures under ECO to 2000 council tenants and private households.

Energy companies who are required to deliver Energy Company Obligation (ECO) are allocated their individual obligations (targets) under each of the three ECO programmes by OfGEM, who calculate these according to the number of domestic customers and the amount of energy that the energy company supplies. The overall targets or obligations for each ECO programme are shown below.

- Home Heating Cost Reduction Obligation (HHCRO) or 'Affordable Warmth' - £4.2 billion savings by 31 March 2015.
- Carbon Emissions Reduction Obligation (CERO) - 14 million tonnes of CO_2 ($MtCO_2$) saved by 31 March 2015.
- Carbon Saving Community Obligation (CSCO) - 6.8 $MtCO_2$ saved by 31 March 2015.

The ECO scheme will be extended to March 2017 with new targets imposed for CERO, CSCO and HHCRO at a pro rata of the March 2015 levels.

It is recommended that Cheshire East Council work in partnership with one or more energy supply companies to maximise the ECO available for eligible council tenants and private households in the area in conjunction with a developer / builder chosen to maximise benefits to the local business and domestic community. Energy efficiency awareness raising and advice to households should accompany such a programme.

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Energy Company Obligation	
Total fund	About £1.3 billion per year for current period (to March 2015) of which £540 million per year is available from HHCRO and CSCO (combined) and £760 million per year is available from CERO.
Funding period	Current period ends 31 March 2015. Extended period is 1st April 2015 to 31st March 2017.
Type of funding	100% of the cost of approved energy measures installed in an eligible household will be paid for by the energy company.
Eligible activities	HHCRO – Measures which improve the ability of low income households to heat their homes including insulation and replacement or repair of a boiler or electric storage heater. Low income households must be in receipt of qualifying benefits, such as pension credit, child tax credit and income support. CERO – Loft insulation, cavity wall insulation, other insulation measures and connections to district heating systems in hard to treat properties. CSCO – Insulation measures and connections to domestic district heating systems supplying areas of low income, including rural low income areas. Low income households must be in receipt of qualifying benefits (see HHCRO).
Further information	https://www.ofgem.gov.uk/ofgem-publications/59015/energy-companies-obligation-eco-guidance-suppliers-15-march.pdf

3. Green Deal Finance Plans

This presents an immediate opportunity for owners/occupiers of commercial and residential properties to access finance to make energy efficiency improvements and to install micro renewable energy generation, which will help to achieve more ***affordable and independent energy*** in Cheshire East. When local companies engage in this opportunity it assists business growth, especially ***growing energy businesses***.

Most of the guidance on Green Deal finance is aimed at domestic properties but the same process applies to non-domestic properties.

To obtain a Green Deal Finance Plan a Green Deal assessment must be carried out on the property by an approved Green Deal assessor. This will produce a Green Deal Advice Report (valid for 10 years) which contains the recommended measures for

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improving the energy efficiency of the property and associated savings. The report can be used to get a Green Deal Finance Plan from an approved Green Deal Provider who can also arrange for the measures to be installed at the property by approved companies.

Finance can be obtained from a Green Deal Provider for an amount based on what the property owner/occupier is expected to save on energy bills as a result of installing the measures. The annual repayments on the loan should not be more than the savings made on the energy bill. The interest rate is determined by the amount of the finance plan but it will be fixed for the full term of the plan so that repayments will be fixed. The repayments are added to the electricity bill and therefore the Green Deal is attached to the property not the current owner/occupier, even if they took out the finance plan in the first place.

It is recommended that the Council promotes the take up of energy efficiency measures as a way of achieving ***affordable energy*** for both businesses and households. Showcasing businesses and households that have benefitted from implementing such measures and local companies that can assist with the process will encourage others to follow suit.

Green Deal Finance Plans	
Total fund	This is determined by the Green Deal Provider and is based on the recommendations in the Green Deal Advice Report for the property.
Funding period	Determined by the Green Deal Provider who provides the finance plan.
Type of funding	Loan
Eligible activities	• Green Deal approved measures recommended for the property by a Green Deal Assessor in the Green Deal Advice Report. • Green Deal measures may include replacement boilers, insulation, replacement windows and renewable energy.
Further information	https://www.gov.uk/green-deal-energy-saving-measures

4. Feed-in-Tariff (FiT) & Export Tariff for Renewable Electricity Generation

The Feed-in-Tariff scheme provides an immediate opportunity to achieve more ***Affordable Energy*** by offsetting purchased mains electricity and reducing CRC and CCL commitments. It will be extremely useful in achieving a more ***Independent Energy*** stance with Cheshire East's assets. If local companies are engaged to supply and install renewable energy technologies this helps with ***Growing Energy Businesses***.

The Feed-in-Tariff (FiT) is an incentive payment awarded by the Government for the production of electricity from renewable sources. The tariffs are available to both residential and business properties in the UK, providing they produce less than 5MW of power from renewable sources. The rates paid per kWh of power generated vary depending on capacity and the generation method and can help finance the initial investment. Rates are payable depending on technology for a 20 year period and are locked in at the time of accreditation with an annual index linked increase. Tariff rates for new accreditations are assessed on a quarterly basis. The technologies currently covered by FiT are:

- Anaerobic digestion
- Hydro
- Wind
- Micro fossil fuel Combined Heat and Power (under 2kW)
- Solar PV

An Export Tariff is awarded as a bonus payment for any surplus electricity exported back to the grid. The current rate of 4.77 p/kWh applies for the period 01/04/14 – 31/03/15. Finally, if the electricity generated can be used by the property rather than be exported, there will be an additional saving. While the property owner might forego the export tariff on metered installations, they will save on the price that would have been paid for the electricity imported from the grid, which is more beneficial, financially.

FiT, particularly for solar PV, could provide a significant income stream for Cheshire East Council for building assets with constant daytime power demand.

FiT rates are reducing rapidly under a review process called digression. It is recommended that investment in technology projects eligible for this incentive scheme are deploying sooner rather later to get the highest returns possible.

Feed in Tariff and Export Tariff	
Total fund	Tariffs are reduced or digressed if the budget for a type and size of technology goes over profile.
Funding period	20 years from accreditation
Type of Funding	Generation tariff paid quarterly
Eligible activities	• Anaerobic digestion • Hydro • Wind • Micro fossil fuel Combined Heat and Power (under 2kW) • Solar PV
Further information	www.ofgem.gov.uk/environmental-programmes/feed-tariff-fit-scheme/tariff-tables

5. Renewable Energy Guarantees of Origin and Levy Exemption Certificates

These certificates can help the Council achieve ***affordable energy***. The certificates can reduce the Council's Climate Change Levy charges and increase the value of power exported for others to use.

Renewable Energy Guarantees of Origin (REGOs) are certificates of proof of the origin of energy. Suppliers use REGOs to demonstrate what proportion of their energy comes from a renewable source. Unlike ROCs, REGOs do not have an intrinsic value.

Electricity produced from designated renewable sources can be exempted from the Climate Change Levy if an administrative process is completed to get a REGO and through this, apply for and get a Levy Exemption Certificates (LECs).

If any energy generated is connected directly to the National Grid for export only, then the REGO / LEC can increase the value of the energy being sold under a Power Purchase Agreement to an Energy Supplier. Electricity sold in this way is financially attractive to the supplier, as they can sell the certificates to the non-domestic sector. This enables the end user to claim exemption from Climate Change Levies paid on energy.

It is recommended that Cheshire East Council obtain REGOs and LECs for renewable energy generation schemes greater than 10kW that are implemented on Council assets.

Renewable Energy Guarantees of Origin and Levy Exemption Certificates	
Total fund	Limited to exemption from CCL price.
Funding period	Ongoing
Type of Funding	Financial savings made on reduced Climate Change Levy liability
Eligible activities	All renewable electricity generation
Further information	www.ofgem.gov.uk/environmental-programmes/renewable-energy-guarantees-origin-rego www.ofgem.gov.uk/environmental-programmes/climate-change-levy-exemption

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6. Renewable Heat Incentive (RHI)

This presents an immediate opportunity for the Council and owners of residential and commercial properties to access incentive payments to help finance investments in small to mid-sized decentralised renewable heat generation, which will help to achieve more ***affordable and independent energy*** in Cheshire East. If local companies are engaged in supplying and installing such technology, this will help with ***growing energy businesses***.

Similar in concept to FiT, RHI is applicable to renewable heat as opposed to electricity. Like FiT it pays an index-linked payment over a fixed timescale for the heat generated. Unlike FiT there is one scheme for domestic properties and one for commercial properties. The commercial tariff is spread over 20 years but the domestic tariff has the 20 years of payment compressed into 7 years causing the domestic tariff to be higher in value and have a faster return on investment. The technologies currently covered by RHI are:

- Biomass (including waste and CHP options)
- Solar Thermal
- Heat Pumps (Ground, Water and Air Source)
- Biogas combustion and mains injection
- Deep Geothermal

At present there is no specific 'uplift' applied to district or community heating networks. A community heating network served by a single biomass boiler would be treated as though that boiler was heating a single dwelling, even though the costs to supply that heat would be much greater. Additional public funding, however, can be provided for the heat network and not jeopardise the RHI. This is because the heat network is not part of the 'Eligible Installation'.

RHI could provide a significant income stream for Cheshire East Council for building assets with a significant heat load, leading to ***affordable energy,*** or any decentralised energy projects achieving ***independent energy***.

Like FiT, the incentives payable under RHi will be decreasing under a review process called digression but this will happen more slowly for RHi, a newer incentive scheme. It is recommended that investment in technology projects eligible for this incentive scheme are deploying sooner rather later to get the highest returns possible.

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Renewable Heat Incentive (RHI)	
Total fund	Originally £480m but decreasing. Tariffs are reduced or digressed if the budget for a type and size of technology goes over profile.
Funding period	20 years for commercial and 7 years for domestic
Type of Funding	Generation tariff paid quarterly
Eligible activities	• Biomass (including waste and CHP options) • Solar Thermal • Heat Pumps (Ground, Water and Air Source) • Biogas combustion and mains injection • Deep Geothermal An example of a project that would be eligible for RHI is the Dry Anaerobic Digestion facility which is proposed for Cheshire East[65].
Further information	www.ofgem.gov.uk/environmental-programmes/non-domestic-renewable-heat-incentive-rhi

7. Renewable Obligation Certificates

This incentive scheme can help finance ***Independent Energy*** projects in Cheshire East. The incentive scheme is being phased out and is only applicable to projects implemented and registered with OfGEM before the end of 2018.

Renewable Obligation Certificates (ROCs) are tradable commodities that have no fixed price. They are awarded to the generator of renewable electricity from schemes larger than 5MWe and passed onto the supplier who must surrender a set amount based of the percentage of their supply each year.

The amount an electricity supplier pays for a ROC is a matter for negotiation between the supplier and generator. For the purposes of Government financial planning, the long-term value of a ROC is made up of the buyout price, i.e. the payment avoided by the supplier for presenting ROCs to OfGEM, plus 10%. The current buyout price for a ROC is £43.30.

The number of ROCs that can be accrued by renewable electricity generators for each megawatt hour of electricity (MWh) generated is dependent on the renewable energy source, known as RO banding. Some of the banding levels for the current period (2013 – 2017) are shown below.

[65] http://moderngov.cheshireeast.gov.uk/ecminutes/documents/s36860/Waste%20Strategy%20-%20Appendix%202.pdf

- Anaerobic digestion – 2 ROCs
- Dedicated biomass – 1.5 ROCs
- Dedicated biomass with CHP – 2 ROCs
- Geothermal – 2 ROCs
- Onshore wind – 0.9 ROCs
- Building mounted solar PV – 1.6 ROCs
- Ground mounted solar PV – 1.4 ROCs

DECC sets the level of the obligation on suppliers each year using a fixed target or a 'headroom' calculation. Headroom works by providing a set margin between the predicted generation (supply of ROCs) and the level of the obligation (demand for ROCs). This helps reduce the possibility of supply exceeding the obligation in any given year and therefore reducing the market value of a ROC. Headroom lets investors feel more confident that there will always be a market for their ROCs and it helps stabilise the ROC price.

The obligation level determines the number of ROCs suppliers are required to produce for each MWh they supply to customers. Each supplier's obligation is calculated by multiplying their total annual supply to customers in the UK (MWh) by the level of the obligation (ROCs per MWh). The obligation level for suppliers in 2014/15 is 0.244 ROCs for each MWh they supply to customers in England and Wales. ROCs will close to new schemes/entrants in 2018 to be replaced by Contracts for Difference.

It is recommended that any renewable energy generation projects eligible for ROCS be quickly certified with OfGEM to receive a LEC and REGO to ensure the ROC rates can be secured before the end of 2018

Renewable Obligation Certificates (ROCs)	
Total fund	Dependant on yearly buyout price, secondary market trading and technology band
Funding period	No further rounds from 2018. Scheme closes to existing entrants in 2037 at the latest.
Type of Funding	Generation certificate with a buyout price of £43.30
Eligible activities	Renewable electricity generation schemes over 5MW installed capacity
Further information	www.gov.uk/government/policies/increasing-the-use-of-low-carbon-technologies/supporting-pages/the-renewables-obligation-ro www.gov.uk/government/uploads/system/uploads/attachment_data/file/211292/ro_banding_levels_2013_17.pdf

8. Contracts for Difference

Contracts for Difference (CfD) will be the main financial instrument by which Cheshire East Council will underpin any large (>5MW) electricity generation scheme it wishes to develop which will be completed and certified with OfGEM from 2018 onwards. It is a key plank in providing ***independent energy*** but it is a competitive process. Large scale solar farms will need to demonstrate community buy-in if they are to progress under the CfD payment scheme.

A key aspect of Electricity Market Reform is the transition from the RO and ROCs, the current main support mechanism for large scale renewable electricity generation, to Contracts for Difference (CfD), the new support mechanism for low carbon electricity generation, including renewables, nuclear, and Carbon Capture and Storage. The CfD is used to guarantee investors a certainty of returns over a 15-20 year timeframe. The system works by guaranteeing a fixed reference price, known as a 'strike price', for energy generators.

As well as reducing the exposure to volatile and rising fossil fuel prices and therefore reducing the risks faced by low carbon generators, the CfD protects consumers by ensuring that generators pay back the difference when the sale price of electricity goes above the strike price. If the sale price of electricity is less than the strike price then the supplier will be required to top up the price. The strike prices that have been set by the Government should enable the UK to generate at least 30% of electricity from renewable sources by 2020.

The RO will close to new generators on 31 March 2017. Electricity generation that is currently accredited under the RO will continue to receive its full lifetime of support (20 years) until the scheme closes in 2037. From 2027 DECC will fix the price of the ROC for the remaining 10 years of the RO at its long-term value and buy the ROCs directly from the generators. This will reduce volatility in the final years of the scheme.

It is recommended that Cheshire East retain technical services to enable them to bid to sell Cheshire East–generated renewable energy under the CfD payments scheme in future auctions.

Part community ownership of all large-scale Solar PV schemes in the region should be mandatory, not only to enable payments for the Council or private owners through the CfD scheme but also to comply with the Community Energy Strategy.

Contracts for Difference (CfD)	
Total fund	Strike price set at between £80-£305 depending on technology
Funding period	15-20 years from accreditation date
Type of Funding	Guaranteed £/MWh generated. The difference between market and strike price is paid by Government.
Eligible activities	Renewable electricity generation schemes over 5MW installed capacity
Further information	https://www.gov.uk/government/publications/electricity-market-reform-contracts-for-difference https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263937/Final_Document_-Investing_in_renewable_technologies_-_CfD_contract_terms_and_strike_prices_UPDATED_6_DEC.pdf

9. EU Emissions Trading System (Carbon trading)

EU ETS will only impact a few large emitters of greenhouse gases at specific locations such as Astra Zeneca at Macclesfield and Bentley Motors at Crewe. Participation in the scheme will drive companies to invest in ***affordable energy*** and ***independent energy***, which will have a positive impact on the Cheshire East area and help with ***growing energy businesses***.

Companies registered under the EU Emissions Trading System (EU ETS) receive or buy emission allowances, which they can trade with one another as needed. Each allowance gives the holder the right to emit one tonne of carbon dioxide (CO_2), the main greenhouse gas, or the equivalent amount of two more powerful greenhouse gases, nitrous oxide (NO_2) and perfluorocarbons (PFCs). After each year a company must surrender enough allowances to cover all its emissions, otherwise heavy fines are imposed. If a company reduces its emissions, it can keep the spare allowances to cover its future needs or else sell them to another company that is short of allowances.

Auctioning is the default method of allocating allowances within the system. Some free allocation is made to manufacturing businesses based on achievement of best practice in low-emission production. However, businesses must now buy an increasing proportion of allowances through auctions. The European Energy Exchange (EEX) in Leipzig is the common platform for the large majority of countries participating in the EU ETS. EEX also acts as Germany's auction platform. The second auction platform is ICE

Futures Europe (ICE) in London, which acts as the United Kingdom's platform. Companies under the scheme can also buy limited amounts of international credits from emission-saving projects around the world.

Alderley Park, now part-owned by Cheshire East Council, was a registered installation in the EU ETS. It is recommended that the Council investigates what happened to any spare EU ETS allocations received at the site previously.

EU Emissions Trading System - EU ETS	
Total fund	Dependant on yearly market conditions
Funding period	Yearly allocations
Type of Funding	Tradable allowance
Eligible activities	Limited to very large industrial emitters of greenhouse gases.
Further information	http://ec.europa.eu/clima/policies/ets/cap/index_en.htm

10. Council Prudential Borrowing (or Public Works Loan Board)

Prudential Borrowing is an attractive financing option for larger ***independent energy*** projects particularly whilst the Government borrowing rate remains very low, as it is currently.

Councils need to invest in their buildings and equipment so that people can continue to receive high-quality local services. Local authorities receive central Government funding for a major part of their capital investment in the form of capital grants. They can also use income from their own capital assets to finance capital spending. The new prudential system encourages local authorities to invest in the capital assets that they need to improve their services. It allows them to raise finance for capital expenditure without Government consent as long as they can afford to service the debt out of their revenue resources. Local authorities must have regard to the ‘Prudential code for capital finance in local authorities’ when setting and reviewing their affordable borrowing limit.

Prudential Borrowing is appropriate and should be considered as a finance option for energy-related investments with a longer payback period, greater than 5 years.

Council Prudential Borrowing	
Total fund	Not known
Funding period	Ongoing
Type of Funding	Low interest loan. Interest rate varies but can offer around 5% over 30 years.
Eligible activities	Any necessary capital investment programme where it can be demonstrated that the loan can be repaid.
Further information	www.gov.uk/government/policies/giving-local-authorities-more-control-over-how-they-spend-public-money-in-their-area--2/supporting-pages/investment-in-local-government-capital-assets

11. Business Rate Retention

The business rate retention (BRR) scheme is a key opportunity for Cheshire East Council to secure local retention of business rates to help fulfil all of its ***Energy Vision*** objectives. These new powers have been identified early by the Council and it is currently developing processes to identify and recirculate the funding. The current view is that any BRR finance retained from the region will be reinvested via CEE Ltd in energy-related projects to further the ***Energy Vision.***

The BRR scheme was introduced from April 2013 to provide a financial incentive for councils to promote local economic growth and to improve collection rates. The scheme allows councils to retain up to half of all business rates collected locally and in addition, 100% of additional business rates attributable to new and extended renewable energy implementations on land or buildings from 1st April, 2103. The BRR on renewable energy projects covers the classes shown in the table below.

Class	Description	Rates retained	From when
Class A	New renewable power stations listed with OfGEM	All	On and after 1/4/2013
Class B	Existing renewable power stations	All growth	After 31/3/2013
Class C	Renewable power stations created from Class B hereditaments	All growth	After 31/03/2013
Class D	Energy from waste plants	All if plant has been in use …	Since, on or after 31/03/2013
Class E	Any other hereditaments used at least in part for the purpose of generating electricity	All growth (new and additions to)	On or after 01/04/2013
Class F	Cables and sub-stations associated with off-shore generating plants listed with OfGEM	All	On or after 01/04/2013

Class E above includes on and off-shore wind, hydro-electric, biomass, biomass, energy from waste, anaerobic digestion, bio-gas from landfill and sewage, advanced thermal treatment, geothermal heat and power and Solar Photovoltaics.

The rateable value of business properties and land assets that this is applicable to, used for rates calculation purposes is currently 1st April 2008 but a new valuation will be published in April 2017, valuing properties as at 1st April 2015. As with other business rates, the rateable value of such renewable projects or project additions, set by the local Valuation Office will be multiplied by the business rates multiplier, currently set at 48.2p in the pound for the financial year 2014/15 for England.

It is recommended that the Council focus resources to finalise and implement an agreed process with the local valuation office to share appropriate information on existing and new eligible renewable energy projects. This will ensure that the locally-retained business rates value can be maximised with immediate effect when the new rate book is published and enable the Council to comply with Government forecasting requirements ahead of this date.

Business Rate Retention	
Total fund	Not known but initial estimates are in the tens of thousands of pounds
Funding period	Linked to rateable valuation periods
Type of Funding	Capital receipts
Eligible activities	Can be reinvested in any activity for which the Council is allowed to legally deliver.
Further information	www.gov.uk/government/policies/giving-local-authorities-more-control-over-how-they-spend-public-money-in-their-area--2/supporting-pages/business-rates-retention

12. Pension and other Private Sector Investment Funds

Local Authority Pension Funds

The Cheshire Pension Fund could be a key source of finance to support the Council's objective of ***independent energy*** within the ***Energy Vision***. This and other similar funds would be able to get a long term, guaranteed index-linked stream of payments (such as RHI or FiT) in return for the investment, which should fit with a low-risk investment strategy and be very attractive to the funds. A business case may be required to attract the investment but several local authorities have already gone down this route.

A recent report by the Institute for Public Policy Research think-tank (IPPR) has presented a list of recommendations for Local Authorities for investment in energy generation. Aside from advising Local Authorities to create a collective agency for the issuance of local authority bonds, and to work with the Green Investment Bank, the report suggests that "local authority pension funds should take into account environmental, social and corporate governance factors and proactively seek low carbon investments".

Flintshire County Council, through the Clwyd Pension Fund, has invested pension funds into the Low Carbon Workplace Partnership (LCW). The LCW design, build and manage energy-efficient offices. They then provide tenants with ongoing advice enabling them to gain independent certification of low carbon occupancy. Pension Fund Manager Phil Latham is satisfied that the outlay "can deliver a superior return to the market through investment in environmental and sustainable projects."

Lancashire County Pension Fund is investing copiously in the low carbon sector. They have so far invested £84m in the recovery of methane from landfill gas sites and coalmines for the generation of electricity, backed biomass electricity generation plants to the value of £50m and spent £17m in a Solar Energy Fund. A further £12m has been invested in the Westmill Solar Co-operative – a community owned solar farm on the Oxfordshire/Wiltshire border. The LCPF is also promoting PV installations on the roofs of its commercial properties.

In order to meet the carbon targets outlined in the Renewable Energy Roadmap at the required momentum there is a need to revise how projects are funded. This means the use of private sector finance. There are sources of revenue that can be used to fund low carbon activity without the liability necessarily being placed on local authority balance sheets.

Cheshire East Council should engage with the Cheshire Pension Fund and other similar funds to share the Council's Energy Vision and to request the opportunity to present future business cases for investment by the Fund. Significant investors in one or more projects controlled by Cheshire East Energy Ltd, may want to have an active role in the management of CEE Ltd.

Local Authority Pension Funds	
Total fund	c£3 million in assets
Funding period	Ongoing
Type of Funding	Investment Funds
Eligible activities	Any activity contained within The Cheshire Pension Fund Investment Strategy
Further information	www.ippr.org/publications/city-energy-a-new-powerhouse-for-britain www.cheshirepensionfund.org/ebooks/annual-report-2014/

Equity Finance

For Cheshire East Council this may be an important investment route for Joint Venture Special Purpose Vehicles (SPVs) in which Cheshire East Energy Ltd has an interest. This is particularly important with regards to ***growing energy businesses*** and ***independent energy***. Cheshire East Energy Ltd may also provide finance by taking equity in start-up businesses for projects such as advanced thermal treatment technologies or energy storage.

Equity finance is where those who take a share in the company provide the investment. An advantage is that the lender does not require regular payments although they do, in time, expect to make a return. Due to the investor taking part ownership of the company, a level of governance and decision-making would be expected in line with the size of the investment made. Various sources of equity finance are available. Examples of these are as follows:

- Private direct investment – where the investor purchases an interest which would allow active control of a company, such as angel investment.
- Venture capital – venture capital funds are typically provided to start-up firms and small businesses with long-term growth potential. Venture capital investors will commonly look for a 30% return on outlay and will invest when a business is cash generating, but not yet profitable.
- Infrastructure funds – this is a form of funding available for lower risk investments, where the technology is established but finance is required to bring the project to fruition.
- Social finance - Social finance is an investment model that delivers a social dividend as well as an economic return, and the returns tend to be lower than with other investors. There are social finance investors that are keen to affect a triple bottom line of a social, economic and environmental gain. As well as Equity Social finance can be obtained as low cost loans and social finance bonds.

The Council should consider engaging financial consultants to help increase its knowledge of and contacts with potential local and national investors. The ***Energy Vision*** should be shared with key individuals to help ensure that appropriate investment can be found for planned projects.

Equity Finance	
Total fund	Varied
Funding period	Ongoing
Type of Funding	Investment Funds
Eligible activities	Any viable investment
Further information	www.gov.uk/business-finance-explained/investment-finance www.gov.uk/government/collections/social-investment

Crowdfunding

Crowd Funding is likely to work well in Cheshire East to help fund leading edge low carbon and renewable energy technology projects that contribute to ***affordable and independent energy.***

Crowdfunding is the process of raising funds from an online community or 'crowd' of like-minded people and organisations. It is often described as peer-to-peer lending because investors are usually other people or businesses with an interest in supporting a particular type of project or venture. Individual investors usually give a small amount of money, but the crowd is often large enough to raise the funding that is required.

It is still a new concept but there are a growing number of online crowdfunding platforms and the UK Crowdfunding Association (UKCFA) was established in 2013 to represent this growing sector. UKFCA describe crowdfunding as 'democratic finance', allowing businesses and projects of all forms and sizes access to money while bypassing traditional banking institutions. It is becoming an attractive route in economically difficult times when banks are not lending freely.

There are FCA-regulated and un-regulated crowdfunding platforms. Each platform makes its own assessment of whether it needs to be regulated by FCA or any other body. The UKFCA has developed a code of practice which its members must sign up to. Crowdfunding can be raised in three ways:

- Donation – an investor will make a one-off donation of money to a company;
- Debt crowdfunding - an investor will lend money to a company, who then repays the investor on a regular basis;
- Equity crowdfunding – an investor will buy shares in a company and become a part owner. They make a return on their investment either by being paid a dividend or by selling their shares at a later date, when the company value has increased.

Crowd-funding should be considered for leading edge pilots and projects where geographically distant parties can help fund a project of particular interest to them, such as advanced thermal treatments of waste and energy storage, etc, in conjunction with academic involvement, where appropriate.

Crowd Funding	
Total fund	Varied
Funding period	Ongoing
Type of Funding	Investment funds
Eligible activities	Viable energy projects
Further information	www.ukcfa.org.uk/

Energy Performance Contracting

This can be a useful vehicle to achieve ***affordable and independent energy*** where funding is limited or borrowing limits are restricted. The energy assessment for a Council asset and the achievement of energy savings is contracted out. Doing this may provide an opportunity for ***growing energy businesses*** locally but there is no need to contract out if Cheshire East Council has its own investment capital, has the technical expertise and is willing to take the risk in-house.

Energy performance contracting is a way of gaining energy efficiency within a local authority building. The guaranteed energy saving can be used to borrow against in order to make improvements on a building. Advantages of the scheme are that there is no upfront investment and no additional expense to local authority revenue accounts due to an Energy Services Company (ESCO) taking on the performance obligation and finance risk.

It is the task of the ESCO to perform an analysis of the property, to generate an energy efficiency plan, to then install and maintain the system and to ensure the energy savings. The savings in energy costs achieved during the five to twenty year period reimburses the capital invested in the project. If the returns are not achieved, then the ESCO is usually responsible to meet the difference.

Energy performance contract is a popular option for financing CHP systems and it is recommended that this option be considered alongside in-house. This model should be promoted to local businesses as an option to consider via Business Support Services.

Energy Performance Contracting	
Total fund	Varies by contract
Funding period	Contracts typically extend over 5-20 years
Type of Funding	Capital investment
Eligible activities	Any activity where savings can be generated
Further information	http://ec.europa.eu/energy/intelligent/projects/sites/iee-projects/files/projects/documents/eurocontract_project_report_en.pdf

13. Tax reliefs on investments in renewable and clean technologies from HMRC

Enhanced Capital Allowances (ECA)

Enhanced Capital Allowances are not directly applicable to Cheshire East Council but this could be useful for businesses that Cheshire East Energy Limited works with or sets up with partners to drive up investment in ***affordable and independent energy.***

The ECA scheme encourages the use of energy saving equipment by allowing businesses to write off the cost of purchasing new plant or machinery against their taxable profits in a single year. The scheme only applies to certain equipment and the 100% capital payment is a one-off.

The maximum credit claimable is limited by the total of the company's PAYE and National Insurance payments for the year in which the claim is made or, if greater, £250,000.

It is recommended that business support services make companies aware of this option in order that they can lower energy overheads

Enhanced Capital Allowances (ECA)	
Total fund	Dependant on company tax liability or £250,000
Funding period	Single tax year
Type of Funding	Company tax relief (100%)
Eligible activities	Investment in specific energy saving equipment listed on the Energy Technology List
Further information	https://etl.decc.gov.uk/etl/site/etl.html

Enterprise Investment Scheme (EIS)

As Cheshire East is an area with a large percentage of individuals of high net worth, this option could be available to raise investment for ***independent energy*** projects and ***growing energy businesses***.

The Enterprise Investment Scheme (EIS) is designed to help smaller higher-risk trading companies to raise finance by offering a range of tax reliefs to investors who purchase new shares in those companies. Relief is available at 30 per cent of the cost of the shares, to be set against the individual's Income Tax liability for the tax year in which the investment was made. Relief can be claimed up to a maximum of £1,000,000 invested in such shares, giving a maximum tax reduction in any one year of £300,000 providing there is sufficient Income Tax liability to cover it.

It is recommended that EIS is advertised to potential investors in Council energy projects especially where there will be an income stream from FiT or RHI which should make this a particularly attractive investment option.

Enterprise Investment Scheme (EIS)	
Total fund	Maximum of £1 million per individual
Funding period	Tax relief calculated on annual basis
Type of Funding	Personal tax relief (30%)
Eligible activities	Taking shares in a company
Further information	www.hmrc.gov.uk/eis/

Seed Enterprise Investment Scheme (SEIS)

As Cheshire East is an area with a large percentage of individuals of high net worth, this option could be available to raise investment for ***independent energy*** projects and ***growing energy businesses***.

Similar to and complementing the existing Enterprise Investment Scheme (EIS), SEIS is intended to recognise the particular difficulties which very early stage companies face in attracting investment, by offering tax relief at a higher rate than that offered by the existing EIS. Relief is available at 50% of the cost of the shares, on a maximum annual investment of £100,000.

It is recommended that SEIS is advertised to potential investors in Council energy projects especially hydro and solar technologies. Projects where there will be an income stream from FiT or RHI should make this a particularly attractive investment option.

Business Support Services should advertise this to smaller local businesses considering an investment in low carbon or renewable energy projects.

Seed Enterprise Investment Scheme (SEIS)	
Total fund	Maximum of £100,000 per individual
Funding period	Tax relief calculated on annual basis
Type of Funding	Personal tax relief (50%)
Eligible activities	Taking shares in a company
Further information	www.hmrc.gov.uk/seedeis/

14. Community Investment

While not directly funding or finance, community investment models are an effective way to engage communities in the transition to utilising greater quantities of energy from renewable sources. Local benefits of a community-owned renewable energy project include job creation, knowledge wealth and ***independent and affordable energy***. Due to a project being locally owned, the knock on effect is felt more locally and the project will be eligible for 100% business rate retention.

The Government's Community Energy Strategy encourages community involvement in local renewable energy schemes. Some of the mechanisms that enable community investments in energy projects are described below.

Community Interest Companies

Community Interest Companies were introduced in 2005. They are a type of business that has its interests in the community and therefore does not strive to maximize profit for shareholders. Many CICs are involved in the development of community renewable energy.

An example is the Bridport Renewable Energy Group (BREG) CIC[66]. The group existed informally for a number of years before becoming a CIC. The group provides a wood fuel resource and a community farm which integrates food and energy production with organic waste processing.

Co-operatives

Co-operatives are another type of business with community interests. An example of a community-owned renewable energy co-operative is Whalley Community Hydro in Lancashire[67]. Following a professional design study, it was discovered that a local hydro scheme could produce 345,000 kWh of electricity per year. A co-operative was created by local residents who then sought funding from the charity bank as well registering with the EIS to provide incentives to investors.[68] Any operating surplus from the project is to be spent on benefitting the community through carbon reduction schemes and to provide grants and loans to local organisations.

It is recommended that the Council promote and encourage community investment schemes in its own projects and in other large schemes going through planning in the area.

Cheshire East Energy Ltd should consider investing in appropriate local schemes to demonstrate its commitment to low carbon and renewable energy, in line with the ***Energy Vision***.

[66] www.breg.org.uk
[67] www.whalleyhydro.co.uk/the-project
[68] http://www.gyronllp.co.uk/whalley-community-hydro-share-issue-to-be-launched-on-6th-november/

Recommendations

Whether taking forward energy projects alone or with others, the funding environment is supportive. As well as the traditional route of low interest prudential borrowing, some council energy projects have already been financed with Salix interest free loans. Support via Feed in Tariffs and Renewable Heat Incentive are currently extremely attractive but may not remain so. Cheshire East needs to remain engaged with the Local Economic Partnership to ensure that low carbon energy finance from ESIF and the Growth Fund is maximised for the Energy Vision. In an area such as Cheshire East, with a higher proportion of individuals of high net worth, financing proposal via the Enterprise Investment Scheme and crowdfunding should be actively pursued.

Short Term Funding Priorities

- Feed in Tariff
- Renewable Heat Incentive
- Salix Finance
- Reserves

Medium Term Funding Priorities

- Community Infrastructure Levy
- Business Rate Retention
- ESIF
- Growth Fund
- Seed Enterprise Investment Scheme
- Enterprise Investment Scheme
- Crowdfunding
- Prudential Borrowing
- Other European Funding

Longer Term Funding Priorities

- Contracts for Difference
- Cheshire Pension Fund

3 Cheshire East Energy Ltd

The idea of an overarching energy company was put forward and agreed by the Political and Corporate Leadership as a flexible way of taking forward and de-risking energy projects that Cheshire East Council may wish to become involved with. Cheshire East Energy Ltd would become part of the Alternative Service Delivery Vehicle (ASDV) family of wholly-owned, arms-length businesses, which forms part of Cheshire East Council's Commissioning Council policy. The company would be guided by an Energy Advisory Board comprising of Cheshire East Council members and senior officers and external specialists.

3.1 Role, structure and resources

3.1.1 Background

The idea of an overarching energy company was put forward and agreed by the Political and Corporate Leadership as a flexible way of taking forward and de-risking energy projects that Cheshire East Council may wish to become involved with. On the 8th April 2014 Informal Cabinet endorsed the creation of a Council Energy Company fully aligned to the Council's wider company structures and arrangements and allocated the resources to progress this as a priority.

This energy company is known Cheshire East Energy Ltd (CEE Ltd).

3.1.2 Role

The role of CEE Ltd is being developed with a proposed role acting as an over-arching vehicle to take forward energy and low carbon policy, deliver investment decisions on energy and low carbon projects and oversee these projects for the benefit of Cheshire East residents and businesses.

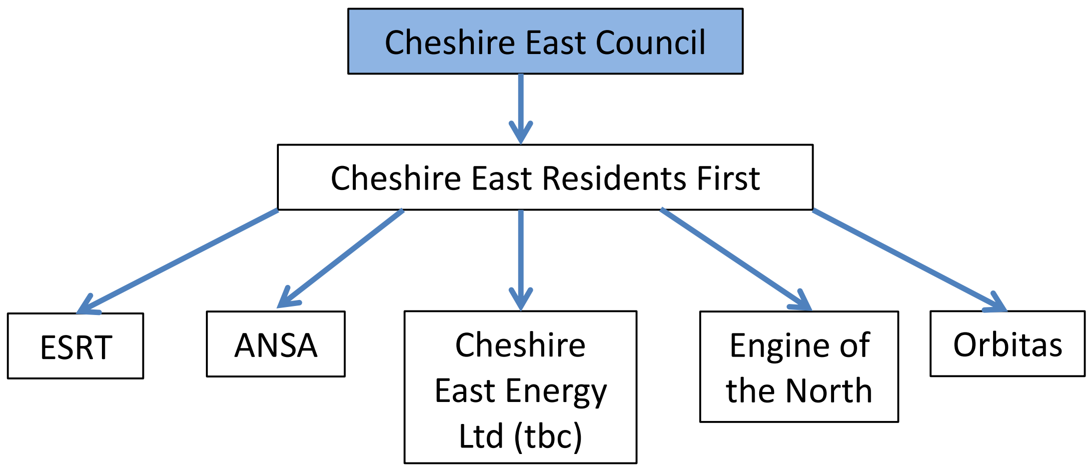
With this proposed role, CEE Ltd would need to assume the responsibility for securing, managing and growing funds generated from income streams associated with the projects initiated and for minimising overhead costs of running the company to maximise the impact of the funds. It would also need the ability to employ staff. It is envisaged that while a majority of any physical assets related to CEE Ltd energy projects will either be held by the Council or Special Purpose Vehicles, there may be some special circumstances where CEE Ltd might become the legal owner of land or assets.

As well as having the ability to take forward projects directly a bulk of the activity would be likely to be organised through relationships with other organisations; businesses that will be termed Special Purpose Vehicles (SPVs). The benefit of using SPVs is that each energy project might need different partners and a different type of legal / financial format to make it a financially attractive proposition for investors. Each project may have different benefits and risk profiles for the Council and its chosen partners over differing periods of time. This distance relationship would allow for some governance and financial interactions but at the same time would reduce the risk that any single project would cause a significant issue for CEE Ltd. The concept is best explained by the analogy of an Australian cork hat. The hat itself is CEE Ltd from which hang individual projects, which are the corks (SPVs). The string, attaching the corks to the hat is the relationship between CEE Ltd and the SPVs.

CEE Ltd would be part of the Alternative Service Delivery Vehicle (ASDV) family of wholly-owned, arms-length businesses, which form part of Cheshire East Council's Commissioning Council Vision[69].

3.1.3 Current Status

Cheshire East Energy Limited (company number is 09083046) was established as a company limited by shares on the 12th June 2014. The company is registered at Westfields in Sandbach. All the shares are owned by directly by Cheshire East Council. The company has two Directors; Councillor Peter Mason and Councillor Derek Bebbington. The operating structure is being determined. Until then it remains dormant.



[69] www.cheshireeast.gov.uk/PDF/Annual_Governance_Statement_13-14_Final.pdf

3.2 Governance and processes

3.2.1 Governance

The governance of CEE Ltd is being determined.

3.2.2 Energy Advisory Board

It has been proposed that initial technical guidance and advice will be provided by the Energy Advisory Board (EAB), which would become an integral part of CEE Ltd. The EAB currently meets monthly and consists of a core board including The Leader, The Deputy Leader, Cllr. Mason (Chair), Cllr. Stockton, Head of Corporate Resources and Stewardship, Director of Economic Growth and Prosperity and supporting Officers from the Major Projects Team and others when needed.

As well as this core group, external advisors are invited to the EAB to give specific advice or make presentations on specific subjects. The EAB is maturing to act as more of an advisory and scrutiny board to CEE Ltd as its functions are formalised by Cabinet.

The Energy Advisory Board has a Terms of Reference[70] which were amended in July 2014 to include a representative from EMB as a permanent member.

3.2.3 Energy Advisory Board potential external advisors

It has been agreed by the EAB and reflected within the EAB's Terms of Reference that when necessary, external specialist advisors can be co-opted onto the Board. An initial list of candidate advisors was put to the EAB in April 2014 including many leaders and experts from academia, business and third sector.

The expertise and disciplines covered by those nominated stretch across the energy sector and include the nuts and bolts of engineering and the construction sector, techniques for engaging businesses and residents in behavioural change, technology innovation and Government policy and funding cycles.

Those nominated were approached informally to check they were willing to be listed and it is anticipated that they will be formally invited to join the external advisory board once Cheshire East Energy Ltd has been through final Cabinet approval. For a full list of the current external advisors, please contact the Major Projects team.

3.2.4 Other Public Sector Energy Companies

Several other Councils have developed strategies to further their energy-related agendas locally. Some examples are provided below:

Thameswey Energy Ltd[71] (Woking)

Thameswey Energy Limited, a joint venture company, is 90% owned by the energy and environmental services company, which is wholly owned by Woking Borough Council. Danish

[70] This is currently not a public document – please contact the Major Projects team for further information.
[71] www.thameswayenergy.co.uk

company, Xergi Limited, owns the remaining 10%. Thameswey Energy Limited was first established in July 1999 to own and operate plant for the production and supply of electricity, heat and chilled water to commercial and domestic customers and to develop and implement technologies for the production and supply of energy. Thameswey Energy has assets in excess of £1.3million and is expanding to provide energy services to Milton Keynes.

Bristol City Council[72]

The Bristol Energy Services Company currently appears to be a City Council construct with no registered private company structure. It has a governing structure that brings together all the Council's internal and externally facing energy functions. It plans to establish a city-wide energy services company to spearhead renewable energy and energy efficiency projects worth up to £140 million and helping to create up 1,000 jobs. Bristol was the first local authority in the country outside London to receive a £2.5 million grant from the European Investment Bank (EIB) to meet most of the costs of developing an energy services company and investment programme. It intends to secure half of its funding – around £70 million - from the European Investment Bank, the rest from private sector investment. It would be an arms-length organisation and generate income through energy savings and energy generation. Current plans include insulating 6,000 homes and installing 7,000 renewable energy systems, mainly solar/biomass and 6 small scale district heat schemes.

West Mercia Energy[73] **(Marches Councils)**

West Mercia Energy (WME) offers energy procurement and management on behalf of its four owning authorities and a number of outside bodies including Cheshire East Council. The contracts cover electricity, natural gas, petroleum fuels and liquid petroleum gas. Formerly a division within West Mercia Supplies this Local Purchasing Organisation is jointly owned by Shropshire County Council, Herefordshire County Council, Telford & Wrekin Council and Worcestershire County Council. WME reports to a Joint Committee with representation from the four owning authorities and all staff are employees of Shropshire County Council whom appear to be the legal entity for WME. It had a turnover of £66 million in 2013/14.

3.3 Business Plan

A detailed Business Plan for Cheshire East Energy Ltd is currently under development by the Major Projects Team.

72 www.bristolenergynetwork.org/sites/default/files/BCC_Energy_Service_Overview%20_July_2014.pdf
73 http://westmerciaenergy.co.uk

4 Cheshire East Assets Investment Programme

The Council's asset base presents a significant opportunity for cost savings and income generation from energy-related projects in line with the Energy Vision. The assets investment programme seeks to review the "top 25" list of Council-owned "high energy user" buildings and land assets to see which would be feasible, from a technical and economic viewpoint, as sites for implementation of renewable energy generation and other energy-related projects. It is essentially an enabling project to all other projects and is a key project to be overseen by the Energy ASDV with advice from academic and industry advisors on the external Energy Advisory Board panel.

4.1.1 The Council's asset base

Cheshire East Council owns a wide portfolio of over 2800 building and land assets across the region with over 600 individual land holdings. This includes Council buildings, leisure centres, libraries, schools and many other properties that are privately rented out, as well as land assets used both for Council-provided services such waste management and rented out to agricultural and rural businesses.

4.1.2 Strategic Asset Management Plan

Over the last three years the Council's Facilities Management team has been responsible for the ongoing management of key assets in conjunction with the Assets team. The plan has used a combination of asset disposals, office consolidations and energy efficiency measures to achieve carbon emissions reductions in line with the Council's Carbon Management Plan, a 2011 report jointly written by the Carbon Trust and Officers of the Council. Implementation of the report's recommendations was planned to enable the Council to achieve carbon emission reductions of 25% by 2016.[74]

To move forward with the Council's Energy Vision, the Council has commissioned an initial review of its top five buildings by energy usage to understand the scope for energy projects on these buildings. The Major Projects team will lead assessment work on these buildings.

4.1.3 Potential to reduce emissions and generate income

The asset base represents an opportunity for the Council to reduce energy use (and therefore carbon emissions) and to generate considerable income over the next twenty to twenty five years. The potential reduction in energy use and carbon reductions would arise from energy efficiency measures and local renewable and low carbon energy generation projects. The income generation would arise from taking advantage of Government incentives in place to encourage the implementation of distributed renewable and low carbon energy generation and

[74] Carbon Trust / CEC Carbon Management Plan, 2011.

to take demand side measures to reduce energy usage, particularly at key peak times, by switching to local energy generation alternatives.

In completing this assessment, many different factors will need to be taken into consideration, including, for example, the longevity of the asset on the Cheshire East asset register considering planned disposals, etc, the expected lifespan and planned maintenance activities required on existing heating for space and light, tenants and tenants' rights, if relevant. For example, the boilers are due for replacement in the Macclesfield Town Hall buildings.

Cheshire East Council's top 25 buildings by energy usage used a combined total of 7,853,061 kWhs of electricity and 20,669,579 kWhs of gas during the year to 31st March 2014.[75]

Initial feedback from building assessments on the top five Council buildings (by energy usage) is being completed by a M & E engineering consultancy and is expected to indicate that at least three of these buildings are suitable for renewable energy generation projects (electricity and heat).

4.1.4 Interaction with Cheshire East Energy Ltd (CEE Ltd)

Continual reassessment of the Council's asset base will be required to ensure maximum energy-related income and savings can be made by utilising them for different projects. This is a function that could become part of CEE Ltd's responsibilities as new energy-related projects are explored.

[75] Cheshire East Council Assets team internal datasets – not published.

5 Project assessments

Cheshire East possesses multiple opportunities for low carbon energy generation and energy saving measures. The potential for renewable energy generation is highlighted in the report *Cheshire East Climate Change & Sustainable Energy Planning Research: Technical Report.*[1] Taking this strategic view into account and reviewing the opportunities for ***Affordable*** and ***Independent Energy*** and ***Growing Energy Businesses***, Cheshire East Council is beginning to assess a number of projects which could be developed with Cheshire East Energy Ltd. Initial assessments may discount certain projects and others may go ahead, but these may take tens of years to reach full fruition.

Energy Supply Scheme - The establishment of Fairer Power™ in conjunction with an energy supplier to deliver ***Affordable Energy*** to residents of Cheshire East.

Deep Geothermal District Heat - Exploitation of the geothermal resource initially beneath council owned land in Crewe. The initial project would be based on selling heat via a decentralised district heat network to the large users in Leighton West thus creating an ***Independent Energy*** network.

Building-Mounted Solar PV - Use of Council-owned buildings to host solar PV arrays. This project would generate ***Independent Energy*** for local usage, create ***Affordable Energy*** and an income for onward investments in renewable and low carbon energy generation and energy efficiency measures.

Large-Scale Solar PV - Similar to building mounted solar PV, this could utilise existing Council-owned land and property to mount large-scale solar PV arrays of an appropriate scale for that location as ***Independent Energy***.

Biomass Crops - The use of council-owned land assets to grow a woody biomass crop to be used as a fuel to assist with ***Independent Energy***.

Energy from Waste – The use of Cheshire East's residual household waste stream as a fuel to generate heat or power to assist with ***Independent Energy.***

Dry Anaerobic Digestion - A long term solution for dealing with the 40,000 tonnes of domestic green waste collected each year and the estimated 8000 tonnes of food waste that will need to be separated from residual waste in the near future. A plant would generate biogas as an ***Independent Energy*** fuel.

Off Gas Grid Heating – Looking at ***Affordable Energy*** heating solutions for residents and businesses that are not connected to mains gas.

Combined Heat and Power (CHP) – Identifying locations and policies where CHP could become an ***Affordable*** and ***Independent Energy*** solution.

LED Street Lighting – Putting together a long-term solution for an ***Affordable Energy*** and future proof street illumination project.

Cheshire East Assets Investment Programme – A detailed assessment of where Cheshire East assets can best contribute to the Energy Vision.

Energy Efficiency and Demand Response - Reducing energy demand through energy efficiency and demand side measures thus giving ***Affordable Energy.***

Ground Source Heat Pumps - An assessment of where this technology could best be utilised for ***Affordable Energy***.

Hydroelectric - Assessing the potential for ***Independent Energy*** generated from Cheshire East's water resources.

Community Energy Schemes – How Cheshire East Energy Ltd can best assist in developing community funded ***Independent Energy*** projects.

Underground Energy Storage – How Cheshire East's unique geology can best assist with temporary storage to contribute towards ***Independent Energy***.

Business Rate Retention – Looking to use powers recently granted to Local Authorities to retain incremental local business rates attributable to energy efficiency and renewable energy generation improvements made to the business property. This income stream would be recirculated to deliver the Energy Vision.

6 Summary and Conclusions

Cheshire East Council has developed a bold Energy Vision in order to place the region in an excellent position to prosper from changes taking place as the UK moves towards a low carbon future.

This Energy Framework has set out the evidence base for taking forward the Council's energy aspirations within the context of the ***Energy Vision***.

All aspects of the ***Energy Vision*** are strongly supportive of EU and national Government legislation and policy.

Even in these economically difficult times, not only is the funding environment good for Cheshire East Council to develop energy projects but the outlook for commercial companies linked to this sector is positive. ***Growing Energy Businesses*** will bring in additional business rate revenue.

The creation of Cheshire East Energy Ltd (CEE Ltd) as a vehicle to take forward projects in the future fits in well with the Council's Strategic Commissioning strategy. Already schemes like Fairer Power™ are showing that the Council is committed to ***Affordable Energy*** and is ***Putting Residents First***.

The success in exceeding its own carbon reduction target is not making the Council complacent. It is now reviewing its own assets to install significant ***Independent Energy*** technologies.

The main conclusion is that the foundations are excellent. The priorities for Cheshire East Council to achieve its ***Energy Vision*** are summarised in this section.

6.1 Future priorities

6.1.1 Further external consultation on Energy Vision

It is now a priority for Cheshire East Council to consult more widely in the external environment on the Council's Energy Vision, not only to raise awareness and buy-in from key groups but also to ensure that all sources of possible funding and co-funding are made aware of investment opportunities. The following groups should be consulted.

1. Cheshire and Warrington LEP
   Cheshire East Council needs to highlight the importance of its Energy Vision to the LEP in order that emerging funding themes and streams are shaped to take its proposals on board, thus maximising the share of funding and support coming into Cheshire East.

2. Local Residents and communities
   Consultation should be carried out through the Cheshire East Residents First Community Forum and other groups representing householders in the Borough. This will enable households to take advantage of schemes the Council plans to deliver to help combat fuel poverty and reduce energy bills, for instance the Fairer Power announcement. It will also help to focus the Council's plans for community investment

vehicles linked to CEE Ltd as well as identify potential individual and community investors for energy projects.

3. Business Community
   Consultation with the business community in Cheshire East will also help to focus the Council's plans for specific energy-related projects. Consultation with groups such as local Chambers of Commerce and the Federation of Small Businesses as well as charitable organisations are recommended. The consultation exercise may help to identify local businesses who are willing to co-invest in energy projects, have their factory roof used for a project or provide advice and guidance for a local community energy scheme. It will alert businesses in energy-related sectors to the Council's plan and help them with their own business planning. It is also an opportunity for the Council to explain and sign-up businesses to implement renewable energy generation to help reduce their energy costs and benefit the Cheshire East region through increased levels of business rates being retained for local use.

4. Potential Financial Investors
   Many varied forms of funding and financing may help launch and develop some of the energy projects that may arise to fulfil the Energy Vision. In addition to Government-based incentive and grant schemes, public and private investors will be a key to the success of some projects. The Energy Vision should be shared and consulted on with Equity Finance schemes, local community interest groups and specialist community interest groups, Local Authority Pension funds and any local wealthy individuals interested in local investment opportunities.

6.1.2 Council plans and policies

Several plans and policies of the Council should be updated or amended quickly to support the Energy Vision. These are described below.

1. Draft Local Plan
   This should be updated before it is finalised with the changes highlighted in the recommendations listed within the Regional and Local Policy and Planning section, above.

2. Supplementary Planning Documents
   These should be produced covering district heating / decentralised energy, community energy, renewable and other energy technologies to assist developers

3. The Waste and Minerals Plans
   These Plans in development, should be reviewed to strengthen their support for the Energy Vision objectives, including, for example, support for energy generation from waste streams and on-farm Anaerobic Digestion.

4. The Carbon Management Plan
   This should be amended to:

   - Include plans for renewable power and heat projects going forwards

- Bring forward renewable energy projects highlighted in Cheshire East's Asset Investment Programme, especially those involving the Feed In Tariff or Renewable Heat Incentive
- To establish a regular review of new energy-related technologies, techniques and services reaching the market which might offer enhanced energy efficiency opportunities and for incorporation of these in the Carbon Management Plan

6.1.3 Council processes

It is a priority for the Council to develop new or enhance existing processes to support decision-making and the delivery of projects under the Energy Vision. The following have been highlighted as priorities:

1. Community Infrastructure Levy
   It is the Council's intention to implement the Community Infrastructure Levy (CIL) in Cheshire East. CIL policy should be developed quickly and it should include elements that support the development of independent / decentralised energy infrastructure.

2. Business rate retention
   Resources should be focused to finalise and implement an agreed process with the local Valuation Office to share appropriate information to update the new rate book with rateable values for renewable energy projects that will enable Cheshire East to retain more business rates collected locally.

3. Decision making with regards to assets
   The planning process surrounding Council-owned assets involves many departments including planning, assets, facilities management, existing Council tenants and others. In order to speed up decision-making around the use of Council assets for energy-related project, it is important that processes are streamlined across departments quickly and a senior council officer assigned to help resolve any issues.

4. Business support services
   A business support plan to help local businesses implement energy efficiency measures and renewable energy generation should be developed. This can drive up the level of business rates that can be retained locally. It could also help local businesses in energy-related sectors expand their businesses.

5. Updating the Energy Framework
   Resources should be assigned to take responsibility establishing a process for keeping the framework up to date in terms of legislation and policy for future ***Energy Vision*** projects to refer to.

6.1.4 Projects

The following projects are highlighted as a priority for action, development and delivery. It is also a priority to match funding and finance appropriately to ensure that finite sources are utilised now for the right projects. For example FiT and RHI are subject to digression; therefore these funding opportunities need to be seized.

1. Cheshire East Energy Limited (CEE Ltd)
   CEE Ltd must be signed off quickly in order for the Council to further develop the concept and plans for the Energy Company. This includes developing the corks of the

hat such as specific ways in which the wider interested community can invest, whether that is through Community Interest Companies or other specialist investment vehicles.

2. Asset Investment Programme
The prioritisation of Council assets is a prerequisite to other projects because it will inform which projects can happen and by when. Key to prioritising assets is to consider finite sources of funding and finance such as FiT and RHI and the types of projects that these could support now.

3. Energy supply scheme – FairerPower (TM)
This project should be completed as soon as possible to enable the delivery of fairly priced energy to Cheshire East residents during this winter, when energy demand is at its highest. The project provides a route for local renewable power generators to sell their energy under Power Purchase Agreement, which may encourage further local investment in decentralised energy projects. Finally, this project is anticipated to bring extra energy company obligation funding to the area, which will enable further implementation of energy efficiency measures to those most in need.

4. Off-Gas Grid Heating
With large areas in the Crewe and Nantwich districts off-gas grid, winter heating costs will be very difficult for some of these households every year. Initiating projects to communicate alternatives to traditional heating oil and LPG gas solutions and to encourage roll-out of renewable alternatives using available government funding will bring real benefit to these Cheshire East residents.

5. Heat networks
Heat networks enable heat generated from a central point to be distributed for use in large housing developments and businesses. In the long term, deep geothermal heat may provide the heat source but developing the heat networks in advance of geothermal well development creates confidence amongst geothermal developers to encourage their investment in exploratory drilling work.

6. Dry AD
Dry Anaerobic Digestion is a safe and proven technique that makes use of bio-degradable wastes, (which must shortly be diverted from waste going to landfill) to generate a low carbon bio-gas and a soil improver by-product, both of which can be sold. The projects has very good potential savings and income streams for the Council. Owing to the forthcoming EU regulations and waste contract expiry in 2016, this project should be completed urgently.

Cheshire East Council is well placed to further its energy aspirations via the ***Energy Vision***. With strong political leadership, it is working within a supportive national and local policy framework. By completing projects in line with the ***Energy Vision***, Cheshire East Council will be able to take its place next to other Councils such as Bristol and Nottingham City by bringing benefits to itself and domestic and business residents, now and in the long term. Those benefits are expected to include energy security, business resilience and growth and ***affordable energy*** for all.

Glossary of terms

This section provides a Glossary of the many and often confusing terms and acronyms used in the energy sector and within EU and UK legislation and policy.

AD Anaerobic Digestion - Fermentation of organic materials in the absence of oxygen.

ASDV Alternative Service Delivery Vehicle - Name for a group of wholly Cheshire East Council-owned companies which deliver a range of Council Services.

ATT Advanced Thermal Treatment - Heating of wastes to produce a syngas via a process of gasification or pyrolysis.

BIS Department for Business Innovation and Skills - Government department tasked with economic growth through investing in skills and education to promote trade, boost innovation and help people to start and grow a business.

BRR Business Rate Retention - Local retained business rate.

Cabinet - Executive Councillors board. Meets monthly to make decisions.

CBM Coal Bed Methane - Hydrocarbon gas held within coal measures.

CCA Climate Change Agreements - Agreements that allow energy-intensive sectors to receive up to 90% reduction in CCL.

CCGT Combined Cycle Gas Turbine - An electrical generation technology that uses both a gas and a steam turbine in the same operation.

CCL Climate Change Levy – A tax on energy delivered to non-domestic users in the United Kingdom.

CD Competitive Dialogue - Procurement process involving a stage of dialogue between a potential supplier and the buying organisation.

CHP Combined Heat and Power - Generation of both heat and electricity with a single technology.

CHPQA Combined Heat and Power Quality Assurance Scheme - A scheme designed to demonstrate that CHP plants meet certain energy efficiency criteria.

CfD Contracts for Difference - UK Government's replacement for ROCs involving a guaranteed price for a set period.

CIL Community Infrastructure Levy - A locally imposed levy on new developments to allow for locally relevant and appropriate community infrastructure improvements.

CLB Corporate Leadership Board - Decision body comprising of Chief Executive, Chief Operating Officer and Directors of Services.

COP Coefficiency of Performance - The efficiency of a heat pump expressed as kW of heat output for unit of electricity inputted.

Cheshire East Council

CPRE Campaign for the Preservation of Rural England - Campaigning membership group.

CRC Carbon Reduction Commitment Energy Efficiency Scheme - Carbon tax scheme aimed at large and medium sized businesses and organisations.

DCLG Department for Communities and Local Government - Government department tasked with creating great places to live and work, and giving more power to local people to shape what happens in their area.

DECC Department for Energy and Climate Change - Government department tasked with making sure the UK has secure, clean, affordable energy supplies and promoting international action to mitigate climate change.

Dimming and Trimming streetlights – A strategy of dimming streetlights and reducing their lighting up time in order to save energy.

DNO Distribution Network Operator - The operator of the electricity distribution networks.

EAB Energy Advisory Board - Advisory and review body comprising of CEC Councillors and Senior Officers that meets monthly.

ECO Energy Company Obligation - Requires energy supply companies over a certain size to undertake and fund energy efficiency and carbon reduction improvements in low income households and in hard to treat properties.

EfW Energy from Waste - Production of heat or power from a waste or residual material. Includes AD and combustion.

EMB – Executive Monitoring Board – a Council member-led governance group

Energy Hierarchy - A prioritised list of options regarding energy decisions that might be made to reduce energy usage, costs and related environmental damage. At the top of the hierarchy is avoiding the need to use e.g. by designing building in a certain way. The next priority is to install highly energy efficient appliances for space and water heating. The final priority is to install as much renewable energy generation capability as possible to minimise the building's demand for energy from the National Grid.

EPC Energy Performance Certificate - Assessment of a buildings energy efficiency, which is then rated on a scale of A-G.

ESIF European Structural and Investment Fund - Amalgamation of several previous EU funds to be delivered locally via a Local Enterprise Partnership (LEP).

ESTA Environmental Sustainability Technical Assistance - North West England-based project helping LEPs achieve environmental sustainability and economic growth.

ESCo Energy Supply (or Services) Company - A company with supplies heat or power or energy services to customers.

EU ETS European Union Emissions Trading Scheme - A carbon tax for very large companies and organisations.

Gyron LOW CARBON | BUSINESS GROWTH

FiT Feed in Tariff - An incentive to produce electricity from smaller scale renewable technologies.

Fuel Poverty - Measured by the Low Income High Costs definition, which considers a household to be in fuel poverty if they have required fuel costs that are above average (the national median level) and, if they were to spend that amount on fuel, they would be left with a residual income below the official poverty line.

Gasification - Heating or part combustion of materials in a low oxygen environment to produce a syngas.

GIB Green Investment Bank - Government backed bank investing in energy and low carbon projects.

Green Deal - A Government-backed financial package to pay for energy efficiency improvements to a property, which is then paid for via savings on the electricity bill.

GW Giga Watt - One thousand million Watts.

HNDU Heat Network Development Unit - A section of DECC charged with developing decentralised heat delivery networks.

Horizon 2020 - EU research and innovation programme.

Informal Cabinet - Non-public, weekly (Tuesday) discussion by Cabinet.

IPPC Integrated Pollution Prevention and Control - EU Directive covering emissions.

JEREMIE Joint European Resources for Micro to Medium Enterprises - European funding programme.

JESSICA Joint European Support for Sustainable Investment in City Areas - European funding programme.

kW Kilo Watt – One thousand Watts.

LCEGS Low Carbon Environmental Goods and Services - A sector of the economy also known as Cleantech or Greentech.

LED Light Emitting Diodes - Solid state low energy lighting.

LEP Local Enterprise Partnership - Local enterprise partnerships are partnerships between local authorities and businesses. They decide what the priorities should be for investment in roads, buildings and facilities in the area. The local LEP is known as Cheshire and Warrington Economic Partnership.

LGF Local Growth Fund – A Government fund that provides Growth Deals to LEPs) for projects that benefit the local area and economy.

NOx Nitrous Oxide - An atmospheric pollutant at high level and produced by the combustion of fuels.

MCS Microgeneration Certification Scheme - A list of pre-screened renewable energy products and installers of these products. MCS-approved products and installers must be used to be able to claim FiT and RHI.

MW Mega Watt - One million Watts.

MSW Municipal Solid Waste - Household waste.

Ofgem Office of Gas and Electricity Markets - Regulates energy markets as well as managing FiT and RHI.

ORC Organic Rankin Cycle - An electrical generation technology that uses another liquid instead of steam to drive a turbine.

PM Particulate Matter - An atmospheric pollutant at high level and produced by the combustion of fuels.

PV Photovoltaic - Solar electrical generation equipment.

Pyrolysis - Heating or part combustion of materials in the absence of oxygen to produce a syngas.

RDF Refuse Derived Fuel - A part processed fuel made from MSW.

RGF Regional Growth Fund - A fund to support the generation of jobs in the regions run via BIS and DCLG.

RHI Renewable Heat Incentive - A financial incentive to generate and use heat from renewable resources.

ROCS Renewable Obligation Certificates - The Renewables Obligation is effectively a carbon tax scheme on energy suppliers validated by 'Certificates' from renewable energy generators.

RSPB Royal Society for the Protection of Birds - Organisation concerned with the protection and promotion of wild birds.

SME Small and Medium Sized Enterprises - Firms with less than 250 employees and an annual turnover less than 50 million Euros.

SOx Sulphur Dioxide - An atmospheric pollutant at high level and produced by the combustion of fuels.

Spark Spread – The difference between the cost of the input fuel and operational expenditure of an electrical generation plant and the sale of the electricity.

SPD Supplementary Planning Document - Gives detailed advice or guidance on the policies in the Local Plan.

SPV Special Purpose Vehicle - A company delivering a specific set of goods or services. In this case companies sitting below the Energy ASDV such as Energy Supply or Geothermal.

SRF Solid Recovered Fuel - A higher specification waste derived fuel than RDF.

Supply Margin – The amount of excess energy generation capacity over energy demand at peak usage times on a national level, which the System Operator manages closely

Syngas - A flammable gas produced mainly by gasification or pyrolysis.

TEG Technical Enabler Group – Senior CEC Services Representatives who meet monthly as part of the Project Management gateway process.

W Watt - Unit of energy.

WEEE Waste Electrical and Electronic Equipment - An EU directive concerned with the management and disposal of electrical and electronic equipment at the end of its life.

WID Waste Incineration Directive - EU Directive covering combustion of wastes.

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	11th February 2015
Report of:	Executive Director of Economic Growth and Prosperity – Caroline Simpson
Subject/Title:	Disposal of Part of Redsands (Areas 1, 2 & 3)
Portfolio Holder:	Councillor Peter Raynes – Finance

1.0 Report Summary

1.1 An opportunity has arisen to bring a major high value inward investor into Cheshire East. HPL Prototype (HPLP) is seeking a new location to develop a design and engineering centre to supply services to a major customer based in the North West. HPLP supply design and engineering services to the automotive sector, developing drivable and non-drivable vehicle prototypes. The investment will create up to **70 high skilled jobs in the Borough**, deliver a major capital investment and add to the growing cluster of automotive design and engineering functions in Cheshire East.

1.2 Cheshire East Council has been in dialogue with HPLP since May 2014 working intensively to help them establish an operation in the area. The proposal is consistent with Cheshire East's ambition to attract high value investment in the automotive supply chain and will complement the Bentley Automotive's recent decision to develop a £40 million design and engineering centre in Crewe.

1.3 After an extensive site search HPLP has selected the Redsands Site, owned by the Council, as their preferred location to expand their business operation in the North West, given its ideal location their customers, and acknowledging economic opportunities that will be brought about by the Council's High Growth City ambition for Crewe and surrounding towns.

1.4 The approval of cabinet is sought to complete a direct land sale to HPLP to construct a specialised design and engineering centre, which will be used to show case cutting edge automotive concept and design to an international audience. The investment will form part of a wider regeneration programme at the Redsands site including sports, recreation and community facilities.

2.0 Recommendation

2.1 Cabinet is recommended to approve the disposal of Areas 1, 2 and 3 at Redsands as delineated red on the attached plan to HPLP on terms and conditions to be agreed by Executive Director for Economic Growth and Prosperity, in consultation with the Head of Legal Services and Monitoring Officer; and for legal services to draw the documentation for sale to HPLP in accordance with the agreed heads of terms.

3.0 Reasons for Recommendation

3.1 The Council has set out a clear vision and strategy for economic growth, which articulates the rationale and plans for increasing productivity and creating new jobs. This is based on the strong competitive advantage and track record that Cheshire East has in terms of its skilled workforce, existing business base, entrepreneurial spirit, quality of life and its national, regional and local infrastructure.

3.2 Securing the investment would add to the cluster of design and engineering functions in Cheshire East. The project will provide considerable economic benefits creating seventy new jobs, a significant capital investment and add to Cheshire East's reputation a leading centre for automotive design and engineering. This will create a platform to attract further investment from the automotive supply chain going forward.

3.3 The facility will employ approximately 70 qualified design and engineering staff. HPLP is committed to deliver a training programme with local educational providers including the University Technical College to develop the design engineers of the future.

3.4 The opportunity is consistent with the UK Government's ambition to attract investment in the automotive sector and enhance supply chain competitiveness as set out in the 'UK automotive strategy for growth and sustainability.'

3.5 The sale will be subject to planning permission, proof of funding and any further terms and conditions reasonably required by the Director of Economic Growth and Prosperity (or any officer she may nominate) and Head of Legal Services.

3.6 The proposal from HPLP, offers the greatest significant benefits to Cheshire East, as determined from recent marketing represents economic, social, educational investment in the area. The capital receipt generated will be pooled centrally.

4.0 Wards Affected

4.1 Wistaston

5.0 Local Ward Members

5.1 Cllr Margaret Simon & Cllr Jacquie Weatherill

6.0 Policy Implications

6.1 The proposal in this report relates directly to three key outcomes identified in the Council's Three Year Plan:

Outcome 1: Our local communities are strong and supportive
Individuals and families are self-reliant and take personal responsibility for their quality of life. Communities are cohesive, with a strong sense of neighbourliness. There is a genuine civic pride and mutual respect.

Outcome 2: Cheshire East has a strong and resilient economy.
Cheshire East is known as a good place to do business – we attract inward investment, there is access to a high quality workforce and our business and visitor economy grow, to create prosperity for all.

Outcome 5: People live well and for longer.
Local people have access to good cultural, leisure and recreational facilities. Care services focus on prevention, early intervention and physical and mental well-being.

6.2 The proposal aligns strongly to the Council's Economic Development Strategy and its more recently created Vision and Strategy for Economic Growth: East Cheshire Engine of the North, all of which articulates the rationale and plans for increasing productivity and creating new jobs. This is based on the strong competitive advantage and track record that the borough has in terms of its skilled workforce, existing business base, entrepreneurial spirit, quality of life and its national, regional and local infrastructure and connectivity.

7.0 Implications for Rural Communities

7.1 The opportunity is expected to benefit rural communities in equal measure in relation to the jobs created through construction and employment.

8.0 Financial Implications

8.1 Land and Property Disposal will produce revenue savings on the holding costs for the site and a capital receipt in line with the Council's Strategic Asset Management Plan.

9.0 Legal Implications

9.1 In accordance with section 123 of the Local Government Act 1972, the Council is under an obligation to obtain the best consideration reasonably obtainable upon the disposal of its property. Cheshire East Council engaged Colliers, a leading global commercial real estate company, to promote the site and received a range of offers from interested parties.

9.2 There will be a requirement to review terms of sale when they are prepared to ensure any issues regarding best value, procurement, and/or state aid are resolved. Terms of sale will also need to reflect any easements and rights for both the land to be disposed of and retained by the Council at Redsands. Issues may include rights to light/air, open space and restrictions on building use or development.

9.3 The Localism Act 2011 introduced the General Power of Competence, which allows the Council to do anything an individual can do, provided it is not prohibited by other legislation. These powers have replaced the previous wellbeing powers; however, the use of these powers must be in support of a reasonable and accountable decision made in line with public law principles.

9.4 The Council has a fiduciary duty at all times to the taxpayers and must fulfil this duty in a way that is accountable to local people.

10.0 Risk Management

10.1 The offer from HPLP has been best value bid considering the significant economic, social and educational benefits to Cheshire East. It was not the highest financial offer, and therefore there is a risk other bidders may challenge the Council's decision of preferred bidder. However, the risk is considered low as the Council is not duty bound to accept the highest financial offer, and has selected HPLP as the best value bid overall.

10.2 Disposal to HPLP would be subject to planning consent, including a change of Planning Use. The proposed scheme will be subject to the council's policies and usual determination of applications process in due course. The requirement to secure planning and arrange appropriate access will be captured in the head of terms and contract.

10.3 In transferring assets the Council must behave properly to fulfil its fiduciary duty.

11.0 Background and Options

11.1 The buildings at Redsands within areas 1 and 2 have been managed since 2009 as vacant buildings at risk. Areas 1,2,3,4 and 6 were declared surplus by the Council on 7th May 2014. Engine of the North, a wholly owned company of the council, was commissioned by the Council to openly market Area 2 of the site on a restricted basis. Area 2 was openly marketed as a 'Potential Community Use/Redevelopment/Refurbishment Opportunity' was completed by Colliers International. Deadline for the submission of offers was 5th September, 2014.

11.2 Criteria for the submission of bids included a requirement for precise proposals that included layout and accommodation schedule and details of public, community and economic benefits. There was also a requirement to provide intended use including employment creation and offer price and conditions.

11.3 Cheshire East Council received offers from 8 different parties following the market testing. In the review of the offers received and other direct interest in the site, consideration has been given the proposed use in terms of financial value, job creation, community benefit, impact upon economic, social and environment wellbeing in the area and direct benefit to key industries in Cheshire East.

11.4 HPLP, as the preferred option, require Areas 1, 2 and 3. Current Planning Policy states that it would only be acceptable to develop previously developed land at Redsands. The previously developed land at this site is included within Area 1 and Area 2. Area 3 could be utilised for Open Space Amenity. Area 5 has not been declared surplus and access is required to this area. Disposal to the preferred option would require creation of a separate access to Area 5 as the preferred option requires sole use of the existing access to the site.

11.5 In addition to this opportunity, consideration is being given to maximise the benefits of public open space to the community with additional facilities for the playing field behind the site.

12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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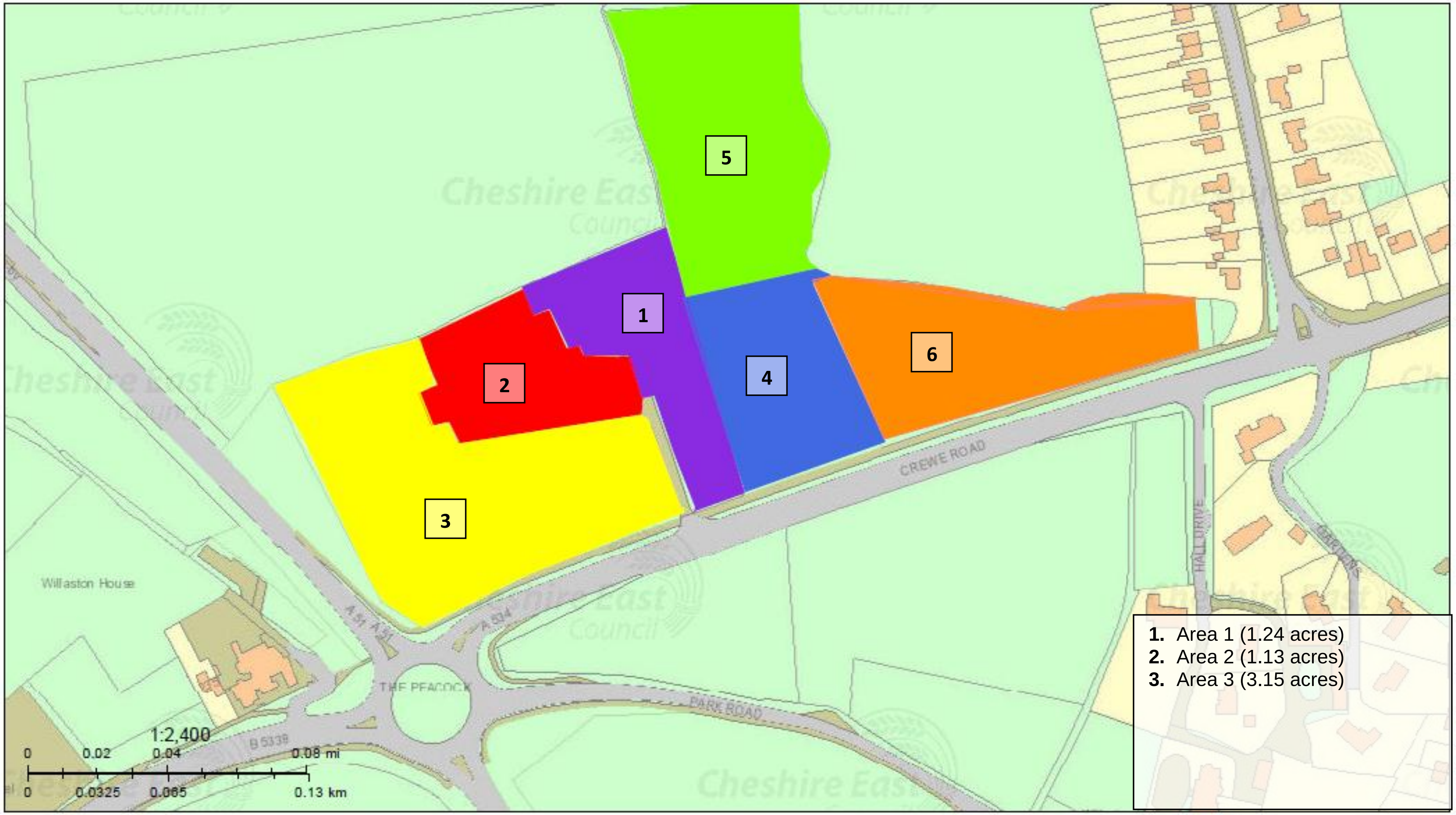
Redsands Area Map



March 26, 2014

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	11th February 2015
Report of:	Lorraine Butcher, Executive Director of Strategic Commissioning
Subject/Title:	DfT Local Highway Maintenance – Challenge Fund Bids
Portfolio Holder:	Cllr David Topping, Service Commissioning

1.0 Report Summary

1.1 This report seeks Cabinet approval to endorse the funding bids submitted in Tranche 1 of the DfT Challenge Fund (Actual bid documents to follow as an Appendix to this report). The funding will help maintain and improve existing local highway infrastructure between 2015/16 and 2017/18.

1.2 The maximum allowable bids are one £5-20M bid and one £20M+. The submitted bids will utilise our maximum allowance and will cover a major maintenance scheme on the A51 at Wardle, and a significant upgrade of our street lighting assets including column replacements and upgrades to LED lanterns.

1.3 The bids will have a positive impact on the local economy, residents and businesses within Cheshire East, by upgrading the efficiency of the street lighting asset, and improving a strategic traffic corridor.

2.0 Recommendation

2.1 That Cabinet endorse the submission of the two funding bids.

3.0 Reasons for Recommendation

3.1 The purpose of the Challenge Fund is to enable local highway authorities to bid for major maintenance projects that are otherwise difficult to fund through the normal needs allocations received through DfT. Cheshire East Council supported the idea of the Challenge Fund through the recent local highways maintenance funding consultation.

3.2 The authority's street lighting columns and lanterns are of a variable age and condition affecting the level of maintenance and efficiency of the lighting units, the older infrastructure has been recognised as being more costly to maintain. Renewal of the older columns and replacement of the lanterns with more energy efficient LED heads is already being delivered through the Council's additional highway investment, this funding opportunity allows the acceleration of this programme to cover the whole Borough.

3.3 The A51 at Wardle forms part of a strategic route for Cheshire East between the M6 motorway Junction 16 and Nantwich / Chester / North Wales/ Ireland. Over a period of years there has been a steady failure of the highway retaining embankment that runs adjacent to the Shropshire Union Canal at this location and there are clear signs that the carriageway is destabilising and slipping towards the canal. The area of interest for this major maintenance scheme is located between the villages of Barbridge and Calveley where the road travels alongside the Shropshire Union Canal, the total scheme length is approx 2 miles.

4.0 Wards Affected

4.1 All Wards are affected by the proposal.

5.0 Local Ward Members

5.1 All Ward Members are affected by the proposal.

6.0 Policy Implications

6.1 The bids will actively contribute to the delivery of the Cheshire East Council Three Year Plan outcomes:

- Outcome 2: Cheshire East has a strong and resilient economy
- Outcome 4: Cheshire East is a green and sustainable place

7.0 Financial Implications

7.1. To ensure strong local commitment the bids require a minimum of 10% local funding. In the case of the Street Lighting bid we will have more than 10% allocated for 2015/16 which we can include – the bid would be delivered over a three year programme and the local funding can be allocated in any year so we will be able to demonstrate the strong commitment being sought.

7.2. The second bid at Wardle will require around £1M local contribution, which will be funded from the highway capital budget. These works will require a 4-6 month closure of the A51 to complete, delaying could have a major impact on local businesses if the road failed with no funding secured.

8.0 Legal Implications

8.1 Regarding the power to apply for and receive and make use of funding for the purposes for which it is granted, then apart from any particular power to do so in any highways legislation, the general power of competence contained in Section 1 of the Localism Act 2011 would allow this; moreover, Government has invited applications for this funding.

8.2 Grant funding is usually made subject to conditions on the use of and timing of spend and may be subject to the completion of a funding agreement which may include monitoring and reporting conditions so that DfT can monitor the progress of the projects. The actual conditions of payment of the grant (and whether the DfT will seek to reclaim payments via clawback provisions) are not known at this stage. However, DfT have stated that they will not be liable for any overruns in costs or for delivery slippage such that any costs incurred over the DfT's agreed maximum or any spend incurred following the 31st March 2016 would be borne by the Council.

8.3 If the Council intends to tender for services using the grant funding then the Councils Contract Procedure Rules part E and the Public Contracts Regulations 2006 apply and compliant procurement processes will need to be followed.

9.0 Risk Management

9.1 The major risk lies in the delivery of the street lighting proposal. The 3 year programme is ambitious given the scale of the task, however discussions with our Integrated Service Provider, Ringway Jacobs, and our supply chain partners have allowed us to develop a delivery programme which meets the DfT requirements.

10.0 Background and Options

10.1 The Council's street lighting upgrade proposal will be delivered in the medium to long term, however the bid allows us to accelerate this and achieve the added reliability, revenue savings, and carbon reductions at a much earlier stage.

10.2 Previously the A51 at Wardle has been maintained to eliminate the immediate danger caused by the cracking. This has been achieved through resurfacing those sections with the worst affected cracking. This activity has not dealt with the root cause and is only a short term fix which has lasted for a couple of years before the cracks have reappeared and dropped to a level causing a danger to the travelling public. In order to prevent future movement the embankment will require substantial strengthening for the majority of the length where the road is located next to the canal. This will be achieved through the installation of a row of sheet piles driven through the embankment into the lower ground locking the embankment in place. Due to the lower levels of the road foundation being compromised and weakened it is proposed to fully reconstruct the carriageway from the foundation up.

11.0 Access to Information

11.1 The background papers relating to this report can be inspected by contacting the report writer:

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting:	11th February 2015
Report of:	Dr Heather Grimbaldeston, Director of Public Health
Subject/Title:	Commissioning of 0-19 Healthy Child Programme in conjunction with NHS England (Ref CE 14/15-28)
Portfolio Holder:	Cllrs Janet Clowes, Care and Health in the Community and Rachel Bailey, Safeguarding Children and Adults

1 Report Summary

1.1 This report outlines the significant opportunities that have arisen to put residents first in the re commissioning of 'healthy child' services for children and young people (aged 0 – 19 years), to enhance the public health services delivered to children and improve the outcomes for children .

- The funding and responsibility for commissioning for, 5 – 19 years health services (school health and National Child Measurement Programme - NCPM) transferred from the Central & Eastern Cheshire Primary Care Trust to the Council on April 2013.
- The funding and commissioning of 0 – 5 years services (Health Visiting and Family Nurse Partnership) remained with the NHS (NHS England). Both will transfer to Cheshire East Council in October 2015.
- In conjunction with NHS England school health (and NCMP), health visiting (and Family Nurse Partnership) are to be re commissioned by Cheshire East Council as lead commissioner.
- The indicative financial allocation for the commissioning of children's 0 – 5 public health services (Health Visiting and Family Nurse Partnership)is £2,353,000 for the period October 2015 – March 2016 (DoH December 2014). The allocation will be confirmed in 2015.
- Additional public health services are also to be re commissioned at the same time, to support child health, namely, a targeted breastfeeding service (Cheshire East Council commissioned and funded service) and a childhood vaccinations and immunisations service for school aged children. The childhood vaccinations and immunisations service will be procured by the Council on behalf of NHS England. This service will be funded by NHS England and the contract held in the name of NHS England.

- Evidence indicates that early intervention during pregnancy and support in early childhood are beneficial to the long term health and wellbeing of the child. Early intervention is also important in reducing health inequalities and maximising opportunities in later life.

- There are opportunities to link and align existing Children's strategy, policy and services across the council and local NHS to promote integration.

Appendix 1 outlines the commissioning responsibilities for children's services across Local Authorities and the NHS.

Cheshire East Council	**NHS England**
Contract 1 5 – 19 years school health Including National Child Measurement Programme £1.1m to £1.3m per year over five years **Contract 2** Breastfeeding £60k per year	**Contract 3** 0 – 5 years health visiting including Family Nurse Partnership approx. £4.3m per year (future CEC contract) **Contract 4** 5 – 19 years Vaccinations & Immunisations (on going NHSE contract)

1.2 This report summarises the work undertaken to date and sets out the procurement arrangements for securing the new services. It considers the risks the Council faces as a consequence of this re commissioning work.

1.3 With regard to the services already being commissioned by Cheshire East Council from April 2013, a continuation of existing contractual arrangements, for 2014/15 and 2015/16, was agreed by Cabinet on 4/2/14.

1.4 Guidance on the commissioning of 0 – 19 year 'healthy child' services is outlined in two DH publications (PH in Local Government Commissioning Responsibilities December 2011, and a Commissioning Fact Sheet for Clinical Commissioning Groups July 2012).

1.5 Reviews of Cheshire East Commissioned services have taken place during 2013/14 and 2014/15. This has included surveys and events with users and stakeholders and stakeholder events. NHS England have led the review of 0 – 5 services.

2 Recommendations

2.1 That Cabinet note that an EU compliant procurement exercise to identify a preferred supplier for the public health services for 0-5 years (health visiting), breastfeeding, 0 – 5 years (school health) and 5 – 19 years Vaccinations & Immunisations is being undertaken. It is currently on schedule to be completed with new services in place by 1 September 2015.

2.2 That following the prescribed procurement process the authority will enter into contracts (two separate contracts) for 5 - 19 years' service, including the National Child Measurement Programme and for breastfeeding with one or two suppliers. The authority to enter into contract should be delegated to the Portfolio Holders, the Director of Public Health and Executive Director of Strategic Commissioning.

2.3 That Cabinet note and agree that the 0 - 5 years contract, including Family Nurse Partnership which is being procured by the Council but entered into by NHS England, will be transferred to Cheshire East Council in October 2015 (in line with national guidance when responsibility for the service transfers to the Council).

2.4 That Cabinet note the following:

- the breastfeeding contract whilst under £500k has been included in this work to secure the same provider as 0 - 5 years and
- the vaccinations and immunisations contract has been included in this work to secure the same provider as 5 - 19 years service. This contract for this service will remain with NHS England.

3 Reasons for Recommendations

3.1 Strategic Review of Services and Consultation

3.1.1 Government guidance on the provision of the Healthy Child Programme and the School Nurse Service is contained in the following documents:

- DH & DCSF Healthy Child Programme 5 – 19 years 2009

http://webarchive.nationalarchives.gov.uk/20130107105354/http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_108866.pdf

- DH & PHE Maximising the school nursing team contribution to the public health of school-aged children - Guidance to support the commissioning of public health provision for school aged children 5-19 April 2014

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/303769/Service_specifications.pdf

3.1.2 This guidance, along with interviews with current School Health Teams and a questionnaire survey to all schools in Cheshire East regarding current services formed the basis of a stakeholders survey (interested bodies) and a survey to users (parents & children). Two stakeholders event have been held along with attendance at a number of student and pupil group sessions to discuss the development of the service. There has been a good response to both the stakeholder survey and user survey and attendance at local events. See Appendix 2

3.1.3 An Equality Impact Assessment has been undertaken and groups outside of the current service i.e. those not attending state schools (e.g.16 – 19 year olds not attending a school, independent school pupils) and those with limited service (e.g. special schools, Youth Justice, travellers) have been identified. These groups were included in the questionnaire survey and will be specifically highlighted in the service specification as requiring targeted service provision, marketing and involvement in future service development .

3.2.4 In regard to Health Visiting, NHS England and the local Public Health Team have consulted with local stakeholders and service users to ensure this national service specification meets local needs.

3.2 **Service Specification development**

3.2.1 The national guidance, pre engagement work, feedback from the informal engagement work, confirmation of commissioning intentions from the formal consultation, the local intelligence detailed in the JSNA and Annual Public Health Report 2013-2014 and the Cheshire East Children and Young People's Plan 2015 – 18 (and related documents) is to be used to inform the service specifications. Specific input has also been received from fellow commissioners - South Cheshire CCG, Eastern Cheshire CCG, NHS England and Children & Families Directorate, Cheshire East Council.

Coordination with other children's services (run by the Council or NHS), and other relevant Public Health commissioned services (e.g. sexual health, drug misuse), will be specified in the service specification.

3.2.2 The Breastfeeding Service specification was up dated in the past year so will not be refreshed.

3.2.3 The 0 – 5 years service specification follows the core national specification which is evidenced based and has been consulted upon nationally. Local additions have been added from information gathered during this consultation and local Plans.3.2.3

3.2 4 The Service Vision is as follows:

To provide a universal public health service to all Cheshire East residents aged 0 - 19 years throughout the year and to build on the good outcomes already achieved by Public Health Services in Cheshire East

3.2.5 **Service Requirements in summary are as follows:**

5 – 19 years

- Provision of a lead provider to ensure coordination across all aspects of the service(School Nursing Mandated National Child Measurement Programme and NHS England's commissioned services for vaccinations and immunisations)

- Aspire to commission the 5 – 19 year service from the same provider as 0 – 5 year service (hence the joint work and timetable). However, two separate contracts will be agreed in this commissioning round with a view to consolidating the contracts in the next round (when CEC will hold full commissioning responsibility for both services)

- Year round service
- Accessible to all 5 – 19 year olds
- School and community based
- An emphasis on prevention and early detection, targeting those most in need and addressing priority issues identified through the Joint Strategic Needs Assessment, Annual Public Health Report 2013- 14 and the Cheshire East Children and Young People's Plan 2015 – 2018
- Providing public health services through the four tiers specified in national guidance with safeguarding provision at all stages:
    - community (interaction with other community health services at a universal level),
    - universal services (Healthy Child Programme through health talks, drops ins, health checks etc),
    - universal plus (responding quickly to individual health needs and worries)
    - universal partnership plus (ongoing support to children in conjunction with other services)
- Working in conjunction with other children's services (Council, NHS and others) and in particular other public health commissioned services e.g. sexual health, drug and alcohol, health visiting, stop smoking. Mental health and emotional well being has been identified as a priority area in Cheshire East – JSNA, Annual Public Health Report ,
- Development of the service to ensure young people not currently receiving a service are made aware of the service and that it is accessible to them in an appropriate way
- A service supported by up to date technologies for record keeping, data collection, communications with users and dissemination of health information
- Provision of the mandated National Child Measurement Programme

Breastfeeding

- Targeted breastfeeding service
- Community based in areas of low breastfeeding rates
- Provides advice and practical support within community breastfeeding groups "Cherubs", at home and using the "Cherubs of Cheshire" web site

0 – 5 years and Vaccinations & Immunisations (for School aged Children)

These services will follow the national core service specification set out by NHS England but with local additions gathered during commissioning consultation.

3.6 **Market Engagement**
Initial contact was made with the market via the Chest and a marketing event was held during December 2014.

3.7 **Procurement Preparation and Timeframe**

The key procurement dates of note are:

OJEU Notice 4th February 2015

ITT application close 16th March 2015

Contract award 20th April 2015 (subject to confirmation on the rules on Purdah)

New Contract Start 1st September 2015

3.8 **Evaluation Panel Proposal**

The Evaluation Panel for the ITT stage will be:

- Public Health - Consultant
- Public Heath - Lead Commissioner
- Children and Families – Lead Commissioner
- CCG - one representative from each CCG
- Service User voice – we are working closely with the Children's Society Young Advisors Project to ensure young people are fully involved in the evaluation process
- NHS England – 2 Representatives from NHS England (commissioning, finance, nursing)

Public Health Category Manager – would administer the panel process

4 Wards Affected

4.1 All

5 Local Ward Members

5.1 All

6 Policy Implications

6.1 PH responsibilities for commissioning 5 – 19 year health services noted in 1 of this report.

7 **Implications for Rural Communities**

These services are universal services which are available to all children and young people aged 0 – 19 years and therefore are provided to all rural communities including all schools.

8.0 **Financial Implications**

8.1 The current cost of the 5 – 19 year health services, commissioned through the block contracts with local CCGs is £1.1m. The service is currently provided by East Cheshire Trust with Cheshire & Wirral Partnership Trust providing a service to three primary schools to the south west of the area.

8.2 The commissioning of a service throughout the year and to all 5 – 19 year olds will require increased investment in the service. However, it is expected that a newly commissioned service will embrace smarter ways of working including the use of new technologies to offset some of the increase. The intention is to set an upper limit for the re commissioning of this service at £1.35m per year (over a 5 years' service contract this would be up to £6.75m).

8.3 The current cost of breastfeeding service is £60K per annum and it is the intention that this should continue to be the contract price (upper limit) (over a five year contract this would be up to £300k).

8.4 The 0 – 5 years service will be approximately £4.3m. The final cost will be determined through the Public Health allocation (ring fenced) to be announced in January 2015. Over five years this would be approximately £21.5m. The Childhood vaccinations and immunisations service costs will remain with NHS England.

8.5 Suppliers will be assessed on a number of financial ratios to ensure that there are limited risks involved. The financial assessments include liquidity checks to ensure that they have a healthy cash position, receivables and payables checks (which will establish whether they pay and receive cash in a timely manner) and a contract as a percentage of turnover check to ensure it is not above their current operation levels.

9 **Legal Implications**

9.1 The Council has a statutory duty under the Health and Social Care Act 2012 for various public health functions including the Healthy Child Programme for school-age children which includes school nursing. In October 2015 responsibility for aspects of 0-5 year's provision will transfer to the Council.

9.2 The Council and NHS England are collaborating in commissioning the services and a Memorandum of Understanding to govern the parties relationship and responsibilities during the procurement process has been drafted and will need to be agreed and completed prior to commencement of the procurement process.

9.3 The appointment of a supplier for these services must adhere to the Public Contracts Regulations 2006. An EU compliant procurement process is being undertaken with the assistance of the Procurement Unit and Legal Services.

9.4 An Equality Impact Assessment was conducted to inform the consultation and engagement work for Cheshire East commissioned services and the final service specification.

9.5 The contractual terms will be for an initial period of 3 years with a commencement date of 1 September 2015. The 0-5 years services contract will be in the name of NHS England and will be transferred to the Council in October 2015 (when responsibility for the services transfers). There will be an option of up to a maximum of a further two years extension within each contract. The contracts will be drafted by Legal Services.

9.6 Due consideration will be given during the procurement process of any implications arising from the potential transfer of staff pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) and the potential application of Fair Deal guidance.

10 Key Performance Indicators

10.1 Key Performance indicators are being developed to show the contribution the services will make towards the Public Health Outcomes Framework. These include reducing pupil absence, reducing under 18 conceptions, improving emotional wellbeing of looked after children, reducing self-harm. This data will be used in the Joint Strategic Assessment to inform the prioritisation and future work of the service.

10.2 Activity data will be collected to show take up of key parts of the services.

10.3 The quality of National Child Measurement Programme data is reported upon nationally and includes data quality and up take rates to indicate robustness of data.

11 Risk Management

11.1 Procurement time line risks - the timeline has been determined to maximise the transition time between contract award and contract commencement to ensure a managed process as far as is reasonably possible. Time line progress will be monitored and managers alerted to any matters of concern as early as possible if support and assistance is required.

11.2 Current service risk - As the procurement process commences there may be an impact on service delivery and performance. Rigorous attention to achieving KPI’s and maintaining open communications with existing providers to address concerns/risks at an early stage will continue to mitigate the risk.

11.3 Transitions risks - once the official award letter and notification occurs (April 2015), there will then be an increased risk of current service providers failing to deliver services. This will require capacity to be allocated by the successful lead supplier to work with PH commissioning and procurement officers to manage the transition and mitigate the risks presented on a weekly basis.

11.4 First stages of contract implementation - during the first part of the contract term there is a risk that performance of the service could be adversely affected due to the turbulence a major change in service arrangements brings. The service specification has identified the need for a system performance lead who would work with commissioners and PHE to mitigate risks in this area during the early stages of the contract. KPIs will be agreed as part of the tendering process.

11.5 The joint work with NHS England is a potential risk if the Memorandum of Understanding is not adhered to.

12 Background and Options

12.1 The funding and responsibility for commissioning for, 5 – 19 years health services (school health and National Child Measurement Programme - NCPM) transferred from the Central & Eastern Cheshire Primary Care Trust to the Council on April 2013. The funding and commissioning of 0 – 5 years services (Health Visiting and Family Nurse Partnership) remained with the NHS (NHS England). Both will transfer to Cheshire East Council in October 2015.

12.2 All current public health services for 0 - 19 years are provided by East Cheshire Trust with the exception of school health provided by Cheshire & Wirral Partnership Trust to three primary schools – Bickerton, Bunbury and Calverley.

12.3 An agreement by Cabinet on 4th February 2014 requires Cheshire East commissioned services to be re commissioned. It is considered sensible by NHS England to re commission 0 – 5 public health services at the same time ready for transfer to Cheshire East Council in October 2015.

12 Access to Information

12.1 The background papers relating to this report can be inspected by contacting the report writer:

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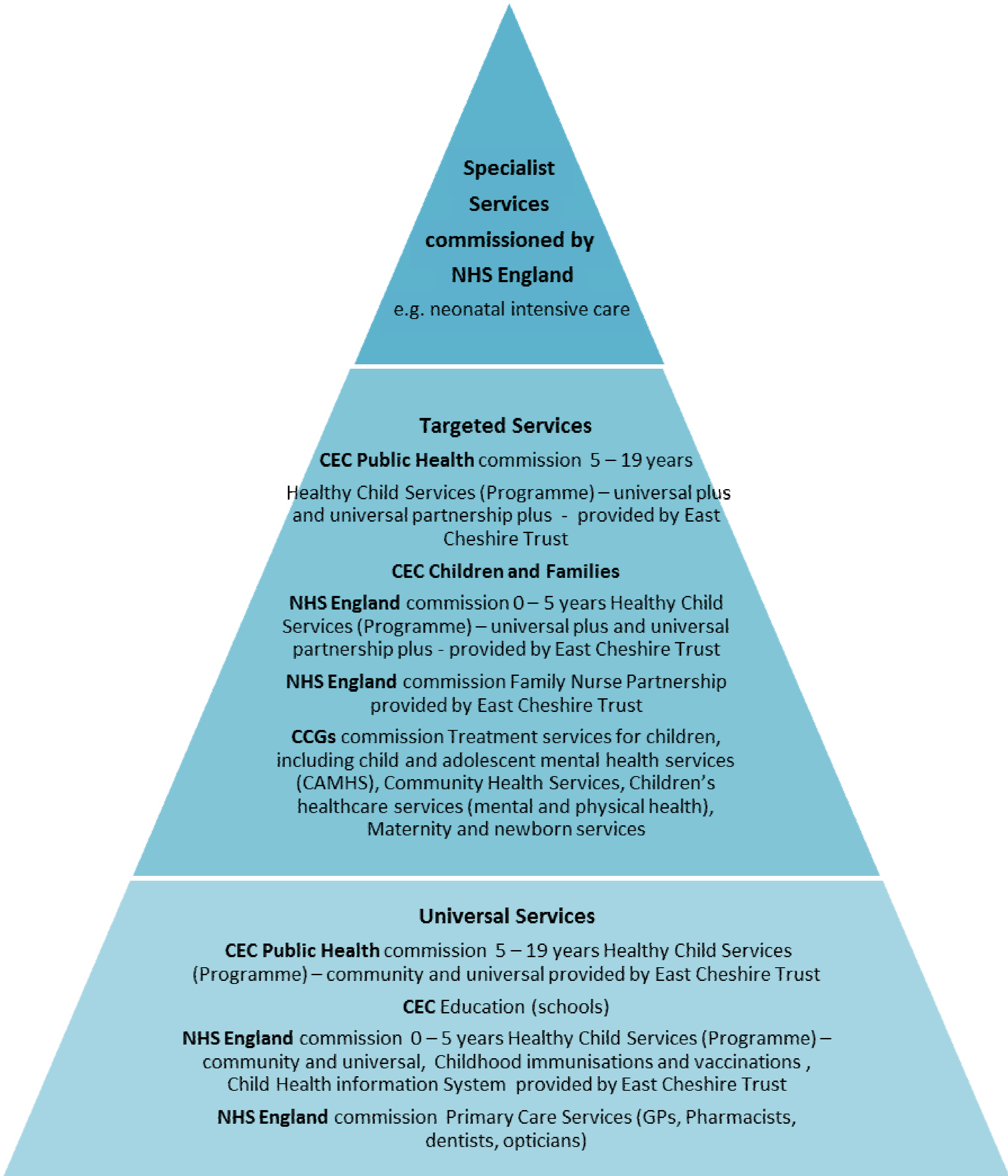
Appendix 1 **Commissioning Landscape for Children's Services**

Re commissioning taking place as outlined in this paper



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Appendix 2 Outcomes to stakeholder and user surveys

5 – 19 years Stakeholder Survey
Surveys were sent out to local stakeholders including schools, colleges, NHS bodies and other interested parties. Two stakeholder events were held. We had a good response to the survey and events. 23 Organisations and six Individuals responded to the survey including six GP Practices, both local CCGs, three local NHS Trusts, six schools including one independent, one local college, two Cheshire East Council departments and one independent sector organisation. The two stakeholder events attracted schools, CCGs, council departments, college, voluntary sector, local NHS Trusts, and a local GP.

There was overall support for the proposed service model with some useful suggestions that we will incorporate for example on the mid teen review, working with other services. There were a number of comments on the future role of school nursing on safeguarding. These have all been noted and further discussions with relevant parties have been initiated.

The full report can be found at:

2015-01-15 School Health User Survey.pdf

Stakeholders have received a copy of the report and further comments were invited during December and January

5 – 19 years User Survey

The user survey was completed by over 400 recipients, both young people and parents. The survey and discussions with young people indicated that use and awareness of the service was low but that they would use such a service in the future and would welcome a service after school but not during the holidays (a service during holidays will be commissioned in the light of national guidance and good practice but will be kept under review) .

The 'top 6' areas of importance to users are – in order of importance of users - minor injuries, emotional feelings, school absence due to illness, mental health, healthy eating and healthy weight.

A majority of parents of primary school children felt that all results of the National Child Measurement Programme should be sent to parents.

In response to questions on how to communicate with the service email was the preferred method by both parents and young people. Finally, there was a clear cut winner for re-naming the service of the options presented – "Children and Young Peoples' Health Service". However there were also lots of other suggestions and further discussions will be needed on the future name.

The full report can be found at:
http://www.cheshireeast.gov.uk/council_and_democracy/council_information/consultations/consultations_results.aspx

Breastfeeding Survey
A user survey at the Children's Centre receiving the current targeted breastfeeding service recorded that mother's considered the service as high quality.

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CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting: 11th February 2015
Report: Interim Head of HR & OD
Subject/Title: Pay Policy Statement 2015/16
Portfolio Holder: Cllr Barry Moran, Performance

1.0 Report Summary

1.1 Section 38 of the Localism Act 2011 requires local authorities to produce a Pay Policy Statement by 31 March on an annual basis. Regard is to be given to any guidance from the Secretary of State in producing this statement and the Local Government Transparency Code 2014.

1.2 The Pay Policy Statement for 2015/16, which reflects the position as at 1st April 2015, is attached at Appendix 1.Significant changes since last year's Statement are outlined in Section 10 of this summary report.

2.0 Recommendations

2.1 That the Pay Policy Statement for 2015/16 be considered by Cabinet and a recommendation of approval made to Full Council (26th February) for adoption on 1st April 2015.

2.2 That the key changes since the 2014/15 Pay Policy Statement be noted as outlined in Section 11 of this covering report.

2.3 That Staffing Committee have been consulted on the Pay Policy Statement and have noted the paper.

3.0 Reasons for Recommendations

3.1 A Pay Policy Statement has been required to be produced annually since 2012/2013 under Section 38 of the Localism Act 2011. Local Authorities must have their Pay Policy Statement approved by full Council and published on their web site no later than the 31st March prior to the financial year to which it relates.

4.0 Wards Affected

4.1 Not applicable.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications

6.1 Any decisions relating to the pay and remuneration of Chief Officers must comply with the Pay Policy Statement in place at the time for that financial year and, whilst the Statement can be amended in year should the need arise, changes are subject to the approval of full Council.

7.0 Implications for Rural Communities

7.1 Not applicable.

8.0 Financial Implications

8.1 There are no direct financial implications associated with approving the updated Pay Policy Statement 2015/16 and no budgetary adjustments are proposed specifically in relation to this report as changes to the Senior Management Structure have been taken into account in preparing the budget for 2015/16.

9.0 Legal Implications

9.1 The Council is required to produce and publish a Pay Policy Statement, agreed by Council each year, under Section 38 of the Localism Act.

9.2 In addition the local Government transparency Code 2014 requires information on organisational chart, senior salaries and pay multiples to be published annually not later than 2nd February 2015 and thereafter not less than annually and not later than one month after the year to which the data and information is available.

9.3 This report and accompanying draft Pay Policy Statement, with associated links, once approved and adopted, ensures that the Council complies with these requirements.

10.0 Risk Management

10.1 If the Council does not follow specific aspects of the guidance issued by DCLG and therefore not achieve appropriate levels of openness and accountability it can take steps to require us to adapt particular policies.

10.2 It should also be noted that the DCLG has had a tendency to issue revised guidance in late February each year which could cause problems for the Council as our policy could be approved by then. If this is the case this year a delegation from Council can be gained to amend the policy if advice is received which will require the policy to be reviewed after approval.

11.0 Background and Key Updates

11.1 The purpose of the pay policy statement is to increase accountability, transparency and fairness with regard to the Councils approach to pay with particular focus on its Chief Officers.

11.2 The pay policy statement 2015/16 has been amended in line with the local Government Transparency Code 2014 and the LGA guidelines. Linked to this a shorter pay policy statement has been developed which focuses on the broad principles and policies regarding pay and has links to various statistic data available elsewhere on the Councils website via the Transparency portal and associated policies. This shorter pay policy statement aims to be user friendly for public consumption and should require minimal updates each year. The associated links to further information will be updated as appropriate.

11.3 Minor changes in terms of content since the last pay policy statement are as follows:

- Section 4, paragraph 1 - the wording relating to Council approval for a salary package exceeding £100,000 has been amended to reflect the revised guidance

- Section 4, final paragraph – has been added to cover the use of interim support to provide cover for Chief Officer posts where appropriate

- Sections 10 and 12 - when developing the links to supplementary information the Local Government Transparency Code 2014 stipulates what information must be provided in the following areas (appendix 2):

    - Organisation chart
    - Senior salaries
    - Pay multiple

11.4 For information, appendix 3 is a summary of the content and information a Pay Policy Statement should include.

12.0 Access to Information

12.1 The background papers relating to this report can be inspected by contacting the report writer:

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Appendix 1: Pay Policy Statement 2015/2016

Pay Policy Statement 2015/16

1. Introduction and Purpose

Under Section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit". This Pay Policy Statement (the 'statement') sets out the Council's approach to pay policy in accordance with the requirements of Section 38-43 of the Localism Act 2011 and due regard to the associated Statutory Guidance including the Supplementary Statutory Guidance issued in February 2013. It also takes into account the recent guidance issued under the Local Government Transparency Code 2014 in relation to data on organisation structure, salaries and decision making.

The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its senior employees (excluding teaching staff and employees working in local authority schools) by identifying:

- The methods by which salaries of all employees are determined;
- The detail and level of remuneration of its most senior employees i.e. 'Chief Officers', as defined by the relevant legislation;

"Remuneration" for the purposes of this statement includes three elements - basic salary, pension and all other allowances arising from employment.

Additionally the definition of Chief Officer as defined by the Local Government Housing Act 1989, for the purposes of this statement and in line with recommendations from the Secretary of State, includes the Head of Paid Service and Statutory Officers as well as those who report directly to them (non-statutory Chief Officers) and their direct reports.

Once approved by full Council this policy statement will come into immediate effect and will be subject to review on an annual basis.

2. Background

In determining the pay and remuneration of all of its employees, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

The Council complies with all relevant employment legislation. This includes legislation such as the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, Fixed Term Workers Regulations 2002 and, where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations. The Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of job evaluation mechanisms and the application of key criteria, which directly establish the relative levels of posts in grades according to the requirements, demands and responsibilities of the role.

3. Pay Structure

3.1 Principles

There are a number of overriding principles which govern the Council's senior management reward policy:

- The policy will be affordable; with reward being commensurate with individual and corporate performance.
- Reward policy for senior post-holders will be transparent, clearly defined and readily understood.
- The policy will offer the flexibility to reward for job size, capability, performance (objectives and behaviour), and market rates (where relevant, with evidence).
- Reward for senior roles will be fair and proportionate to reward for the wider workforce.

3.2 Reward components

Reward will comprise basic salary, an annual incentive and a range of benefits. The components are described as follows:

- **Basic salary (Achieving Rate)**: this is guaranteed fixed cash remuneration, paid monthly. The level of basic salary is contractual.
- '**Exceeding' Performance Award**: this may paid monthly or as a lump sum annually with basic salary for the previous year's performance. After the year it is withdrawn unless re- earned. This element is pensionable.

- **Benefits**: the Council provides a range of benefits, many of which are guaranteed and form a part of the contract of employment. The principal benefits are holidays and pension scheme membership.

3.3 Job Evaluation and Banding

The Council uses the Hay Group job evaluation to position roles into the Cheshire East Senior Management bands. The bands are linked to Hay Job Evaluation points ranges which have been determined as part of the Councils operating model.

Table 1

Cheshire East Council pay band structure 2014/15
Manager
Senior Manager
Director
Executive Director

3.4 Pay structure

This defined pay structure determines the salaries of senior managers on JNC (Joint National Council for Local Government Services). All other jobs are evaluated under the national Job Evaluation Scheme and the evaluated job scores will equate to a pay band on the Council's salary scale.

Each grade within the senior management population has an achieving rate and the potential for a defined exceeding performance award, within each role. The defined pay structure which determines the salaries of senior managers who are on JNC conditions of service can be seen by accessing the senior manager pay structure LINK 1.

The range of conditions of service for employees who are outside of this pay and grading structure are available by accessing this LINK 2.

4. Recruitment of Chief Officers

The Council's policy and procedures with regard to recruitment of Chief Officers is set out in the Councils Constitution and Scheme of Delegation and is undertaken by an appointment panel in accordance with Constitutional arrangements. Full Council approval will be sought for the establishment of a role on a salary package exceeding £100,000.

When recruiting to all posts the Council we will take full and proper account of all provisions of relevant employment law and its own Recruitment Policy and Procedure, Disability at Work Commitment, Mindful Employer, Redeployment Policy and Procedure and Equality in Employment Policy.

The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment and in line with this Pay Policy Statement. New appointments will normally be made at the achieving rate for the grade, although this can be varied on an exceptional basis where necessary to secure the best candidate and will take into account the appointee's existing pay and their relevant experience and qualifications taking account of equal pay within the Council.

From time to time it may be necessary to take account of the external pay levels in the labour market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using data sources available from within the local government sector and outside, as appropriate. Any such payments will be reviewed at regular intervals to ensure their ongoing suitability and appropriateness.

Where the Council is unable to recruit chief officers, or there is a need for interim support to provide cover for a substantive chief officer post, the Council will, where necessary, consider engaging individuals under a contract for service. These will be sourced through a relevant procurement process ensuring the Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. In assessing such it should be noted that in respect of such engagements the Council is not required to make either pension or national insurance contributions for such individuals.

5. Additions to Chief Officer's Salaries

The following payments can be applied to Chief Officers' salaries:

- Returning and Deputy Returning officers Fees
- Travel Allowances and Expenses
- Green Salary Sacrifice Lease Car Scheme
- Relocation Expenses
- Professional Fees and Subscriptions

Details of these schemes and payments made as appropriate can be seen on the attached salary additions LINK 3.

6. Local Government Pension Scheme

Details of the pension scheme, the discretions exercised, contribution bands, actuarial rates, and discretions policy application can all be found on the pensions LINK 4.

7. Redundancy Payments and Payments on Termination

The Council has a Redundancy scheme which is applicable to all employees is based on the state formula, plus any payment in lieu of notice where applicable and payment for any leave for employees leaving the Council's employment with accrued leave which by agreement is untaken at the date of leaving.

The Voluntary Redundancy Scheme is also applicable to all employees. Employees who leave on grounds of voluntary redundancy will normally be entitled to receive a redundancy payment in accordance with the statutory formula but based on the employee's actual week's pay plus an additional severance payment of 0.8 times the statutory payment, bringing the total payment to 1.80 times the statutory formula and up to a maximum of 50 week's pay. This will be reviewed during 2015. The Council reserves the right to change all discretionary elements.

The Council's approach to statutory and discretionary payments on termination of employment of Chief Officers, prior to reaching normal retirement age, is set out within the Redundancy Policy and Procedure and for those eligible for retirement, in the Retirement and Severance Policy and are in accordance with the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006. All payments under this section are subject to the approval process set out in the Redundancy Policy and Procedure.

8. Severance and Retirement on Grounds of Efficiency

In line with the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006, the Council also operates a voluntary scheme to facilitate early retirement or severance on grounds of efficiency to enable the Council to continue to achieve effective use of resources and provide value for money.

9. Settlement Agreements

The Council uses settlement agreements as a matter of course for all voluntary redundancies/severances and this applies to all employees, including Chief Officers. The use of standard settlement agreements on this basis minimises any risk of future claims against the Council and can ensure that any threatened or pending legal proceedings and their associated legal costs can be avoided.

10. Pay Multiplies

The Council publishes a wide range of information to meet the Transparency code requirements and beyond and has used the recommended formulae in the code guidance and LGA guidance. The range of pay multiples data can be accessed on this LINK 5.

11. Re-employment or re-engagement

Any decision to re-employ an individual (including Chief Officers) already in receipt of a Local Government Pension (with same or another local authority) will be made on merit, taking into account the use of public money and the exigencies of the Council.

Former Cheshire East/ Legacy Authority employees who left their employment on grounds of voluntary retirement or severance will not be re- employed or re-engaged in any capacity, except in truly exceptional circumstances and subject to the agreement of the Head of Human Resources & OD in consultation with the Leader and the relevant portfolio holder. Re-engagement includes all types of contractual relationships whether they are a contract of employment, contract of service etc. and whether the individual is appointed as an employee or engaged as an interim, direct consultancy or via an agency or other supplier.

12. Organisation Chart

The attached organisation chart shows all senior posts which comprise the top three levels of the Council. The attached LINK 6 shows details of all jobs that are currently paid £50,000 per annum or above in the Council.

13. Publication and access to information

Upon approval by Full Council, this statement will be published on the Councils website. Additionally, in line with Code of Practice and Accounts & Audit Regulations, salary allowances and bonus compensation and employers pension contributions will be published for:

a) Senior employees whose salary is £150,000 or more (who will also be identified by name)
b) Senior employees whose salary is £50,000 or more.

Prepared by:	HR Strategy and Policy Team
Date:	27th January 2015
Review date:	January 2016

Annex 1 - Links

All of the relevant policies and procedures as referred to in the Pay Policy Statement can be found using the LINKS below. (under development).

Link 1 - senior manager pay structure

Link 2 - pay and grading structure for staff on NJC

Link 3 - additions to Chief Officer's salaries

Link 4 - local government pension scheme

Link 5 - pay multiplies

Link 6 - officers paid above £50,000

Intranet links to the further relevant policies and procedures:

Payment of Market Supplements

Pay and Allowances Policy

Pensions Discretions Policy

Redundancy Policy ***and*** Procedure

Retirement and Severance Policy

Recruitment Policy ***and*** Procedure

Disability at Work Commitment

Mindful Employer

Redeployment Policy ***and*** Procedure

Equality in Employment Policy

Relocation Expenses Policy

For those trying to access copies of policies via www.cheshireeast.gov.uk please contact HREnquiries@cheshireeast.gov.uk to request copies of the policies.

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Annex 2 – Organisation Structure (27 January 2015)

Cheshire East Council
Senior Management Team

- **Chief Executive** – Achieving Salary: £150,000; Exceeding Salary: £160,000
  - **Corporate Manager Communications and Media** – Achieving Salary: £60,000; Exceeding Salary: £65,000
  - **Executive Director of Economic Growth and Prosperity** – Achieving Salary: £110,000; Exceeding Salary: £120,000
    - **Head of Strategic and Economic Planning** – Achieving Salary: £70,000; Exceeding Salary: £75,000
    - **Visitor Economy Culture and Tatton Park Manager** – Achieving Salary: £60,000; Exceeding Salary: £65,000
    - **Head of Assets** – Achieving Salary: £65,000; Exceeding Salary: £70,000
    - **Head of Investment** – Achieving Salary: £70,000; Exceeding Salary: £75,000
    - **Head of Strategic Infrastructure (50% LEP)** – Achieving Salary: £65,000; Exceeding Salary: £70,000
  - **Chief Operating Officer (Section 151 Officer)** – Achieving Salary: £110,000; Exceeding Salary: £120,000
    - **Head of Legal Services (and Monitoring Officer)*** – Achieving Salary: £75,000; Exceeding Salary: £80,000
    - **Head of HR and OD** – Achieving Salary: £65,000; Exceeding Salary: £70,000
    - **Head of Governance and Democratic Services** – Achieving Salary: £70,000; Exceeding Salary: £75,000
    - **Head of Corporate Resources and Stewardship** – Achieving Salary: £80,000; Exceeding Salary: £85,000
    - **Corporate Manager Commissioning x2** – Achieving Salary: £60,000; Exceeding Salary: £65,000
  - **Director of Strategic Commissioning** – Achieving Salary: £125,000; Exceeding Salary: £135,000
    - **Director of Public Health*** – Basic Salary: £95,860
    - **Head of Communities** – Achieving Salary: £80,000; Exceeding Salary: £85,000
    - **Head of Early Intervention and Prevention** – Achieving Salary: £85,000; Exceeding Salary: £90,000
    - **Head of Safeguarding Children's Services** – Achieving Salary: £75,000; Exceeding Salary: £80,000
    - **Director of Adult Social Care and Independent Living*** – Achieving Salary: £95,000; Exceeding Salary: £100,000
    - **Director of Children's Services*** – Achieving Salary: £95,000; Exceeding Salary: £100,000

***:** Dotted report line to the Chief Executive

Notes: Spot salaries, rather than grades, are applied to Cheshire East's Senior Management posts – the "achieving" spot salaries for each role are included above – along with the "exceeding" (performance award) salary.

Cheshire East Information Line: 0300 123 5500

Appendix 2 – Extracts from Local Government Transparency Code 2014

Pay related information to be published annually

Organisation chart

34. Local authorities must publish an organisation chart covering staff in the top three levels of the organisation. The following information must be included for each member of staff included in the chart:

- grade
- job title
- local authority department and team
- whether permanent or temporary staff
- contact details
- salary in £5,000 brackets, consistent with the details published under paragraph 38, and
- salary ceiling (the maximum salary for the grade).

Senior salaries

38. Local authorities are already required to publish, under the Accounts and Audit (England) Regulations 2011 (Statutory Instrument 2011/817):

- the number of employees whose remuneration in that year was at least £50,000 in brackets of £5,000
- details of remuneration and job title of certain senior employees whose salary is at least £50,000, and
- employees whose salaries are £150,000 or more must also be identified by name.

39. In addition to this requirement, local authorities must place a link on their website to these published data or place the data itself on their website, together with a list of responsibilities (for example, the services and functions they are responsible for, budget held and number of staff) and details of bonuses and 'benefits-in-kind', for all employees whose salary exceeds £50,000. The key differences between the requirements under this Code and the Regulations referred to above is the addition of a list of responsibilities, the inclusion of bonus details for all senior employees whose salary exceeds £50,000 and publication of the data on the authority's website.

Pay multiple

41. Section 38 of the Localism Act 2011 requires local authorities to produce Pay Policy Statements, which should include the authority's policy on pay

dispersion – the relationship between remuneration of chief officers and the remuneration of other staff. Guidance produced under section 40 of that Act30, recommends that the pay multiple is included in these statements as a way of illustrating the authority's approach to pay dispersion.

42. Local authorities must, under this Code, publish the pay multiple on their website, defined as the ratio between the highest paid taxable earnings for the given year (including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind) and the median earnings figure of the whole of the authority's workforce. The measure must:

- cover all elements of remuneration that can be valued (e.g. all taxable earnings for the given year, including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind)
- use the median earnings figure as the denominator, which should be that of all employees of the local authority on a fixed date each year, coinciding with reporting at the end of the financial year, and
- exclude changes in pension benefits, which due to their variety and complexity cannot be accurately included in a pay multiple disclosure.

Appendix 3 – Guidance on what must be included in a Pay Policy Statement

A pay policy statement must set out the Authority's policies for the financial year relating to:

- The level and elements of remuneration for each Chief Officer
- Remuneration of Chief Officers on recruitment
- Increases and additions to remuneration for each Chief Officer
- The use of performance related pay for Chief Officers
- The use of bonuses for Chief Officers
- The remuneration of the lowest paid employees
- The relationship between Chief Officer's remuneration and that of other Officers.
- The approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the Authority, and
- The publication of and access to information relating to remuneration of Chief Officers.

For clarity, the term 'remuneration' includes the following:

- Basic salary or, in the case of Chief Officers engaged by the Authority under a contract for services, payments made by the Authority to the chief officers for those services
- Any bonuses payable by the authority to the Chief Officers
- Any charges, fees or allowances payable by the Authority to the Chief Officers
- Any benefits in kind to which the Chief Officers are entitled as a result of the Chief Officer's office or employment
- Any increase in or enhancement of the Chief Officer's pension entitlement where the increase or enhancement is as a result of a resolution of the Authority, and
- Any amounts payable by the Authority to the Chief Officers on the Chief Officers ceasing to hold office under or be employed by the authority, other than amounts that may be payable by virtue of any enactment.

A pay policy statement must also set the Authority's policies for the financial year relating to the other terms and conditions applying to the Chief Officers.

The policy should explain the severance payment(s) to Chief Officers as part of a decision to terminate a contract for any reason as well as the Council's approach towards the reward of employees previously employed by the authority who, on ceasing to be employed, are in receipt of a severance or redundancy payment from that authority.

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