

Cabinet Agenda

Date: Tuesday, 11th June, 2019
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 in the report.

It should be noted that Part 1 items of Cheshire East Council decision-making meetings are audio recorded and the recordings are uploaded to the Council's website.

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 paragraph 3.33 of the Cabinet Procedure Rules, 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 Cabinet. 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.

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 5 - 10)

To approve the minutes of the meeting held on 9th April 2019.

6. **High Speed Rail 2 Phase 2a - Qualifying Authority** (Pages 11 - 18)

To consider a report seeking approval for the Council to become a Qualifying Authority for the construction of phase 2a of the High Speed Rail 2 (HS2).

7. **Crewe Station Development** (Pages 19 - 34)

To consider a report which seeks approval to progress the work necessary to enable the delivery of the Crewe Hub Station and essential works in the surrounding area.

8. **Formation of a Cheshire and Warrington LEP Urban Development Fund** (Pages 35 - 46)

To consider a report on the formation of a Cheshire and Warrington LEP Urban Development Fund.

9. **Tatton Vision 2 - Stableyard Project** (Pages 47 - 52)

To consider proposals for the development and improvement of the Stableyard facilities at Tatton Park.

10. **Malbank School and Sixth Form College - Authority to Enter into a Contract** (Pages 53 - 60)

To consider a report seeking approval to enter into a contract for the expansion of Malbank School and Sixth Form College.

11. **Re-Commissioning of Food Contracts for Fresh Meats and Poultry in Schools** (Pages 61 - 64)

To consider a report on the re-commissioning of food contracts for fresh meats and poultry in schools.

12. **Mobberley Farms Estate - Blakeley Farm - Disposal** (Pages 65 - 72)

To consider a report on the disposal of the farmhouse, buildings and paddock land of Blakeley Farm on the Mobberley Farms Estate.

13. **2018/19 Financial Outturn and Review of Performance** (Pages 73 - 118)

To consider a report on the financial outturn and review of performance for 2018/19.

14. **Exclusion of the Press and Public**

The report or a part thereof relating to the remaining item on the agenda has been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matter may be determined with the press and public excluded.

The Cabinet may decide that the press and public be excluded from the meeting during consideration of the item pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and the public interest would not be served in publishing the information.

PART 2 – MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT

15. **Appointment of Directors to Alternative Service Delivery Vehicles** (Pages 119 - 124)

To consider a report on the appointment of Directors to Alternative Service Delivery Vehicles.

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Cabinet**
held on Tuesday, 9th April, 2019 at Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor Rachel Bailey (Chairman)
Councillor L Wardlaw (Vice-Chairman)

Councillors A Arnold, P Bates, J Clowes, J P Findlow, J Saunders and
D Stockton

Councillors in attendance

Councillors S Corcoran, M Deakin, S Edgar, I Faseyi, R Fletcher, B Moran,
J Rhodes, B Roberts and G Williams

Officers in Attendance

Kath O'Dwyer, Acting Chief Executive
Mark Palethorpe, Acting Executive Director of People
Mark Taylor, Interim Executive Director of Corporate Services
Catherine Parkinson, Interim Director of Governance and Compliance
Andrew Ross, Director of Infrastructure and Highways
Sara Barker, Head of Strategic HR
Paul Mountford, Executive Democratic Services Officer

The Chairman referred to the fact that this would be the last Cabinet meeting before the Borough Council elections in May. She thanked all of those who had supported and participated in meetings of the Cabinet over the last year. She also wished those councillors well who would not be seeking re-election.

The Chairman welcomed Catherine Parkinson, Interim Director of Governance and Compliance, to her first meeting of the Cabinet.

105 DECLARATIONS OF INTEREST

There were no declarations of interest.

106 PUBLIC SPEAKING TIME/OPEN SESSION

Peter Kent spoke in relation to the Notice of Motion on building regulations to be considered later in the meeting and indicated his support for the proposals set out in the report.

Mike Benson asked about the current position with the delivery of the Middlewich Eastern Bypass. The Portfolio Holder for Environment responded that the Council continued to make good progress towards delivering the Bypass. Based on the programmes developed with Balfour

Beatty, the main construction works were expected to start in January 2021 with the bypass opening to traffic by October 2023. All dates remained subject to review pending final confirmation of planning permission, land acquisition and Government funding for the scheme, which was expected at the end of 2020.

Sue Helliwell asked if the Council had a policy on netting used on hedges in connection with new housing developments. The Portfolio Holder for Housing, Planning and Economic Development responded that netting had not been a significant issue in the Borough to date. However, the Council did have wide ranging policies through its Local Plan to support biodiversity, protect trees and hedges and encourage responsible development. Whilst the Council could not retrospectively control sites that already enjoyed planning permission, it did have powers to impose suitable conditions to restrict or limit netting should that become necessary.

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QUESTIONS TO CABINET MEMBERS

Councillor R Fletcher referred to the need for signage to be provided and a 40 mph speed limit to be made permanent at a new roundabout in Linley Lane, Alsager.

Councillor Fletcher also referred to an overgrown hedge in Arrowsmith Drive, Alsager which obscured a lamppost. The Council had previously indicated that the owner of the hedge would be asked to cut it but no action had yet been taken.

Councillor Fletcher also referred to the need for a pedestrian crossing to be provided in Crewe Road, Alsager near Goss Place. This had been raised previously but a response was still awaited.

Finally, Councillor Fletcher indicated that he was still awaiting a reply to a question regarding car parks in Alsager and inconsistencies in the conditions of use compared with other parts of the Borough.

The Leader gave an undertaking that a written reply would be provided for the first three questions. The issue regarding Alsager car parks was still under consideration and a full reply would be made in due course. The Leader reminded Councillor Fletcher that such matters should in future be raised and pursued through the Member Enquiry Service.

Councillor S Corcoran asked the Leader to reveal the full amount paid to the former S151 Officer on his departure from the Council. The Leader referred to the requirements of the constitution and Member Code of Conduct and advised that she was not in a position to share information relating to staff or former employees. Councillor L Wardlaw added that it was necessary to be compliant with HR rules and to protect the privacy of staff.

108 **MINUTES OF PREVIOUS MEETING**

RESOLVED

That the minutes of the meeting held on 12th March 2019 be approved as a correct record.

109 **NOTICE OF MOTION - BUILDING REGULATIONS AND FIRE SAFETY**

Cabinet considered the following motion which had been moved by Councillor N Mannion and seconded by Councillor B Roberts at the Council meeting on 21st February 2019 and referred to Cabinet for consideration:

“This Council notes the conclusions that have been reached so far concerning the Grenfell Tower disaster. In particular it notes the section in the Hackitt report which highlights the “mindset of doing things as cheaply as possible and passing on responsibility for problems and shortcomings”. One longstanding and illogical result of this is that building control remains the only regulatory function of local government to be subjected to competition. Commercially compromised regulation sees safety margins engineered out and corners cut.

The private sector recruits people who have been trained at public expense, and cherry-picks the most lucrative schemes, while leaving the rest to councils – who of course pick up the bill for enforcement and other essential regulatory Tasks

We call for:

- (a) the use of inflammable cladding materials on high rise residential buildings to be banned without further delay*
- (b) adequate compensation for councils faced with essential but significant costs in remediation*
- (c) local authorities to be the sole provider of building control services in high residential buildings*
- (d) recognition of the essential role of regulation and an end to the constant denigration of Health and Safety*
- (e) the eventual return of this essential regulatory service to local authorities”*

The report responding to the motion indicated that Points (a) – (d) in the motion had already been addressed by Government actions. Point (e) in the motion was supported by the recommendations in the report.

Councillor B Roberts attended the meeting and spoke in support of the motion.

RESOLVED

That Cabinet

1. rejects the motion by Cllr Mannion as worded, but supports the spirit of the motion; and
2. agrees that the Portfolio Holder for Housing, Planning and Regeneration write to the Secretary of State for Housing, Communities and Local Government to:
 - (a) support the Government's decision to take forward all the recommendations in the Hackitt review;
 - (b) support the changes in the Building Amendment Regulations 2018 requiring the use of non-combustible cladding materials on high rise buildings;
 - (c) support the Government's decision to compensate councils faced with remediation costs in relation to high-rise buildings with ACM cladding;
 - (d) advocate that local authorities should be the sole provider of building control services in high residential buildings; and
 - (e) advocate that the Government consider the return of this essential regulatory service to local authorities in relation to all development as, in the interests of health and safety and the wellbeing of residents, it should not be possible for a developer to choose their own building control regulator.

110 **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 3 and 4 of Part 1 of Schedule 12A to the Local Government Act 1972 and the public interest would not be served in publishing the information.

111 **SUPPORTED LOCAL BUS SERVICE REVIEW - PROPOSALS
FOR LITTLE BUS SERVICE**

Cabinet considered a report on proposals for the Little Bus Service.

The Portfolio Holder for Finance and Communication reported receipt of correspondence which had a bearing on the matter now before Cabinet. The Chairman adjourned the meeting at 2.35 pm to enable Cabinet members to consider the correspondence and to receive the advice of officers. The meeting resumed at 3.00 pm.

The Acting Chief Executive indicated that she was satisfied that Cabinet had given full consideration to the matters referred to in the correspondence and that Cabinet could now proceed to consider the report.

RESOLVED

That Cabinet

1. notes the correspondence received in relation to the matter referred to in the report;
2. notes that the current contract for the provision of the Little Bus service expires in July 2019;
3. approves the recommendations set out in the report; and
4. invites the Environment and Regeneration Overview and Scrutiny Committee to review the proposals prior to their implementation to provide assurance that due process has been followed.

The meeting commenced at 2.00 pm and concluded at 3.24 pm

Councillor Rachel Bailey (Chairman)

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Working for a brighter future together

Cabinet

Date of Meeting: 11 June 2019

Report Title: High Speed Rail 2 Phase 2a – Qualifying Authority

Portfolio Holder: Cllr Toni Fox, Planning

Senior Officer: Frank Jordan, Executive Director - Place

1. Report Summary

- 1.1. This report seeks Cabinet's recommendation of approval for the Council to become a Qualifying Authority for the construction of phase 2a of the High Speed Rail 2 (HS2).
- 1.2. The enactment of the High Speed Rail (West Midlands - Crewe) Bill ("the Bill") will give deemed planning permission to the scheme which is similar to the grant of outline planning permission under the Town and Country Planning Act. There will be additional detailed designs and other construction works however which will be subject to applications for approval by the Local Planning Authority.
- 1.3. The Bill provides for the Council to become a 'qualifying authority' which would then allow the Council to assess and determine such applications subject to certain restrictions on the grounds for refusal as set out in the Bill. However, if the Council decide not to become a qualifying authority, the grounds for refusing any applications are more restricted than those available to qualifying authorities.
- 1.4. It is crucial to the Council to retain as many decision making powers as possible in the assessment and determination of all HS2 related applications in order to ensure that the Council achieve the best and most appropriate outcomes for the local community and minimise the impacts on the wider environment as far as possible.
- 1.5. The Bill requires the Secretary of State to specify which planning authorities have entered into a Planning Memorandum to become a qualifying authority by the time the Bill is reported on by the House of Lords. The

Council must therefore confirm their decision to HS2 Ltd before the Autumn.

2. Recommendations

2.1. That Cabinet:

- Recommend to Council that Cheshire East Council become a Qualifying Authority as specified in part 2 of Schedule 17 of the Bill and authorises the Executive Director for Place in consultation with the Monitoring Officer to sign the Planning Memorandum to enable this to happen.

3. Reasons for Recommendations

- 3.1. The proposed approach will enable the Council to have greater control over the approval of construction details associated with the High Speed Rail scheme such as the detailed design of permanent structures and an enhanced role in relation to certain enforcement and construction matters. This is essential so that the Council can (acting reasonably and where necessary) seek to either improve or control the detailed design applications. Equally, the greater number of conditions that the Council can consider as Qualifying Authority is considered vital in helping to control and manage the impacts of construction and the scheme on the Borough.
- 3.2. This is necessary to ensure that the impacts of the developments on the local environment and local amenity are fully considered and addressed in line with the approach of the Cheshire East Council Local Plan Strategy.
- 3.3. The process of becoming a Qualifying Authority binds local authorities to act in a particular way through the signing of the Planning Memorandum in respect of determining applications for consent in an expedient manner (within eight weeks in line with statutory determination periods for planning applications), and to being sufficiently resourced to be able to do so. As such, this is being adjudged by all parties involved in the High Speed Rail 2 (Phase 2a) that the decision should be made by Full Council.

4. Other Options Considered

- 4.1. The alternative option is to become a Non-Qualifying Authority. This would mean that the Council would have a much more restricted role in the approval of construction matters, and would only be permitted to consider plans and specifications for buildings. This option therefore provides a narrower degree of control over the impact that the construction of the scheme will have on the local environment and local amenity.

5. Background

- 5.1. In July 2017, the Government introduced a hybrid Bill to Parliament to seek powers for the construction and operation of Phase 2a of HS2. The Bill will

grant planning permission for the construction of a high speed railway between Fradley in the West Midlands and Crewe and all associated development works.

- 5.2. The Bill grants what is termed as 'deemed' planning permission, which is similar to an outline planning consent, for development authorised by the Bill. However, this "planning permission" will be subject to a number of conditions requiring the nominated undertaker (the party/parties who will construct the railway) to obtain the consent or approval of the Local Authorities along the route for certain matters.
- 5.3. The Bill gives each Local Authority a choice between having a wide or narrow range of controls over the detailed design of permanent structures such as stations and viaducts, and an enhanced role in relation to certain enforcement and construction matters. Those who opt for a wider range of controls are referred to as 'qualifying authorities'.
- 5.4. A Qualifying Authority will have the responsibility for approving plans and specifications for works such as buildings and road vehicle parks, terracing, cuttings, embankments and other earthworks, fences, walls or other barriers, transformers, telecommunication masts, pedestrian access to the railway line, artificial lighting, waste and spoil disposal and borrow pits. They will not have powers of approval for any works or features of a temporary nature, for anything underground, and for any tunnel or railway track bed.
- 5.5. A qualifying authority can only refuse to approve (or impose conditions in respect of) the plans and specifications on two main sets of grounds:
 - a) The design or external appearance of the building works ought to be modified to:
 - preserve the local environment or local amenity;
 - prevent or reduce prejudicial effects on road safety or on the free flow of traffic in the local area;
 - preserve a site of archaeological or historic interest or nature conservation value, and is reasonably capable of being so modified; or
 - b) The development ought to, and could reasonably, be carried out elsewhere on land within the Act limits.
- 5.6. Non qualifying authorities will only be able to refuse approval if the design or external appearance of the works ought to be modified to preserve the local environment/local amenity (and is reasonably capable of being so modified) or the development ought to, and could reasonably, be carried out elsewhere on land within the Act limits.
- 5.7. In addition qualifying authorities will be able to enforce construction arrangements relating to:

- handling of re-useable spoil or topsoil;
 - road transport;
 - storage sites for construction materials, spoil or topsoil;
 - construction camps;
 - works screening;
 - artificial lighting;
 - dust suppression; and
 - road mud control measures.
- 5.8. These may be subject to a class approval by the Secretary of State, in which case the relevant qualifying authority would be consulted before such approvals are made. Should the Secretary of State not make a class approval, these arrangements are subject to approval by the relevant qualifying authority.
- 5.9. Construction arrangements relating to construction camps, and lorry routes with more than 24 lorry movements per day would also require individual approval from the relevant qualifying planning authority; along with the bringing into use of any scheduled work or depot.
- 5.10. Councils wishing to become Qualifying Authorities are required to sign the “Planning Memorandum”. This document sets out rules of conduct and administrative arrangements for both the Local Planning Authorities and the nominated undertaker.
- 5.11. It requires the Council to commit to dealing with applications for consent in an expedient manner (within eight weeks in line with statutory determination periods for planning applications), and to being sufficiently resourced to be able to do so.
- 5.12. Becoming a Qualifying Authority therefore involves a commitment by the Council to deal with applications appropriately and within specified timescales, in return for control over a wider range of matters than it would otherwise have.
- 5.13. This commitment has resource implications: the Council will receive application fees to cover the costs associated with dealing with these consents and approvals, or HS2 Ltd. will provide a financial contribution to the Council to deal with the additional workload. This contribution would come through a Service Level Agreement (SLA) between the Council and HS2 Ltd to cover the costs of handling the applications and any additional work required to support their determination. The Council is engaging with HS2 Ltd. through the Planning Forum to obtain the number of applications and exact timetable as early as possible to assist in determining the extent of resources required and implications on the service.

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1. Councils wishing to become Qualifying Authorities are required to sign the “Planning Memorandum”.

6.1.2. The Planning Memorandum sets out rules of conduct and administrative arrangements for both the local planning authorities and the nominated undertaker of the works. It is part of a suite of documents forming the Phase2a of HS2 Environmental Minimum Requirements.

6.1.3. The Planning Memorandum regulates the details of the deemed planning consent that are reserved for local planning authority approval. It sets out the undertakings made by Qualifying Authorities in return for the additional planning controls referred to above.

6.1.4. Signing the Planning Memorandum and becoming a Qualifying Authority:

- Is legally binding;
- Gives CEC a greater degree of control over planning conditions;
- Does not fetter CEC’s discretion to withhold approval of planning conditions but stipulates certain expectations as to the stringency of conditions

6.1.5. CEC’s status as a Qualifying Authority can be withdrawn in certain circumstances.

6.1.6. It provides for the establishment of a Planning Forum which will meet regularly to assist with the effective implementation of the planning provisions in the Bill in order to help co-ordinate and secure the expeditious implementation of those planning provisions.

6.1.7. Due to the national importance of the HS2 infrastructure project Qualifying Authorities are required to have regard to construction, cost and programme implications.

6.1.8. The Planning Memorandum does not fetter CEC’s ability to refuse a request for approval of conditions but requires that CEC shall not seek to impose any unreasonably stringent requirements on the requests for approval of any construction arrangement, plans or specifications, mitigation scheme or site restoration scheme, which might frustrate or delay the project, or unreasonably add to its cost. In particular, it should not seek to impose unreasonably stringent requirements or standards in respects of land use, planning, design or environmental matters.

6.1.9. Due to the time pressures on the project, CEC will be expected to put in place appropriate internal decision-making arrangements to ensure that the 8 week period for determining requests is achieved. If adherence to the normal committee cycle would make it difficult to reach decisions in accordance with the timetable, consideration should be given to authorising greater delegated powers for officers and/or the formation of a dedicated sub-committee.

6.1.10. If CEC repeatedly fails to expedite requests for approval, or seriously fails to expedite a request in line with the stipulated timescale, or repeatedly or seriously fails to act in accordance with all the requirements of the Planning Memorandum, the Secretary of State may have sufficient grounds to order that CEC shall cease to have the additional powers of a Qualifying Authority. Prior to being disqualified, the nominated undertaker and the Secretary of State would discuss with CEC concerns regarding its performance and the performance of the nominated undertaker.

6.1.11. Where CEC refuses a request for approval, in addition to specifying the grounds under the Planning Conditions Schedule for its decision, it shall state clearly and precisely the full reasons for its decision.

6.1.12. The Planning Memorandum does not relate to applications for permission to construct over-site development - namely certain non-rail-related development over operational structures such as stations and vent shafts. These will be taken forward under the normal planning process.

6.2. Finance Implications

6.2.1. Given that signing the Planning Memorandum gives the Local Planning Authority a greater range of controls, this will require more resources to process and deal with applications compared to if the Council chose to become a non-qualifying authority. However, the Service Level Agreement (SLA) between the Council and HS2 Ltd is intended to cover all costs associated with processing Schedule 17 applications and therefore there should not be any negative cost implications to the Council from becoming a qualifying authority. Any costs will be accounted for within the Council's Development Management budget.

6.3. Policy Implications

6.3.1. HS2 is supported in the Cheshire East Local Plan Strategy under Strategic Priority One which states that promoting economic prosperity by creating conditions for business growth will be delivered by (amongst

other things) maximising the opportunities that may be offered by High Speed 2 Rail Links (HS2).

6.4. Equality Implications

6.4.1. All public sector authorities are bound by the Public Sector Equality Duty as set out in section 149 of the Equality Act 2010. In exercising their powers authorities must have regard to the effect of any differential impacts on groups with protected characteristics. In deciding to become a qualifying authority the Council must pay due regard to its Public Sector Equality Duty (PSED) as set out in section 149 of the Equality Act 2010.

6.4.2. The enhanced controls provided for in becoming a qualifying authority should have a positive public benefit when it comes to the PSED.

6.5. Human Resources Implications

6.5.1. It shall be necessary to ensure that sufficient resource is allocated in Planning, Highways, and Legal Services to support determination of the applications within the timescales required.

6.6. Risk Management Implications

6.6.1. Key risks to the Council relate to ability of officers to determine the applications within the required statutory timescales and staff resource implications associated with the additional workload.

6.6.2. This will be managed through the use of the SLA between the Council and HS2 Ltd to secure additional finance to ensure sufficient resources to manage the process effectively. Early engagement with HS2 Ltd has already taken place about the likely timing and number of future applications which will also enable staff resource to be managed well in advance of any increased workload. This engagement will continue with early pre-application discussions

6.7. Rural Communities Implications

6.7.1. The route of the scheme passes through a number of rural communities which are likely to be subject to applications for the approval of detailed designs or other associated developments. Each application for approval would enable an assessment of the relevant environment effects for those matters that the Council is able to control under the Bill.

6.8. Implications for Children & Young People/Cared for Children

6.8.1. There are no direct implications for children and young people.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. Those wards affected would be those covered by the route of HS2 phase2a which are: Haslington, Wybunbury, Crewe south and Crewe East

7.2. There are potential wider implications of HS2a for all Wards

8. Consultation & Engagement

8.1. There is no statutory provision for public consultation on the planning approval process outlined in the hybrid bill however public consultation and engagement has taken place as part of the wider HS2 phase 2a project.

9. Access to Information

9.1. Details of the HS2 phase2a Qualifying Authority process can be found in the 'Main Provisions of the Planning Regime' information paper prepared by HS2. This is available to view on the following link.

9.2. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627917/B2_Main_Provisions_of_the_Planning_Regime_v1.0.pdf

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

Name: David Malcolm
Job Title: Head of Development Management
Email: david.malcolm@cheshireeast.gov.uk



Working for a brighter future together

Cabinet

Date of Meeting: 11 June 2019

Report Title: Crewe Station Development

Portfolio Holder: Cllr Craig Browne, Deputy Leader

Senior Officer: Frank Jordan - Executive Director - Place

1. Report Summary

1.1. This reports seeks approval to:

- 1.1.1. Progress the work necessary to enable the delivery of the Crewe Hub Station and essential works in the surrounding area.
- 1.1.2. Continue to work in partnership with Government, Network Rail and strategic partners to procure and fund the necessary project development and implementation works to enable the delivery of the required projects to facilitate HS2 passenger services to operate from Crewe Station by 2027.
- 1.1.3. Develop the business case with Government and partners to secure a long term funding and financing deal to enable the delivery of the Scheme based on enhanced HS2 connectivity of 5/7 HS2 trains per hour.
- 1.1.4. Undertake all necessary and prudent preparatory works in advance of a final investment decision by Full Council in order to ensure the Council is positioned to deliver the Scheme only when all other parties have provided relevant commitments and assurances. It is intended that this decision will be sought at its meeting in February 2020.

2. Recommendations

2.1. That Cabinet:

- 2.1.1. Approve the continued project development works of Crewe Hub Station and the preparation and submission of a planning application

by Summer 2020 to enable delivery of the scheme within the required timeframes.

2.1.2. Authorise the Executive Director – Place, subject to the required funding approvals being in place, to:

2.1.2.1. Approve and enter into any future Development Services Agreements (or other agreements required between the Council and Network Rail) to authorise Network Rail to continue to manage the remaining project development work for the Crewe Hub Station in partnership with the Council to meet the timetable and requirements of the Governance for Railway Investment projects (GRIP) process;

2.1.2.2. Take all necessary actions to prepare and submit all necessary applications for planning permission, including jointly with Network Rail, and to implement any planning permission necessary to deliver the project;

2.1.2.3. Take all necessary actions to prepare and submit a listed building application and implementation of any listed building consent in relation to Crewe Hub Station;

2.1.2.4. Negotiate and seek to conclude terms to acquire land and rights (or extinguish the same) as are necessary to deliver the Crewe Hub Station scheme;

2.1.2.5. Make the Compulsory Purchase Order(s) to acquire the necessary land and interests to deliver the Crewe Hub Station and ancillary infrastructure;

2.1.2.6. Take all necessary actions to support the Local Enterprise Partnership to submit an Enterprise Zone or equivalent Tax Increment Financing application and supporting business case to Government, in consultation with the Section 151 Officer, to enable delivery the Crewe Hub Station.

2.1.3. Note that a Full Council investment decision to progress with the scheme and approve any resulting Capital Contribution from the Council will be sought recognising the ongoing financial risk with progressing this project.

3. Reasons for Recommendations

- 3.1. Crewe has suffered from increasing levels of deprivation and reduced opportunities for its residents compared to all other places within Cheshire East and the Cheshire and Warrington region. The opportunity to address this both in the town centre and the business areas around Crewe Railway Station are significant, particularly if HS2 serves the town.
- 3.2. In 2017 the Council prepared a Crewe HS2 Hub Masterplan Vision and Framework which outlined how Crewe performs today and how it could be regenerated by an enhanced HS2 offer of 5/7 HS2 trains per hour, with direct high speed services to London, Manchester and Birmingham.
- 3.3. In particular, this draft vision also demonstrated that the area immediately around Crewe railway station is likely to be the area that will see the more immediate and significant benefits.
- 3.4. Over the past two years the Council, in partnership with Government, Network Rail, HS2 Ltd, Transport for the North (TfN) and Cheshire and Warrington LEP (C&W LEP), has developed the vision into a policy framework, culminating in the ongoing work on an Area Action Plan. This work has shown that there is a strong transport, economic and regeneration case for more HS2 services at Crewe and significant investment in the station.
- 3.5. However, the Government's current position is to provide minimal investment in Crewe Station which would enable the arrival of HS2 to meet regulatory compliance for passengers. This would not however deliver the outcomes as outlined in the Vision for Crewe Station.
- 3.6. The Council is planning to prepare the required evidence base to support the preparation of a business case to be submitted to Government. This would provide a funding and financing proposition to Government that provides a model in which the vision for the Station can be achieved primarily through parking receipts and business rate uplifts.
- 3.7. The Council therefore needs to undertake further project development to complete this work and enable the Council to enter into meaningful discussions with Government to secure an appropriate funding model for the station and supporting multi-modal access arrangements. This would seek to influence the future provision and operation requirements of car parking related to the Hub Station.
- 3.8. This work would be undertaken in collaboration with strategic partners, and in line with Network Rail's procurement and delivery programme for HS2 Phase 2a and Crewe Station.

- 3.9. This would enable the delivery of the scheme to be delivered at the time when rail possessions and/or blockades would be secured for the HS2 construction programme. Utilising these possessions is critical to the viability of any further investments in the station to support economic growth and regeneration. Therefore, this project development work must continue to meet this timetable.
- 3.10. Approval is also being sought to enable the Council to progress with the scheme if a funding arrangement is agreed with Government. In particular this includes approvals to submit appropriate planning applications and to secure the land required for the Scheme.
- 3.11. It is to be noted that the current timetable will require a planning permission for the Station to be submitted by Summer 2020.

4. Other Options Considered

- 4.1. The Council could decide not to progress with the development and delivery of Crewe Hub Station Scheme. This would mean Government would make a minimal investment into the station environment and no investment into the surrounding areas and associated regeneration plans. Studies have shown that without investment into key station integration elements the surrounding regeneration ambitions and outcomes set out above would not be achievable.
- 4.2. The Council could support, and contribute towards an alternative and lower cost station investment. However, the completed feasibility and options development stages of the project development work test a number of different options and demonstrated that the solution to be progressed through the above recommendations provides the best value to the Council.

5. Background

Crewe Hub Commitments

- 5.1. Based on robust case making and strong, persistent campaigning by the Council, the Government has made substantial changes to the HS2 Crewe hub scheme over the past 5 years including;
- 5.1.1. Changing the line of route and securing 2 HS2 services per hour at Crewe by 2027. This is arguably the most significant change to the entire scheme since it was first launched;
- 5.1.2. Changes to Phase 2a tunnel portal design south of Crewe to avoid the need to disrupt and rebuild the A500;

- 5.1.3. Changes to Phase 2a hybrid bill to extend Platforms 5 and 6 to allow for splitting and joining of HS2 trains at Crewe and enabling HS2 classic compatible services to Macclesfield;
 - 5.1.4. DfT approval to allocate funding for a solution at Crewe Station that would provide the track, signalling and platform solution at Crewe to enable 5/7 HS2 trains per hour to call at Crewe in each direction and allow for growth in conventional services.
 - 5.1.5. DfT endorsement of the Northern Powerhouse Rail Business Case, including the Crewe northern junction/connection to seek an initial funding envelope to provide a commitment to the Crewe northern junction as part of HS2 Phase 2b.
- 5.2. In February 2019 HS2 Ltd deposited Additional Provisions (AP2) to the Phase 2a hybrid bill which included proposals to alter the scheme to incorporate the above changes. However, these would not deliver a hub station capable of serving 5/7 HS2 trains per hour without a revised track layout solution.
- 5.3. In May 2019, and through the HS2 Phase 2a Hybrid Bill AP2 petitioning process the Council secured a commitment from the Department for Transport confirmed the following:
- 5.3.1. The allocation of £9.5m of funding for Network Rail to develop an alternative rail infrastructure solution at Crewe that is capable of serving 5/7 HS2 trains per hour;
 - 5.3.2. That, subject to confirmation of affordability within available budgets, that it expects to make a decision in favour of this option in Summer 2020 and intends to reconfirm next steps on Crewe Hub around the time of the Spending Review
 - 5.3.3. The it will share the full consents strategy with the Council
- 5.4. Through the HS2 Phase 2a Hybrid Bill AP2 petitioning process the Council also secured an Assurance from HS2 confirming intentions to enable enhanced HS2 services at Crewe. This read :
- 5.5. "If the Crewe Hub proposals are developed by Network Rail to include works to revise the existing railway layout at Crewe Station ("the Revised Works") then subject to:
- 5.5.1. the Revised Works providing the same operational railway functionality required for the Proposed Scheme as would be delivered by the timely construction of the works authorised

by the Bill to revise the existing railway layout at Crewe Station; and

5.5.2. the Revised Works being consented and funded;

5.6. then the Secretary of State would require the Nominated Undertaker not to exercise the powers conferred by the Bill, for the purposes of constructing a new platform on the Independent Lines”

The Council's Vision

5.7. Over the past 5 years the Council has set a strategic vision for Crewe built on a strong evidence base that demonstrates the economic benefits and regeneration that 5/7 HS2 trains per hour with services to the three main destinations, London, Manchester and Birmingham, together with an enhanced HS2 Hub Station in the town can unlock.

5.8. In the Crewe hub consultation response the Secretary of State noted Government's support to the Council's vision for a Crewe hub but acknowledged additional key infrastructure would be required including a new HS2/West Coast Main Line (WCML) north junction and new entrances. To deliver this Government would want a local contribution.

Crewe Hub Integrated Study

5.9. In June 2017 the Crewe Joint Sponsor Board, a Board chaired by Network Rail and comprising senior officers and Civil servants from the following organisations:

- Network Rail
- Cheshire East Council
- Cheshire & Warrington LEP
- Department for Transport
- Ministry for Housing, Communities and Local Government
- Transport for the North
- HS2 Ltd

Agreed that the above organisations should work collaboratively to develop proposals for the Crewe hub station that would support this vision.

5.10. An integrated study is being developed which to date has looked at all aspects of project development including design and transport strategies,

funding and financing and delivery with the aim of producing a single preferred station design, regeneration plan and a supporting business case.

- 5.11. The integrated study proposals are being developed to coordinate with Network Rail's Governance for Rail Investment Projects (GRIP) process to ensure that it could be delivered within the existing construction timetable for HS2 Phase 2a to utilise the same rail possession blockades and allow for HS2 passenger services from 2027.
- 5.12. The integrated study work has considered the hub station, located as part of the existing railway station, and also at the area immediately around the station where HS2 is likely to have the greatest impact.
- 5.13. There are three phases to the integrated study:
 - 5.13.1. Feasibility stage to develop three alternative concept designs for the hub station area and a concept HS2 hub station design
 - 5.13.2. Options stage to develop a single preferred model and a refined HS2 hub station design. In addition this stage developed a draft funding and financing strategy.
 - 5.13.3. Solutions stage will refine the HS2 hub station design and refine the funding and financing strategy.
- 5.14. This study has progressed in line with Network Rail's procurement programme for HS2 Phase 2a and Crewe hub works. This enables the delivery of the final single preferred station option within the main contracts of works and therefore utilise the same rail possessions and/or blockades. The need to fund and secure additional rail possessions is likely to make the project unviable and would not provide value for money. The project team are negotiating with Network Rail who are establishing a future construction alliance to ensure delivery of the Council's station enhancements.
- 5.15. The funding and financing strategy will outline how the Crewe Hub Station could be delivered and provide the evidence base to secure the required commitments needed from Government as well supporting the business case for the Council to make a capital contribution to the scheme and include this in the council's capital programme.
- 5.16. Continued progression of the project development and supporting planning applications in line with this timetable is needed to ensure that these possessions can continue to be utilised.
- 5.17. Planning applications will be needed for the delivery of the station and access investments that sit outside the operational railway and therefore

approval will be required in sufficient time ahead of the rail possessions and/or blockades. This includes road improvements and a multi-modal routes and facilities around the station.

- 5.18. The work undertaken to date has shown that the delivery of additional investment in the Crewe Railway Station can unlock significant regeneration and commercial opportunities and help to address the current deprivation and productivity challenges faced by the town.
- 5.19. This additional commercial growth will give rise to increased business rates across the area. The ability to locally capture the rates, which would ordinarily flow to central government, can provide a long term revenue source to support upfront investment. An Enterprise Zone, granted to a Local Enterprise Partnership or similar Tax Increment Financing mechanism would enable the growth in business rates to be locally retained for 25-30 years.
- 5.20. The Council and C&W LEP are developing proposals for a similar mechanism for the Crewe area on the basis of Crewe's current economic performance, which, if successful would support investment in the area including any local contribution towards Crewe Railway Station. If Government deliver the enhanced HS2 connectivity sought by the Council's vision then this would give rise to significant additional growth in business rates locally.

6. Area Action Plan

- 6.1. Cheshire East Council's Local Plan recognises that HS2 proposals had a potential transformative impact on Crewe and the local economy and provides for the impact to be accommodated by an Area Action Plan. This will support improvements to Crewe Railway Station and HS2 growth. Therefore the Council is proposing to prepare and adopt an Area Action Plan for the area around the HS2 Hub Station.
- 6.2. An Area Action Plan is a Development Plan Document for a defined area that sits alongside the Council's existing Local Plan. The Area Action Plan would provide an appropriate planning policy framework to support the HS2 related growth and regeneration around the station within the current Local Plan period.
- 6.3. The wider growth impacts of HS2 and the Crewe HS2 Hub Station across the wider borough will need to be addressed through a future review of the Borough wide Local Plan.

7. Implications of the Recommendations

7.1. Legal Implications

- 7.1.1. In resolving to make a Compulsory Purchase Order Scheme the Council would be proceeding under its powers under the Town and Country Planning Act 1990 for the compulsory purchase of land and the rights required.
- 7.1.2. The confirming authority will have no power to authorise compulsory acquisition of the relevant interests of the Crown without agreement.
- 7.1.3. A compulsory purchase order should only be made where there is a compelling case in the public interest which is covered in the body of the report with supporting documents and the land proposed to be acquired must be the minimum considered to be reasonably required to achieve the selected design option.
- 7.1.4. The acquiring authority should provide substantive information as to the sources of funding available for both acquiring the land and implementing the scheme for which the land is required.
- 7.1.5. The acquiring authority will also need to be able to show that the scheme is unlikely to be blocked by any physical or legal impediments to implementation including any need for planning permission or other consent or licence.
- 7.1.6. As the Council is working in partnership with Network Rail for the delivery of the interim enhanced HS2 Hub station it needs to enter into appropriate contractual arrangements with Network Rail. The Council is relying on Regulation 12 (7) of the Public Procurement Regulations 2015 which states that arrangements such as these sit outside the public procurement regime as the contract establishes or implements a co-operation between the participating contracting authorities with the aim of ensuring that the public services they have to perform are provided with a view to achieving objectives they have in common. Network Rail will rely on their framework contracts to procure contractors to deliver the works in accordance with the Utilities Regulations that Network Rail are subject to, therefore there will be an element of competition in tendering the works.
- 7.1.7. It is anticipated that ongoing legal advice will be needed as this scheme is further developed and delivered. The Council's legal team will be supplemented by specialist external legal advisors where required.

7.2. Finance Implications

- 7.2.1. The implications of the recommendations in relation to continuation of the project development work and planning application will draw down allocated funds within the Council's capital budget. The budget for this project is set out in the Council's Medium Term Financial Strategy with specific reference to Chapter 10 (Financial Summary Tables (Revenue)), page 147; and Chapter 11 (Capital Strategy), pages 189 and 191.
- 7.2.2. Following consideration by the Portfolio Holder for Finance and Communications the HS2 Crewe Hub addendum has released funds to cover the project development expenditure for 2019 at which point the Council will be expecting Government approval of the business case and funding and financing strategy.
- 7.2.3. The retrospective and ongoing costs will be capitalised as part of the project and recovered through the agreed funding and financing strategy.
- 7.2.4. At this stage there are still risks that Government could either not proceed with HS2 or Government does not support the business case or not reach an acceptable agreement with the Council. In this case the scheme would not be delivered as proposed and therefore a risk exists that there is no project to capitalise past and any future fees against. In this instance, in recognition the government imposed restrictions on Council capital financing and having to balance annual budgets, the Council would consider a number of options, including any or all of the following strategies, and relative to spending on particular aspects of the scheme to date:
- 7.2.4.1. Develop a revised and self-funded business case to deliver a reduced regeneration and transport access scheme for the area on which to capitalise the costs and deliver a much smaller proportion of economic benefits;
 - 7.2.4.2. Develop no alternative scheme and write-off costs to date but pursue a special dispensation from Government to enable these to be written off within the capital budget and not transferred to revenue and subsequently re-prioritise the Place Capital Programme; or
 - 7.2.4.3. Develop no alternative scheme and write-off costs directly to the revenue account. These costs to be met by significant reprioritising the Place Budget to identify necessary savings and investment opportunities to minimise exposure of Reserves at a future point in time

- 7.2.5. The cost of pursuing the CPO through to implementation is difficult to estimate and will depend upon the success of prior negotiations with landowners.
- 7.2.6. The actual costs incurred for land acquisition/ compensation will be determined through the negotiation and CPO processes and will be subject to processes defined within the Constitution.

7.3. Policy Implications

- 7.3.1. The Local Plan Strategy identifies the need for improvements to Crewe Railway Station to make it a national hub.
- 7.3.2. The Local Plan Strategy does not include any HS2 related growth and therefore does not provide a policy for the ambitions for the wider station area. The Local Plan does however reference that HS2 will have implications on the Local Plan and that there may be a need for an Area Action Plan for the area around the Crewe HS2 hub station.
- 7.3.3. An Area Action Plan is a Development Plan Document and will therefore form a change in planning policy for the area over which it is defined. Once adopted, this will supersede the policy framework for the area in the existing Local Plan Strategy but will not impact the policy framework for the remainder of the borough.

7.4. Equality Implications

- 7.4.1. All public sector acquiring authorities are bound by the Public Sector Equality Duty as set out in section 149 of the Equality Act 2010. In exercising their compulsory purchase and related powers (e.g. powers of entry) these acquiring authorities must have regard to the effect of any differential impacts on groups with protected characteristics.
- 7.4.2. In progressing the Orders and carrying out consultations the Council will take into account the needs of persons with protected characteristics as set out in equalities legislation.

7.5. Human Rights Implications

- 7.5.1. In deciding whether to proceed with compulsory purchase Members will need to consider the Human Rights Act 1998 and Article 1 of the First Protocol and Article 8 to the European Convention on Human Rights.

- 7.5.2. Article 1 protects the rights of everyone to the peaceful enjoyment of their possessions. No person can be deprived of their possessions except in the public interest and subject to national and international law.
- 7.5.3. Article 8 protects private and family life, the home and correspondence. No public authority can interfere with this interest except if it is in accordance with the law and is necessary in the interests of national security, public safety or the economic well-being of the country.
- 7.5.4. Members will need to balance whether the exercise of these powers are compatible with the European Convention on Human Rights. In weighing up the issues it is considered that there is a compelling case in the public interest for the acquisition of land which will bring benefits to the residents and businesses that could not be achieved by agreement and this outweighs the loss that will be suffered by existing landowners. The CPO will follow existing legislative procedures.
- 7.5.5. All parties have the right to object to the CPO and attend a public inquiry arranged by the Secretary of State. Parties not included in the CPO may be afforded that right if the inquiry inspector agrees. The decision of the Secretary of State can be challenged in the High Court, an independent tribunal. Those whose land is acquired will receive compensation based on the Land Compensation Code and should the quantum of compensation be in dispute the matter can be referred to the Upper Tribunal (Lands Chamber) for independent and impartial adjudication.
- 7.5.6. The Courts have held that this framework complies with the Convention on Human Rights. Accordingly, a decision to proceed with the recommendation on the basis that there is a compelling case in the public interest would be compatible with the Human Rights Act 1998.

7.6. Human Resources Implications

- 7.6.1. It shall be necessary to ensure that sufficient resource is allocated in Assets, Highways, Legal, Finance and Planning Services to support the delivery of the scheme. If additional temporary resources are required these will be met from the project budget.

7.7. Risk Management Implications

- 7.7.1. Project development work will be funded at risk until a business case and funding and financing package is agreed with Government. If these are not agreed the Council could be required to capitalise a proportion of the costs to date.
- 7.7.2. The Council is seeking an agreement of a Treasury compliant business case with Government by the end of 2019 with key commitments to the rail infrastructure solution within 2019. Completion of the evidence base and business case would enable the Council to enter into meaningful negotiations with Government to agree a business case deal.
- 7.7.3. There is a risk that the Government fail to deliver any of the key rail components of the Crewe Hub Station including:
 - 7.7.3.1. a rail infrastructure solution at Crewe that is capable of accommodating 5/7 stopping HS2 trains per hour; and
 - 7.7.3.2. a new HS2/WCML northern junction to be funded and delivered as part of HS2 Phase 2b
 - 7.7.3.3. direct high speed services to London, Manchester and Birmingham
- 7.7.4. The Council is working collaboratively with the Department for Transport, the Ministry of Housing, Communities and Local Government, Network Rail and HS2 Ltd to realise this vision and the Council continues to highlight the importance of these commitments to be made.
- 7.7.5. There is a risk that there is no agreed funding and financing package for the station and as a result a sub-optimal station is delivered.
- 7.7.6. The Council, in partnership with C&W LEP, is seeking to develop the case for an Enterprise Zone of Tax Increment Financing mechanism for Crewe, regardless of HS2. If this were successful, it would enable capital investment in and around Crewe Railway Station area and allow the project development costs incurred to date to be supported by new assets. Equally, some of the schemes identified through the work to date have merit and alternative funding mechanisms would be sought to deliver them as part of an investment programme for Crewe which again would enable project development costs to date to be capitalised against an asset.

- 7.7.7. The continuation of this work and completion of the compliant business case in line with Network Rail's HS2 programme will support the case for additional investment in the Crewe hub station.

7.8. Rural Communities Implications

- 7.8.1. The planning application will provide a comprehensive Environmental Assessment which will take into account the effect on the rural community. This assessment will include impacts such as noise, air quality, visual impact plus the schemes effects of Public Rights of Way and Non-motorised users i.e. pedestrians, cyclists and equestrians.

7.9. Implications for Children & Young People /Cared for Children

- 7.9.1. No specific implications have been identified at this stage. Opportunities to engage with local schools will be considered as the scheme progresses. The means by which young people can be encouraged to participate in the consultation process will be considered as part of a Consultation & Engagement Plan.

7.10. Public Health Implications

- 7.10.1. Issues associated with noise and air quality will be assessed as part of the programme of works associated with preparing an Environmental Assessment to accompany the planning application.
- 7.10.2. The development of an Area Action Plan will support the Council's Quality of Place ambitions. By delivering good quality developments supported by new public realm and enhanced green infrastructure it is expected that the scheme will deliver indirect public health benefits to local communities and visitors.

8. Ward Members Affected

- 8.1. All Wards, All Ward Members.

9. Consultation & Engagement

- 9.1. Stakeholder engagement has taken place with local Ward Members, Crewe Town Council and the local business community. A full public consultation on a draft Area Action Plan will be undertaken in accordance with statutory procedures.

10. Access to Information

- 10.1. The background papers relating to this report can be inspected by contacting the report writer.

11. Contact Information

- 11.1. Any questions relating to this report should be directed to the following officer:

Name: Hayley Kirkham

Job Title: Programme Director (HS2)

Email: Hayley.kirkham@cheshireeast.gov.uk



Working for a brighter future together

Cabinet

Date of Meeting: 11 June 2019

Report Title: Formation of a Cheshire and Warrington LEP Urban Development Fund

Portfolio Holder: Cllr Amanda Stott, Finance, IT and Communication

Senior Officer: Frank Jordan, Executive Director Place

1. Report Summary

- 1.1. The Authority has been approached by Cheshire and Warrington Local Enterprise Partnership (the LEP) to act as Entrusted Entity (EE) for a new Urban Development Fund (UDF) and to act as the main applicant for £20m of European Regional Development Fund (ERDF) funding.
- 1.2. The Fund will provide loans or investment capital (via equity share) to companies in the Cheshire & Warrington Sub Region in respect of schemes focussing on research and innovation excellence; entrepreneurship and the creation of new firms; and the production and distribution of energy derived from renewable sources. The Fund is expected to run for 10 years as regards making investments in ERDF priorities, after which the monies will be available for reinvestment in the Sub Region.
- 1.3. The Ministry of Housing, Communities and Local Government (MHCLG) require a Local Authority to act as Entrusted Entity in this regard (there is no precedent for a LEP acting that capacity).
- 1.4. As the main applicant there will be ongoing reporting and sign off requirements for the Authority though the intention is that the LEP will carry out most of the day-to-day work and will ensure that the Authority's exposure to risk is minimised.
- 1.5. The Authority will ultimately be required to act as guarantor for the ERDF funds and therefore it is important to ensure that the vehicles set up to manage and report on the fund are done so in such a way that the risk to the Authority is minimised.

- 1.6. Having received approval to establish the UDF and apply for and enter into a legally binding funding agreement for ERDF funding, Cabinet approval is now sought for the key structures and governance required to enable the UDF to commence operations.

2. Recommendations

Following on from the Cabinet recommendation on 5 February 2019, and decisions of Council on 21 February 2019, and the Portfolio Holder for Finance and Communication on 5 April 2019 approving the creation of an Urban Development Fund, it is recommended that Cabinet:

- 2.1. approves the creation of a Special Purpose Vehicle (SPV) to act as General Partner for the proposed Urban Development Fund;
- 2.2. delegates authority to the Executive Director - Place in consultation with the Section 151 Officer and Monitoring Officer to approve a Limited Partnership agreement between the Council and the General Partner and a Management Agreement between the General Partner and the Fund Manager and any ancillary legal agreements required to ensure the Urban Development Fund is correctly constituted;
- 2.3. delegates authority to the Executive Director - Place in consultation with the Section 151 Officer and Monitoring Officer to approve the creation of a Board of Directors of the Urban Development Fund SPV, made up of representatives as deemed appropriate;
- 2.4. delegates authority to the Board of the Urban Development Fund SPV to act as the Investment Committee and approve investments, drawdowns and all matters relating to the Fund, and all steps necessary to comply with the Funding Agreement entered into with MHCLG;
- 2.5. approves entering into a Service Level Agreement with the LEP as the Council's delivery partner under the terms of the Funding Agreement, with regard to procurement of the Fund Manager and the management and operation of the Fund, to ensure appropriate input and oversight from the Council;
- 2.6. approves undertaking the procurement of a Fund Manager;
- 2.7. authorises the Executive Director - Place in consultation with the Portfolio Holder for Finance, IT and Communication to approve the award of the contract to the Fund Manager; and
- 2.8. authorises the Executive Director – Corporate Services to take all necessary actions to implement these proposals.

3. Reasons for Recommendations

- 3.1. The Authority already acts as Accountable Body for the LEP. It is identified that there are difficulties in local firms accessing financing which can prevent projects from taking place. The benefits to the Authority and the wider sub region from the initial investment are considerable.

4. Other Options Considered

- 4.1. The LEP may have been able to contract with MHCLG (Ministry of Housing Communities and Local Government) and create the Fund in their name. However, whilst this was considered technically possible it has not been tested and so there is no legal precedent to support it. The length of time it would have taken Government lawyers to consider and approve the scheme under this approach could have put the funding in jeopardy. The matter of the UK's exit from the EU was considered; and in order to move forward with the proposal it was felt that having a Local Authority body act as Entrusted Entity would provide the comfort and confidence that MHCLG were seeking.

5. Background

- 5.1. An Evergreen Fund covering Cheshire and Warrington, Greater Manchester and Lancashire was developed under the 2007-13 European Regional Development Fund (ERDF) programme. The fund had an initial value of £60m, and was fully committed by December 2015.
- 5.2. Greater Manchester LEP committed £50m of ERDF funds to a successor fund along with £15m for a low carbon fund, both confined to its geographical area. There is now a desire for Cheshire and Warrington LEP to establish a successor fund for this sub-region.
- 5.3. At present there is limited funding available to gap-fund schemes in the sub-region. The investment programme developed by the current Enterprise Zone has shown that there is plenty of demand for gap funding, but the Enterprise Zone only covers a relatively small part of Cheshire and Warrington.
- 5.4. The LEP has a £12.1m Growing Places Fund which has made 6 loans to date. Four of these loans have been fully repaid; so whilst the funding is available for reinvestment, there are a number of loan applications being developed which means there is currently only £1.7m available for other investment.

- 5.5. It was therefore proposed to apply for £20m of ERDF (2014-20) monies and establish a Cheshire and Warrington Urban Development Fund. The funding would be split by ERDF priorities 1,3 and 4 as follows:

ERDF Priority	Description	Amount (£)
1	Enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence.	7,000,000
3	Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.	5,000,000
4	Promoting the production and distribution of energy derived from renewable sources.	8,000,000

- 5.6. To apply for and subsequently draw down and account for ERDF funds, the monies have to be paid to an Entrusted Entity (EE) such as a Local Authority. Therefore the LEP has approached Cheshire East, as existing Accountable Body for the LEP, to take on the role of Entrusted Entity and apply for ERDF funding.
- 5.7. The ERDF funding would be passed from the Entrusted Entity to the Urban Development Fund, managed by an experienced Fund Manager. The Urban Development Fund Manager will have to be procured as part of a full OJEU and ERDF compliant process.
- 5.8. The Urban Development Fund will operate via a Special Purpose Vehicle (SPV), incorporated and owned by Cheshire East Council. This will have no staffing implications and will simply act as a holding company through which the Fund Manager can be procured and the ERDF funds distributed.
- 5.9. An Entrusted Entity is the Accountable Body for the programme. According to ERDF rules, this has to be a public sector body such as a Local Authority. The role of the Entrusted Entity is:
- To ultimately be accountable for the ERDF investment;
 - Signatory to the ERDF Funding Agreement and responsible for compliance with terms and conditions;
 - To submit ERDF claims to MHCLG as the Managing Authority (MA);
 - Establishment and reconciliation of bank accounts;

- Disbursement of payments for third party fees;
 - Treasury management of the ERDF investment including disbursements to the Fund Manager, paying Fund Manager fees, processing repayments and managing interest and other gains;
 - To undertake the procurement of the Fund Manager;
 - To manage the performance of the Fund Manager;
 - To provide management information and updates to the Managing Authority (i.e. MHCLG);
 - To facilitate audits by the Managing Authority and others.
- 5.10. It is proposed that much of the work will be done by the LEP, with authority, scrutiny and sign-off being provided as and when required by the Council. For example, the LEP would prepare the claims, and send to the Authority for review and sign-off just as it currently does with other funding claims. A Service Level Agreement will be agreed between the Authority and the LEP with regard to respective responsibilities for the management and operation of the Fund.
- 5.11. The Authority would still need to check the accuracy of what was being submitted; and would need to carry out significant due diligence in advance of the Fund Manager being appointed; ERDF applications being submitted; and funding agreements being entered into. It is agreed with the LEP that CEC resource input will be reimbursed over the life of the Fund to cover the officer and external advisor time and costs. Other costs such as Fund Manager, audit and any other fees will be met initially via LEP resources (for 3 years), with subsequent costs being met out of the Fund proceeds and interest generated on Fund balances.
- 5.12. The Entrusted Entity is the Accountable Body so would need to ensure that the UDF was set up and run in compliance with ERDF regulations and company regulations.
- 5.13. However, as the investments will be made by the UDF on the recommendation of the appointed Fund Manager any investment risk will lie with them and would be covered by their professional indemnity cover. This would be subject to the Investment Operating Guidelines being drafted correctly (which MHCLG should be asked to approve and which the LEP will be requested to indemnify CEC against).

- 5.14. The main areas of risk for the Entrusted Entity are: not procuring the Fund Manager in a compliant way; and not contracting with the Fund Manager to provide cover for ineligible investments.
- 5.15. To minimise this risk it is proposed that the LEP buy in procurement and external legal support to manage the procurement and ERDF bidding processes. This will be supplemented by CEC reviewing all documents and obtaining its own legal opinion to ensure that all necessary steps (e.g. SLAs) have been taken to minimise the risk to the Authority and that the LEP is fully aware of their responsibilities.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The LEP and the Council have received external legal advice on the structure of the investment fund. They have outlined that the main areas for consideration are :-
- 6.1.2. Compliance with the Common Provision Regulation (“CPR”), and the Guidance for Member States on the selection of bodies implementing financial instruments (the “Selection Guidance”)
- 6.1.3. When assessing the compliance of a financial instrument structure it is necessary to consider both the CPR and the Selection Guidance. The CPR and the Guidance place particular emphasis on complying with applicable law, particularly state aid and public procurement requirements. The selection of financial intermediaries must be made on the basis of open, transparent, proportionate and non-discriminatory procedures, avoiding conflicts of interest.
- 6.1.4. The Council is intending to utilise the In-House (or Entrusted Entity) model. The Council will therefore be the organisation receiving the ERDF funding and passing this down to its own special purpose vehicle (“SPV”).
- 6.1.5. Provided the three criteria for in-house award are met then a public body with contracting authority status is able to implement a fund through its SPV. These three criteria are:-
- Ownership
No direct private capital participation in the controlled legal person can exist.
 - Control

The contracting authority must exercise control over the legal person concerned which is similar to that which it exercises over its own departments

- Activity

The controlled legal person must carry out more than 80% of its activities in the performance of tasks entrusted to it by the controlling contracting authority.

6.1.6. All three criteria relate to the “Teckal” exemption and it is proposed that the SPV would meet all three criteria.

6.1.7. The Council would be relying on its general power of competence as set out in the Localism Act 2011 in order to set up the SPV.

6.1.8. **State aid law**

State aid will arise whenever public funds are selectively directed towards organisations involved in delivering economic activities where this is capable of distorting the relevant business market and having an effect on trading conditions between Member States.

- Potential aid to the contracting authority and its SPV

Advice is that no aid arises as the transfer constitutes an agreement for the administration of public fund duties made between two public sector bodies. Similarly there is no aid to the SPV as the SPV is considered to be part of the public sector body.

- Potential aid to the LEP

The CWLEP will be a delivery partner to the fund providing its services at cost. It is not engaging in economic activities rather it is assisting in the proper administration of public funds.

- The recipients of loan and equity investments

In relation to this, loan and equity investments may be made on the basis of the Market Economy Investor Principle (“MEIP”) i.e. the transaction reflects an investment which a private sector market operator would reasonably be expected to make under the same or similar circumstances but care will need to be taken to ensure that an appropriate audit trail is in place which justifies viability either through *Pari Passu* or benchmarking. *Pari Passu* is defined as occurring when a transaction is carried out under the same terms and conditions (and therefore with the same level of risk and rewards) by public bodies and private operators who are in a comparable situation. Alternatively,

suitable benchmarking is another method of proving compliance e.g. benchmarking of loans against the reference rate for interest. Benchmarking in equity investments involves a comparison demonstrating that the public body is operating in line with how a commercial operator would act in a similar situation.

- Potential aid to the Fund Manager

If the fund manager is selected through an open and competitive public procurement process the remuneration provided will be on terms established by the market. It is therefore assumed that there is no overcompensation and no aid arises, provided the procurement is properly carried out.

6.1.9. Public procurement rules

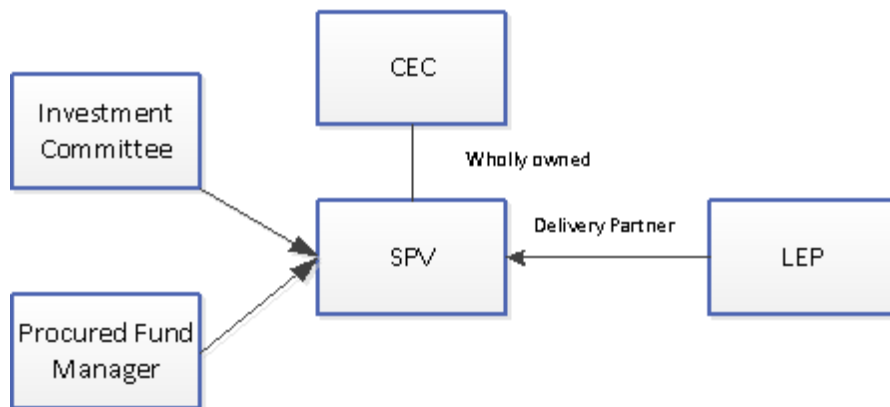
The fund manager will need to be procured in compliance with the Public Contracts Regulations 2015. The Council will need to ensure that the LEP and their consultants undertake the procurement in a compliant manner and in accordance with the requirements of Article 7 of the Delegated Regulation. The fund manager will need to have relevant capabilities, certifications and demonstrate its financial viability.

All procurements which are included in an ERDF claim may be the subject of an ERDF audit.

By entering into the funding agreement, the Council has provided specific warranties as to the compliance of the procurement processes and will be responsible for any irregularities. Detailed records of each phase of the procurement process needs to be kept for the purposes of any audit.

The structure of the fund is as set out in the diagram below, with a limited partnership ("LP") being formed, this is a legal entity formed in accordance with the Limited Partnerships Act 1907. An LP broadly resembles an ordinary partnership save that it has two categories of partner, a general partner and a limited partner. The SPV would be the general partner.

CHESHIRE AND WARRINGTON UDF



The terms of the funding agreement with MHCLG contains provisions and obligations on the Council in order to be able to receive the proposed maximum funding of £20 million. The main risks to the Council are

- (i) that it must comply and secure compliance with the Structural and Investment Funds Regulations including compliance with State Aid Law and Procurement Requirements (as set out above);
- (ii) risk of clawback or suspension of the funding should the Council not meet the terms of the agreement and default in some manner including not meeting any targets set out in the agreement;
- (iii) the fact that it will be liable for the acts or omissions of any Delivery Partner i.e. the LEP or the Fund Manager.

6.1.10. These risks will need to be mitigated by allocating the proper resources in terms of legal, finance and procurement advice to review and validate the work undertaken by the LEP and to ensure that the terms of the Funding Agreement are adhered to throughout the life of the Fund. External legal advice will need to be sought on the various agreements required to ensure the limited partnership is properly set up and the Fund is correctly constituted.

6.2. Finance Implications

6.2.1. It is not envisaged that the Authority would be required to provide any funding (either revenue or capital) in order to submit an ERDF bid for £20m. The project is expected to last for 10 years.

6.2.2. Although much of the day-to-day work will be undertaken under the direction of and by the LEP, there will still be a requirement for the Authority to carry out review and validation of the work undertaken by the

LEP. This will involve professional legal, finance, audit (internal and external) and procurement advice and support, with costs reimbursed by the LEP, as described in the report.

6.2.3. The aim of the project is to bring forward the delivery of commercial development schemes which have either stalled or not proved viable due to a gap funding issue. The Fund will provide the gap-funding on the basis of a repayable loan or an equity stake in the investment.

6.2.4. The scope of the project is limited to investments in Cheshire and Warrington, that fit with priorities 1,3 and 4 of the ERDF programme. The total amount of funding initially being sought is £20m. It is envisaged that this amount could be increased if additional ERDF monies become available and/ or if other public funds become available, such as Shared Prosperity Funding.

6.2.5. The initial Fund is expected to run for a period of 10 years with all returns from investments paid back and available for reinvestment in the sub region.

6.3. Policy Implications

6.3.1. The decision is aligned to the Authority's role as Accountable Body for the LEP, and also Outcome 2 of the Council's Corporate Plan: Cheshire East has a strong and resilient economy.

6.4. Equality Implications

6.4.1. The nature of the Fund will not entail any staff being directly employed. Through introducing new capital to the sub region it is likely that positive benefits will be evident. The principal procurements will reflect the Authority's commitment to equality and diversity. Equally, whilst investment decisions will be based upon best fit and need there will be an awareness of the Authority's position on equality.

6.5. Human Resources Implications

6.5.1. The decision does not have any particular human resource implications. Officers from Finance, Legal, Procurement and Audit Services will be involved in the set-up and ongoing management and support with regard to the Fund, in order to fulfil our obligations as Entrusted Entity.

6.6. Risk Management Implications

6.6.1. The principal risks are noted in the report, in respect of the procurement of the Fund Manager and the recommendations made by them as regards investments made. These risks will need to be mitigated by allocating the proper resources in terms of Legal, Finance and

Procurement advice to review and validate the work undertaken by the LEP and to ensure that the terms of the Funding Agreement are adhered to throughout the life of the Fund. External legal advice will need to be sought on the various agreements required to ensure the limited partnership is properly set up and the Fund is correctly constituted.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

6.8. Implications for Children & Young People/Cared for Children

6.8.1. There are no direct implications for children and young people.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. The decision affects the sub region covered by the Cheshire & Warrington LEP. As such it has the potential to affect all wards. However, it is envisaged that the number of loans/investments entered into will be small over the life of the fund so is likely to affect a limited number of wards.

8. Contact Information

8.1. Any questions relating to this report should be directed to the following officer:

Name: Paul Goodwin

Job Title: Finance Manager

Email: Paul.Goodwin@cheshireeast.gov.uk

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Working for a brighter future together

Cabinet

Date of Meeting: 11 June 2019

Report Title: Tatton Vision 2 – Stableyard Project

Portfolio Holder: Cllr Nick Mannion, Environment and Regeneration

Senior Officer: Frank Jordan – Executive Director Place

1. Report Summary

- 1.1. The purpose of this report is to seek approval to implement proposals for the development and improvement of the Stableyard facilities at Tatton Park (the Project).
- 1.2. Cabinet have previously agreed (16 June 2016) high level proposals for the Project. Funding for the scheme from the Addendum to the capital programme was approved in October 2017. Since the value for the works is greater than £1m, Cabinet approval is required to enable the contract to be let.

2. Recommendations

That Cabinet:

- 2.1. Delegates authority to the Executive Director - Place in consultation with the Portfolio Holder for Environment and Regeneration, to implement the Project including procuring and entering into all necessary contractual arrangements.

3. Reasons for Recommendations

- 3.1. The 'Tatton Vision' investment programme supports the stated goal of 'Conserving Tatton Park for the enjoyment of present and future generations'. It aims to assist Tatton Park to maintain its position in the market and so reduce dependence on core revenue funding from Cheshire East Council.

- 3.2. This paper relates to the contract for the Stableyard element of a wider 'Stableyard and Arrivals' project. Investment in this project will create an improved visitor experience on arrival and in the Stableyard area which includes various retail and catering outlets. This will lift the Stableyard from being a 'secondary spend' area to becoming one of the reasons to visit with a positive impact on visit frequency, length of stay, visitor spend and numbers.
- 3.3. Financial projections indicate that the planned investment in the visitor arrival and Stableyard experience is affordable, that future revenue will cover the costs of capital and could support a reduction in the Council's subsidy from year 5 onwards subject to market conditions at the time. By contrast, the 'Do-Nothing' option would risk further market impacts and a reduction in the sustainability of the current financial position.

4. Other Options Considered

- 4.1. 'Do nothing'; which would not deliver the required investment to support a sustainable position and reduce reliance on financial support from Cheshire East Council.

5. Background

- 5.1. Cabinet previously authorised (16 June 2016) the development of detailed business cases for the next phase of development at Tatton Park which comprise phase 2 of the 'Tatton Vision'. Investment in the Tatton Vision is not only important to achieving a sustainable base for conservation, management and access to this important heritage asset, but helps to maintain and improve a positive economic benefit to Cheshire East's visitor economy.
- 5.2. This is part of an ongoing programme of improvements in recent years that has included 'Field to Fork' which was officially 'opened' in July 2018. This project leveraged nearly £1.2m of grants and other contributions, particularly from HLF (now the National Lottery Heritage Fund).
- 5.3. The Farm 'Field to Fork' project is a ground breaking initiative which has restored and opened buildings at the farm. It combines cutting-edge heritage interpretation with high quality learning and participation programmes to engage both existing and new audiences with contemporary issues of farming, food and healthy eating.

- 5.4. Tatton Park also successfully gained grant funding of £246k from the European Agricultural Fund for Rural Development (EAFRD Tourism infrastructure) for the 'arrivals' element of the overall project. This includes an arrival 'welcome' building and coach drop-off along with improved facilities for disabled parking and access to the Stableyard. This element of the works has now started on-site. It is being managed separately from the Stableyard contract in order to facilitate monitoring and reporting to the EAFRD and to deliver the works within the permitted time period in order to draw down the grant.
- 5.5. This paper addresses the £1.55m Stableyard element of the wider project which will refurbish and extend visitor facilities and improve visitor experience. It will address the need to refurbish and improve toilet provision, create new indoor space for activities, re-display of the historic vehicles collection and improve landscaping with associated external event space.
- 5.6. Since the original Cabinet approval in 2016, Purcell Architects have been commissioned to undertake development of initial designs and planning permission for the scheme was given on 27 June 2018.
- 5.7. F. Parkinson Ltd was appointed in July 2018 to further develop the project and to develop a cost estimate for the works. These have been refined in discussion with the project board and the National Trust.
- 5.8. The design work has taken into account the results of other specially commissioned reports including; a Historic Building Survey, a Landscape Appraisal and an Economic Impact Assessment. Expert advice has also been sought from the National Trust's team of specialist advisors.
- 5.9. Sustainability has been addressed within the design proposals of the Stableyard Project, with the upgrades to the New Barn meeting regulations for thermal upgrades in order to reduce energy consumption. In addition, the proposals have carefully considered matters such as natural ventilation, sustainable drainage, efficiency of heating and lighting systems and reduced water consumption via recycled greywater.
- 5.10. This report therefore seeks approval to let a contract for the works valued at £1.55m.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The Council has a lease of Tatton Park from the National Trust and any works proposed to be undertaken must be in accordance with the provisions of the lease and with the specific consent of the National Trust as landlord of Tatton Park.
- 6.1.2. The Council is able to award a contract for this project via a compliant procurement process as it has access to the Northwest Construction Hub Framework. This is a Framework Agreement administered by Manchester City Council and can be used by local authorities and other public bodies in the North West of England.

6.2. Finance Implications

- 6.2.1. A total capital allocation of £3.3m was included in the addendum to the capital programme for Tatton Vision Phase 2 projects. The Portfolio Holder for Finance and the Director of Finance & Procurement agreed the draw down of £2.3m, (3 Oct 2017), from the addendum into the main capital programme to fund projects related to the 'Arrival and Stableyard' project. £1.55m of this is allocated to the Stableyard contract. The balance is allocated to the arrivals area, with those works being addressed through a separate contract. This report relates to a contract to deliver the Stableyard element of the original scheme.
- 6.2.2. Financial projections indicate that the planned investment in the visitor arrival and Stableyard experience is affordable and that future revenue will cover the costs of capital and could support a reduction in the Council's subsidy from year 5 onwards subject to market conditions. The Tatton Vision programme has led to a reduction in the Council's contribution to Tatton's budget since 2011. A failure to maintain investment would risk a reduction in the sustainability of the current financial position.

6.3. Policy Implications

- 6.3.1. The Tatton Vision investment programme supports a number of the Council's corporate outcomes, particularly outcome 2: Strong & Resilient Economy.

6.4. Equality Implications

6.4.1. An Equality Impact Assessment is not required for the purpose of letting the contract(s).

6.5. Human Resources Implications

6.5.1. There are no HR resource implications.

6.6. Risk Management Implications

6.6.1. A risk log has been developed for the Tatton Vision and forms part of the project plan.

6.7. Rural Communities Implications

6.7.1. Tatton Park is a significant contributor to the rural visitor economy. The conservation of Tatton Park contributes to the protection of the rural environment and its heritage.

6.8. Implications for Children & Young People/Cared for Children

6.8.1. Children, young people and their families form a large part of visitors to the estate. By encouraging more visitors to what is largely an outdoor activity venue will have a positive impact on quality of life and the social, mental and physical health benefits of outdoor recreation for all age groups. Additionally, over 20,000 school visits are hosted every year and Tatton has an established record, winning eight consecutive Sandford awards for excellence in heritage education as well as adult education, skills training, general life skills and interpretation.

6.9. Public Health Implications

6.9.1. It is expected that encouraging more visitors to what is largely an outdoor activity venue will have a positive impact on quality of life and the social, mental and physical health benefits of outdoor recreation

7. Ward Members Affected

7.1. All wards will be affected albeit indirectly since they contain residents who will be able to access these improved facilities and whose local economy is likely to benefit from increased visitor expenditure

8. Consultation & Engagement

8.1. The National Trust has been fully engaged in the development of these proposals. They have a representative on the project board and their specialist advisors have been consulted on all aspects of the proposals. Furthermore they have been presented to, and endorsed by, the National Trust's Property Board.

8.2. Local Members and the public were consulted on the proposals as part of gaining planning permission.

9. Access to Information

9.1. All of the background information relating to the Project and referenced in this report is available on the Council's website.

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

Name: Brendan Flanagan

Job Title: Head of Rural and Cultural Economy

Email: brendan.flanagan@cheshireeast.gov.uk



Working for a brighter future together

Cabinet

Date of Meeting: 11 June 2019

Report Title: Malbank School and Sixth Form College – Authority to Enter into a Contract

Portfolio Holder: Councillor Dorothy Flude, Children and Families

Senior Officer: Mark Palethorpe – Acting Executive Director of People

1. Report Summary

- 1.1. This report seeks approval to enter into a contract for the expansion of Malbank School and Sixth Form College, where the contract value will exceed one million pounds.
- 1.2. The budget required for the expansion of Malbank School and Sixth Form College is identified in the Council's approved capital programme for Children and Families.
- 1.3. This report addresses the needs for additional pupil places for secondary education in Nantwich as well improving the curriculum opportunities within the school to address the actions resulting from the recent Ofsted inspection.
- 1.4. The council plans to bring forward a draft environment strategy in July which will outline the steps the council can take to improve its impact on climate change and the environment. Climate change and environmental sustainability will be taken into consideration as part of the school expansion.

2. Recommendations

That Cabinet agrees:

- 2.1. That authority is delegated to the Acting Executive Director of People to enter into a construction contract for additional places at Malbank School and Sixth Form College.

3. Reasons for Recommendations

- 3.1. The proposed increase in places at Malbank School and Sixth Form College will assist Cheshire East Council in meeting its statutory obligations to ensure sufficiency of school places.

The following factors form part of the process when considering school expansion:

- School popularity and parental preference,
 - Site specific development capability and available playing field space (Section 77 Regulations),
 - Proximity of housing developments,
 - School standards,
 - Town planning and highways considerations.
- 3.2 Based on the above criteria, Malbank School and Sixth Form College has fulfilled our requirement for the provision of additional places. The school is currently requires improvement from Ofsted but the proposed development is directly addressing the actions required within the Post Ofsted Action Plan. In particular, the proposed works at the school will address curriculum needs in that the additional buildings will allow for more strategic organisation of maths across the school. This will therefore enable the school in further raise standards in the outcomes for learners in maths.
- 3.3 Entering into a construction contract to provide the additional places will enable the expansion project at Malbank School and Sixth Form College to commence in the latter part of 2019, in accordance with the time-scales for the requirement for additional places based on the projected pupil numbers from demographic trends and pupil yield from housing developments.

4. Other Options Considered

- 4.1 Brine Leas School, the other secondary school in Nantwich is already part of an expansion programme. There is a clear need to have expansion programmes in both schools to meet the demand based on the latest analysis of pupil forecasts for secondary school places in Nantwich.
- 4.2 The option of not progressing due to the current Ofsted judgement has been considered. However, there are significant housing developments in the local area creating the need for additional places across Nantwich. Therefore, to meet need, the school will need to expand by an additional 120 places.

5. Background

- 5.1 The Governors of the school have indicated their willingness to increase their Published Admission Number to support the indicated deficit of places.

Significant work has already been undertaken to progress this expansion scheme but due to the School receiving an Ofsted judgement in November 2018 of 'Requires Improvement', there was a decision to put a hold on the programme to assess the impact of this judgement. At that stage, an immediate programme of work had been commenced to remove the temporary buildings which were in a very poor state and accommodate these classes in other parts of the school as an intermediate arrangement.

- 5.2 The position of the Local Authority is to support the expansion of Good and Outstanding schools; therefore this change in judgement required careful consideration and examination of the key issues relating to the school and its status as a 'successful and popular school' . The work the School Improvement Services have undertaken with the school shows that there is confidence in School Leadership including Governors to deliver a good quality of education. The analysis of the findings from the Ofsted report illustrates that there was strong evidence that the school has the capacity to improve and that that there is progress being made in the key areas relating to outcomes in maths and for disadvantaged learners. The Ofsted report does state that the school has capacity to improve and the evidence of outcomes for 2019 show positive improvements. Since the end of January 2019, 17 students have joined the school. This reflects the support and confidence that the school has received from parents since the inspection.
- 5.3 The new facilities proposed address key curriculum needs relating to the specialist accommodation for Maths. The existing work undertaken has required the temporary relocation of maths teaching spaces and the failure to now address these temporary arrangements will have an overall impact on standards and curriculum delivery across the school.
- 5.4 The proposed scheme, including work to date is outlined below:
 - 5.4.1 The removal of two very dilapidated classrooms in a mobile building which accommodated Maths classrooms has taken place.
 - 5.4.2 Construction of a new two storey teaching block including six classrooms, pupil toilets and a small eating and social space for year 11 students. This will alleviate the extra pressure on dining arrangements.
 - 5.4.3 The project will also enable the school to locate all of their Maths Department in one area of the school, which would support a key improvement target for Malbank School and Sixth Form College and the Local Authority and provide for the increased number of teaching groups in identified subjects as part of improved curriculum delivery.

- 5.5 The proposal has received planning permission (application number 18/3343N).

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. As the Strategic Commissioner of School Places, Cheshire East Council has a statutory duty in relation to the provision of school places to:
- a) Review provision and establish future demands (S14, Education Act 1996);
 - b) Commission sufficient school places for Cheshire East resident children (Education Act 2006);
 - c) Promote choice, diversity, fair access and respond to parental representations when planning school places (Education Act 2006);
- 6.1.2. The construction contract will be awarded via a compliant procurement process (the Northwest Construction Hub Framework). This is a Framework Agreement administered by Manchester City Council and can be used by local authorities and other public bodies in the North West of England.

6.2. Finance Implications

- 6.2.1 A budget for expansion in the Nantwich Planning Area of Malbank School and Sixth Form College is included in the approved Children's and Families Capital Programme. Nantwich Planning Area, Secondary Schools expansion, received full approval at Council on the 23 February 2017. The current total approved budget is £1.5m.
- 6.2.2 Based on the latest estimates, the scheme at Malbank School and Sixth Form College is estimated to cost in the region of £1.5M inclusive of build costs, all professional and statutory fees and furniture and equipment. This represents value for money when benchmarked nationally on construction costs per square metre.
- 6.2.3 The proposed expansion will be funded through a combination of basic need capital grant and section 106 contributions. Basic

need funding is provided to local authorities from central government to support their capital requirement for providing new pupil places by expanding existing maintained schools, free schools or academies, and by establishing new schools. Section 106 education funding contributions are those agreed with new housing developers specifically to fund the additional pupil places needed due to the new development.

- 6.2.4 The school will receive revenue funding through the schools funding formula to recognise the additional places and in the first year the school will be eligible for strategic growth funding, as agreed by schools forum, to recognise additional teaching posts required as a consequence of the expansion.

6.3. Policy Implications

- 6.3.1 Cheshire East Council has a statutory obligation to ensure sufficiency of school places as detailed in 6.1.1 above.

6.4. Equality Implications

- 6.4.1. The proposed two storey building will be compliant with accessibility requirements for pupils and staff in accordance with the Equalities Act and building regulations.

6.5. Human Resources Implications

- 6.5.1. There are no implications as a result of this report.

6.6. Risk Management Implications

- 6.6.1. To put a hold on the scheme due to the Ofsted judgement and failure to progress this scheme at this stage brings key risks. These include :
- Failure to progress could result in additional costs being incurred due to the temporary nature of some of the works already undertaken.
 - Failure to progress could result in key curriculum restructuring not taking place which will have real impact on outcomes for learners especially in the core subject of maths. In addition, lack of progression will directly impact on the Ofsted Action Plan.

- Failure to progress will have real impact on the confidence of both parents and governors in the ongoing relationship of this maintained school with the Local Authority.

6.6.2. There are inherent risks found with any construction project. Project team meetings ensure that these risks as identified and a risk register has been developed and is regularly reviewed by the project team. All risks have assigned owners who are responsible for mitigating and managing them.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

6.8. Implications for Children & Young People/Cared for Children

6.8.1. The proposal will provide an improved learning environment for the school pupils and undertake essential curriculum restructuring leading to better outcomes for learners.

6.8.2. Choice in terms of availability of school places in both Nantwich secondary schools will benefit the secondary aged pupils across the Nantwich locality.

6.8.3. Malbank High school is a highly inclusive school and actively works with our Virtual School to support our Cared for Children.

6.9. Public Health Implications

6.9.1 There are no direct implications for public health although the expansion will address some additional catering facilities.

7. Ward Members Affected

7.1. The local Ward Members in Nantwich North and West

8. Consultation & Engagement

8.1. Consultation with local schools and Headteachers has been undertaken, however, no formal statutory consultation on the expansion of the school is required as the increase in places falls below the threshold as laid out in The School Organisation (Prescribed Alterations to Maintained Schools) (England) Regulations 2013.

8.2 Under these regulations, formal consultation is required where the proposed enlargement is permanent (longer than three years) and would increase the capacity of the school by:

- more than 30 pupils; and
- 25% or 200 pupils (whichever is the lesser).

As this proposal is adding 120 places, and is not increasing the school capacity by 25%, it falls below the requirement for consultation based on this criterion.

9. Access to Information

- 9.1. Further background information relating to this report can be obtained by contacting the School Organisation and Capital Team, within the Children and Families Directorate.

10. Contact Information

- 10.1. Any questions relating to this report should be directed to the following officer:

Name: Mark Bayley

Job Title: Head of Service: School Infrastructure and Outcomes

Email: mark.bayley@cheshireeast.gov.uk

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Working for a brighter future together

Cabinet Report

Date of Meeting: 11 June 2019

Report Title: Re-Commissioning of Food Contracts for Fresh Meats and Poultry in Schools

Portfolio Holder: Cllr Dorothy Flude, Children and Families

Senior Officer: Mark Palethorpe, Acting Executive Director of People

1. Report Summary

- 1.1. Cheshire East Catering is a successful service provider delivering a high quality catering service to Cheshire East Schools; around 100 schools in total. The two contracts concerned relate to the purchasing of food items which are used in the preparation of school meals.
- 1.2. The Catering service currently holds a Silver Soil Association accreditation for the food served within schools. To maintain this standard, the produce must be sourced from the NW region where possible providing Seasonal, Organic, Sustainable, Free Range, Traceable and Healthy foods in line with the Council's priority of supporting children and their families to live long, healthy and successful lives.
- 1.3. This report is concerned with the contract for Fresh Meat and Poultry Products.
- 1.4. Currently the provision for Fresh Meat is contracted to three local butchers, Quality Cuts, Littler and Barrows who cover specific geographical areas across the Borough.
- 1.5. The Fresh Meat contracts commenced on 1st October, 2015 and have maximum terms, including extensions, to 30th September, 2019.
- 1.6. The desired outcome for the Service is to again utilise the contractual model which splits the delivery region into "Lots", to enable smaller suitably qualified businesses (similar to current providers) to tender for these provisions and therefore, support the local economy.
- 1.7. The new Fresh Meat and Poultry Products contract term is proposed to run from October 2019 for an initial three year period with options to extend for

two further periods each of 12 months. The current annual spend on this contract is £427,851 making a total new contract value over the five year term of £2,139,255.00 and as such requires Cabinet approval.

1.8. The Corporate Procurement Unit has examined procurement options currently available and advises the Council to run its own EU-compliant tender processes.

1.9. The council plans to bring forward a draft environment strategy in July, which will outline the steps the council can take to improve its impact on climate change and the environment. Suppliers will be encouraged to demonstrate impact on the carbon footprint through locally sourced produce.

2. Recommendations

That Cabinet

2.1 Approve the re-commissioning processes in line with Public Contract Regulations 2015.

2.2 Delegates authority to the Acting Executive Director of People in consultation with the Portfolio Holder for Children & Families, to award contracts to the successful bidders by Lot.

3. Reasons for Recommendations

3.1 To ensure that the Council obtains maximum value for money and to ensure robust, compliantly procured contract(s) are awarded for fresh meat.

3.2 To ensure that the quality of foods being accessed by children is of the highest quality and offers best contractual value.

4. Other Options Considered

4.1. Extending the existing contracts is no longer an option.

4.2. Procurements options via other framework agreements have been considered however, this would mean separate contracts for each type of product.

5. Background

5.1 The lot process involves the Borough splitting down into 11 lots, bidders can bid for up to 11 lots. The lots are in geographical areas i.e., Poynton and Bollington, Knutsford, Crewe area 1, Crewe area 2, Alsager, Nantwich,

Congleton, Sandbach, Holmes Chapel and Middlewich, Macclesfield, Wilmslow.

- 5.2 These contracts relate to the supply and delivery of items of: fresh meat and poultry products; as required for use in Primary Schools and High Schools and other Catering Establishments in the preparation of meals / catering requirements within the Borough of Cheshire East.
- 5.3 The service wish to encourage locally based providers to supply Fresh Meat and Poultry produce, this is in line with the Governments School Food Plan and Cheshire East Council's corporate plan goals, for this reason the procurements have been divided into regional lots.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The existing contracts have been extended to their full extent.
- 6.1.2. The total aggregate value of the contracts will be in the region of £2.139 million over the full 5 year term and so the Council is required to carry out a competitive procurement exercise in accordance with the Public Contracts Regulations 2015 and the Council's own Contract Procedure Rules.

6.2 Finance Implications

- 6.2.1 A summary of the financial implications of this contract show that the total aggregate value of the contracts will be in the region of £2,139,255.00 million pounds over the full 5 year term.
- 6.2.2 The budget for this contract is generated by school meals income which is managed by Cheshire East Catering. If the service cannot generate sufficient income to cover costs then there is a pressure on the Council's base budget. The outturn position in recent years has highlighted an issue with covering costs as a result of increases in staffing and food costs and limitations on increasing income from pupils.

6.3 Equality Implications

- 6.3.1 Procurement arrangements will ensure that a fair and equitable process has been undertaken to re-commission this contract.

6.4 Human Resources Implications

- 6.4.1 Not applicable – TUPE arrangements do not apply to this contract.

6.5 Risk Management Implications

- 6.5.1 There is a potential risk that the current retendering process does not yield a new supplier(s) to the required standard within the timeframes as set.

6.6 Rural Communities Implications

- 6.6.1 There are no direct implications for rural communities although sourcing local suppliers may well provide benefits for small business and have a positive impact on climate change and the environment.

6.7 Implications for Children & Young People/Cared for Children

- 6.7.1 The implications for children and young people are to ensure children receive the most nutritious and healthy lunch options every day.

6.8 Public Health Implications

- 6.8.1 Much work has been undertaken by the service to work alongside Health colleagues to promote healthy lifestyles both at school and in the local communities.

7. Ward Members Affected

- 7.1 All Wards

8. Consultation & Engagement

- 8.1. Feedback from parents will be promoted when new provider(s) are appointed; this will be done via the 'Fresh' bulletins, website entries and supported by Cheshire East communications team.

9. Access to Information

- 9.1. Additional information on this service area can be found via the 'Fresh' website, see the link below:

<http://freshcateringservices.co.uk/>

10. Contact Information

- 1.1. Any questions relating to this report should be directed to the following officer:

Name: Mark Bayley

Job Title: Head of Service: Education Infrastructure & Outcomes

Email: mark.bayley@cheshireeast.gov.uk



Working for a brighter future together

Cabinet

Date of Meeting: 11 June 2019

Report Title: Mobberley Farms Estate – Blakeley Farm - Disposal

Portfolio Holder: Cllr Nick Mannion, Environment and Regeneration

Senior Officer: Frank Jordan, Executive Director Place

1. Report Summary

- 1.1. This report considers the disposal of the farmhouse, buildings and paddock land of Blakeley Farm on the Mobberley Farms Estate identified on the attached plan ("the Property").
- 1.2. The Property was vacated on the 30th May 2018. Subsequent marketing of the Property through externally appointed agents by private treaty has resulted in the receipt of an acceptable offer which is in excess of £1million and therefore authority to dispose of the Property is required from Cabinet.
- 1.3. It is to be noted that this offer would represent best consideration for this property.

2. Recommendations

That Cabinet

- 2.1. Approve to the disposal of the Mobberley Farms Estate – Blakeley Farm.
- 2.2. Authorise the Executive Director - Place in consultation with the Monitoring Officer and Section 151 officer to take all necessary actions and enter into all legal agreements required to enable the disposal of the Property.

3. Reasons for Recommendations

3.1. The disposal is consistent with the management strategy of the farms estate and actions flowing from its reorganisation. The principle of disposal of the Property has previously been approved by the Portfolio Holder for Regeneration.

3.2. The capital receipt will contribute to funding of the Council's capital programme.

4. Other Options Considered

4.1. The Council could retain the asset, however this is contrary to the farms strategy and given that the Council has no requirement for the asset this asset would be held vacant. Taking this step would mean that there would be an ongoing financial obligation placed upon the Council. In addition, holding a vacant asset would represent an additional risk for the Council and as a result this would also go against prudent asset management.

5. Background

5.1. In advance of receiving vacant possession as part of the reorganisation of the Mobberley Farms Estate the disposal of the Property was originally considered and approved by the Portfolio Holder for Regeneration on the 17th August 2017. This was subject to investigating and submitting an application for planning consent for the conversion of the barns prior to disposal.

5.2. Thereafter a planning application was submitted and planning consent obtained for the conversion of the barns into four dwellings on the 21st November 2018, under planning application reference 18/4798M.

5.3. The Property was vacated on the 30th May 2018; thereafter a planning application was submitted and planning consent obtained for the conversion of the barns into four dwellings on the 21st November 2018, under planning application reference 18/4798M.

5.4. Subsequent marketing of the Property through externally appointed agents by private treaty has resulted in the receipt of an acceptable offer which is in excess of £1million and therefore authority to dispose of the Property is required from Cabinet.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. 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.
- 6.1.2. The Council has the power to dispose of land pursuant to s123 of the Local Government Act 1972, subject to any disposal for 7 years or more being at the best consideration that can reasonably be obtained. The Property has been advertised on the open market and as such the offer put forward meets the best consideration requirement and a certificate of value will be provided to verify the same.
- 6.1.3. The disposal of the Property in accordance with s123 of the Local Government Act 1972 complies with State aid rules.
- 6.1.4. Notwithstanding the above powers the Council has a fiduciary duty to the taxpayers and must fulfil this duty in a way which is accountable to local people.

6.2. Finance Implications

- 6.2.1. The decision facilitates the generation of a capital receipt net of disposal costs for a surplus property. In accordance with the Capital Strategy cash receipts from the disposal of surplus assets are used to fund new capital investment or offset future debt or transitional costs, included within the new flexibilities provisions.
- 6.2.2. In terms of the impact of sales on the revenue budget, any loss of rent will be substantially offset by reduced maintenance requirements, rental growth and underpinning the stability of rental income from the amalgamation of the retained land. It is expected that the overall impact on revenue is expected to be minimal and this can be managed within the Farms overall budget position. Taking these steps make the Council's lettable landholdings more commercially sustainable and therefore underpins the stability of rental income to the Council into the future.

6.3. Policy Implications

- 6.3.1. The decision is consistent with the management policy and strategy for the farms estate.

6.4. Equality Implications

6.4.1. Not applicable.

6.5. Human Resources Implications

6.5.1. None.

6.6. Risk Management Implications

6.6.1. The key risk associated with the decision relates to the impact on total net income. The sale of any Council property asset results in the loss of income and future capital gains from that particular property. This was considered in the development of the overarching policy and strategy which seeks to underpin and improve the financial performance of the farms estate, addressed by a corresponding reduction in the liability for maintenance and increasing rental income via investment in improvements in retained assets.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities although the proposal is clearly relevant to the agricultural industry and improving the standards of service offered through the Farms Estate.

6.8. Implications for Children & Young People/Cared for Children

6.8.1. There are no direct implications for children and young people.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. Mobberley – Cllr C Leach

8. Consultation & Engagement

8.1. None.

9. Access to Information

9.1. [Decision of Cabinet Member For Regeneration 17th August 2017](#)

10. Contact Information

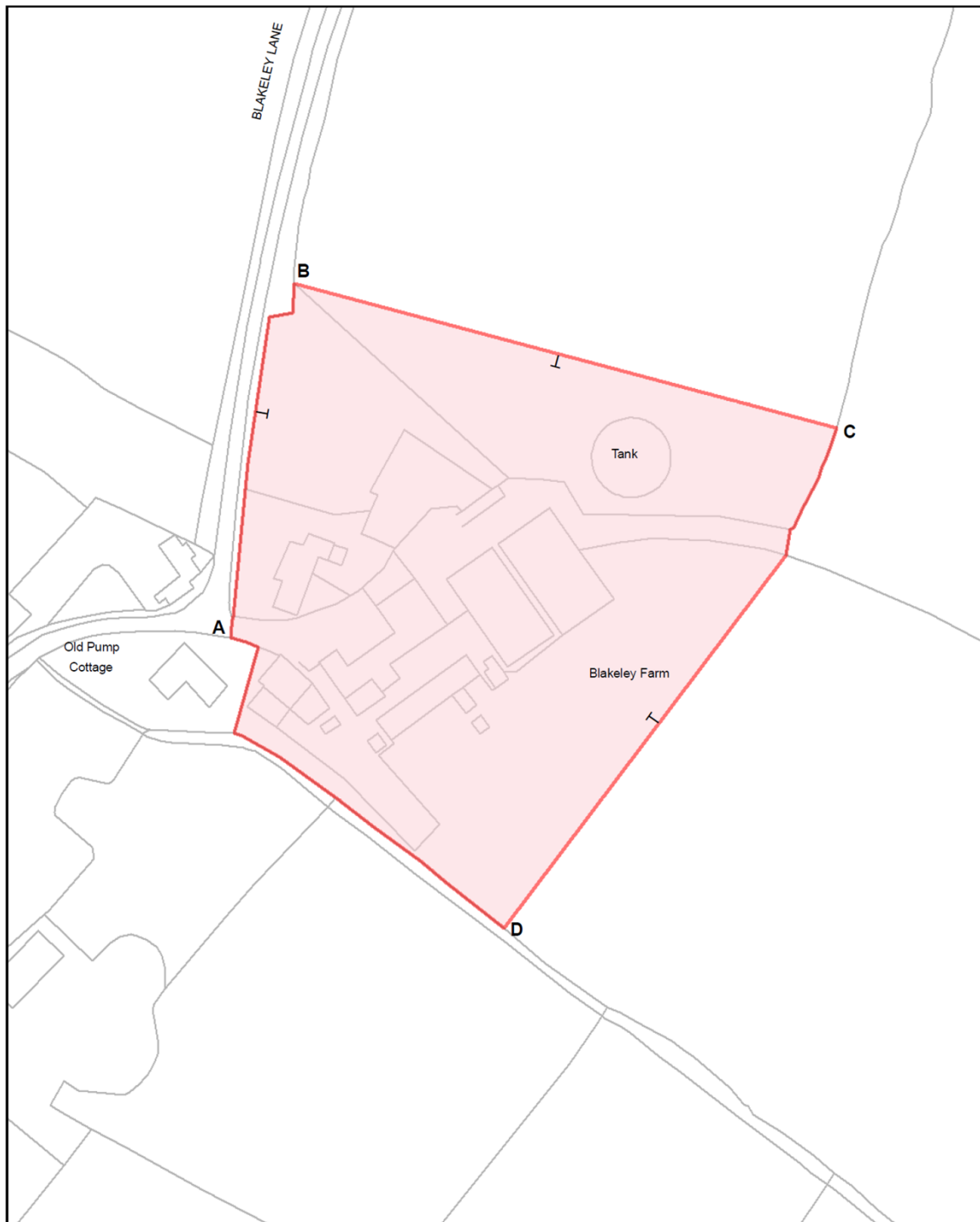
10.1. Any questions relating to this report should be directed to the following officer:

Name: David R Job

Job Title: County land Agent

Email: david.job@cheshirewestandchester.gov.uk

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Working for a brighter future together

Cabinet

Date of Meeting: 11 June 2019

Report Title: 2018/19 Financial Outturn and Review of Performance

Portfolio Holder: Cllr Amanda Stott - Finance, IT and Communication
Cllr Jill Rhodes - Public Health and Corporate Services

Senior Officer: Alex Thompson – Head of Financial Support & Procurement
(Acting Section 151 Officer)

1. Report Summary

- 1.1. This report outlines how the Council has managed its resources to provide value for money services during the 2018/19 financial year. The report includes a revenue outturn summary, a summary of financial performance for the year, as well as associated appendices to show how the Council has achieved against the outcomes contained within the Corporate Plan.
- 1.2. The financial outturn for Cheshire East Council is balanced for 2018/19, with gross income matching gross expenditure and the appropriate use of earmarked reserves, meaning General Reserves remain unchanged at £10.3m. This is despite the fact that 2018/19 presented a challenging year for the Council, in common with other local authorities across the UK, as revenue budgets came under severe pressure due to the combined effects of rising inflation, increased demand for services and continuing reductions in government funding.
- 1.3. Despite financial pressures in 2018/19 statutory duties of the Council were still delivered within the relevant statutory parameters and the associated inspection frameworks. In this environment the ability to deliver financial savings whilst maintaining service standards across the Council was extremely challenging.
- 1.4. The Council has continued to perform strongly, delivering positive outcomes in each of the six priority areas identified by the Corporate Plan. In delivering outcomes the Council has worked with residents, businesses and its partners to achieve positive outcomes.

- 1.5. The main financial challenges during the year related to demand led pressures exceeding forecasts in the People Directorate relating to the costs of Childrens Services.
- 1.6. Financial pressures experienced in 2018/19 have been addressed for 2019/20 as part of the budget setting process. These also included costs in Environmental Operations, delays associated with achieving some of the efficiency savings included within service budgets, increased B4B project revenue cost and anticipated additional costs relating to the way that holiday pay is calculated. Additional costs incurred in addressing these issues are being offset by the draw down of earmarked reserves to balance to a net budget in 2018/19.
- 1.7. Expenditure on the capital programme is £97m. The revised budgets for 2018/19 total £153.8m and underspends against these budgets will be slipped into 2019/20 and re-profiled as part of the outturn reporting. Capital receipts in year amounted to £6.3m against a forecast of £5.9m.
- 1.8. The Council's wholly owned companies produced a positive outturn for the year, with reserves increasing by £1.0m for the Group. In accordance with contractual arrangements, £0.4m will be reported as Company Reserves with £0.6m being transferred to the Council.
- 1.9. The Council's Corporate Plan sets out 6 Priority Outcomes and 2018/19 has seen important improvements in each area. Examples evidenced within Appendix 2 highlight how outcomes are being achieved. For example: People were helped to continue to live independently; Capital work programmes increase the number of school places available; National targets exceeded for waste recycling; and we are achieving higher than national results in GCSE and A-Levels to give people the education they need in order to thrive.
- 1.10. At outturn a few examples of good performance were:
 - 27 community venues have celebrated becoming Connected Communities Centres, with 21 of these opening in 2018/19
 - The Carriageway Improvements Programme saw 533,606m² of carriageway resurfaced by 2018/19 year-end
 - As of March 2019, 88% of Cheshire East schools are Good or Outstanding
 - All Green Flag and Green Heritage awards were retained this year
 - The Sport England Active Lives Survey reported that Cheshire East is the most active Borough in North West
 - Our registration service received a bronze award for 'reinventing local services' at the annual iESE (the public sector transformation partner) national awards
 - We finalised TOGETHER, our shared definition of coproduction in Cheshire East, which sets out how we will work together as equal

partners to improve, develop and deliver services towards a common goal for all of our children, young people, families and adults

- Cheshire East is top of the North West league table for the take-up of the 30 hours' free childcare scheme
- Our new Adult Safeguarding Trainer delivered training to 571 Care Staff working in a Care Home or Domiciliary setting in quarter four
- Annual Economic Output (Gross Value Added) was £13.5bn which is greater than both the rate of growth in England and the North West
- Performance and turnaround of Major Planning Applications start at 74% against a target of 90%
- The Council continues to reduce tonnage of CO2 emissions from its buildings; 8,306 tonnes against a target of 8,322 tonnes

1.11. Areas requiring further improvement also identified as:

- Timeliness of assessments for Education Health and Care Plans (EHCP's) remains a challenge and below target
- Demand on domiciliary care remains high and the number of packages of care have increased and this has led to some delays
- Number of cared for children is reducing but cost of care is remaining static

1.12. Additional and supporting detailed performance data is reported for information to Scrutiny committees. The quarter three Place Scorecard was received by the Environment and Regeneration Overview and Scrutiny Committee on 18 March 2019. The quarter two Children and Families Scorecard was received by the Children and Families Overview and Scrutiny on 28 January 2019. The latest Adults and Public Health Scorecards were received by the Health and Adult Social Care and Communities Overview and Scrutiny Committee on 7 February 2019.

1.13. The attached Appendices set out details of how the Council has performed in 2018/19:

Appendix 1 – Revenue Outturn Summary 2018/19 – Provides the final revenue outturn position for the period 1st April 2018 to 31st March 2019.

Appendix 2 – Achievements against the Corporate Plan - Provides highlights of Council activities, and achievements, from working with partners and the community throughout 2018/19. The Appendix is set out in line with the 6 outcomes contained within the Corporate Plan 2017 to 2020.

Appendix 3 – Grants – includes details of capital and revenue grants received during 2018/19.

Appendix 4 – Requests for Supplementary Capital Estimates and Virements

Appendix 5 – Debt Management

Appendix 6 – Reserves

Appendix 7 – Treasury Management Annual Report

2. Recommendations

That Cabinet:

- 2.1. note the balanced revenue position.
- 2.2. note the capital outturn position.
- 2.3. note the debt management position
- 2.4. receive the Treasury Management Annual Report for 2018/19 as detailed in Appendix 7.
- 2.5. recommend to Council to approve:
 - 2.5.1. fully funded supplementary capital estimates above £1,000,000 in accordance with Financial Procedure Rules as detailed in **(Appendix 4 Table 6)**.

3. Reasons for Recommendations

- 3.1. The Council monitors in-year performance through a reporting cycle, which includes outturn reporting at year-end. Reports during the year reflect financial and operational performance and provide the opportunity for members to note, approve or recommend changes in line with the Council's Financial Procedure Rules.
- 3.2. The overall process for managing the Council's resources focuses on value for money and good governance and stewardship. Financial changes that become necessary during the year are properly authorised and this report sets out those areas where any further approvals are now required.
- 3.3. This report provides strong links between the Council's statutory reporting requirements and the in-year monitoring processes for financial and non-financial management of resources.
- 3.4. It also meets the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities.

4. Other Options Considered

- 4.1. Not applicable

5. Background

- 5.1. Monitoring performance is essential to the achievement of outcomes within the Corporate Plan. This is especially important in evidencing the achievement of value for money across an organisation the size of Cheshire East Council. The Council is the third largest in the Northwest of England, responsible for over 500 services, supporting over 375,000 local people. Gross annual spending is over £740m, with a balanced net budget for 2018/19 of £269.8m.
- 5.2. The management structure of the Council is organised in to three directorates, People, Place and Corporate. The Council's reporting structure provides forecasts of a potential year-end outturn within each directorate during the year, as well as highlighting activity carried out in support of each outcome contained within the Corporate Plan.
- 5.3. At final outturn, the Council's reserves strategy remains effective with a zero net variance against the budgeted position, as forecast at the third quarter review. Capital Expenditure for the year was £97m.
- 5.4. The Council complied with all of its legislative and regulatory requirements in accordance with the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities. Overall the level of borrowing reduced in year by £12m with average interest rates on long and short term borrowing of 2.72%. The Council held £28m of invested funds at 31st March 2019 with an average income return of 2.14% in year.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The legal implications surrounding the process of setting the 2018 to 2021 medium term financial strategy were dealt with in the reports relating to that process. The purpose of this paper is to provide a progress report at the final outturn stage of 2018/19. That is done as a matter of prudential good practice, notwithstanding the abolition of centrally imposed reporting requirements under the former National Indicator Set.
- 6.1.2. The only other implications arising directly from this report relate to the internal processes of approving supplementary capital estimates and virements referred to above which are governed by the Finance Procedure Rules.
- 6.1.3. Legal implications that arise when activities funded from the budgets that this report deals with are undertaken, but those implications will

be dealt within the individual reports to Members or Officer Decision Records that relate.

6.2. Finance Implications

- 6.2.1. The Council's financial resources are agreed by Council and 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.
- 6.2.2. The Council's Audit & Governance Committee is responsible for reviewing and analysing the Council's financial position at year-end. The final accounts will be approved by 31st July 2019 following external auditing and associated recommendations to the Committee.
- 6.2.3. Reserve levels are agreed, by Council, in February each year and are based on a risk assessment that considers the financial challenges facing the Council.
- 6.2.4. The forecast outturn for 2018/19, as reported at quarter three, was used to inform the budget setting process for 2019/20. Analysis of the final outturn helps to inform the Council of potential issues arising for the 2019/20 budget, or highlights potential underlying issues that can be managed in future budget setting cycles. It is important to note that the minor variations reported at outturn have not identified any significant risks to the 2019/20 budget.

6.3. Policy Implications

- 6.3.1. This report is a backward look at Council activities during the final quarter.
- 6.3.2. Performance management supports delivery of all Council policies. The final outturn position, ongoing considerations for future years, and the impact on general reserves will be fed into the assumptions underpinning the 2020/23 medium term financial strategy.

6.4. Equality Implications

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

6.5. Human Resources Implications

- 6.5.1. This report is a backward look at Council activities at outturn and states the year end position. Any HR implications that arise from activities

funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

6.6. Risk Management Implications

6.6.1. 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 are used to inform the overall financial control risk contained in the Corporate Risk Register.

6.6.2. 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 2018/19 budget and the level of general reserves were factored into the 2019/20 financial scenario, budget and reserves strategy.

6.7. Rural Communities Implications

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

6.8. Implications for Children & Young People / Cared for Children

6.8.1. The report provides details of service provision across the borough, acknowledges the ofsted report and notes the overspend on Children in Care.

6.9. Public Health Implications

6.9.1. This report is a backward look at Council activities at the fourth quarter and provides the year end position. Any public health implications that arise from activities funded by the budgets that this report deals with will be dealt within the individual reports to Members or Officer Decision Records to which they relate.

7. Ward Members Affected

7.1. All

8. Consultation & Engagement

8.1. As part of the budget setting process the Pre-Budget Report 2018/19 provided an opportunity for interested parties to review and comment on the Council's Budget proposals. The budget proposals described in the consultation document were Council wide proposals and that consultation was invited on the broad budget proposals. Where the implications of

individual proposals were much wider for individuals affected by each proposal, further full and proper consultation was undertaken with people who would potentially be affected by individual budget proposals.

9. Access to Information

9.1. The following are links to key background documents:

[Budget Book 2018/19](#)

[Medium Term Financial Strategy 2018/21](#)

[Mid Year Review of Performance 2018/19](#)

[Third Quarter Review of Performance 2018/19](#)

[Statement of Accounts 2018/19](#)

10. Contact Information

10.1. Any questions relating to this report should be directed to the following officer:

Name: Alex Thompson

Job Title: Head of Financial Support and Procurement (Acting Section 151 Officer)

Email: alex.thompson@cheshireeast.gov.uk

Appendix 1

Revenue Outturn 2018/19

2018/19 Outturn Review (GROSS Revenue Budget £616m)	Revised Budget (net) £m	Final Outturn Position £m	Over / (Under) spend £m
SERVICE DIRECTORATES			
Adult Social Care	104.2	104.4	0.2
Childrens Services	57.5	59.3	1.8
Public Health Communities	1.8	1.7	(0.1)
People	163.5	165.4	1.9
Planning & Sustainable Development	2.3	2.2	(0.1)
Infrastructure & Highways (incl Car Parking)	7.7	8.0	0.3
Growth & Regeneration (inc directorate)	16.3	15.9	(0.4)
Rural & Cultural Economy	3.0	3.2	0.2
Customer Operations	8.3	8.6	0.3
Client Commissioning	38.0	39.4	1.4
Place	75.6	77.3	1.7
Corporate Services	22.7	23.5	0.8
Corporate	22.7	23.5	0.8
Total Services Net Budget	261.8	266.2	4.4
CENTRAL BUDGETS			
Capital Financing	10.0	10.0	-
Transfer to / from Earmarked Reserves	(1.3)	(6.1)	(4.8)
Corporate Contributions / Central Budgets	(0.7)	0.8	1.5
Total Central Budgets	8.0	4.7	(3.3)
TOTAL NET BUDGET	269.8	270.9	1.1
Business Rates Retention Scheme	(43.0)	(43.0)	-
Revenue Support Grant	(5.4)	(5.4)	-
Specific Grants	(14.0)	(15.1)	(1.1)
Council Tax	(206.4)	(206.4)	-
Sourced from Collection Fund	(1.0)	(1.0)	-
Total Central Budgets	(269.8)	(270.9)	(1.1)
Net Position	0	0	0

The Council achieved a balanced outturn for 2018/19, meaning the general reserve closed at an unchanged level of £10.3m.

People Directorate

The People Directorate net expenditure outturn of £163.5m is £1.9m higher than budget.

The Adult Social Care (Operations and Commissioning) and Public Health and Communities budgets remains under continued pressure across the country. The pressure here in Cheshire East comes from a combination of factors, which have been building over a number of years, and relate to meeting the needs of our most vulnerable residents and this has been recognised in the 2018/19 budget where growth has been allocated. Adult Social Care Commissioning have responded to this challenge by commissioning the care at home and care with accommodation market to ensure there is a better offer to service users and more certainly for providers. In addition to this the Adult Social Care Commissioners have also introduced an Early Help Framework to support better outcomes in the Voluntary, Community and Faith sectors.

The number of cared for children stood at 483 at 31st March 2019, having been at much higher levels during the year. This continues to place strain on existing budgets and has resulted in an overspend in this area of £1.6m. There are various smaller variances in the Children's budget to increase this to £1.8m. Particular issues include transport and also the increasing costs of pupils with special educational needs which has led to an overspend against the Council's Dedicated Schools Grant.

Place Directorate

The Place Directorate net expenditure outturn of £77.3m is £1.7m higher than budget.

The pressures were predominantly made up of three items: Digital £0.9m, Environmental Operations £1.5m and abortive costs for the Silk Street scheme £0.4m. These have been offset by one off income in the Benefits payments centre of £0.4m due to an increased recovery rate.

The remainder of Place is reporting an underspend of £0.7m, an improvement of £0.3m on third quarter. There have been high levels of vacancies across the majority of services and an over achievement of income in Housing, Farms, Benefits and Regulatory Services & Health. Facilities Management have a favourable position mainly due to the management of carbon credits. These have offset pressures in Strategic Infrastructure, Development Management, Tatton Park and Cultural Economy and the creation of earmarked reserves mainly for severe weather and HS2.

Corporate Directorate

The Corporate Directorate net expenditure outturn of £23.5m is £0.8m higher than budget.

The main reason for the over spend arises from the non delivery of planned savings under the MARS scheme. The budget set a savings target of £1.5m for the MARS scheme but the actual saving achieved was only £0.549m, a shortfall of £0.951m.

The outturn was supported by the flexible use of £0.273m capital receipts to offset the cost of one-off redundancy costs (associated with the directorate restructure).

Appendix 2 Overview of Performance

1. Our local communities are strong and supportive

- The Early Help and Community Grant Scheme saw 45 grants being awarded in 2018/19 totalling £78,344, and contributing to over £1.2 million worth of projects.
- Over 100 volunteers have been – or continued to be – inspired to be involved in community projects during 2018/19.
- The launch of Cheshire East £2million allocated New Homes Bonus has been a great success. In 2018/19, over £1million was allocated to 43 projects across the Borough as part of the New Homes Bonus Community Fund.
- 27 community venues have celebrated becoming Connected Communities Centres to date; 21 of these opening in 2018/19.
- The Communities Team have supported a total of a further 86 volunteers in setting up new projects including event support, dementia training, provision for young people, information and advice around sexual health, mental health provision and a project to tackle social isolation.
- There are now 18 active neighbourhood partnerships across the Borough with working action plans that set out local priorities.
- The Anti-Social Behaviour (ASB) Team has implemented an anti-social behaviour alert system which enables the Council to better collaborate with Cheshire Police, and worked closely with partner agencies to reduce levels of ASB.
- There were 1,443,113 visitors to our libraries in 2018/19, slightly below the 2017/18 number (1,472,235). However, Cheshire East libraries were reported as the #1 authority in the North West for issues per 1,000 population in the 2018 CIPFA Public Library statistics.
- The annual Summer Reading Challenge reached 15% of the 5 to 12 year old population in Cheshire East - the highest rate of participation for all North West authorities.
- The Communities team has worked successfully with 78 volunteers to enable several projects and events including the Poynton health walk, Weston family fun event, self-care champions and at the Green in the Corner community café on the Hurdsfield estate in Macclesfield.
- £20,000 of funding has been allocated by Safer Cheshire East Partnership to invest in computer/digital equipment that will enable 'Get Safer Online' community training sessions, tackling digital inclusion and online safety.
- £123,000 of funding was secured from Ministry of Housing, Communities and Local Government to support schools in Crewe to accommodate children who don't speak English as their first language.
- Following a number of incidents in Crewe and Macclesfield for anti-social behaviour (ASB), a street safe event took place in Crewe to gather local intelligence from residents and form an action plan to reduce incidents.

2. Cheshire East has a strong and resilient economy

- Cheshire East has an annual economic output (GVA - Gross Value Added) of £13.5bn (latest data, as of 2017), and over the 2012-17 period, the growth rate averaged 3.3% a year, which is substantially greater than the rates achieved by the North West (1.9%) or England (2.3%).
- As of 2018, 77.5% of the Borough's working-age residents were in employment. This employment rate is higher than the North West (73.8%) and England (75.4%) averages.
- The value of the visitor economy in Cheshire East is on track to hit £1bn by 2020. Latest figures (August 2018, relating to 2017), show a 69.3% increase since the Borough came into being in 2009.
- There are 11,557 people employed in the Cheshire East visitor economy; an increase of over 34% since 2009.
- Overnight stays in 2017 injected £200m into the hotel industry – an increase of 3.9% on the previous year, and figures show more people are staying overnight than ever before.
- A Strategic Regeneration Framework for Macclesfield has been drafted and consulted on, to map out a new vision, objectives and route map forward for the town centre.
- Through Connecting Cheshire, 13,046 premises have access to superfast broadband against a final contract target of 13,706
- The Carriageway Improvements Programme saw 533,606m² of carriageway resurfaced by 2018/19 year-end.
- A borough-wide Transport Strategy has been developed, including public consultation leading to a final strategy for adoption in 2019.
- The Highways Service was awarded with the Chartered Institution of Highways & Transportation (CIHT) North West Best Practice Safety Award for its challenging safety barrier work on the notoriously steep and winding A54 Congleton to Buxton road in the Peak District National Park.
- The highways growth programme and Crewe Green roundabout was a finalist in the national Municipal Journal Awards and the Crewe Green Roundabout project also won the Institute of Highway Engineers (North West) Project of the Year.
- The average level of customer satisfaction with Highway service was 46% in 2018 (NHT survey).
- There was a 94% repudiation rate on highways insurance claims in 2018/19.
- 96.6% of potholes were repaired within code of practice timeframes in 2018/19, slightly below target of 98.3%.
- Parking Services have undertaken several 'Safer Parking in and around Schools' presentations – delivered to the school children by Civil Enforcement Officers in class assemblies.
- Only 1.09% of Civil Enforcement Officer Penalty Charge Notices were cancelled due to issuance errors, below our 1.5% target (where a lower result is better).
- The Council continues to work collaboratively with Government, Network Rail and HS2 to develop proposals for enhanced hub station options that support the Council's growth and regeneration ambitions for Crewe.
- 2018/19 saw the successful launch of the ground-breaking 'Field to Fork' project at Tatton Park's Farm attraction, following £1.3m investment in partnership with the Heritage Lottery Fund. The project generated national TV and press coverage, achieved a highly commended award at the 2018 North West Regional Construction Awards, and won the Marketing Cheshire 2018 'Best Tourism Event/Experience' award.

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

- The Council has worked with local primary schools to offer 98.4% of Cheshire East residents a place at a school of their choice for September 2019, with nearly 93% being offered their first preference.
- The majority of parents of Cheshire East school children will get their first choice of secondary school, offering preference places to 96.5% of Cheshire East residents with 90% offered their first preference.
- Cheshire East is top of the North West league table for the take-up of the 30 hours' free childcare scheme.
- As of March 2019, 88% of Cheshire East schools are Good or Outstanding. This represents 136 out of 155 schools.
- 2018 validated GCSE figures show 71% of pupils achieved a 'standard pass' or better in English and maths (9-4 grades) with 48% achieving the 'strong pass' (9-5 grades). Compared to all local authorities (155 in total), this places Cheshire East in the top 30 and rated 'A' for both of these indicators.
- The three-year trend for Progress 8 (the measure of added value between the end of Key Stage 2 to the end of Key Stage 4) has seen a positive improvement to now being above the national figure.
- Cheshire East achieved A-Level results above the national average. Overall pass rates (A*-E grades) resulted in a pass rate of 99%, which is above the national rate and places Cheshire East 20th compared to all authorities.
- Cheshire East's Annual SENCO (Special Educational Needs Coordinator) Conference, open to all Cheshire East schools and colleges, was held on 1 March 2019.
- In quarter 4, further progress was made in the development of four Children's Homes in Cheshire East.
- A range of capital work programmes continue to progress which will create an additional 140 special educational need (SEN) school places across Cheshire East.
- Other school expansion programmes continue to be developed to meet the sufficiency of school places across the Borough for mainstream provision.
- Key visual documents have been developed which support schools to provide careers and employment advice to young people.
- We finalised TOGETHER, our shared definition of coproduction in Cheshire East, which sets out how we will work together as equal partners to improve, develop and deliver services towards a common goal for all of our children, young people, families and adults.
- We held our first 'SEND Ignition' workshop at Macclesfield Town Football Club
- Star Celebrations took place in November 2018, an annual event to recognise the achievements of all our cared for children and care leavers.
- Our new Corporate Parenting Strategy, 2018-21 set out our ambition to improve outcomes for our cared for children and care leavers. Full Council signed up to these pledges in December 2018.
- Ofsted carried out a 'focused visit' (October 2018) around how well we assess and plan to meet the needs of cared for children. Ofsted praised the progress the Council had made in planning for care for children and that the wishes of children and young people were reflected very well in their plans.
- Annual November Children's Rights Month was dedicated to raising awareness of children's rights.

4. Cheshire East is a green and sustainable place

- Performance on turnaround of Major planning applications stood at 94% (against a target of 90%), and our turnaround of 'Non-major' applications stood at 91% (against a target of 90%).
- A continued high level of applications were received across 2018/19 – 195 Major applications, and 3,372 'Non-major'.
- There were 17 Air Quality Management Areas in Cheshire East at the end of 2018/19, 54% of which had an associated Air Quality Action Plan. A draft Action Plan has been produced for all AQMA's to bring performance to 100%, and is currently moving through the approval process with Defra.
- We ensured the ease of use of 86% of our Public Rights of Way (ahead of our target of above 80%).
- Work has begun on the new composting plant that will enable residents to recycle food waste in the garden waste bin.
- Recycling through the silver and green bin schemes and from our Household Waste Recycling Centres continues to ensure we exceed national targets for recycling.
- The authority has now switched away from landfill to 'energy from waste' as the main means of disposing of our black bin residual waste.
- We successfully worked with the digital transformation team to introduce two key projects – digitising the additional garden bin scheme and then the household waste and recycling bins supply charging scheme.
- Cheshire East Council has provided funding to Crewe Town Council to ensure the recruitment of two members of staff responsible for reducing the levels of fly tipping in Crewe.
- 95% of respondents rated our countryside events as Excellent or Good in 2018/19.
- All Green Flag and Green Heritage awards were retained this year, including the Green Heritage Awards for Queens Park Crewe.
- Over £800,000 of improvements have been made to parks, play areas and other public open spaces across the Borough this year with the help of grant and Section 106 funding.
- The Council has now adopted its Cemeteries Strategy and Regulations (2019), and have published these on our website.
- The Council's programme to support low carbon investment, through European Local Energy Assistance from the European Investment Bank, has passed a funding milestone allowing it to secure a further tranche of capital by leveraging investment across the public and private sector.
- The Council continues to reduce tonnage of CO2 emissions (electricity and gas) from its buildings – 8,306 tonnes at quarter 4 2018/19 is below the target of 8,322 tonnes and a reduction on 9,247 at quarter 4 2017/18.

5. People live well and for longer

- 727 affordable homes were delivered in 2018/19, significantly ahead of our 355 annual target.
- The Council maintained the number of long-term empty homes in Cheshire East below 1% (at 0.97%).
- We delivered 528 major adaptations to homes in 2018/19 to enable people to continue to live in their own homes.
- 311 households were helped to achieve affordable warmth.
- 651 preventative actions were taken in order to reduce levels of homelessness in Cheshire East.
- The most recent Sport England Active Lives Survey has reported that Cheshire East is the most active Borough in North West (out of 39 authorities).
- There were 3.6 million visits to our leisure centres in 2018/19, a 7% increase in participation year-on-year.
- 6,497 young people were given 'Bikeability' bike proficiency training in 2018/19 against a target of 6,080.
- 8,014 hours of volunteer support were given to local sports clubs and events against the target of 7,065 hours.
- In January, the learning disability team recruited 4 transition workers to the service to work with young people aged 16-25 to ensure a successful transition into adult services.
- Social workers in the community mental health team began to work to a different model of social work enabling them to introduce full implementation of the Care Act.
- In October 2018, the Continuing Health Care social work team was established.
- Sexual Health services have been recommissioned.
- National Child Measurement Programme letters have been sent to all children in reception and year 6. Children whose parents have not opted out will be weighed and measured and parents will be informed.
- The new commissioning framework for adults is beginning to attract new and innovative providers into the Borough, providing more choice for service users.
- The Council has been selected as a Pilot Site for the implementation of the new National Practice Framework for Strengths Based Practice in Adult Social Care. There are five pilot sites nationally.
- Live Well continues to be an important resource and usage has increased since its first release in May 2017.
- Recommissioning activity on the Infection Prevention Control contract has been taking place and extensive work conducted.
- Our new Adult Safeguarding Trainer delivered training to 571 Care Staff working in a Care Home or Domiciliary setting in quarter 4.
- Cheshire East Council's adoption performance has been praised by the Department for Education. In a letter, marking the publication of 2015-18 adoption scorecards, the Department recognised the strong performance on adoption 'timeliness' in Cheshire East.
- The Department for Education's threshold for both time taken to place children with their adoptive families, and for the average time to match an adoptive family for children, was met in 2015-18.
- Cheshire East held a ceremony to recognise the dedication and commitment to caring for children shown by our foster parents, including some of our longest serving foster carers.
- A Cheshire East Member of Youth Parliament has recently joined the national youth advisory panel (YAP).
- 100% of Food Safety A-D inspections were completed against the annual programme, and 76% of Food Safety E rated premises received intervention activity.

6. A Responsible, Effective and Efficient Organisation

- The Council retained CIPFA Platinum accreditation.
- New digital services have been implemented to provide improved customer access 24/7 to a range of services including council tax, benefits, waste and recycling, blue badges and pest control.
- A new online customer account has been implemented providing customers with up to date information on their council tax balance, payments, bills and benefits entitlement
- The implementation of our new digital waste permit was awarded the Best Small Scale Project at the 2018 Public Sector Paperless Awards.
- 99.2% of Local Taxation collected within 2 years (Combined Council Tax and Business Rates) was collected in 2018/19, achieving our target of 99%.
- We have significantly improved the response time to Freedom of Information requests from 80% in March 2017 to 97% in March 2018.
- We successfully implemented GDPR project across the Council to ensure compliance by 25th May 2018.
- In 2018, the Council had a 92% compliance rate in terms of response times, a vast improvement on the 82% compliance rate in 2017, and above the 90% required by the ICO.
- The average number of working days lost to staff sickness has reduced in 2018/19 to 10.31 days (from 11.18 days in 2017/18). Training launched in November for managers focusing on shared good practice in attendance management will continue into 2019.
- 87 apprenticeships were in place at the end of 2018/19, ahead of our Cheshire East Council target of 82.
- Staff turnover stood at 11% at the end of 2018/19, below our target of 12%.
- Our registration service received a bronze award for 'reinventing local services' at the annual iESE (the public sector transformation partner) national awards.
- At the 2018 North West Weddings Awards the Service was voted the best ceremony provider.
- The former Asset Management and Facilities Management services have been restructured to create a new Estates Service which will enable a more streamlined corporate landlord function.
- The Council's land and property brought in over £1.681m rental income for the Council, with the service reducing average monthly debt down to £86,000, its lowest in recent years.
- Within the Assets teams, 359 property cases were closed throughout the year, with the property information team supporting with 2,754 internal and external enquiries.
- During the year the Council has been developing and work towards delivering planned phases of its Brighter Future Together Programme.
- We recruited and trained over 100 Brighter Future Together Champions to support the embedding of culture across the organisation.
- The Democratic Services team worked to prepare for the largest scale local elections in four years on 2 May 2019, supporting the election of 82 Borough Councillors and over 1,000 Town and Parish Councillors.
- We launched a Member/Officer Protocol, and piloted a dedicated member advice and enquiry service.
- We appointed a full time Equality, Diversity and Inclusion Officer and recruited 38 Equality Champions.
- We trained 53 Mental Health First Aiders to offer support to officers across the Council.

Appendix 3 Grants

Government Grant Funding of Local Expenditure

1. 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 2018/19 was £272.4m.
2. In 2018/19 Cheshire East Council's specific use grants held within the services was budgeted to be £254.1m based on Government announcements to February 2018. At mid-year, this figure was revised down to £249.8m but was revised up at third quarter to £251.1m.
3. The last quarter has seen a decrease in specific use grant of £0.5m. In the People Directorate, the majority of the difference relates to Academy conversions. In Place Directorate, there has been an increase in Local Enterprise Partnership funding, off-set by a reduction in Housing Benefit Subsidy.
4. Spending in relation to specific use grants must be in line with the purpose for which it is provided.
5. General purpose grants were budgeted to be £18.4m. This reduced by £0.7m during the year as the Adult Skills Lifelong Learning budget was transferred to the service. Further in-year grant announcements have increased the amount received to £27.5m.
6. 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. Additional general purpose grants totalling £1.9m was received during the final quarter of 2018/19. Services are seeking approval to use £451,706 of this additional funding (**Table 1**), and this has been transferred to an earmarked reserve.
7. These grants were received too late in 2018/19 to seek approval to spend in year and therefore this report seeks approval to service requests to incur expenditure of £451,706 in 2019/20, fully funded by the additional grants.
8. There is also a service request relating to 2019/20 for an Extended Personal Advisor Duty Implementation grant. This request is to increase the budget expenditure in Children & Families by £27,822.
9. During the quarter service budgets have been increased by £114,661 as a result of officer decision records. This related to High Streets Community Clean Up funding and EU Exit funding that was received and expenditure budget required during 2018/19.
10. Business Rates Tax Loss Compensation grants of £7.1m have also been received during 2018/19 to reimburse billing authorities for the extra discounts offered to businesses as announced in the Autumn Statements. This includes the doubling of Small Business Rate Relief (SBRR) for a further year and the SBRR Threshold Change Grant. These grants have been transferred to the Collection Fund Management earmarked reserve.

11. Net additional general purpose grant of £9.8m has been received during the year, with £1.2m being allocated direct to services. After allowing for the transfer of £7.5m to earmarked reserves, the net outturn variance is a £1.1m improvement against budget.

12. **Table 2** below provides a summary of the updated budget position for grants in 2018/19 by type and service. Further details of grants are shown in the Statement of Accounts.

Table 1 – Requests for Allocation of Additional Grant Funding

Service	£000	Details
Place Brownfield Register & Payments In Principle	4	This is to support delivery of updated brownfield registers and other minor statutory changes to development management functions during 2018/19.
Homelessness Case Level Information H-CLIC	5	The purpose of the H-CLIC is to ensure that there is a robust homelessness dataset to better understand the causes of homelessness, and make more effective policies to reduce it.
Homelessness Prevention Top-up	22	Additional funding as part of a homelessness prevention top-up grant.
Flexible Homelessness Support Top-up	45	The funding is intended to increase the focus on preventing homelessness in local authorities.
Custom Build Land Duty	30	The funding relates to new responsibilities imposed by the The Self-build and Custom Housebuilding Act 2015.
Local Authority Parks Improvement Funding	66	To undertake remedial work and renovation of existing parks to enhance the green space available to their local communities. To target funds to those parks in local area in need of greatest repair and improvement.
Letting Agency Transparency & Redress Schemes and Rogue Landlord Measures	1	These grants are to fund additional monitoring responsibilities within Strategic Housing in respect of letting agents.

Service	£000	Details
People – Children & Families Tackling Troubled Families Grant	172	The Troubled Families Programme was extended to 2019/20 works with families where children are not attending school, young people are committing crime, families are involved in anti-social behaviour and adults are out of work.
People - Adult Social Care & Independent Living Tobacco Products Directive and Age of Sale – Nicotine Inhaling Products legislation	5	The funding is for supporting the implementation of the revised Tobacco Product Directive (TPD) and Age of Sale – Nicotine Inhaling Product (NIP) Legislation (vaping products) which is a Trading Standards function.
Corporate – Chief Operating Officer Local Government Transparency Code - New Burdens	13	New burdens in relation to the Council's obligation to publish information in line with the Government's Transparency Code 2014.
Corporate – ICT EU Exit	57	New funding to support local authorities as they make preparations for Brexit.
Central Landlord Costs	32	New funding received relating to landlord costs.
Total Allocation 2018/19	452	
People – Children and Families Extended Personal Adviser Duty Implementation	28	The purpose of the grant is to support Local Authorities to respond positively to requests for support from care leavers who may have difficulties and be struggling to transition to adulthood by requiring them to offer Personal Adviser support to all care leavers up to the age of 25.
Total Allocation 2019/20	28	

Table 2 – Corporate Grants Register

Corporate Grants Register 2018/19		Original Budget	Revised Forecast TQR	Final Outturn	Change from TQR Forecast
	Note	2018/19 £000	2018/19 £000	2018/19 £000	2018/19 £000
SPECIFIC USE (Held within Services)					
PEOPLE					
Schools	1	156,411	151,442	150,526	-916
Children & Families		409	1,749	2,330	581
Adult Social Care		10,244	11,695	11,697	2
Public Health		16,400	16,400	16,400	0
Total		183,464	181,286	180,953	-333
PLACE					
Growth and Regeneration		197	547	547	0
Planning and Sustainable Development		0	283	282	-1
Directorate		0	787	1,092	305
Customer Operations		70,391	68,212	67,767	-445
Total		70,588	69,829	69,688	-141
TOTAL SPECIFIC USE		254,052	251,115	250,641	-474
GENERAL PURPOSE (Held Corporately)					
Central Funding					
Revenue Support Grant		5,416	5,416	5,416	0
Total Central Funding		5,416	5,416	5,416	0

Corporate Grants Register 2018/19		Original Budget	Revised Forecast TQR	Final Outturn	Change from TQR Forecast
	Note	2018/19 £000	2018/19 £000	2018/19 £000	2018/19 £000
PEOPLE					
Children & Families		2,696	2,910	3,082	172
Total		2,696	2,910	3,082	172
PLACE					
Growth and Regeneration		52	312	385	73
Planning and Sustainable Development				39	39
Commissioning				132	132
Customer Services		1,639	1,695	1,719	24
Total		1,691	2,007	2,275	268
CORPORATE					
Legal Services			133	146	13
ICT				105	105
Total		0	133	251	118
CENTRAL					
Central		8,563	8,701	9,375	674
Collection Fund			6,364	7,053	689
Total		8,563	15,065	16,428	1,363
Total Service Funding		12,950	20,115	22,036	1,921
TOTAL GENERAL PURPOSE		18,366	25,531	27,452	1,921
TOTAL GRANT FUNDING		272,418	276,646	278,093	1,447

Notes

- 1 The Dedicated Schools Grant, Pupil Premium Grant, Sixth Form Grant and Other School Specific 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.

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Appendix 4 Requests for Supplementary Capital Estimates and Virements

Capital Programme 2018/21

1. Since the third quarter review the overall programme has increased by £28.3m, from £415.2m to £443.5m, as shown in the table below. A summary of the capital programme and funding is shown at table 3.

Table 1 - Summary Capital Programme

	Revised TQR Budget	Amendments to TQR Budget	Transfers to/from Addendum	Budget Reductions	SCE's	Revised Outturn Budget
	2018/21 £m		2018/21 £m	2018/21 £m	2018/21 £m	2018/21 £m
People Directorate	37.9	0.1	-	(0.1)	0.0	37.9
Place Directorate	352.3	-	23.7	(1.4)	3.6	378.3
Corporate Directorate	25.0	-	-	-	2.3	27.3
	415.2	0.1	23.7	(1.5)	5.9	443.5

2. A number of projects have been approved at the Finance Portfolio holder meeting to move budgets from the Capital Addendum to the main capital programme totalling £23.7m. This amount primarily relates two projects within the Place Directorate, a strategic Site acquisition in Crewe £22.3m and the Highways Depot project £1.4m.
3. There are a number of Supplementary Estimates that require approval at Outturn of £5.9m. This relates primarily to two projects, the first being an increase in the Best for Business Project run jointly with Cheshire West and Chester Council of

£2.1m to take in to account their share of the costs so far on the project that is being hosted by Cheshire East. The second is an additional £1.5m for the A500 Dualling scheme to take the project to the next development stage.

4. The revised programme is funded from both direct income (grants, external contributions) and the Council's own resources (prudential borrowing, revenue contributions, capital reserve). A funding summary is shown in **Table 2**.

Table 2 - Capital Funding Sources

	Revised TQR Budget 2018/21 £m	Revised Outturn Budget 2018/21 £m	Change 2018/21 £m
Grants	212.1	215.1	3.0
External Contributions	44.5	47.3	2.8
Cheshire East Resources	158.6	181.1	22.5
	415.2	443.5	28.3

Capital Budget 2018/19

5. At Outturn the Council had actual expenditure of £96.8m against an in-year forecast position of £153.7m, with an overall slippage figure of £56.9m. **Table 3** gives a summary of the Capital Programme and **Table 4** shows transfers from and to the Capital Addendum.
6. The main areas of slippage are within the ICT projects of £9.3m, £23.7m on Infrastructure & Highways, £10.0m within

Growth and Regeneration and £2.5m with the Education and Strategy Projects.

7. **Table 5** details requests of Supplementary Capital Estimates (SCE) up to and including £500,000 and Capital Virements up to and including £1,000,000 approved by delegated decision which are included for noting purposes only.

8. **Table 6** details requests of Supplementary Capital Estimates (SCE) over £1,000,000 which is for the increase in budget on the Best for Business Project to include the share of the costs due from Cheshire West and Chester Council for 2018/19 and the additional £1.5m required for the A500 Dualling scheme.

Table 3 - Summary Capital Programme and Funding

Service	In-Year Budget	SCE's Virements Reductions During Quarter	SCE's Virements Reductions Outturn	Revised In-Year Budget Outturn	Actual Expenditure	Forecast Expenditure	
	Outturn £000	2018/19 £000	2018/19 £000	2018/19 £000	2018/19 £000	2019/20 £000	2020/21 and Future Years £000
People Directorate							
Adults, Public Health and Communities	3			3	3	-	-
Children's Social Care (Incl. Directorate)	119			119	20	365	-
Education and 14-19 Skills	13,766	301	(205)	13,862	10,681	19,575	6,467
Prevention and Support	753	(30)		723	442	281	-
Total People Directorate	14,641	271	(205)	14,707	11,146	20,221	6,467
Place Directorate							
Infrastructure and Highways (inc Car Parking)	74,288	2,349	621	77,259	53,520	73,854	94,455
Growth and Regeneration	21,446	2,688	317	24,451	14,394	58,984	50,543
Rural and Cultural Economy	2,170	-	(18)	2,152	1,206	2,722	103
Customer Operations	87			87	19	98	-
Client Commissioning - Environmental	6,609	108	-	6,717	1,851	13,347	-
Client Commissioning - Leisure	5,309	-	28	5,337	2,780	8,332	2,092
Total Place Directorate	109,909	5,145	948	116,003	73,770	157,337	147,193

Service	In-Year Budget Outturn £000	SCE's Virements Reductions During Quarter 2018/19 £000	SCE's Virements Reductions Outturn 2018/19 £000	Revised In-Year Budget Outturn 2018/19 £000	Actual Expenditure 2018/19 £000	Forecast Expenditure	
						2019/20 £000	2020/21 and Future Years £000
Corporate Directorate							
Finance and Performance	577	150	-	727	727	-	-
ICT	20,095	-	2,238	22,333	11,167	11,978	3,497
Total Corporate Directorate	20,672	150	2,238	23,060	11,894	11,978	3,497
Total Capital Programme	145,222	5,566	2,981	153,770	96,810	189,536	157,157

Funding Sources	2018/19 £000	2019/20 £000	2020/21 and Future Years £000
Grants	47,950	98,436	68,742
External Contributions	5,937	12,279	29,132
Cheshire East Council Resources	42,923	78,821	59,283
Total	96,810	189,536	157,157

Table 4 – Transfers from and to the Capital Addendum

Service	Capital Scheme	Amount Transferred Outturn £	Reason / Comment
Budgets Transferred from the Addendum to the Main Capital Programme			
Place - Infrastructure and Highways (inc Car Parking)	Winter Service Provision - Depot Rationalisation	1,400,000	Approved to the Capital Programme
Place - Growth and Regeneration - Strategic Site	Strategic Site Acquisition	22,300,000	Approved to the Capital Programme
Total Budgets Transferred to Main Capital Programme		23,700,000	

Table 5 - Approved Supplementary Capital Estimates up to £500,000 and Virements up to £1,000,000

Service	Capital Scheme	Amount Requested £	Reason and Funding Source
Summary of Supplementary Capital Estimates and Capital Virements			
Supplementary Capital Estimates that have been made up to £500,000			
People - Education and 14-19 Skills	Schools Condition Fund	17,874	To increase the budget with a Contribution from Elworth Hall Primary to fund additional expenditure incurred in year on their internal remodelling project.
Place - Growth and Regeneration	Premises Capital (FM)	78,036	To increase budget to incorporate Nantwich Almshouses Trust contribution to replacement of heating pipework
Place - Growth and Regeneration	Schools Capital Maintenance	8,969	To increase budget to Rode Heath Primary contribution towards Replacement Window Project
Place - Infrastructure and Highways (inc Car Parking)	Highway Maintenance Minor Works	100,000	CEH to engage Telent to deliver replacement of existing RMS system commencing in the current financial year, utilising the revenue funding contribution for works undertaken in 2018/19.
Place - Infrastructure and Highways (inc Car Parking)	Town Studies	200,000	Funded from LTP grant
Place - Infrastructure and Highways (inc Car Parking)	Hassall Rd, Alsager Ped Xing	113	To increase the budget to match the amount in the S106 pot.
Place - Infrastructure and Highways (inc Car Parking)	Nantwich Rd, Middlewich	280	To increase the budget to match the amount in the S106 pot.
Place - Infrastructure and Highways (inc Car Parking)	A54/A533 Leadsmithy St, M'wich	14,707	Project to be funded by S106 receipt
Place - Infrastructure and Highways (inc Car Parking)	Taylor Dr/Edmund Wright Way	68,866	To fully utilise S106 receipt
Place - Customer Services	Digital Customer Services	47,259	Revenue contribution to cover overspend
Place - Rural and Cultural Economy	Field to Fork	30,000	Expected additional costs to be funded by a revenue contribution from Tatton
Place - Rural and Cultural Economy	Twin Trails - Gritstone Trail	81	Proportion of funding from CWAC
Place - Rural and Cultural Economy	Queens Drive, Nantwich s106	1,423	Increase budget to take in consideration the interest applied.
Place - Growth and Regeneration	North Cheshire Garden Village	150,000	Grant received from Homes and Communities Agency
Place - S278s	Various	255,788	To increase budgets to match funding and forecasts
Place Client Commissioning - Environmental	Fountain Fields Redevelopment	35,339	Additional Park Development Fund contribution to the Fountain's Field project.
Place Client Commissioning - Environmental	Arnold Rhodes Public Open Space Improvements Phase 2	5,774	Additional contribution from the Arnold Rhodes, Disley Play Area project.
Place Client Commissioning - Environmental	Household Bins Schemes	50,366	Additional contribution from the Arnold Rhodes, Disley Play Area project.
Place - Client Commissioning Leisure	Alsager Leisure Centre Gym Conversion	28,066	ESAR contribution for additional works required to the existng gym space at Alsager Leisure Centre to match the new extension to the gym space
Corporate - ICT	Best for Business	16,337	Capital Receipts to cover addition spend
Total Supplementary Capital Estimates Requested		1,109,278	

Service	Capital Scheme	Amount Requested £	Reason and Funding Source
Summary of Supplementary Capital Estimates and Capital Virements			
Capital Budget Virements that have been made up to £1,000,000			
People - Education and 14-19 Skills	Schools Condition Fund	15,123	DFC Contribution from following schools to fund overspend on School Condition Project: Elworth Hall; Malbank High; Audlem St James; Havannah; Bexton; and Ruskin High.
People - Education and 14-19 Skills	Healthy Pupils Capital Fund	1,392	DFC Contribution from following Schools to fund overspend on Healthy Pupils Project: Alsager Highfields and Bosley St Mary.
Place - Growth and Regeneration	Macclesfield Public Realm	5,000	A transfer of £5,000 from Active Travel Department for Transport grant to Macclesfield Public Realm for cycle parking.
Place - Infrastructure and Highways (inc Car Parking)	Taylor Dr/Edmund Wright Way	250,000	Virements within the Highways service to cover additional costs within the programme.
Place - Infrastructure and Highways (inc Car Parking)	LED Street Lighting – Residential Areas	143,294	
Place - Infrastructure and Highways (inc Car Parking)	Programme Management	69,377	
Place - Infrastructure and Highways (inc Car Parking)	Congleton Public Realm	223,281	
Place - Infrastructure and Highways (inc Car Parking)	Hassall Rd, Alsager Ped Xing	6,242	All to be vired from Highways Investment Network to cover additional spend
Place - Infrastructure and Highways (inc Car Parking)	Middlewich Rd, H Chapel Ped X	37,079	
Place - Infrastructure and Highways (inc Car Parking)	S106 Sheppenhall Lane, Aston	2,114	
Place - Infrastructure and Highways (inc Car Parking)	Nantwich Rd, Middlewich	36,603	
Place - Infrastructure and Highways (inc Car Parking)	Surface Water Mgt Schemes	3,899	
Place - Infrastructure and Highways (inc Car Parking)	Highway Maintenance Minor Wks	439,417	
Place - Infrastructure and Highways (inc Car Parking)	Highway Investment Programme DFT Grant	407,817	
		933,172	
Place - Infrastructure and Highways (inc Car Parking)	Structural Replacement Lighting	295,950	Residual budget for Street Lighting to be moved to Highways Maintenance
Place Commissioning - Environmental	Park Development Fund	-35,339	A transfer of £35,339 to the Fountain Fields Redevelopment project.
Place Commissioning - Environmental	Arnold Rhodes, Disley Play Area	-5,774	A transfer of £5,774 to the Arnold Rhodes Public Open Space Improvements Phase 2 project.
Place - Rural and Cultural Economy	Field to Fork	18,198	Additional expenditure to be funded by Tatton Vison Phase 2
Place - Rural and Cultural Economy	Tatton Events Infrastructure	2,708	Expenditure to be funded by Tatton Vison Phase 2
Place - Rural and Green Infrastructure	S106 Next plc, Wilmslow	19,077	Assign additional costs from Active Travel 40CACAP-CH00071 budget
Place - Rural and Green Infrastructure	Elworth s106 Footpath Works	20,809	Assign additional costs from Active Travel 40CACAP-CH00071 budget
Place - Rural and Green Infrastructure	PROW Capital Works	13,009	Assign additional costs from Active Travel 40CACAP-CH00071 budget
Place - Growth and Regeneration	Schools Capital Maintenance (FM)	109,000	To increased grant allocation, Schools Capital Condition grant
Place - Growth and Regeneration	Schools Capital Maintenance	95,512	Residual budget from underspend anticipated at Hurdsfield Family Centre
Place - Growth and Regeneration	North-West Crewe Package	34,488	Residual budget from underspend anticipated at Hurdsfield Family Centre
Total Capital Budget Virements Approved		2,208,276	
Total Supplementary Capital Estimates and Virements		3,317,554	

Table 6 - Request for Supplementary Capital Estimates above £1,000,000 and Virements above £5,000,000

Service	Capital Scheme	Amount Requested £	Reason and Funding Source
Cabinet are asked to request Council to approve the Capital Virements and SCEs			
Supplementary Capital Estimates over £1,000,000			
Infrastructure and Highways (inc Car Parking)	A500 Dualling Scheme	1,500,000	Funding required to take the project to the next development stage. To be funded by the existing capital programme through other budget reductions.
Corporate - ICT	Best for Business	2,175,257	To bring Cheshire West and Chester contribution in to the budget.
Total Supplementary Capital Estimates and Virements		3,675,257	

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Appendix 5 Debt Management

1. Sundry debt includes all invoiced income due to the Council except for statutory taxes (Council Tax and Non-Domestic Rates). The balance of outstanding debt has increased by £270,000 since third quarter.
2. Annually, the Council raises invoices with a total value of over £70m. Around a quarter of the Council's overall sundry debt portfolio relates to charges for Adult Social Care, the remainder being spread across a range of functions including Highways, Property Services, Licensing and Building Control.
3. The Council's standard collection terms require payment within 28 days of the invoice date, however, services receive immediate credit in their accounts for income due. 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.
4. The Revenue Recovery team (using their experience gained in collecting Council Tax and Non-Domestic Rates) engage with services to offer advice and assistance in all aspects of debt management, including facilitating access to debt collection/enforcement agent services (currently provided by Bristow & Sutor). In 2018/19 the team collected £2.4m on behalf of services.
5. After allowing for debt still within the payment terms, the amount of outstanding service debt at the end of March 2019 was £8.7m.
6. The total amount of service debt over six months old is £4.7m; provision of £5.4m has been made to cover doubtful debt in the event that it needs to be written off.

Debt Summary

	Outstanding Debt £000	Over 6 months old £000	Debt Provision £000
People			
Adults, Public Health and Communities	5,006	2,928	3,671
Children's Social Care (Incl. Directorate)	202	28	28
Education and 14-19 Skills	156	2	2
Prevention and Support	11	11	11
Schools	32	22	-
Place			
Planning and Sustainable Development	61	33	33
Infrastructure and Highways (inc Car Parking)	1,562	1,079	1,079
Growth and Regeneration	701	268	268
Rural and Cultural Economy	72	4	4
Customer Services	5	4	4
Client Commissioning - Environmental	264	263	263
Corporate			
Human Resources	10	7	7
Finance and Performance	10	7	7
Professional Services	51	1	1
ICT	591	2	2
	8,734	4,659	5,380

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Appendix 6 Reserves

Management of Council Reserves

1. The Council's Reserves Strategy states that the Council will maintain reserves to protect against risk and support investment.
2. The opening balance at 1st April 2018 in the Council's General Reserves was £10.3m as published in the Council's Statement of Accounts for 2017/18. The outturn position for 2018/19 is balanced so the General Reserve remains at the same value.
3. The updated Risk Assessment for 2019/20 provides for the Minimum Level to increase to £12.0m. This is considered a relatively prudent overall target for reserves at 4.5% of the net budget. The Reserves Strategy for 2019/20 set out a planned contribution from earmarked reserves of £1.7m to the general reserve in 2019/20, which will increase the general reserve to £12m in accordance with the risk assessed level.
4. At third quarter review the Council's forecast overspend was estimated at £4.8m compared to the 2018/19 budget. Mitigating actions to bring the outturn in line with budget were proposed and included use of earmarked reserves of £1.9m. This was in addition to planned use of earmarked reserves which have been monitored via the team plans during 2018/19.
5. A central contingency referred to as the MTFS (Medium Term Financial Strategy) Reserve has been created to support in year pressures against the 2019/20 revenue budget. Use of this earmarked reserve will be subject to approval of robust business cases.
6. **Table 1** shows the total reserves at the end of March 2018/19. Overall the Council remains in a strong financial position given the major challenges across the public sector.

Table 1 – Reserves Position

	£m
General Reserve	10.3
Earmarked Reserves (excluding Schools)	45.6
Total Reserves Balance at 31 March 2019	55.9

7. Further details of individual reserves are available in the Statement of Accounts 2018/19 Note 3.
[Click here to go to the Statement of Accounts](#)

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Appendix 7

Treasury Management Annual Report 2018/19



1. Introduction

- 1.1 In February 2018 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.
- 1.2 The Authority's treasury management strategy for 2018/19 was approved at a meeting of the Council on 22nd February 2018. 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 remains central to the Authority's treasury management strategy.
- 1.3 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.4 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 21st February 2019.

2. Economic events of 2018/19

- 2.1 **Economic background:** After spiking at over \$85/barrel in October 2018, oil prices fell back sharply by the end of the year, declining to just over \$50 in late December before steadily climbing toward \$70 in April 2019. UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% year/year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.
- 2.2 After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since.

- 2.3 The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in December. However, a recent softening in US data caused the Fed to signal a pause in hiking interest rates at the last Federal Open Market Committee (FOMC) meeting in March.
- 2.4 With the 29th March 2019, the original EU 'exit day' now been and gone, having failed to pass a number of meaningful votes in Parliament, including rejecting Theresa May's deal for the third time, MPs voted by a majority of one (313 to 312) to force the prime minister to ask for an extension to the Brexit process beyond 12th April in order to avoid a no-deal scenario. Recent talks between the Conservative and Labour parties to try to reach common ground on a deal which may pass a vote by MPs have yet to yield any positive results. The EU must grant any extension and its leaders have been clear that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.
- 2.5 While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with EU. The EU itself appeared to be show signs of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.
- 2.6 **Financial markets:** December was a month to forget in terms of performance of riskier asset classes, most notably equities. The FTSE 100 (a good indicator of global corporate sentiment) returned -8.8% assuming dividends were reinvested; in pure price terms it fell around 13%. However, since the beginning of 2019 markets have rallied, and the FTSE 100 and FTSE All share indices were both around 10% higher than at the end of 2018.
- 2.7 Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising in October, gilts regained their safe-haven status throughout December and into the new year - the 5-year benchmark gilt yield fell as low as 0.80% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.73% to 1.08% and from 1.90% to 1.55%. The increase in Bank Rate pushed up money markets rates over the year and 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.53%, 0.67% and 0.94% respectively over the period.
- 2.8 Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. During March the US yield curve inverted (10-year Treasury yields were lower than US 3 month money market rates) and German 10-year Bund yields turned negative. The drivers are a significant shift in global economic growth prospects and subsequent official interest rate expectations given its impact on inflation expectations. Further to this is world trade growth which collapsed at

the end of 2018 falling by 1.8% year-on-year. A large proportion of this downturn in trade can be ascribed to the ongoing trade tensions between the US and China which despite some moderation in January does suggest that the International Monetary Fund's (IMF) and Organisation for Economic Co-Operation & Development's (OECD) forecasts for global growth in 2019 of 3.5% might need to be revised downwards.

- 2.9 **Credit background:** Credit Default Swap (CDS) spreads, which act as a measure of risk, drifted up towards the end of 2018 on the back of Brexit uncertainty before declining again in 2019 and continuing to remain low in historical terms. After hitting around 129 basis points in December 2018, the spread on non-ringfenced bank NatWest Markets plc fell back to around 96bps at the end of March, while for the ringfenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 33 and 79bps at the end of the period.
- 2.10 The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) has been completed transferring their business lines into retail (ringfenced) and investment banking (non-ringfenced) entities.
- 2.11 In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty. This was followed with the same treatment for UK banks and a number of government-related entities.
- 2.12 There were minimal other credit rating changes during the period. Moody's revised the outlook on Santander UK to positive from stable to reflect the bank's expected issuance plans which will provide additional protection for the its senior unsecured debt and deposits.

3. Local Context

- 3.1 On 31st March 2019, the Authority had net borrowings of £17m arising from its revenue and capital income and expenditure. 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. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.19 Actual £m
General Fund CFR	330
Less: *Other debt liabilities	24
Borrowing CFR	354
External borrowing	(158)
Internal borrowing	196
Less: Usable reserves	(112)
Less: Working capital	(67)
Net borrowings	17

* finance leases and PFI liabilities that form part of the Authority's total debt

- 3.2 The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.
- 3.3 The treasury management position at 31st March 2019 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.18 Balance £m	Movement £m	31.3.19 Balance £m	31.3.19 Rate %
Long-term borrowing	(110)	6	(104)	4.13
Short-term borrowing	(60)	6	(54)	1.99
Total borrowing	(170)	12	(158)	3.41
Long-term investments	10	0	10	4.56
Short-term investments	12	(8)	4	0.80
Cash and cash equivalents	2	12	14	0.79
Total investments	24	4	28	2.14
Net borrowing	(146)	16	(130)	

4. Borrowing Strategy during the year

- 4.1 At 31st March 2019 the Authority held £158m of loans (a decrease of £11m from 31st March 2018), as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 31st March are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.18 Balance £m	Net Movement £m	31.3.19 Balance £m	31.3.19 Weighted Average Rate %	31.3.19 Weighted Average Maturity (years)
Public Works Loan Board	77	(6)	71	4.10	20.0
Banks (LOBO)	17	-	17	4.63	27.3
Salix – Energy Efficiency loans	4	(1)	3	0.00	1.6
Local authorities (long-term)	19	1	20	1.17	1.1
Local authorities (short-term)	53	(6)	47	0.82	0.2
Total borrowing	170	(12)	158	2.73	12.2

- 4.2 The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.
- 4.3 With short-term interest rates remaining much lower than long-term rates, the Authority considered it to be more cost effective in the near term to use internal resources and borrow rolling temporary loans on the inter-Local Authority market instead. The net movement in temporary loans is shown in table 3 above.
- 4.4 The Authority has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which also takes into account usable reserves and working capital. In order to ensure borrowing is more reflective of the risks associated with long term spending and to provide longer term certainty and stability to the debt portfolio, a review of alternative borrowing options will be considered in 2019/20.
- 4.5 LOBO loans: The Authority continues to hold £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. No banks exercised their option during the year.

5. Treasury Investment Activity

- 5.1 The Authority held £28m of invested funds at 31st March 2019, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £11m and £45m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.18 Balance £m	Net Movement £m	31.3.19 Balance £m	31.3.19 Income Return %	31.3.19 Weighted Average Maturity (days)
Banks (unsecured)	0.7	(0.7)	-	-	-
Government inc LA's	11.6	(7.6)	4.0	0.80	8
Money Market Funds	1.5	12.6	14.1	0.79	1
Other Pooled Funds:					
- Property funds	7.5	-	7.5	4.62	-
- Cash plus funds	2.5	(2.5)	-	-	-
- Multi asset income funds	-	2.5	2.5	4.39	-
Total investments	23.8	4.3	28.1	2.14	2

**Weighted average maturity will not apply to property and multi-asset funds as the underlying assets have no pre-determined maturity date.*

- 5.2 A full list of organisations in which the Council had treasury investments is shown in Table 5.

Table 5: Treasury Investments

	31/03/18 £m	31/03/19 £m
GOVERNMENT		
West Yorkshire Police Crime Commissioner	-	4.0
Central Bedfordshire Council	6.6	-
Surrey Heath District Council	5.0	-
UK BANKS		
Barclays Bank	0.7	-
MONEY MARKET FUNDS		
Federated Investors	-	6.9
Aberdeen Asset (formerly Scottish Widows)	-	5.7
Deutsche	0.5	1.0
CCLA	0.5	0.5
Standard Life	0.5	-
MANAGED FUNDS		
Property Funds	7.5	7.5
Kames – Multi Asset Income Fund	-	2.5
Royal London – Enhanced Cash Fund	2.5	-
TOTAL	23.8	28.1

- 5.3 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

- 5.4 Given the increasing risk and low returns from unsecured bank deposits the Council has continued to invest short term funds in Money Market Funds which spreads the risk, and where cash flow allows, with other Local Authorities. A strategic long term investment level of £10m has been maintained in order to generate enhanced income whilst diversifying risk. During 2018/19 the Council redeemed it's investment with Royal London Enhanced Cash Plus Fund and invested into the Kames Multi asset fund instead. Whilst the value of the underlying investment may vary, the fund provides increased income returns (4.39% compared to 0.90% for the Royal London Fund). The average income return in 2018/19 was 1.75% compared to 1.55% in 2017/18.
- 5.5 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 6 below.

Table 6: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2018	3.81	AA-	16%	6	0.56%
31.03.2019	4.40	AA-	78%	3	0.79%
Similar LAs	4.17	AA-	58%	50	0.84%
All LAs	4.20	AA-	55%	29	0.85%

- 5.6 £10m of the Authority's investments are held in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated a total return of £640,000 (7.30%), comprising a £406,000 (4.56%) income return which is used to support services in year, and £234m (2.74%) of capital growth.
- 5.7 Strategic funds have no defined maturity date, but are available for withdrawal after a notice period. For this reason their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. In light of their performance over the medium / long-term and the Authority's latest cash flow forecasts, overall investment levels in these funds has been maintained.
- 5.8 Readiness for Brexit: With little by way of political clarity as to the exact date on whether there would be an agreed deal prior to leaving the EU and to be prepared for the outside chance of a particularly disruptive Brexit (such as last-minute no-deal) on 29th March, the Authority ensured there were enough accounts open at UK-domiciled banks and Money Market Funds to hold

sufficient liquidity over the year end and that its account with the Debt Management Account Deposit Facility (DMADF) remained available for use in an emergency.

6. Non-treasury Investments

6.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

6.2 As at 31st March 2019 the following non-treasury investments were held.

Table 7: Non-treasury Investments

Counterparty	Type	Original Investment £000	Fair Value 31.03.18 £000	Fair Value 31.03.19 £000
Alderley Park Ltd	Equity	1,070	2,400	3,880
Manchester Science Partnerships Ltd	Equity	739	1,604	2,072
GM & Cheshire Life Sciences Fund	Pooled Fund	2,923	2,146	3,053
Alderley Park Ltd	Loan	1,531	1,282	1,290
Cheshire Green Employment Park	Loan	1,264	-	1,213
Everybody Sport & Recreation Ltd	Loan	664	288	643
Engenie Ltd	Loan	24	24	23
Cheshire Neighbours Credit Union	Loan	15	-	-
Total Value		8,230	7,744	12,174

* Original investment for loans represents the outstanding principal as at 31/03/19

6.3 During the year the Council made new loans to Everybody Sport & Recreation and Cheshire Neighbours Credit Union. The loan to Cheshire Green Employment Park is arranged through the Local Enterprise Partnership, Growing Places Fund but with the Council as the loan provider. The fair values at 31/03/19 include an allowance for expected credit losses.

7. Compliance

7.1 All treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 8 below and compliance with specific investment limits is demonstrated in table 9 below.

Table 8: Debt Limits

	2018/19 Maximum	31.3.19 Actual	2018/19 Operational Boundary	2018/19 Authorised Limit	Complied?
Borrowing	170	158	390	400	Yes
PFI and Finance Leases	25	24	25	25	Yes
Total debt	195	182	415	425	Yes

- 7.2 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. However, there were no such occurrences during 2018/19.

Table 9: Investment Limits

	2018/19 Maximum	31.3.19 Actual	2018/19 Limit	Complied?
Any single organisation, except the UK Government	£6.9m	-	£12m	Yes
Any group of organisations under the same ownership	£6.9m	-	£12m	Yes
Any group of pooled funds under the same management	£10.2m	£8.0m	£25m	Yes
Negotiable instruments held in a broker's nominee account	-	-	£25m	Yes
Limit per non-UK country	-	-	£12m	Yes
Registered providers	-	-	£25m	Yes
Unsecured investments with building societies	-	-	£12m	Yes
Loans to unrated corporates	-	-	£12m	Yes
Money Market Funds	£34.8m	£14m	£50m (£12m per fund)	Yes

8. Treasury Management Indicators

- 8.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.
- 8.2 **Security:** The Authority has not adopted a specific measure of its exposure to credit risk. However, the credit quality of all counterparties is kept under continual review. No investments were made with any organisation if there were substantive doubts about its credit quality, even though it may otherwise meet the Councils investment criteria.
- 8.3 **Liquidity:** The Authority has not adopted a specific measure of its exposure to liquidity risk. However, a cash flow forecasting model is maintained to

determine the maximum period for which funds may prudently be committed and to plan appropriately.

- 8.4 **Interest rate Exposure:** 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 the net principal borrowed was:

Table 10: Interest Rate Exposure

	31.3.19 Actual	2018/19 Limit	Complied?
Upper limit on fixed interest rate exposure	57%	100%	Yes
Upper limit on variable interest rate exposure	43%	100%	Yes

- 8.5 **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 all borrowing were:

Table 11: Maturity Structure of Borrowing

	31.3.19 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	45%	50%	0%	Yes
12 months and within 24 months	15%	25%	0%	Yes
24 months and within 5 years	2%	35%	0%	Yes
5 years and within 10 years	2%	50%	0%	Yes
10 years and within 20 years	14%	100%	0%	Yes
20 years and above	22%	100%	0%	Yes

Note – LOBO loans are treated as maturing in under 12 months as the Council would repay if the lender exercised their option to vary the interest rate.

- 8.6 **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 long-term principal sum invested to final maturities beyond the period end were:

Table 12: Principal Investment Limits Longer than 364 Days

	2018/19	2019/20	2019/21
Actual principal invested beyond year end	-	-	-
Limit on principal invested beyond year end	£25m	£15m	£10m
Complied?	Yes	Yes	Yes

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