

# Finance Sub-Committee

## Agenda

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**Date:** Wednesday, 22nd September, 2021  
**Time:** 2.00 pm  
**Venue:** The Capesthorne Room - Town Hall, Macclesfield SK10 1EA

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**PLEASE NOTE – This meeting is open to the public and anyone attending this meeting will need to wear a face covering upon entering and leaving the venue. This may only be removed when seated.**

**The importance of undertaking a lateral flow test in advance of attending any committee meeting.** Lateral Flow Testing: Towards the end of May, test kits were sent to all Members; the purpose being to ensure that Members had a ready supply of kits to facilitate self-testing prior to formal face to face meetings. Anyone attending is asked to undertake a lateral flow test on the day of any meeting before embarking upon the journey to the venue. Please note that it can take up to 30 minutes for the true result to show on a lateral flow test. If your test shows a positive result, then you must not attend the meeting, and must follow the advice which can be found here:  
[https://www.cheshireeast.gov.uk/council\\_and\\_democracy/council\\_information/coronavirus/testing-for-covid-19.aspx](https://www.cheshireeast.gov.uk/council_and_democracy/council_information/coronavirus/testing-for-covid-19.aspx)

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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**

To note any apologies for absence from Members.

**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.

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

3. **Public Speaking/Open Session**

In accordance with paragraph 2.24 of the Committee Procedure Rules and Appendix on Public Speaking, set out in the [Constitution](#), a total period of 15 minutes is allocated for members of the public to put questions to the Sub-Committee on any matter relating to this agenda. Each member of the public will be allowed up to two minutes to speak; the Chair will have discretion to vary this where they consider it appropriate.

Members of the public wishing to speak are required to provide notice of this at least three clear working days in advance of the meeting.

4. **Minutes of Previous Meeting** (Pages 3 - 8)

To approve as a correct record the minutes of the meeting held on 1<sup>st</sup> September 2021.

5. **Group Outturn 2020-21** (Pages 9 - 80)

To consider the Group Outturn report for 2020-21.

**THERE ARE NO PART 2 ITEMS**

**Membership:** Councillors Q Abel, D Brown, S Carter (Vice-Chair), J Clowes, S Gardiner, S Hogben, B Puddicombe and A Stott (Chair)

**CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Finance Sub-Committee**  
held on Wednesday, 1st September, 2021 in the Council Chamber, Municipal  
Buildings, Earle Street, Crewe CW1 2BJ

**PRESENT**

Councillor A Stott (Chair)  
Councillor S Carter (Vice-Chair)

Councillors D Brown, J Clowes, S Gardiner, S Hogben, B Puddicombe and  
M Goldsmith (for Cllr Abel)

**OFFICERS**

Alex Thompson, Director of Finance and Customer Services  
Julie Gregory, Acting Legal Team Manager  
Paul Mountford, Democratic Services

**APOLOGIES**

Councillor Q Abel

**11 DECLARATIONS OF INTEREST**

Councillor S Hogben declared an interest as a non-executive director of ANSA in relation to the minutes of the previous meeting and an item on the agenda relating to the appointment of a Shareholder Working Group. He indicated that he would be abstaining from any vote on those items.

**12 PUBLIC SPEAKING/OPEN SESSION**

There were no public speakers.

**13 MINUTES OF PREVIOUS MEETING****RESOLVED**

That the minutes of the meeting held on the 27<sup>th</sup> July 2021 be approved as a correct record.

**14 TREASURY MANAGEMENT ANNUAL REPORT 2020/21**

The Committee considered the Treasury Management Annual Report for 2020/21.

In response to questions from members, the Director of Finance and Customer Services advised that update reports on the Council's financial position in relation to Covid-19 would be submitted to the Corporate Policy Committee, Treasury Management policy reports would continue to come to the Finance Sub-Committee and any breaches of Treasury

Management policy would be reported to the Finance Sub-Committee and the Audit and Governance Committee.

**RESOLVED**

That the Treasury Management Annual Report for 2020/21 as detailed in Appendix A to the report be noted.

**15 APPOINTMENT OF A SHAREHOLDER WORKING GROUP**

The Committee considered a report on the appointment of a Shareholder Working Group.

The Working Group would be required to support the shareholder responsibilities of the Sub-Committee during October and November and report back to the Sub-Committee for decisions, as necessary, in November. The Sub-Committee was asked to approve the terms of reference of the working group and the arrangements for the appointment of its members.

**RESOLVED**

That the Sub-Committee:

1. approves the setting up of a Shareholder Working Group;
2. approves the Terms of Reference of the Shareholder Working Group as set out in Appendix 1 to the report, subject to the amendment of paragraph 2.1.1. to provide that the Working Group shall comprise 3-5 elected members of the Council on a politically proportionate basis with a quorum of 3 elected members;
3. appoints Councillor S Carter to chair the Shareholder Working Group; and
4. delegates responsibility to the Chair of the Shareholder Working Group to:
  - (a) appoint the other members of the Shareholder Working Group; and
  - (b) provide a report back to the Sub-Committee in November 2022 based on the work of the Working Group.

Note: prior to consideration of this matter, Councillor S Hogben sought an assurance that his directorship of an ASDV did not preclude him from speaking on the matter. The Legal Officer undertook to take the matter away for consideration and report back. In the circumstances, Councillor Hogben indicated that he would speak on the matter but would abstain from any vote.

Councillor S Gardiner placed on record that he was a former director of an ASDV which had been closed down.

Councillor D Brown placed on record that he had formerly been the Chairman of CERF.

## **16 PROCUREMENT PIPELINE**

The Committee considered a report which provided an update on the pipeline of procurement activity to April 2024 and an update on the Contract Management System (Atamis). The report also confirmed the contracts awarded by the Council since April 2021 and reviewed the future reporting of contract Waivers to the Sub-Committee.

In response to members' questions, the Director of Finance and Customer Services advised that:

- Members were responsible for setting the policy and strategy framework for procurement and would have oversight of large procurements and procurements which had a significant impact on procurement policy.
- Whilst waivers would be reported to the Finance Sub-Committee in connection with the Sub-Committee's responsibility for oversight of the procurement process, the Audit and Governance Committee would maintain an assurance role which currently involved the review of waivers and non-adherence to contract procedure rules.

## **RESOLVED**

That the Sub-Committee

1. notes the procurement pipeline of work;
2. notes the update on the Contract Management System and the improvements it will bring;
3. notes the contracts awarded by the Council since April 2021; and
4. approves that Waivers to Contract Procedure Rules will be reported to the Finance Sub-Committee as part of its responsibility for oversight of the procurement process, noting that the Audit and Governance Committee maintains an assurance role which currently involves review of waivers and non-adherence to contract procedure rules.

## **17 MTFS ASSUMPTIONS FEEDBACK FROM WORKING GROUP**

The members of the Working Group reviewing the assumptions within the MTFS, Councillors S Carter and J Clowes, reported their findings and

recommendations. A transcript of their oral report was circulated at the meeting.

They concluded that the assumptions made in the MTFS were well made and based on similar assumptions that had proven to be accurate in the past. As such, they believed the assumptions to be sound and (subject to quarterly monitoring) did not recommend any changes at this time.

Arising from the review, the Working Group had made a number of specific suggestions:

- A report on discretionary relief within business rates alongside a wider review of the impact of business rates on the MTFS should be commissioned as part of the Sub-Committee's work programme.
- The Sub-Committee should review the projection for capital receipts, and their use. In this respect, it was noted that a report would be brought forward by the assets team in November.
- The Shareholder Working Group be asked to consider the issue of ASDV dividends and report back to the Sub-Committee.

The Chair thanked Councillors Carter and Clowes for their work on reviewing the MTFS assumptions.

## **RESOLVED**

That

1. the Sub-Committee notes the Working Group's conclusion that the assumptions in the MTFS are sound and that (subject to quarterly monitoring) no changes are recommended at this time; and
2. a report on discretionary relief within business rates alongside a wider review of the impact of business rates on the MTFS be commissioned as part of the Sub-Committee's work programme.

## **18 CREWE TOWN CENTRE SUSTAINABLE HEAT NETWORK**

The Committee considered a report which sought authority to utilise external funding from the Future High Streets Fund and the Public Sector Decarbonisation Scheme for the delivery of the sustainable heat network in Crewe town centre.

Members felt that it would be helpful to have some form of oversight of how decisions were made on the funding of such projects. The Director of Finance and Customer Services undertook to consider the matter and report back.

**RESOLVED**

That the Sub-Committee

1. approves the inclusion of the Crewe Town Centre Civic Heat Network capital project, with a total budget of £2.727m in the main capital programme; and
2. approves the alignment of the Capital Project for the Crewe Town Centre Civic Heat Network with the responsibilities of the Economy and Growth Committee.

Note: Councillor S Gardiner, as the Vice-Chair of the Strategic Planning Board, felt that he should not be present or take part in any discussion or voting on this matter on the basis that the Strategic Planning Board may at some future date be asked to consider a planning application which benefited materially from the project. He left the meeting before the matter was considered and was invited to return when the matter had been concluded.

**19 WORK PROGRAMME**

The Committee considered its work programme for 2021/22.

The Chair referred to the need for two all-member budget sessions to be scheduled for this year to discuss ideas for budget-setting. The dates identified for the sessions were: Tuesday, 21<sup>st</sup> September (3 – 5pm) and Monday, 27<sup>th</sup> September (2 – 4pm). The Chair would be issuing an invitation to all members.

The Director of Finance and Customer Services advised that an additional meeting of the Sub-Committee later in September was required to consider the Group Outturn report. The optional dates were: Wednesday, 22<sup>nd</sup> September (2pm) and Wednesday, 29<sup>th</sup> September (2pm). The Democratic Services Officer would consult members on these dates.

**RESOLVED**

That

1. the work programme be noted and approved subject to the inclusion of an item on discretionary relief within business rates alongside a wider review of the impact of business rates on the MTFS as agreed earlier in the meeting;
2. the dates for two all-member budget sessions be noted; and
3. the need for an additional meeting of the Sub-Committee in September to consider the Group Outturn report be noted.

The meeting commenced at 2.00 pm and concluded at 3.54 pm

Councillor A Stott (Chair)





*Working for a brighter future together*

## **Finance Sub-Committee**

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<b>Date of Meeting:</b>	22 September 2021
<b>Report Title:</b>	Group Outturn 2020-21
<b>Report of:</b>	Alex Thompson: Director of Finance and Customer Services
<b>Report Reference No:</b>	FSC/03/21-22
<b>Ward(s) Affected:</b>	Not applicable

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### **1. Executive Summary**

- 1.1.** This report outlines how the Council managed its resources to achieve both positive outcomes and value for money in the delivery of services during the 2020/21 Financial Year. The report includes a narrative from the Council's Draft Group Accounts, to highlight financial performance within the year, as well as associated appendices to show how the Council has achieved against the outcomes contained within the Corporate Plan as well as other important financial matters.
- 1.2.** The Outturn is reported as part of the Statutory Accounts and is therefore subject to audit. The audited Accounts will be presented to the Audit and Governance Committee on 25<sup>th</sup> November 2021.
- 1.3.** The attached Appendices set out details of the Council's financial performance in 2020/21:

**Appendix 1 – Narrative from the Draft Group Accounts** – Provides context of the area and its people, commentary on performance and introduces the financial statements of the Council and the wider Group of Companies for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021.

**Appendix 2 – Grants** – includes details of capital and revenue grants received during 2020/21.

**Appendix 3 – Capital Outturn and Requests for Supplementary Capital Estimates and Virements**

## **Appendix 4 – Reserves**

### **2. Recommendations**

- 2.1.** Finance Sub-Committee is asked to note the contents of the report and each appendix.
- 2.2.** Finance Sub-Committee is asked to approve:
  - 2.2.1.** Supplementary Capital Estimates (SCE) up to and including £1,000,000 and Capital Virements up to and including £5,000,000 in accordance with Financial Procedure Rules as detailed in Appendix 3, Annex C.
- 2.3.** Recommend to Council to approve:
  - 2.3.1.** supplementary capital estimates over £1,000,000 in accordance with Financial Procedure Rules as detailed in Appendix 3, Annex D.
  - 2.3.2.** fully funded supplementary revenue estimates over £1,000,000 in accordance with Financial Procedure Rules as detailed in Appendix 2, Table 1.

### **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.

### **4. Other Options Considered**

- 4.1.** Not applicable.

### **5. Background**

- 5.1.** The recommendations within the Third Quarter Report (TQR) and the Medium-Term Financial Strategy were clear in the treatment of the outturn and future reserve balances:

- 5.1.1.** COVID-19 related spending or income losses should be isolated and set against COVID-19 funding. Any surplus or deficit should be managed via the COVID-19 Earmarked Reserve.
  - 5.1.2.** Any surplus or deficit in non-COVID-19 related budgets should be managed via the MTFS Earmarked Reserve.
  - 5.1.3.** The Reserves Strategy highlighted a target level for General Reserves of £11.5m compared to a forecast position of £10.3m at 31<sup>st</sup> March 2021.
- 5.2.** The COVID-19 emergency started to impact on the Council's finances in March 2020. Central Government has provided emergency grant funding; the first instalment being paid on 27<sup>th</sup> March 2020 and further instalments in year totalling £15.8m. This has therefore been used to fund the impact of the pandemic in 2020/21. Pandemic related expenditure and income losses has not therefore affected the Council's outturn or reserves position, although for transparency it is shown under the relevant Directorates.
- 5.3.** At outturn actual COVID-19 funding of £5.2m is available to carry forward to the reserve in-line with the TQR forecast of £5.1m. No additional general funding was received in the final quarter but funding for passported grants and Contain Outbreak Management Funding / Test and Trace money continued to be received.
- 5.4.** COVID-19 financial updates have been presented at Cabinet meetings since June and mitigating activity was identified to minimise the financial impact on the Council's reserves. Initial forecasts in April 2020 saw financial pressure in excess of the Council's total reserves, but appropriate financial control and good liaison with government has seen a more realistic position being presented. The overall position has not varied significantly throughout the year, but management and sound financial control over the funding has been highly effective in mitigating the risks to the MTFS.
- 5.5.** The financial outturn for Cheshire East Council is an underspend of £1.2m. This is net of allocations to useable reserves of £14.7m. Further detail is provided in the following table and Appendix 1.

**Table 1: Total Net Revenue Budget is underspent by £1.2m**

2020/21 Outturn Review (GROSS Revenue Budget £647.2m)	Revised Budget (NET)	Outturn (Including Covid)	Covid related Expenditure	Net Outturn (excluding Covid)	Net Over / (Underspend)
	£m	£m	£m	£m	£m
<b>Service Directorates</b>					
Adults, Commissioning and Public Health	115.3	115.5	3.7	111.8	-3.5
Children and Families	72.0	74.8	1.1	73.7	1.7
Place	74.1	76.1	8.7	67.4	-6.7
Corporate	34.4	34.4	2.6	31.8	-2.6
<b>Total Services Net Budget</b>	<b>295.8</b>	<b>300.8</b>	<b>16.1</b>	<b>284.7</b>	<b>-11.1</b>
<b>Total Central Budgets</b>	<b>44.4</b>	<b>56.4</b>	<b>-0.8</b>	<b>57.2</b>	<b>12.8</b>
<b>Total Net Budget</b>	<b>340.2</b>	<b>357.2</b>	<b>15.3</b>	<b>341.9</b>	<b>1.7</b>
Business Rates Retention Scheme	-49.1	-49.9	0.0	-49.9	-0.8
Specific Grants	-61.5	-78.9	-15.3	-63.6	-2.1
Council Tax	-229.5	-229.5	0.0	-229.5	0.0
Sourced from Collection Fund	-0.1	-0.1	0.0	-0.1	0.0
<b>FUNDING</b>	<b>-340.2</b>	<b>-358.4</b>	<b>-15.3</b>	<b>-343.1</b>	<b>-2.9</b>
<b>Net Position</b>	<b>0.0</b>	<b>-1.2</b>	<b>0.0</b>	<b>-1.2</b>	<b>-1.2</b>

- 5.6.** The 2021-25 Medium Term Financial Strategy includes a planned contribution to general reserves of £1.2m, to increase the reserve from £10.3m to £11.5m. Due to the improved outturn position a contribution will be made from the 2020/21 underspend instead of the 2022 to 2024 Financial Years.
- 5.7.** The Council's wholly-owned companies produced a positive outturn for the year, with an overall net profit of £0.7m for the Group.
- 5.8.** Expenditure on the capital programme is £105m against a forecast spend of £136.4m at Third Quarter. The underspends will be slipped into 2021/22 and budgets will be re-profiled as part of the outturn reporting. Capital receipts in year amounted to £2.2m.
- 5.9.** The Ministry of Housing, Communities and Local Government (MHCLG) has put in place revised regulations that came into force on 31st March 2021. The Accounts and Audit (Amendment) Regulations 2021 extend the statutory audit deadlines for 2020/21 and 2021/22. The publication date for audited accounts has been extended from 31st July to 30th September 2021 for all local authority bodies.
- 5.10.** The impact of the transition to the Unit4 ERP system in February 2021, as a replacement for Oracle, was significant. In the circumstances the statutory deadlines for the Statement of Accounts was deemed unachievable, presenting potential risks or error that were not acceptable to the Chief Finance Officer.
- 5.11.** Members of the Audit and Governance Committee were notified informally, and discussions were held with Mazars, the Council's external auditors. A revised deadline was agreed for this financial year only. The draft Accounts

are due to be received by Audit & Governance Committee on 30th September and the timeline for the conclusion of the audit is now 30th November 2021. The new ERP system is anticipated to provide significant improvements in financial control and efficiency beyond this transition period

## **6. Consultation and Engagement**

- 6.1.** As part of the budget setting process the Pre-Budget Consultation 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.

## **7. Implications**

### **7.1 Legal**

- 7.1.1.** The legal implications surrounding the process of setting the 2020 to 2024 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 in 2020/21.
- 7.1.2.** 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.

### **7.2. Finance**

- 7.2.1.** 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.
- 7.2.2.** The Council's Audit & Governance Committee is responsible for reviewing and analysing the Council's financial position at year-end. The Committee will receive the Draft Group Accounts on 30<sup>th</sup> September 2021, with final accounts due for approval by 25<sup>th</sup> November 2021 following external auditing and associated recommendations to the Committee.
- 7.2.3.** The forecast outturn for 2020/21, as reported at quarter three, was used to inform the budget setting process for 2021/22. Analysis of the final outturn helps to inform the Council of potential issues arising for the 2021/22 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 2021/22 budget.

### **7.3. Policy**

- 7.3.1.** This report is a backward look at Council activities during the final quarter.
- 7.3.2.** The final outturn position, ongoing considerations for future years, and the impact on general reserves will be fed into the assumptions underpinning the 2022/26 medium term financial strategy.

### **7.4. Equality**

- 7.4.1.** 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.

### **7.5. Human Resources**

- 7.5.1.** 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.

### **7.6. Risk Management**

- 7.6.1.** 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 2020/21 budget and the level of general reserves were factored into the 2021/22 financial scenario, budget and reserves strategy.

### **7.7. Rural Communities**

- 7.7.1.** The report provides details of service provision across the borough.

### **7.8. Children and Young People/Cared for Children**

- 7.8.1.** The report provides details of service provision across the borough and notes the overspend on Children in Care.

### **7.9. Public Health**

- 7.9.1.** 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.

**7.10. Climate Change**

**7.10.1.** There are no direct implications for climate change.

<b>Access to Information</b>	
Contact Officer:	Alex Thompson Director of Finance and Customer Services (Section 151 Officer) <a href="mailto:alex.thompson@cheshireeast.gov.uk">alex.thompson@cheshireeast.gov.uk</a>
Appendices:	Appendix 1 – Narrative from the Draft Group Accounts Appendix 2 – Grants Appendix 3 – Capital Outturn and Requests for Supplementary Capital Estimates and Virements Appendix 4 – Reserves
Background Papers:	The following are links to key background documents: <a href="#">Third Quarter Review (Finance) 2020/21</a>

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# Appendix 1

## Introduction to the 2020/21 Group Statement of Accounts

**Welcome to the consolidated group accounts for Cheshire East Council and its operating subsidiaries for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021.**

The global Coronavirus pandemic has caused this to be an unprecedented year in terms of circumstances, challenges and financial uncertainty that affected every aspect of Cheshire East Council. Since March 2020, the Council has continued to work with partners to respond to the Coronavirus pandemic, protecting lives and managing essential services under national restrictions. The Council has achieved significant outcomes through the provision of local services, protecting our most vulnerable people and supporting our communities and local businesses. The financial impact of the pandemic on the Council continues to be significant. The net revenue budget for the Council effectively doubled in-year with almost £280m being provided in COVID-19 related grants. The majority of this funding has been or will be passported directly to other organisations such as local business or contracted service providers.

Throughout 2020/21 the Council adopted a pro-active evidence-led approach to ensure that it responded to the emerging needs of residents and businesses. The Council entered the year with a balanced annual budget, approved in February 2020, but with financial deficits exceeding over £50m in the medium term. The Council has needed to reset its financial strategy to address these forecast deficits but at the same time react to the constant changes in spending associated with the pandemic.

The 2020/21 single year budget was robust relying on several key actions:

- Council Tax was increased by 3.99% including a 2% ring-fenced increase to fund increasing costs of Adult Social Care.
- Net Revenue Spending increased by £20m reflecting rising demand across key services, particularly Social Care for adults and children as well as increasing costs in waste services linked to housing growth.
- Proposals were subject to robust review to eliminate unachievable targets.
- Training and development in achieving financial control was enhanced to provide greater certainty over the achievement of value for money.
- Reserves were retained at relatively low levels based on the requirement to support front line services, but also in light of attempts to de-risk the financial plans.

Despite these improvements it was not possible to plan for the extraordinary response required to address the impact of the pandemic and the Council had to react to emerging local and national issues. The Council continued to report on its financial performance throughout the year. And it clearly emerged that spending and losses in income related to the pandemic was being largely managed through the support of additional government funding. But the emerging nature of the pandemic response meant there was perpetual uncertainty over how much was going to be received and when. This difficult scenario caused in-year forecasting on activities outside of the pandemic response to be highly problematic. Constant movement between levels of restrictions created significant uncertainty over when spending levels would reflect original plans, a scenario compounded by the year-end reporting timescales.

During 2020/21 the Council developed the Corporate Plan 2021-25, approved by Council in February 2021. This approach to create improved local certainty was supported by the development of an aligned Medium Term Financial Strategy. The strategy was balanced across all four years, the first time that the council has set out and agreed a budget for a four-year period, matching the lifetime of its corporate plan. Agreeing a balanced budget for the four-year period of the new

corporate plan is a real achievement, considering the financial uncertainties of the last year. These plans adopted similar principles to the 2020/21 approach to financial planning. These were further enhanced by the profiling of budgets across all four years, backed by a revised approach to reserves to address year-on-year variations.

Financial performance in 2020/21 is distorted by the impact of the pandemic. Third quarter forecasts materially improved as the Council was unable to re-engage service activity in the final quarter of the year due to extended lockdown restrictions. Original forecasts reflected several important factors:

- A potential end to government financing, including the impact this was having on partner organisations
- A return to office based working and more regular travel arrangements
- Increasing access with customers and further potential increases based on latent demand
- Reinstatement of planned projects and recruitment to vacancies held due to previous service restrictions, or redeployment to pandemic response activity
- Limited indication of government funding for administrative burdens placed on the Council to manage activities such as passporting funding locally.

These financial pressures were radically altered during the fourth quarter of the financial year and the final outturn position for the Council shows gross expenditure of £774.2m, an increase of 4.7% compared to 2019/20. Usable revenue reserves increased overall by £51.2m, and at year-end were split between COVID-19 related reserves of £35.3m and non COVID-19 related reserves of £63.9m.

During the year the Council has progressed with a review of the Group Structure. Changes are being made to reflect the position in the market of the Council's companies as well as to maximise overall operational benefits. The Council has also continued the transition from a Cabinet based governance structure to a Committee structure. The project was managed throughout 2020/21, with final resolutions to complete the change taking place in May 2021.

These statements will help the reader understand the Group's finances and allow them to be compared with other local authorities. This report should give electors, local residents, Members, partners, other stakeholders and interested parties confidence that public money received and spent by the Council is properly accounted for even in an exceptional year, and that its financial standing is secure and resilient for the future.

### **The narrative report covers:**

- General information on the Group, the Council and a financial overview;
- Information on where expenditure was incurred and sources of income in 2020/21;
- Commentary on the financial statements; and
- Future opportunities and challenges for the Group and the Council.

Alex Thompson

**Alex Thompson FCPFA**

Director of Finance and Customer Services

## Narrative Report

### An introduction to Cheshire East, the place

Cheshire East Council is an all-purpose 'unitary' local authority providing key public services to over 386,000 local residents in Northwest England. The borders include the towns of Macclesfield, Congleton and Crewe. The area lies within the historic County of Cheshire between the urban areas of Manchester to the North and Stoke-on-Trent to the South. Cheshire East covers a largely rural area of approximately 117,000 hectares, this makes the Council one of the largest local authorities in England.

The Council operates a model which matches the most appropriate provider in terms of quality and cost to meet the needs of residents. The Group now consists of the Council and its wholly owned companies and associate. The accounts for all these organisations, where significant, are combined with the Council's accounts to produce the Cheshire East Group accounts.

The Group is focused on achieving outcomes, in line with the Corporate Plan, by providing quality local services, within a commercially focused ethos that maximises value for money for local taxpayers.

Cheshire East Council is a multifunctional and complex organisation; its policies are developed by elected Councillors and implemented by professional officers.

During 2020/21 one company, partially owned by the Council (Cheshire and Warrington Local Enterprise Partnership Limited) also provided services to residents of Cheshire West and Chester and Warrington and are jointly owned with those Councils.

The most significant services provided by the Group are:

- Social Care
- Education
- Planning
- Highways
- Waste Management
- Economic Regeneration

### Cheshire East, the people

**Population:** Office for National Statistics Mid-Year Estimates for 2020 shows an estimated population of 386,700. Cheshire East has a relatively older population than average and this is reflected in the Council's targeted outcome to support people to live well and for longer.

**Economy:** Having a strong local economy is key to the Council's ambition to build economic growth; as is developing life skills to help people thrive and reach their potential. Economic data tells us:

- Cheshire East's current unemployment rate is significantly below the regional and national averages. The latest estimate – averaged over the twelve-month period January to December 2020 – puts Cheshire East's unemployment total at 6,500. This equates to 3.5% of the economically active (employed or unemployed) population aged 16 and above – which is higher than the rate for January to December 2019 (3.0%). The current 3.5% rate is below the regional and national averages (4.2% for the North West and 4.6% for Great Britain, for the same time period), but higher than in Cheshire West & Chester (3.1%).
- 8,790 of Cheshire East's residents were claiming out-of-work benefits as of June 2021, which is down from 9,480 in the previous month and 10,490 in June of 2020. However, the latest count is more than double the number of claimants in June 2019 (4,220) - which to a large extent reflects the impact of COVID-19 on the local and national economy. The latest count equates to 3.9% of the Borough's working-age (16-64 year-old) population (down from 4.6%

in June 2020, but double the 1.9% rate recorded in June 2019); this is a little lower than the rate for Cheshire West & Chester (4.3%) and significantly less than the rates in the North West and the UK as a whole (6.2% and 5.6% respectively). For the Borough's 18-24 year-olds, the claimant rate is 6.8% (up from 3.0% in June 2019, but somewhat lower than the 8.6% rate recorded for June 2020). This is higher than for other age groups (0.2% for 16-17 year-olds, 4.4% for 25-49s and 2.7% for those aged 50 to 64), but is on a par with the current rate for Cheshire West & Chester (6.8%) and below the rates for this age group in the North West and the UK as a whole (8.7% and 7.6% respectively).

- As can be seen, the latest claimant count for out-of-work benefits in Cheshire East is actually higher than the latest unemployment count. However, the unemployment and claimant figures relate to different time periods - January to December 2020 for the unemployment statistics, but June 2021 for the claimant count data – so are not directly comparable as a result. In addition, Government changes to the eligibility criteria for Universal Credit (in response to COVID-19) mean that claimants now include some people who are in work, but on low incomes – whereas unemployment figures, by definition, exclude all those in work.
- Average household income is high compared to the region and UK. Gross disposable household income (GDHI) per head of population was £24,500 in 2017 – 16.2% higher than in the UK as a whole (£21,100) and even further above the North West average (£18,400). However, income levels vary widely within the Borough. In the financial year ending 2018, average (mean) gross annual household income in the Borough's MSOAs (Middle Super Output Area used by Office of National Statistics) varied from an average of £32,700 in Cheshire East MSOA 036 (an area of in the north of Crewe between Bentley and the train station, including part of Coppenhall) to £60,000 in MSOA 014 (the Tytherington part of Macclesfield).

Government changes to support business rate retention and localise Council Tax support schemes in the past have directly affected the financial health of the Group. High performance in the local economy can increase commercial development and reduce unemployment which would combine to improve the financial sustainability of the group. However this strategy does not secure sustainability unless Government support provides elements of certainty. This approach to local growth is also combined with the Council demonstrating a strong ability to transform services to adapt to local needs.

### **The Political Structure of the Council**

As a politically led organisation Cheshire East has 82 elected members selected from 52 wards. The electorate in Cheshire East is one of the largest in the UK with almost 300,000 registered voters. Council Elections take place every four years.

During 2020/21 the political membership of the Council was as follows:

	2020/21
Conservative	32
Labour	25
Independent Group	17*
Liberal Democrat	4
Real Independents	2
Non-Grouped Independent	1

\* Following a resignation during the year, the Council operated with 81 Members, the vacancy was filled in September 2021 by an Independent Member.

During 2020/21 the Council operated a Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of portfolios and the delegation of executive functions.

Councillor Sam Corcoran was the Leader of the Council during 2020/21 and headed a Cabinet which consists of a Deputy Leader, Councillor Craig Browne, and eight portfolio holders. The Council also has an annually appointed Mayor for civic functions; the Mayor during 2020/21 was Councillor Barry Burkill.

Details of Member Expenses for 2020/21 are available on the Cheshire East website.

On 19<sup>th</sup> November 2020 the Council resolved to cease operating the existing Leader and Cabinet model of governance and implement a committee system model of governance to take effect from the Annual Council meeting on 4<sup>th</sup> May 2021. The Constitution Committee and the Governance Working Group have worked extensively to develop the legal structures and mechanisms which apply to the operation of a Committee System of decision-making. Following a successful implementation in May 2021 the Council now operates with six service committees, a Finance Sub-Committee and a Scrutiny committee in place of the Cabinet and Overview and Scrutiny structure.

### **The Cheshire East Council Group Structure**

Cheshire East Council is by far the largest service provider of the Group. It is important to recognise that the Council is a Local Authority whereas the other members of the Group are limited companies which are either wholly or partially owned by the Council. The Council must produce a balanced annual budget and aims to spend within that total. The private companies can focus on providing a profit.

Cheshire East Residents First Limited (CERF) is the largest shareholder for Ansa Environmental Services Limited, Transport Service Solutions Limited and Orbitas Bereavement Services Limited. CERF owns an 80% shareholding in these companies with the remaining 20% being retained by Cheshire East Council. CERF is wholly owned by Cheshire East Council and acts as a holding company for the council owned companies.

Over the last three years the council has been undertaking an extensive review of each of the wholly owned companies to consider the ever-changing environment in which services are delivered, as well as the current strategic objectives of the council and our future ambitions, as outlined in the Corporate Plan.

Decisions have previously been made to bring a number of the companies back in-house, these included Engine of the North and the Skills & Growth Company in 2019/20 and Civance Ltd from 1<sup>st</sup> April 2020.

Following a review of the Transport Services Solution Ltd in 2020/21, the strategic, planning, commissioning and procurement functions of these services are to be brought back in-house and delivered directly by Cheshire East Council from 1<sup>st</sup> April 2022.

### The Group Management Structure (2020/21)

The 2020/21 management structure was based on three directorates for People, Place and Corporate up until 31<sup>st</sup> January 2021 when the Executive Director of People left the authority. Two individual directorates have since been formed for Children and Families Services and Adults and Health Services. Where services are not provided by directly employed staff the Council adopts a commissioning approach to ensure compliance and value for money. Although the Council owns the companies within the Group, either wholly or in part, each company is a single entity with its own governance arrangements which then reports into the Council's governance arrangements.

Supporting the work of elected Members is the organisational structure of the Council headed by the Corporate Leadership Team (CLT). This includes the key Statutory Officers to ensure they are represented at the senior level of the Council.

Company	Role	Name
<b>Cheshire East Council</b> (Gross Revenue Spend £647m; Capital Spend £105m)	<b>Chief Executive</b> (Head of Paid Service)	<b>Lorraine O'Donnell</b>
	<b>Other Members of the Corporate Leadership Team</b>	
	• <b>Executive Director People</b>	<b>Mark Palethorpe</b> (up to 31 <sup>st</sup> January 2021)
	• <b>Executive Director Place</b> (and Deputy Chief Executive)	<b>Frank Jordan</b>
	• <b>Executive Director Corporate</b>	<b>Jane Burns</b>
	• <b>Acting Director of Adults Social Services</b>	<b>Jill Broomhall</b> (from 1 <sup>st</sup> February 2021)
	• <b>Acting Director of Commissioning and Transformation</b>	<b>Nichola Thompson</b> (from 1 <sup>st</sup> February 2021)
	• <b>Interim Director of Children's Services</b>	<b>Ged Rowney</b> (from 1 <sup>st</sup> February 2021)
	• <b>Monitoring Officer</b>	<b>Jan Bakewell</b> (up to 2 <sup>nd</sup> August 2020)

Company	Role	Name
		<b>Asif Ibrahim</b> (interim from 23 <sup>rd</sup> July to 11 <sup>th</sup> October 2020) <b>David Brown</b> (from 22 <sup>nd</sup> October 2020) <b>Alex Thompson</b>
	• Chief Financial Officer	
	Other Statutory Officers	
	• Director of Public Health	<b>Matt Tyrer</b>
<b>Wholly Owned Subsidiaries: 2020/21 position</b>		
<b>Cheshire East Residents First (CERF)</b>	<b>Chairman</b>	<b>Paul Bayley</b>
<b>Ansa Environment Services Limited</b> (Turnover £41m)	<b>Chairman</b>	<b>Cllr Geoff Baggott</b> (resigned 31 <sup>st</sup> January 2021) <b>Cllr Steve Hogben</b> (from February 2021)
	<b>Managing Director</b>	<b>Kevin Melling</b>
<b>Transport Service Solutions Limited</b> (Turnover £16m)	<b>Chairman</b>	<b>Cllr Jonathan Parry</b>
	<b>Managing Director</b>	<b>Kevin Melling</b>
<b>Orbitas Bereavement Services Limited</b> (Turnover £2m)	<b>Chairman</b>	<b>Cllr David Marren</b>
	<b>Managing Director</b>	<b>Kevin Melling</b>
<b>Tatton Park Enterprise Limited<sup>1</sup></b> (Turnover £0.6m)	<b>Chairman</b>	<b>Cllr Kathryn Flavell</b>
	<b>Director</b>	<b>Graham Jones</b>
<b>Associate:</b>		
<b>Cheshire &amp; Warrington Local Enterprise Partnership Limited<sup>1</sup></b>	<b>Chairman</b>	<b>Christine Gaskell, MBE, DL</b>
	<b>Chief Executive</b>	<b>Philip Cox</b>

Note 1: Accounts for TPE & C&WLEP are not consolidated in 2020/21 on the grounds of materiality.

The subsidiary companies are led by management boards. These consist of a Managing Director, a Chairman and Directors. The Chairman and two directors are appointed from the elected representatives of the Council.



For a more complete list of appointments and further details on each organisation within the Cheshire East Group please refer to the following websites:

Cheshire East Council [www.cheshireeast.gov.uk](http://www.cheshireeast.gov.uk)  
 Ansa Environmental Services Limited [www.ansa.co.uk](http://www.ansa.co.uk)  
 Cheshire and Warrington Enterprise Partnership Limited [www.871candwep.co.uk](http://www.871candwep.co.uk)

Accounts for Tatton Park Enterprise Limited will be published on the Tatton Park website: [www.tattonpark.org.uk](http://www.tattonpark.org.uk)

Everybody Sport and Leisure Trust (ESAR) was established in 2014/15 through a formation of a trust that took over the leisure service functions previously provided by the Council. ESAR, with its trust status, is not a subsidiary of the Council and has been excluded from the Group. For more information please refer to the following website: [www.everybody.org.uk](http://www.everybody.org.uk).

Accounts for each of the private companies within the Cheshire East Group will also be provided to Companies House as required.  
 (website: <https://www.gov.uk/government/organisations/companies-house>)

The Group has appropriate governance and control arrangements in place to support the proper management of resources. Each year the Council provides an Annual Governance Statement that highlights how effective the processes and controls are during the year. The Audit and Governance Committee receive the Statement and consider any actions put in place in response to any issues being highlighted. It is important to read this Statement, which can be found on the Council's website alongside the Group Statement of Accounts to appreciate the proportionate level of control being exercised over the resources of the Group.

## Group Employees

The Group employs a total of 4,119 people (excluding school based employees).

	No.*	%
Cheshire East Council	3,592	87
Ansa Environmental Services Limited (ANSA)	426	10
Transport Service Solutions Limited (TSS)	63	2
Orbitas, Bereavement Services Limited	38	1
<b>Total</b>	<b>4,119</b>	<b>100</b>

\*No. represents an average workforce for the year

Staff from Civicance Ltd became the employees of Cheshire East Council from 1<sup>st</sup> April 2020.

## The Corporate Plan

Consultation took place on the 2021-2025 Corporate Plan during 2020/21 before it was approved by Council in February 2021. This sets out the three main Council priorities of Open; Fair and Green.

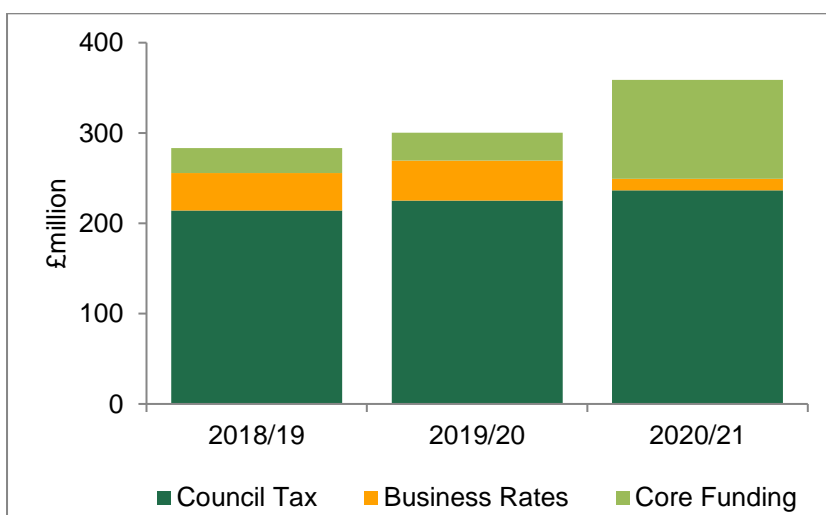




## Financial Overview

In common with the rest of Local Government in England, the Council has seen a steady reduction in its core funding from Central Government. However compared to most other English authorities, Cheshire East is less reliant on Government revenue grant as local businesses and residents provide a high proportion of the overall funding through the payment of Council Tax and Business Rates.

**Chart A:** Most of the Council's funding comes from local tax payers, 2020/21 was an exceptional year in that Core Funding increased due to additional support for COVID-19 from central government.

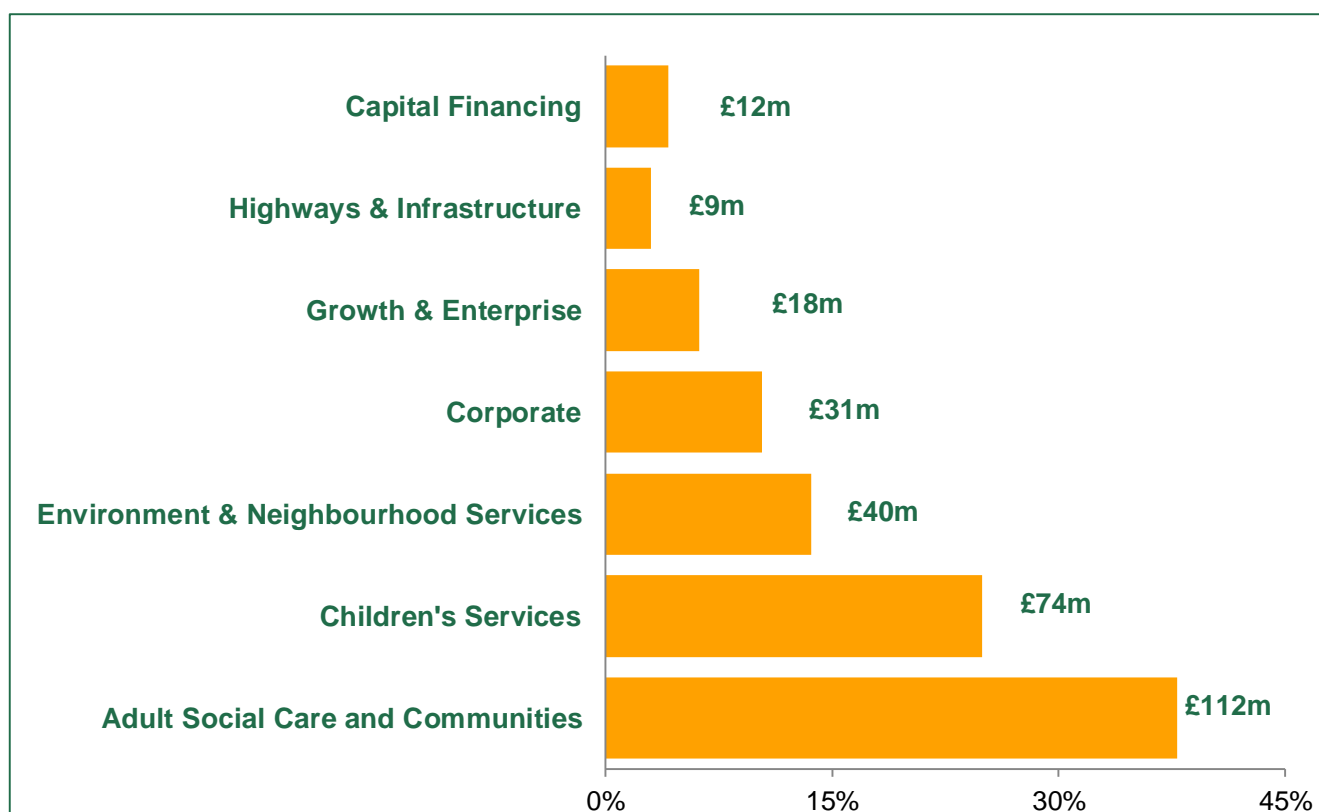


### Most of the Council's £295m Services Net Budget is allocated to Social Care

The Council invests in a wide range of service providers. Most of the money is spent on achieving social care and community outcomes. The difficult decisions to prioritise and allocate resources to commissioned services mainly rests with elected Members.

The significant majority of education funding is passed directly to maintained schools and payment of welfare benefits, although administered by the Council, are claimed back from the Government in full. These costs are not therefore included in the 'Net Budget'. At present public health expenditure is also ring-fenced for spending on public health services.

**Chart B:** Services for Children and Adults make up 60% of the Council's expenditure



### Revenue Outturn position

The financial outturn for Cheshire East Council (excluding expenditure funded by COVID-19 emergency grants) is an underspend of £1.2m. This is net of allocations to useable reserves of £14.7m.

The COVID-19 emergency started to impact on the Council's finances in March 2020. Central Government has provided emergency grant funding; the first instalment being paid on 27<sup>th</sup> March 2020 and further instalments in year totalling £15.8m. This has therefore been used to fund the impact of the pandemic in 2020/21. Pandemic related expenditure and income losses has not therefore affected the Council's outturn or reserves position, although for transparency it is shown under the relevant Directorates.

The recommendations within the Third Quarter Report and the Medium Term Financial Strategy were clear in the treatment of the outturn and future reserve balances.

COVID-19 related spending or income losses were to be isolated and set against COVID-19 funding. Any surplus or deficit would be managed via the COVID-19 Earmarked Reserve. At outturn actual COVID-19 un-ringfenced funding of £5.2m is available to carry forward to the reserve in-line with the Third Quarter Review forecast of £5.1m.

- Any surplus or deficit in non-COVID-19 related budgets was to be managed via the MTFS Earmarked Reserve. As a consequence of reduced spending in the final quarter of the financial year the allocation to this reserve was increased to £5.5m.
- The Reserves Strategy highlighted a target level for General Reserves of £11.5m compared to a forecast position of £10.3m at 31<sup>st</sup> March 2021. At outturn the level of General Reserves has been increased to the target level of £11.5m.

The overall financial outturn also includes a net profit of £0.7m from the wholly owned subsidiary companies of the Cheshire East Group. This shows a consolidated strong performance from the Council's wholly owned companies, with most companies recording profits and increasing the strength of their respective balance sheets. The outturn also included further allocations to earmarked reserves for Insurance and Capital Financing as well as to reflect service based costs originally forecast to occur in 2020/21 that will instead take place in 2021/22.

Overall revenue reserves of the Group have increased from £58.3m to £110.7m. This is made up primarily from:

- General reserves for Cheshire East Council have increased from £10.3m to £11.5m.
- Earmarked reserves for Cheshire East Council of £91.4m, including carried forward COVID-19 grants totalling £35.3m.
- Schools reserves and balances of £7.8m.

In 2020/21 the Council opted to utilise flexibility in the use of Capital Receipts to support the revenue position. These included a range of transformation projects within Children & Families and costs associated with the Best4Business project.

The Council will be audited by Mazars LLP and each of the wholly owned subsidiaries of the Group will be separately audited by Grant Thornton UK LLP. Any findings will be reported to the relevant board or the Audit and Governance committee and reported on the website of each part of the Group.

Summary details of the relative management accounts for each entity within the Group are as follows:

## Cheshire East Council reported an underspend of £1.2m to be added to general reserves

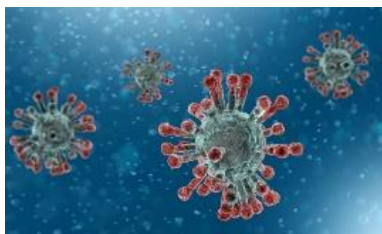
2020/21 Outturn Review (GROSS Revenue Budget £647.2m)	Revised Budget (NET) £m	Outturn (Including Covid) £m	Covid related Expenditure £m	Net Outturn (excluding Covid) £m	Net Over / (Underspend) £m
<b>Service Directorates</b>					
Adults, Commissioning and Public Health	115.3	115.5	3.7	111.8	-3.5
Children and Families	72.0	74.8	1.1	73.7	1.7
Place	74.1	76.1	8.7	67.4	-6.7
Corporate	34.4	34.4	2.6	31.8	-2.6
<b>Total Services Net Budget</b>	<b>295.8</b>	<b>300.8</b>	<b>16.1</b>	<b>284.7</b>	<b>-11.1</b>
<b>Central Budgets</b>					
Capital Financing	12.2	12.2	0.0	12.2	0.0
Transfer to/(from) Earmarked Reserves	30.5	42.1	-2.9	45.0	14.5
Corporate Contributions / Central Budgets	1.7	2.1	2.1	0.0	-1.7
<b>Total Central Budgets</b>	<b>44.4</b>	<b>56.4</b>	<b>-0.8</b>	<b>57.2</b>	<b>12.8</b>
<b>Total Net Budget</b>	<b>340.2</b>	<b>357.2</b>	<b>15.3</b>	<b>341.9</b>	<b>1.7</b>
Business Rates Retention Scheme	-49.1	-49.9	0.0	-49.9	-0.8
Specific Grants	-61.5	-78.9	-15.3	-63.6	-2.1
Council Tax	-229.5	-229.5	0.0	-229.5	0.0
Sourced from Collection Fund	-0.1	-0.1	0.0	-0.1	0.0
<b>FUNDING</b>	<b>-340.2</b>	<b>-358.4</b>	<b>-15.3</b>	<b>-343.1</b>	<b>-2.9</b>
<b>Net Position</b>	<b>0.0</b>	<b>-1.2</b>	<b>0.0</b>	<b>-1.2</b>	<b>-1.2</b>

## The wholly owned subsidiaries reported an overall profit.

Company	Turnover £000	Costs £000	Operating Profit/(Loss) £000	Interest Payable & Taxation £000	Net Profit /(Loss) £000
ANSA	41,036	40,682	354	124	230
TSS	15,516	15,292	224	25	199
Orbitas	2,266	1,969	297	31	266
<b>Total</b>	<b>58,818</b>	<b>57,943</b>	<b>875</b>	<b>180</b>	<b>695</b>

## COVID-19 Financial impact and response

The spread of COVID-19 created unprecedented circumstances within which the Council, working with our communities and partners, has had to respond. The Council's pandemic response has been very much guided by advice and guidance provided by Government. CLT have reviewed guidance and announcements daily throughout this pandemic and established a robust and responsive governance to facilitate cross partnership and organisational response.



The Council's Public Health Team's response to COVID-19 has included advice and guidance, implementation of Test and Trace, outbreak management, roll out of vaccinations, self-isolation support, distribution of funding for care providers and the Cheshire East Swab Squad which provides advice, training and testing support, including delivering rapid response urgent testing to prevent COVID-19 outbreaks.

The Council identified PPE as a priority and recognised the urgency to develop our supply chains and to access a supply of PPE. This meant that many local organisations were able to access PPE from Cheshire East Council while supply chain difficulties were being reported nationally and locally. So far, the Council has distributed just over 5 million items of PPE locally.

The [People Helping People service](#) was created in March 2020 in response to the pandemic, providing community-based support to meet the needs of our residents. The service has recruited over 1,950 volunteers, and supported over 4,100 vulnerable people, and over 1,440 individuals who were shielding. We have also allocated £450,000 of funding to local community organisations so they could respond to the needs of residents.

**Delivering COVID-19 grants for residents and business** – our revenues and benefits teams have delivered millions of pounds in support grants to businesses and residents who have been disadvantaged by the pandemic.

We successfully developed and implemented a new transactional service that administered a discretionary business grant programme to support local business through the lockdown and recovery periods during the financial year. This service successfully administered the full grant allocation of £15.8m, within the Governments deadlines and 5800 grants were paid out.

9,500 vulnerable children and young people have been supported through the COVID-19 Winter Grant Scheme. More than 40,000 food vouchers and more than 1,500 utility vouchers were provided to families to help with household bills. We also supported 122 families in need of replacement white goods, such as fridges, cookers and washing machines.

The Children's Service worked closely with schools throughout the pandemic to ensure they could provide the very best and safe learning opportunities for pupils. We have supported remote education, including distributing more than 530 laptops and 90 4G dongles to pupils, and running a series of free online webinars for parents and carers to support home-schooling and helping children and young people to catch up on their education.

The financial impact of COVID-19 in 2020/21, including grants administered by schools and grants passported to third parties, totalled £280m.

COVID-19 Funding	£000
Emergency Funding for Local Government – Unring-fenced Grant	
Received March 2020	(9,151)
Expenditure as at 31 <sup>st</sup> March 2020	1,053
Carried forward as at 1 <sup>st</sup> April 2020	(8,098)
Received 2020/21	(15,828)
Expenditure 2020/21 - CEC	18,273
Expenditure 2020/21 - Leisure Trust	500
Carried forward as at 1 <sup>st</sup> April 2021	(5,153)
Funding for eligible Sales Fees & Charges losses	(4,930)
<b>Total Un-ringfenced COVID-19 funding</b>	<b>(29,909)</b>

Other COVID-19 Funding Applied or Passported during 2020/21	£000
Small Business Grants Fund /Retail, Leisure and Hospitality Grant Fund	95,514
Business Rates Relief	60,561
Local Restrictions Support Grant	61,202
Infection Control	10,033
Contain Outbreak Management Fund	9,000
Council Tax Hardship Fund Grant	2,063
Test and Trace Support Grant	1,533
Rapid Testing Fund	1,361
Support to Clinically Extremely Vulnerable Individuals	1,055
National Leisure Recovery Fund	964
Supported Bus Services	954
Dedicated Home to School and College Transport	883
Winter Grant Scheme	880
Active Travel	743
Test and Trace Service Support Grant	740
Workforce Capacity Fund	725
Reopening High Streets Safely Fund	340
Essential Supplies	326
Christmas Support Payment - Wet Led Pubs	237
Culture Recovery Fund	180
Compliance and Enforcement Grant	159
Community Testing	119
Self-isolation Practical Support Payment Grant	71
Rough Sleepers	68
Wellbeing for Education Return	55
<b>Total</b>	<b>249,766</b>



## Performance Overview

The Council's outcomes, are achieved through a combination of commissioners and providers meeting and exceeding performance ambition. Some of the key issues that have affected the level of service expenditure and performance against outcomes during the year are summarised below.

Notable successes this year include:

### Adult and Public Health Services



Cheshire East is in the top 20 of all 149 English local councils for overall health in the Office for National Statistics (ONS) first [official Health Index for England](#). The Borough's ranking in the report was significantly boosted by Cheshire East Council being named the ninth most physically active council in England. The three main categories assessed in the report were healthy people, healthy lives, and healthy places.

Cheshire and Merseyside has been awarded Suicide-Safer Community status by Living Works, the world's leading suicide prevention training company. This award is symbolic of the hard work of colleagues and partners from across Cheshire and Merseyside over the last five years, implementing the NO MORE Suicide Strategy.

The Council approved a new crowdfunding policy, allowing the Council to support local residents to come together to consider local projects that tackle local needs. A [digital Crowdfunding platform](#) has been developed which hosts project proposals and supports recruitment of volunteers, and also attracts support and funding from local businesses and residents.



The Adult Social Care (Operations and Commissioning) and Public Health budgets remain under continued pressure across the country. The rising cost of Social Care in Cheshire East is driven by two main factors: increasing demand for services and increasing costs of providing them. Demand for Social Care is not driven exclusively by an ageing population, the prevalence of disability among working-age adults has also increased over recent years. In addition to increasing demand, the unit cost of providing care services is also going up, driven mainly by workforce costs and this has been recognised in the 2020/21 budget where growth has been allocated.

COVID-19 for the social care and health system has thrown into turmoil what we normally accept as the status quo. Whilst the human, social and economic cost of COVID-19 has been inexorably



high, the pandemic challenged Cheshire East on the way services were delivered meaning reduced costs in some areas as services had to be closed/stopped in line with government guidance, and pressures in other areas where demand has increased. Utilisation of COVID-19 funding has meant that the services have responded by diverting resources to the most critical services during this challenging year, as well as supporting our NHS Partners.

## Children's Services



**Schools** – we are extremely proud of how our schools have continued to support pupils through the many challenges of the pandemic. Attendance at Cheshire East schools has been good and higher than national levels this year. 98% of Cheshire East families received a preference place for primary or secondary school in September 2021, with 93% being offered their first choice of primary school and 92% their first choice of secondary.

We launched our vision '[Together for Children and Young People](#)' which sets out how the Council and our partners will make Cheshire East a great place to be young. The vision is based on what children, young people, parents, carers and practitioners said is most important to them. The vision is centred around the importance of working together in partnership with children, young people and families.

Ofsted and the Care Quality Commission (CQC) Inspectors reported that services for children with special educational needs and/or disabilities (SEND) across Cheshire East have been transformed.

We have launched a brand-new recruitment campaign to find new foster carers, which has resulted in new carers who can offer loving homes for cared for children and young people.

We have offered Early Help and Children's Social Care services to even more children and families this year. We have achieved consistently positive outcomes through our Supporting Families offer.

Cheshire East Youth Council hosted Taboo, a virtual mental health conference. The virtual event brought together more than 120 delegates including children and young people from 13 schools and frontline professionals from the Council, health and community organisations. Young people took the opportunity to discuss mental health issues that affect them, and the ways in which professionals can best support them.

The main spending pressure within Children's Social Care is on the agency placements budget of £3m. The number of cared for children varied throughout the year but was on average 534 with a peak of 547. Overall the number decreased from 534 in April 2020 to 518 in March 2021. That change is broken down into 132 admissions and 148 children leaving care which is positive in terms of action by the service to continue to manage placements.

While placement budgets were uplifted for 2020/21 by £2.3m, the 2019/20 outturn was a pressure of £4.5m showing that the level of activity continues to place a strain on the budget. The service continues to develop a medium term plan to address the budget pressure.

### **Dedicated Support Grant**

The SEND service has seen a significant rise in the numbers of Education, Health and Care Plans. This has placed pressure on the grant used to provide funding for children with SEND in various settings and led to a £7.4m overspend against the Council's Dedicated Schools Grant. This will take the DSG Reserve to a £10m deficit position at 31<sup>st</sup> March 2021. The Council's DSG Management Plan was approved by Cabinet in March 2021 and sets out the expected pressures for SEND over the medium term. This deficit is in line with the plan.

## Place

Notable successes this year include:

**Active Travel** – we made key steps in improving the facilities for pedestrians and cyclists in Cheshire East through our Active Travel programmes. Our Local Walking and Cycling Improvement Plans were adopted and schemes progressed with funding from Government, the LEP and Sustrans including our Wilmslow Cycle Route and the A530 Crewe-Nantwich Greenway.



**HS2** - On 11<sup>th</sup> February 2021, the 'HS2 Phase 2a: High Speed Rail (West Midlands to Crewe) Bill' was granted Royal Assent and in doing so, became an act of Parliament. The act will allow HS2 Ltd to now proceed with the construction of the second phase of the high-speed rail project between Crewe and Birmingham.



**Poynton Relief Road** - The first two precast concrete bridge beams have been lifted into place for the new Chester Road overbridge. The operation was completed within 1 day and marks the latest milestone for our works on the 3.5km relief road project.



**Congleton Link Road** - The £90m Congleton link road opened to traffic in April 2021. The route will relieve the Cheshire East town of some of its historical traffic problems, create road space for cyclists and pedestrians and improve air quality for residents, while opening up new development opportunities for employment and housing. Despite the dual challenges of the COVID-19 pandemic and harsh winter weather, the council's contractor, Graham, worked hard to reduce the delays to the project, which was originally due to open late last year. The scheme has also been delivered within budget.

The £3m refurbishment of the Crewe Market Hall was completed ready for its official opening in Spring 2021.



Cheshire East adopted its Carbon Action plan setting out how it will be carbon neutral in 2025 and influence carbon reduction across the Borough. During the year to date we have planted 15,000 trees begun decarbonisation of council buildings and commenced our hydrogen refuse collection vehicle project. We have also worked with schools, town and parish councils and business to influence carbon reduction in the Borough.

The Council secured £1.5m through Government funding to improve the energy efficiency of some of our housing stock.

Tatton Park won the Sandford Award for Heritage Education.

The COVID-19 impact has been evident across large parts of the Directorate, there have been significant income losses within Car Parking, at Tatton Park, within Leisure and within the Planning Service.

There have also been significant COVID-19 costs for some services. For example, in Environmental Services there has been an increased cost associated with waste collection and disposal, particularly as waste tonnages have increased during lock down periods. However, the outturn on recycling income is better due to improvement in the global recycling markets in the last quarter of 2020/21.

Also, within Highways with additional costs to assist with a number of traffic management measures to reopen the high streets in a safe manner and within Strategic Housing as the Council has responded to the additional support needed for the homeless.

The number of vacancies across the Directorate has led to an underspend of £3.4m on staffing and a reduction in the use of buildings during the pandemic and associated restrictions has meant that costs of repairs, maintenance and energy are lower than budget. There has also been savings on general supplies and staff mileage.

Delays have been experienced on a number of projects as a result of the pandemic, notably HS2 and various initiatives within Economic Development. Work will continue in 2021/22 on all of these projects.

## Corporate Services

**Virtual meetings** – We held more than 150 public meetings of council, cabinet and committees via MS Teams – enabling timely decision making and public access.



**Remote working** – Our Shared ICT team supported the council's workforce and members to work remotely through lockdown and beyond, by migrating more than 7,300 users to new systems with new devices.

**Customer Experience Strategy** - We approved our first ever customer experience strategy – setting out its vision to put customers at the heart of everything we do.



**Committee System** – The change to the model of governance system from a Cabinet to a Committee structure was successfully implemented.

**COVID-19** – regular communications were issued to the workforce throughout 2020/21 to provide updates and wellbeing support.

**Census success** - We supported the Office of national Statistics to deliver Census 2021 in Cheshire East, securing an excellent response rate.



**Commitment to Equality and Diversity** – We consulted on new equality objectives and delivered a number of virtual events to raise awareness and celebrate our diverse communities, including: Virtual Pride, International Women's Day, Black History Month, Mental Health Awareness Week and more.



The Corporate Services Directorate, which includes the Housing Benefits (HB) Payments Centre, has reported an underspend against budget of £2.6m.

Pressures in the service were offset by a significant underspend across the controllable service budgets achieved through a combination of an in-year budget remediation plan, which has been put in place since May 2020. The budget remediation plan restricted all but essential spend in year, including holding open vacant posts in an effort to mitigate legacy gaps in the base budget for Corporate Services and anticipate additional pressures relating to the pandemic. The controllable budgets underspent by £5.3m, offset by the HB Payments Centre under-recovery of £1.0m, and additional one-off costs relating to implementing the Best4Business System totalling £1.7m.

## Changes in Pension Estimates

Due to the scale of the pension assets (£1.5bn) and liabilities (£2.1bn) detailed in the Accounts, even small percentage changes in assumptions regarding their value can have a noticeable impact on the reported position.

In 2020/21 the net pension liability (deficit) reported in the Accounts has increased by £230m.

Detailed actuarial valuations are carried out every three years and the formal valuations for English and Welsh Local Government Pension Scheme (LGPS) Funds were concluded as at 31<sup>st</sup> March 2019. The balance sheet position for 2020/21 is based on the 2019 formal valuation rolled forward to 31<sup>st</sup> March 2021.

## Council Tax

Cheshire East collects Council Tax for the whole area and the income is split between the Cheshire Police and Crime Commissioner, the Cheshire Fire Authority and Parish Councils in addition to its own requirement. The total budgeted collectable amount for 2020/21 was £282.5m. The carried forward deficit on the Council Tax Collection Fund at the end of 2020/21 is £2.2m.

The Council Tax in-year collection rate for 2020/21 is 97.4%, only a little short of the previous year's performance. The strong economy in Cheshire East also contributed to an increase in the overall tax base of 2% (from 149,517.54 to 152,597.84).

## Business Rates

Cheshire East collects Business Rates for the whole area and the income is split 49% to Cheshire East, 50% to the Ministry of Housing, Communities and Local Government (MHCLG) and 1% to the Cheshire Fire Authority. The total budgeted collectable amount for 2020/21 was £141.5m as per the NNDR1 return. The carried forward deficit on the Business Rates Collection Fund at the end of 2020/21 is £72m, however £61m of this deficit is due to the accounting arrangements required for the Expanded Retail and Nursery Relief due to COVID-19 and will be repaid in full in 2021/22 with S31 grant that has already been received from MHCLG for the CEC share and the remaining 50% share will be repaid by central government.

During 2020/21 Cheshire East Council was in a pooling arrangement with the Greater Manchester (GM) Authorities (also includes Cheshire West and Chester from 2016/17) to maximise business rate retention locally and support the economic regeneration of Greater Manchester and Cheshire Councils. Pool members are entitled to retain the levy charge on growth that would normally be paid over to Central Government. Cheshire East retained 50% of this levy charge locally (£1.3m) before paying the remaining half over to the pool. The pool arrangement is due to cease for 2021/22 due to the uncertainty around future rates as the pandemic continues into the new financial year.

The Business Rates in-year collection rate for 2020/21 is 92.4% which is a decrease of 5.8% compared to the same period in 2019/20 wholly due to the impact from COVID-19.

## Financial Overview - Capital Programme

Capital expenditure represents money spent by the Group on purchasing, upgrading and improving assets that will be of benefit to the community over many years.

Total capital expenditure in 2020/21 was £105.2m compared to the original budget, as at February 2020, of £171.5m.



The forecast for planned spend is updated throughout the year and published in the Quarterly Finance Update reports. During 2020/21 a number of major projects have either completed or got under way including the Congleton Link Road (£23m), Poynton Relief Road (£8m), Schools Improvement Programme (£6.6m), ICT Programme (£4.9m) and Highways Pothole Challenge (£6.7m).

Slippage against the revised forecast of £136.4m reported at the Third Quarter Review has totalled £31.2m.

Capital receipts in year amounted to £2.2m from the sale of surplus assets, including land at St Anne's, Nantwich (£0.4m), Farms Sales (£0.4m), and former housing right to buy receipts (£0.8m).

The Council has succeeded in attracting £56.3m of grant funding and external contributions for capital improvements. This minimises the financial impact of the capital programme on the revenue budget, and so protects funding for other services such as social care.

### The Council has an ambitious capital programme with the highest spending in Highways and Infrastructure

	Outturn 2020/21 £m	Three Year Plan (as per MTFS)				
		2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
<b>Expenditure</b>						
Children's and Families	6.7	22.7	14.2	4.7	1.8	43.4
Adults, Commissioning and Public Health	0.1	0.4	0.0	0.0	0.0	0.4
Highways and Infrastructure	63.3	91.0	35.9	16.0	33.5	176.4
Growth and Enterprise	9.7	27.6	41.4	19.4	3.8	92.2
Environment and Neighbourhood Services	3.4	15.0	5.8	0.1	0.0	20.9
Corporate	22.0	14.5	8.9	7.3	7.0	37.7
<b>Total Expenditure</b>	<b>105.2</b>	<b>171.2</b>	<b>106.2</b>	<b>47.5</b>	<b>46.1</b>	<b>371.0</b>
<b>Funding</b>						
Grants and Other Contributions	56.3	97.8	61.2	28.2	32.0	219.2
Capital Receipts and Reserves	3.1	2.2	1.6	1.0	1.0	5.8
Borrowing	45.8	71.2	43.4	18.3	13.1	146.0
<b>Total Funding</b>	<b>105.2</b>	<b>171.2</b>	<b>106.2</b>	<b>47.5</b>	<b>46.1</b>	<b>371.0</b>

## Protecting Against Risks

The Council has a risk management framework with hierarchical risk registers forming part of the process which operate at strategic, operational and project levels. Emerging significant risks are escalated to senior members and/or officers, as appropriate, in line with the potential likelihood and impact of the risk upon objectives. Formal reports with regard to the risk management process are made throughout the year to senior officers and members.

During the year the strategic risk register has been reviewed and maintained to ensure that the strategic risks remain relevant and that risk interdependencies are understood. Operational risk registers are included within team plans.

The Council's key strategic risks recognise potential threats from increasing demand for services and overstretched resources and the Council's financial resilience. The risks recognise that austerity and economic conditions affecting the Council's key partners may potentially give rise to events that could have a negative impact upon the Council's ability to achieve its objectives.

The Coronavirus pandemic has had a profound impact on all aspects of life in Cheshire East. Cheshire East Council is leading and supporting the Local Resilience Forum (LRF) in developing its future planning for the recovery from this pandemic. The Strategic Co-ordinating Group of the LRF has established a sub-group leading on this Recovery. This is chaired by the Chief Executive of Cheshire East Council and includes senior colleagues from local authorities, the NHS, Public Health, Police and Fire. The pandemic continues to have a significant impact on the council's services.

Risk registers have been maintained as part of the Council's response to the COVID-19 pandemic and the plans for recovery. Business Continuity Plans are being kept under review and plans have been tested against concurrent risks.



## Narrative Report – Expenditure and Income Commentary

### Explanation of the financial statements

The Accounts and Audit (England) Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These Statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code'), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The group accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) which require that the financial statements of the reporting authority (Cheshire East Council) and its subsidiaries and associates shall be prepared as of the same date.

Subsidiaries have been consolidated into the Group Accounts on a line by line basis incorporating their income and expenditure fully in the relevant service revenue accounts. **Note 32** provides further details of the various companies in which the Council has an interest. Tatton Park Enterprises Limited and Cheshire & Warrington Enterprise Partnership Limited have been excluded from Cheshire East Council group accounts on the grounds of immateriality.

The Council is also required to produce Financial Statements as a single entity. The Cheshire East Council statements follow on from the Group Financial Statements.

The statements contain a number of elements which are explained below.

### The Financial Statements

**Movement in Reserves Statement** - this shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. Usable reserves include the Capital Grants Unapplied Account which are grants received but not yet utilised.

The 'Surplus or (Deficit) on the provision of services' shows the true economic cost of providing the Group's services, which is shown in more detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes.

The 'Net Increase / Decrease before Transfers to Earmarked Reserves' shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The Group's long term strategy is to hold appropriate levels of general reserves to provide funds for investment and to protect the Group against financial risks.

General (£11.5m) and Earmarked reserves (£99.2m including Schools) have increased in 2020/21 to £110.7m. This includes COVID-19 reserves totalling £35.3m.

The minimum target level of reserves is quantified by a detailed risk assessment. This approach allows the Council to take account of local circumstances and the impact of economic forecasts. The impact of rising demand for services, the economic climate, emerging Government policies (particularly in relation to business rates), and pressure on public services to reduce overall expenditure are relevant, and these present the potential for significant emerging risk.

Resilience has been impacted by the reliance on the use of reserves to balance the 2019/20 Outturn and other one off measures to balance the 2020/21 budget. Information from the CIPFA Financial Resilience data has shown that the level of general reserves held by the Council are significantly lower than our nearest neighbours. The Medium Term Financial Strategy will seek to increase the level of general reserve and replenish earmarked reserves.

**Comprehensive Income and Expenditure Statement** – this statement reflects the sum of all income, expenditure, gains and losses incurred by the Group in the last 12 months and explains how the Balance Sheet position has changed between the two financial years. This statement shows the financial position in accordance with accounting practice which means that the costs include notional charges for items such as depreciation, impairment, capital grants and capital charges.

**Balance Sheet** – this shows the value of the Group's asset and liabilities at the balance sheet date. These are matched by reserves which are split into two categories: usable and unusable reserves. Usable reserves (e.g. General Fund and earmarked reserves) can be used to support services or to reduce local taxation. Unusable reserves arise out of the interaction of legislation and proper accounting practice, either to store revaluation gains or as adjustment accounts to reconcile accounting requirements driven by reporting standards to statutory requirements. These reserves are not resource-backed and cannot be used for any other purpose.

**Cash Flow Statement** – this shows the changes in the Council's cash and cash equivalents during the reporting period. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The advice from our treasury advisors, Arlingclose has been to borrow short-term from other local authorities, rather than take out long-term loans with PWLB (Public Works Loan Board) as short-term interest rates are currently lower than long-term rates, and it is likely to be more cost effective in the short-term to borrow short-term loans instead.

**Collection Fund** – this is an agent's statement that reflects the statutory obligation for Cheshire East Council, in its capacity as a billing authority, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of Council Tax and Non-Domestic Rates from taxpayers and the distribution to local authorities and the Government.

**Statement of Responsibilities** - this sets out the respective responsibilities of the Authority and the Director of Finance and Customer Services.

**Independent Auditor's Report** – gives the auditor's opinion on the financial statements and the auditor's conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

## Narrative Report – Future Opportunities and Challenges

### Medium Term Financial Strategy 2021/22 – 2024/25

To provide the best opportunity to achieve the Corporate Plan, and manage the ambitions of the area, the Council created a Medium-Term Financial Strategy for 2021-25 that balances spending on services against resources across each of the next four years.

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

The budget and future years estimates were of course prepared before the impact of the COVID-19 pandemic. The budget will be reviewed to determine any in-year action required to balance 2021/22 and to inform the budget reduction requirements for the MTFS period. However, given the uncertainty, about so many issues, the scope and size of the financial challenge is evolving.

Central Government has provided COVID-19 un-ringfenced grants totalling £25m (£5.2m has been carried forward into 2021/22 via an earmarked reserve) to meet urgent and unforeseen costs and financial pressures impacting on the Council and the Cheshire East economy. In December 2020 the government also announced further funding to mitigate the financial effects of the pandemic in 2021/22. The financial impact of extended lockdowns since December 2020, and the emerging service pressures from recovery activity will require further liaison with government to understand whether the current arrangements are adequate.

Growth in demand for services has to be funded locally as there are no general government grants to Cheshire East Council. This created a requirement to increase Council Tax levels in line with Government expectations, which was **4.99%** in 2021/22. There are forecast increases of up to 1.99% in 2022/23 and beyond, in-line with national target inflation levels. 3% (£6.9m) of the council tax increase in 2021/22 will be solely utilised to fund increasing care costs within Adult Social Care.

The Fair Funding Review (FFR) and Business Rates Retention (BRR) were not implemented in April 2021 as originally planned and are unlikely to be implemented for 2022/23. Council officers will continue to work with the Government on informing the approach to funding for the next financial year and beyond.

The medium term outlook is therefore one of continuing uncertainty. Locally the Council has however, developed a balanced strategy. But this continues to assume ongoing government support to eliminate the impacts of COVID19 as well as an assumption that funding provided to support social care is not reduced, even though it is currently temporary in nature.

## **Acknowledgements**

The production of the Statement of Accounts would not have been possible without the exceptional hard work and dedication of staff across the Council and its subsidiaries. I would like to express my gratitude to all colleagues, from my team and other services and organisations, who have assisted in the preparation of this document. I would also like to thank them for all their support and expertise during the 2020/21 financial year.

I hope you find this narrative and accompanying statements clear and informative. If you require any further information, please contact Cheshire East Customer Services on 0300 123 55 00 (all calls at local rates).

**Alex Thompson** FCPFA

Director of Finance and Customer Services

# Appendix 2

## Corporate Grants Register

### 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 2020/21 was £254.8m.
2. In 2020/21 Cheshire East Council's specific use grants held within the services was budgeted to be £233.2m based on Government announcements to February 2020. This figure was revised up at mid-year to £241.1m (an increase of £7.9m). At third quarter, this figure was revised up again to £257.7m (an increase of £16.6m on mid-year).
3. The last quarter has seen a increase in specific use grant of £19.5m. £4.9m compensation for sales, fees and charges has now been allocated to directly to services and the Winter grant £0.9m has also transferred from general purpose grants to Children and Families. The remaining increase is mostly due to an increase in Housing Benefit Subsidy £7.9m and additional COVID-19 funding for various specific activities.
4. Spending in relation to specific use grants must be in line with the purpose for which it is provided.
5. In the Chancellors Budget on 11<sup>th</sup> March, two business grant schemes were announced to provide support for businesses as a result of the COVID-19 pandemic.
6. The Small Business Grant Fund (SBGF) is payable to small businesses – essentially those who are currently eligible for Small Business Rate Relief (SBRR) and Rural Rate Relief (RRR). The amount was increased from £3,000 in the Budget to £10,000 in the Chancellor's statement on 17<sup>th</sup> March.
7. The Retail, Hospitality and Leisure Grant (RHLG) is payable to smaller businesses in this sector, with £10,000 for businesses with rateable values of less than £15,000, and £25,000 for those with rateable values between £15,000 and £51,000 (i.e. those on the Small Business Rate Multiplier).
8. At the beginning of April, Cheshire East was paid £95.5m to passport directly to eligible businesses and by the end of August there had been payments made of £91.7m. The scheme officially closed at the end of August 2020 and any unspent grant will be repaid to central government.
9. Since August, further payments totalling £43.1m have been paid to Cheshire East to support businesses during national lockdown periods.
10. General purpose grants were budgeted to be £21.6m. Further in-year grant announcements have increased the amount received to £78.9m.
11. The COVID-19 pandemic has seen additional financial support issued by Central Government.
12. The Government announced in the Budget on 29<sup>th</sup> October 2018 that it would provide a Business Rates Retail Discount, to apply in the years 2019/20 and 2020/21. In response to the Coronavirus pandemic, in the Budget on 11<sup>th</sup> March the

Government announced that it would increase the discount to 100% and extend it to include the leisure and hospitality sectors. Following the announcement on 23<sup>rd</sup> March 2020 of further measures to limit the spread of Coronavirus, the Government confirmed that some of the exclusions for this relief have been removed, so that retail, leisure, and hospitality properties that will have had to close as a result of the restriction measures were also eligible for the relief.

13. The estimated full cost for this additional relief for Cheshire East was £58.8m. Usually, local authorities would only be paid their Business Rates Retention share (49%) of any new burdens measures, but in this instance 100% of the funding is being paid to councils to help with cash flow shortfalls. A further payment of £1.8m relating to COVID-19 Additional Business Rates Relief was received on the 20<sup>th</sup> November.
14. At the end of the financial year, following a detailed reconciliation, the share relating to MHCLG (50%) will be repaid to Government. This share is £30.4m, reducing the value of the grant received in the final quarter to reflect the net amount received.
15. Business Rates 'Tax Loss Compensation grants' of £9.2m have also been received during 2020/21. This grant reimburses the Council for providing extra discounts to businesses in line with government guidance. £4.2m of the grant is required to fund services and is included as part of the revenue budget approved in February 2020. The remaining amount will be transferred to the Collection Fund Management earmarked reserve at year end in accordance with the Reserves Strategy.
16. £3.3m compensation from the Tax Income Guarantee Scheme has been received. In December 2020, MHCLG announced that they would cover "75% of irrecoverable losses" associated with the reductions in local taxations for Council Tax and

Business rates due to COVID-19. However after the calculations have been made, this was more like 50% of the deficits for each collection fund account. The income has been credited directly to the Collection Fund Earmarked Reserve to help offset the deficit balances that will be funded from this reserve.

17. 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.
18. Approval for additional general purpose grants received during the final quarter of 2020/21 has mainly taken place in earlier committee reports. **Table 1** contains the final 2020/21 request for the Tax Loss Compensation scheme.
19. There are also service requests relating to 2021/22 in **Table 1**. These requests increase budget expenditure in Childrens and Families by £886,815, Adults by £2,299,699, Place Directorate by £349,638 and Corporate Directorate by £1,823.
20. Net additional general purpose grant of £57.3m has been received during the year, with £1.5m being allocated direct to services. After allowing for the transfer of £43.6m to earmarked reserves, the net outturn variance is a £12.2m improvement against budget.
21. **Table 2** and **Table 3** below provides a summary of the updated budget position for grants in 2020/21 by type and service. Further details of grants are shown in the Statement of Accounts.

**Table 1 – Requests for Allocation of Additional Grant Funding**

Committee	Type of Grant	£000	Details
Corporate Policy	COVID-19 Tax Income Guarantee Scheme  (Specific Purpose)	3,298	New guarantee scheme for 75% of 2020-21 irrecoverable local tax losses, worth an estimated £800 million nationally.
<b>Total Allocation 2020/21 Council Approval</b>		<b>3,298</b>	
Adults & Health	COVID-19 Infection control measures and rapid testing  (Specific Purpose)	2,257	The government has announced that it is extending funding to control infections and carry out COVID-19 testing in the adult social care sector.
<b>Total Allocation 2021/22 Council Approval</b>		<b>2,257</b>	
Children & Families	COVID-19 Local Support Grant  (Specific Purpose)	829	The Government's COVID-19 Local Support Grant provides funding through local authorities for families who need help paying for food and utilities, has been extended until the end of September.
Children & Families	Extension of the role of Virtual School Heads  (General Purpose)	58	The purpose of the grant is to provide support to local authorities in England, to help them meet their duty to appoint a Virtual School Head for previously looked-after children and make information and advice available to the following parties for the purposes of promoting the education of eligible previously looked-after children.
Adults & Health	Independent Living  (General Purpose)	43	To increase the funding allocated to the service to cover the cost of the payments made to clients for the ILF, increasing it to the level of the actual 2021/22 grant, the value of the grant is £43k higher than the planned budget value.

Committee	Type of Grant	£000	Details
Economy & Growth	Homelessness Domestic Abuse New Burdens (General Purpose)	9	Delivery of statutory homelessness duties in respect of victims of domestic abuse, as set out in the Housing Act 1996 and Homelessness (Priority need for Accommodation) (England) Order 2002, as amended by the Domestic Abuse Act 2021.
Environment & Communities	Neighbourhood Planning Grant for Local Planning Authorities (General Purpose)	70	The conditions of the grant mean that this funding could be used across the wider Spatial Planning area. This level of funding would be intended to support a number of Community Neighbourhood Plans across the borough.
Highways & Transport	Bus Service Improvement Plan (Specific Purpose)	100	£100,000 has been made available from the Government for each LTA to support with the development of Bus Service Improvement Plans, Cheshire East has been granted access to this funding in full and has partially used it to produce a BSIP in advance of the end of October 2021 deadline. The BSIP will be implemented using funding provided by the long-term funding commitments of the National Bus Strategy and the COVID-19 Bus Services Support Grant (CBSSG).
Highways & Transport	Local Authority Capability Fund (Specific Purpose)	171	The grant is awarded to enable the authority to deliver the objectives as set out in the Capability Fund bid. The Local Authority Capability Fund supports the commitment made in Gear Change, the Prime Minister's Cycling and Walking Plan, in July 2020, to increase the capabilities of local authorities to plan good active travel infrastructure, including building more expertise and undertaking more evidence-based planning.
Corporate Policy	Breathing Spaces (Debt Respite Scheme) (General Purpose)	2	The Debt Respite Scheme (Breathing Space) will give someone in problem debt the right to legal protections from their creditors.
<b>Total Allocation 2021/22 £1m or below</b>		<b>1,282</b>	
<b>Total</b>		<b>6,837</b>	



**Table 2 – Corporate Grants Register (Summary)**

	Original Budget	Revised Forecast MYR	Revised Forecast TQR	Final Outturn	Change from TQR
	2020/21 £m	2020/21 £m	2020/21 £m	2020/21 £m	2020/21 £m
SPECIFIC USE					
Held within Services	233.2	241.1	257.7	277.2	19.5
GENERAL PURPOSE					
Business Support Grant	0.0	95.5	116.3	138.6	22.3
Service Funding:					
People - Childrens and Families	0.0	0.4	0.5	0.5	0.0
People - Adult Social Care and Health	8.8	8.8	8.8	8.8	0.0
Place	0.0	0.3	0.3	0.3	0.0
Corporate	12.8	14.9	14.9	15.0	0.1
Central Items	0.0	81.2	92.5	54.3	(38.2)
TOTAL GENERAL PURPOSE	21.6	201.1	233.3	217.5	(15.8)
TOTAL GRANT FUNDING	254.8	442.2	491.0	494.7	3.7

**Table 3 – Corporate Grants Register (Detail)**

Corporate Grants Register 2020/21	Original Budget 2020/21 £000	Revised Forecast MYR 2020/21 £000	Revised Forecast TQR 2020/21 £000	Final Outturn 2020/21 £000	Change from TQR 2020/21 £000
<b>SPECIFIC USE (Held within Services)</b>					
<b>PEOPLE</b>					
Schools <sup>1</sup>	151,887	150,383	150,555	151,113	558
Children and Families	1,759	2,021	2,019	3,421	1,402
Adult Social Care	12,637	18,284	29,708	26,138	(3,570)
Public Health	15,967	18,291	21,364	27,409	6,045
<b>Total</b>	<b>182,250</b>	<b>188,979</b>	<b>203,646</b>	<b>208,081</b>	<b>4,435</b>
<b>PLACE</b>					
Growth and Enterprise	263	1,572	1,506	1,445	(61)
Environment and Neighbourhood Services	0	0	159	2,010	1,851
Highways and Infrastructure	0	336	1,340	5,630	4,290
Directorate	787	1,561	2,047	1,912	(135)
<b>Total</b>	<b>1,050</b>	<b>3,469</b>	<b>5,052</b>	<b>10,997</b>	<b>5,945</b>
<b>CORPORATE</b>					
Finance and Customer Services	49,878	48,618	48,964	57,813	8,849
Governance and Compliance Services	0	0	0	325	325
<b>Total</b>	<b>49,878</b>	<b>48,618</b>	<b>48,964</b>	<b>58,138</b>	<b>9,174</b>
<b>TOTAL SPECIFIC USE</b>	<b>233,178</b>	<b>241,066</b>	<b>257,661</b>	<b>277,216</b>	<b>19,555</b>

Corporate Grants Register 2020/21		Original Budget 2020/21 £000	Revised Forecast MYR 2020/21 £000	Revised Forecast TQR 2020/21 £000	Final Outturn 2020/21 £000	Change from TQR 2020/21 £000
<b>GENERAL PURPOSE (Held Corporately)</b>						
<b>Central Funding</b>						
Business Support Grant		0	95,514	116,307	138,611	22,304
<b>People - Children and Families</b>						
Staying Put Implementation Grant		0	113	113	113	0
Extended Rights to Free Transport (Home to School Transport)		0	201	201	201	0
Extended Personal Adviser Duty Implementation		0	42	42	42	0
Extension of the role of Virtual School Heads		0	0	61	61	0
Domestic Abuse Duty Capacity Building Fund		0	0	50	50	0
<b>People - Adult Social Care and Health</b>						
Social Care Support Grant		7,616	7,616	7,616	7,616	0
Independent Living Fund		818	861	861	861	0
Local Reform & Community Voices, Social Care in Prisons and War Pension Scheme Disregard		340	340	340	340	0
<b>Place</b>						
Neighbourhood Planning Grant for Local Planning Authorities		0	100	100	160	60
Homelessness Reduction Act		0	116	116	116	0
Mobile Homes Fit and Proper Person Test		0	0	0	1	1
Letting Agents Transparency & Redress Schemes		0	1	1	1	0
Environmental Service Feasibility Study (NW Local Energy Hub)		0	67	67	67	0

Corporate Grants Register 2020/21	Original Budget 2020/21 £000	Revised Forecast MYR 2020/21 £000	Revised Forecast TQR 2020/21 £000	Final Outturn 2020/21 £000	Change from TQR 2020/21 £000
<b>Corporate</b>					
Housing Benefit and Council Tax Administration	1,027	1,022	1,022	1,022	0
NNDR Administration Allowance	571	571	571	571	0
Council Tax Family Annex Discount	0	0	0	20	20
New Homes Bonus	11,193	11,193	11,193	11,193	0
Individual Electoral Registration	0	34	34	34	0
Individual Electoral Registration (additional)	0	0	0	93	93
Local Government Transparency Code - New Burdens	0	0	0	13	13
COVID-19 Council Tax Hardship Fund	0	2,063	2,063	2,063	0
<b>Central Items</b>					
COVID-19 Additional Business Rates Reliefs payments for 2020/21	0	58,786	60,561	30,134	(30,427)
COVID-19 Compensation for Sales, Fees and Charges Income	0	0	6,100	0	(6,100)
COVID-19 Emergency Funding (Tranche 2)	0	10,539	10,539	10,539	(0)
COVID-19 Emergency Funding (Tranche 3)	0	2,711	2,711	2,711	(0)
COVID-19 Emergency Funding (Tranche 4)	0	0	2,578	2,578	0
COVID-19 Winter Grant Scheme	0	0	880	0	(880)
Business Rates Reliefs Grant 2020/21	0	4,988	4,988	4,988	0
Business Rates Reliefs Grant 2020/21	0	4,200	4,200	0	(4,200)
Tax Income Guarantee Scheme: Compensation for Business Rates Losses	0	0	0	2,223	2,223
Tax Income Guarantee Scheme: Compensation for Council Tax Losses	0	0	0	1,074	1,074
<b>Total Service Funding</b>	<b>21,565</b>	<b>105,563</b>	<b>117,006</b>	<b>78,885</b>	<b>(38,121)</b>
<b>TOTAL GENERAL PURPOSE</b>	<b>21,565</b>	<b>201,077</b>	<b>233,313</b>	<b>217,496</b>	<b>(15,817)</b>
<b>TOTAL GRANT FUNDING</b>	<b>254,743</b>	<b>442,143</b>	<b>490,975</b>	<b>494,712</b>	<b>3,737</b>

#### 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.
- 2 SRE - Supplementary Revenue Estimate requested by relevant service.
- 3 ODR - Officer Decision Record to approve immediate budget change to relevant service.
- 4 Reserves - transfer to reserves at year end.
- 5 Balances - amount will be included as a variance to budget.

## Appendix 3

# Capital Outturn and Requests for Supplementary Capital Estimates and Virements

## Update on Capital Programme

- 2.1 Since the Third Quarter Review the Capital Programme has increased by £7.5m for the next three-year period.
- 2.2 One of the main changes are the increase in additional grant allocations that have been received since the Medium-Term Financial Strategy was approved in February 2021, within Children and Families we have received Basic Need Grant (2022/23) of £5.3m, High Needs Funding of £1.2m and £0.9m School Condition Grant. Within the Place Directorate we have received £5.8m Pothole funding, Green Homes Grant of £2.1m and £0.6m Active Travel Grant. There are also a small number of Supplementary Capital Estimates listed in Annex **B** to this report.
- 2.3 There have also been a considerable number of Supplementary Capital Estimates that have been approved within the last quarter. The increase totals £20.9m and the two most notable ones are the Future High Street funding of £15.7m and the Green Homes Grant £1.7m which is in addition to the £2.1m that requires approval at Outturn.
- 2.4 As part of the Medium-Term Financial Strategy, £34.7m of the Middlewich Eastern Bypass budget has been transferred to the Addendum whilst the Council awaits full programme entry for the scheme within the Department of Transport's major projects programme. There was also a transfer from the Addendum to the main programme of £2.4m for the Safer Roads scheme on the A537 as the grant funding has now been received by the Council.
- 2.5 Other transfers that have been agreed to move to the main programme are £.08m for the Tatton Investment Programme, £0.4m for the Macclesfield Town Centre Public Realm project and £0.06m for Middlewich Leisure Centre. **Table 1** shows the movements in the last quarter.

**Table 1: Summary Capital Programme**

Directorate	TQR Budget 2020/24 £m	SCE's / Virements in Quarter 2020/24 £m	Transfers to/from Addendum 2020/24 £m	Budget Reductions at Outturn 2020/24 £m	SCE's at Outturn 2020/24 £m	Revised Outturn Budget 2020/24 £m
People	49.4	-	-	-	9.5	58.9
Place	389.2	20.9	(31.0)	(1.5)	9.5	387.1
Corporate	57.6	-	-	-	0.1	57.7
	<b>496.2</b>	<b>20.9</b>	<b>(31.0)</b>	<b>(1.5)</b>	<b>19.1</b>	<b>503.7</b>

- 2.6 The revised programme is funded from both direct income (grants, external contributions) and the Council's own resources (prudential borrowing, revenue contributions, capital reserve).
- 2.7 The final Outturn position as the 31<sup>st</sup> March 2020 showed total capital expenditure of £105.2m against a Third Quarter forecast position of £136.4m. The slippage of £31.2m has been re-profiled into future years as shown in **Annex A**.
- 2.8 **Annex B** 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.
- 2.9 **Annex C** details requests of Supplementary Capital Estimates (SCE) up to and including £1,000,000 and Capital Virements up to and including £5,000,000 to be approved by Finance Sub Committee. This includes two Supplementary Capital Estimates for £0.9m additional School Condition Grant for 2021/22 and the second tranche of the Active Travel Fund (COVID 19), £0.6m.
- 2.10 **Annex D** details requests of Supplementary Capital Estimates (SCE) over £1,000,000 to be approved by full Council. There are five Supplementary Capital Estimates to be approved, £1.2m funding received for High Needs Provision within the Education Service, £2.9m of Basic Need grant that is being replenished by S106 contributions that have now been received by the Council. There is also the 2022/23 Basic Needs Allocation of £5.3m that has not been previously recognised in the Medium-Term Financial Strategy. Within the Place Directorate there is the £5.8m Pothole Funding and the £2.1m additional Green Homes funding.
- 2.11 **Annex E** lists details of reductions in Approved Budgets where schemes are completed, and surpluses can now be removed. These are for noting purposes only.
- 2.12 **Table 2: Revised Addendum Programme**

	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Total Budget 2020/24 £000
<b>Addendum</b>					
People	5,931	11,700	9,900	4,700	<b>32,231</b>
Place	12,101	48,121	35,831	71,752	<b>167,805</b>
Corporate	4,258	35,262	35,276	54,905	<b>129,701</b>
<b>Total Addendum</b>	<b>22,290</b>	<b>95,083</b>	<b>81,006</b>	<b>131,357</b>	<b>329,737</b>

- 2.13 **Annex F** shows the movements from and to the Capital Addendum since the Medium-Term Financial Strategy was approved in February 2021.

## Annex A:

### Revised Capital Programme

CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY				
CAPITAL PROGRAMME 2020/21 - 2022/23				
	Actual 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Total Forecast 2020-23 £000
<b>Committed Schemes - In Progress</b>				
People	6,677	23,045	26,225	55,947
Place	69,094	131,258	122,047	322,399
Corporate	13,586	11,576	22,695	47,857
<b>Total Committed Schemes - In Progress</b>	<b>89,357</b>	<b>165,879</b>	<b>170,967</b>	<b>426,203</b>
CAPITAL PROGRAMME 2020/21 - 2022/23				
	Actual 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Total Forecast 2020-23 £000
<b>New Schemes</b>				
People	92	2,136	750	2,978
Place	7,339	25,233	32,087	64,659
Corporate	8,419	903	540	9,862
<b>Total New Schemes</b>	<b>15,850</b>	<b>28,272</b>	<b>33,377</b>	<b>77,499</b>
<b>Total</b>	<b>105,207</b>	<b>194,151</b>	<b>204,344</b>	<b>503,702</b>

## CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

### CAPITAL PROGRAMME 2020/21 - 2022/23

	Actual 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Total Forecast 2020-23 £000
<b>Funding Requirement</b>				
<b>Indicative Funding Analysis:</b> (See note 1)				
Government Grants	46,645	108,803	89,657	<b>245,105</b>
External Contributions	9,636	24,478	36,881	<b>70,995</b>
Revenue Contributions	489	776	0	<b>1,265</b>
Capital Receipts	2,586	1,000	1,000	<b>4,586</b>
Prudential Borrowing (See note 2)	45,851	59,094	76,806	<b>181,751</b>
<b>Total</b>	<b>105,207</b>	<b>194,151</b>	<b>204,344</b>	<b>503,702</b>

**Note 1:**

The funding requirement identified in the above table represents a balanced and affordable position, in the medium term. The Council will attempt to maximise external resources such as grants and external contributions in the first instance to fund the capital programme. Where the Council resources are required the preference will be to utilise capital receipts from asset disposals. The forecast for capital receipts over the next two years 2021/22-23 assumes a prudent approach based on the work of the Asset Management team and their most recently updated Disposals Programme.

**Note 2:**

Appropriate charges to the revenue budget will only commence in the year following the completion of the associated capital asset. This allows the Council to constantly review the most cost effective way of funding capital expenditure.



## Annex B:

### Delegated Decision - Requests for Supplementary Capital Estimates (SCEs) and Virements

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		
Highways and Infrastructure		
M6 Junction 19	9,557	To increase the budget in line with the level of income invoiced for design check and inspection fees of the Highways England scheme at M6 J19 for which a Section 4 agreement
Middlewich Southern Link and Clive Green Lane Upgrad	10,137	To add additional contribution from Cheshire West & Chester Borough Council to the budget of £2,657 and additional revenue contribution of £7,480 to increase Cheshire East's contribution to match
Traffic Signals Maintenance Funding	500,000	New grant allocation from the Department of Transport for traffic signal maintenance work in the borough.
S106s		
Morrisons, Middlewich Bus Stop	596.38	To bring the extra S106 balance in to the programme to fund expenditure.
M'wich Rd Elworth Ped Crossing	784.78	
S106 Booth Lane, Bus Stops	4,442.14	
S106 Middlewich Bus Stops x2	1,400	
Growth and Enterprise		
Crewe Town Centre Regeneration	15,000	Contribution from Arriva for Crewe Bus Station works.
Crprate Lndlrd - Operational	5,000	Revenue Contribution for the cost of the Concerto system.
Warm Homes Fund	31,665	The Warmer Homes Grant allocation to the Council which was reduced at Mid Year Review from £0.417m to £0.207m in line with the revised grant allocation. The final amount of grant that we will receive is now £239,080, a slight increase in what was then anticipated.
Schools Capital Maintenance	92,000	Schools Contributions to the Facilities Management Schools Condition Programme for 2021/22
Transformation Services		
Elections Management System	6,888	Revenue contribution to increase budget to cover additional expenditure.
Infrastructure Investment Programme (IIP)	101,503	Budget brought forward from the approved MTFS 21-25
Total Supplementary Capital Estimates Requested	778,973	

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
<b>Capital Budget Virements that have been made up to £1,000,000</b>		
<b>Education and 14-19 Skills</b>		
Elworth CofE Primary School - Basic Need Scheme	300,000	Virement from Nantwich Planning Area Block allocation
Malbank High School Basic Need Scheme	400,000	Virement from Nantwich Planning Area Block allocation
Pupil Referral Unit	221,651	Virement from Basic Need £174k) Healthy Pupils fund (£38k) and School Condition Grant (£9k) to fund overspend on the project.
Wilmslow High School	246,349	Virement from School Condition Grant funded School Managed Schemes from 2018/19 & 2020/21 as agreed with the school to amalgamate into the major Basic Need project.
The Dingle	25,000	Virement from High Needs/SEN Grant
<b>Highways, Infrastructure &amp; Transport</b>		
Highway Maintenance Minor Wks	181,096	Virements within the Local Transport Programme, virements from grant funded Capital Condition Project and Local Area Programme
Bridge Maintenance Minor Wks	21,398	Virements within the Local Transport Programme, virements from grant funded Local Area Programme
Surface Water Mgt Schemes	289	Virements within the Local Transport Programme, virements from grant funded Flooding and Weather Events project.
S106 H Chpl Rd Bus Stops	4,434	Delivered as part of the STEPS programme, so that additional funding for this project has been vired from the Accessibility Public Transport budget
S106 Booth Lane, Bus Stops	1,832	Virement from the Accessibility Public Transport budget for the additional expenditure for the Bus Stops.
Morrisons, Middlewich Bus Stop	1,896	
S106 Rope Lane Ped Crossing	426	Virement from the Road Safety Schemes Minor Works budget for the additional expenditure covered by Department for Transport grant funding.
<b>Growth and Enterprise</b>		
Schools Capital Maintenance	828,000	Virement from the School Condition Grant to fund to the Facilities Management School Condition Programme in 2021/22
<b>Environment and Neighbourhood Services</b>		
Organic Waste Treatment Plant	45,409	Virement from the Energy Improvements at Cledford Lane project to Organic Waste Treatment Plant to ensure that the overspend is fully-funded.
Armistead Way Play Area Improvements	625	Virement from the Parks Development Fund project to Armistead Way Play Area to ensure that the overspend is fully-funded.
<b>Total Capital Budget Virements Approved</b>	<b>2,278,405</b>	
<b>Total Supplementary Capital Estimates and Virements</b>	<b>3,057,378</b>	

## Annex C:

### Delegated Decision - Requests for Supplementary Capital Estimates (SCEs) and Virements

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
<b>Finance Sub Committee are asked to approve the Supplementary Capital Estimates and Virements</b>		
<b>Supplementary Capital Estimates above £500,000 up to and including £1,000,000</b>		
<b>Education and 14-19 Skills</b>		
School Condition Allocation	936,822	Additional Grant received from the Department of Education for 2021/22
<b>Highways and Infrastructure</b>		
Active Travel Fund (Covid-19)	588,625	Tranche 2 of Active Travel Covid 19 Fund
<b>Total Supplementary Capital Estimates Requested</b>	<b>1,525,447</b>	
<b>Total Supplementary Capital Estimates and Virements</b>	<b>1,525,447</b>	

## Annex D: Requests for Supplementary Capital Estimates (SCEs) and Virements

Service	Amount Requested	Reason and Funding Source
£		
<b>Supplementary Capital Estimates over £1,000,000</b>		
<b>Education and 14-19 Skills</b>		
SEN/High Needs Capital Allocation	1,263,815	Additional Grant Received from the DfE to fund SEN/High Needs Provision
Future Years Basic Need Allocation	2,919,127	Replenish Basic Need budget with S106 funds that have now been received by the Council
Future Years Basic Need Allocation	5,276,834	Basic Need Allocation for 2022/23
<b>Highways and Infrastructure</b>		
Pothole fund	5,799,000	Department for Transport Pothole fund allocated that is being used to fund our Road Repair programme this year.
<b>Growth and Enterprise</b>		
Green Homes Grant	2,135,885	Additional grant of £2,135,885, for the Green Homes Grant Local Authority Delivery Scheme, to improve energy efficiency and install low carbon heating systems in housing across Cheshire East. A total fund of £6,407,655 has been paid by the North West Energy Hub to Warrington Borough Council who are the accountable body for the scheme on behalf of Cheshire and Warrington; one-third of the funding is to be paid to Cheshire East.
<b>Total Supplementary Capital Estimates Requested</b>	<b>17,394,661</b>	
<b>Total Supplementary Capital Estimates and Virements</b>	<b>17,394,661</b>	

## Annex E: Capital Budget Reductions

Service / Capital Scheme	Approved Budget £	Revised Approval £	Reduction £	Reason and Funding Source
<b>Finance Sub Committee are asked to note the reductions in Approved Budgets</b>				
<b>Education and 14-19 Skills</b>				
Shavington High School	2,622,848	2,510,061	112,787	Project now complete.
<b>S278s</b>				
All S278 Schemes	2,990,015	1,520,625	1,469,390	S278 schemes will no longer be reported as part of the capital programme, since moving to the Unit 4 Finance system, these have been set up as Revenue projects. All of these projects are fully funded by Developer contributions.
<b>Environment and Neighbourhood Services</b>				
Victoria Mill Drive, Willaston: Open Space Improvements	34,098	30,043	4,055	Project now complete.
	<b>5,646,961</b>	<b>4,060,729</b>	<b>1,586,232</b>	

## Annex F:

### Transfers From and to the Capital Addendum

Service / Capital Scheme	Amount Transferred Outturn £	Reason / Comment
<b>Budgets Transferred from the Addendum to the Main Capital Programme</b>		
<b>Highways and Infrastructure</b>		
Safer Roads Scheme A537	(2,490,000)	Transferred to the current programme, grant funding received.
<b>Growth and Enterprise</b>		
Macclesfield Town Centre Regeneration Phased Public Realm Enhancement Programme	(400,000)	Approval obtained to transfer from Addendum.
Tatton Park Investment	(762,000)	Approval obtained to transfer from Addendum.
<b>Environment and Neighbourhood Services</b>		
Middlewich Leisure Centre	(60,000)	Transfer of £60k to create a Middlewich Leisure Centre capital programme item from the Everybody Sport and Leisure 5 Towns Investment Programme on the addendum.
<b>Total Budgets Transferred to Main Capital Programme</b>	<b>(3,712,000)</b>	
<b>Capital Budgets transferred from the Main capital Programme to the Addendum</b>		
<b>Highways and Infrastructure</b>		
Middlewich Eastern Bypass	34,735,635	Transferred to Addendum in line with MTFS 21-25
<b>Total Capital Budget Transferred to the Addendum</b>	<b>34,735,635</b>	
<b>Net Change to the Addendum</b>	<b>31,023,635</b>	

# Appendix 4

## 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 1<sup>st</sup> April 2020 in the Council's General Reserves was £10.3m as published in the Council's Statement of Accounts for 2019/20.
3. At 31<sup>st</sup> March 2021, the General Reserve minimum level has increased to £11.5m to further protect against potential risks, particularly those arising from the COVID-19 pandemic.
4. The Council also maintains Earmarked Revenue Reserves for specific purposes. At 31<sup>st</sup> March 2021 balances on these reserves stood at £91.4m, excluding balances held by Schools.
5. This valuation includes the appropriation of £30.1m to the Collection Fund reserve, funded from S31 grant. The increase is as a result of a timing difference, with the grant received in 2020/21 to fund the deficit that will be released in 2021/22.
6. Following a change in accounting treatment of the DSG Revenue Reserve, this balance has been removed from Earmarked Reserves and instead will be treated as an Unusable Reserve.
7. At the end of 2018/19, a central contingency referred to as the MTFS (Medium Term Financial Strategy) Reserve was created to support in-year pressures against the revenue budget. Use of this Earmarked Reserve has been subject to approval of robust business cases.
8. **Table 1** shows the total reserves at 31<sup>st</sup> March 2021. Overall the Council remains in a strong financial position given the major challenges across the public sector.
9. Further details of individual reserves are provided in Table 2.

**Table 1 – Reserves Position**

	£m
General Reserve	11.5
Earmarked Reserves (excluding Schools)	91.4
<b>Total Reserves Balance at 31<sup>st</sup> March 2021</b>	<b>102.9</b>

**Table 2 – Earmarked Reserves (excluding Schools)**

<b>Earmarked Reserves</b>	<b>Balance at 31 March 2020 £000</b>	<b>Transfers Out 2020/21 £000</b>	<b>Transfers In 2020/21 £000</b>	<b>Balance at 31 March 2021 £000</b>
<b>People:</b>				
Childrens Directorate	0	0	(1,020)	(1,020)
Adults Directorate	0	0	(500)	(500)
PFI Equalisation - Extra Care Housing	(2,504)	0	(114)	(2,618)
Public Health	(978)	0	(1,140)	(2,118)
DOL's Assessments	0	0	(600)	(600)
Other Useable Reserves (<£500k in value)	(265)	195	(141)	(211)
<b>People Total:</b>	<b>(3,747)</b>	<b>195</b>	<b>(3,515)</b>	<b>(7,067)</b>
<b>Place:</b>				
Place Directorate	0	0	(1,254)	(1,254)
Investment (Sustainability) & Place restructure	(682)	0	0	(682)
Trees / Structures Risk Management	0	123	(750)	(627)
Strategic Planning	(638)	0	0	(638)
Legal Proceedings	(72)	72	(560)	(560)
Investment Portfolio	(558)	558	0	0
Other Useable Reserves (<£500k in value)	(1,618)	197	(1)	(1,422)
<b>Place Total:</b>	<b>(3,568)</b>	<b>950</b>	<b>(2,565)</b>	<b>(5,183)</b>
<b>Corporate:</b>				
Corporate Directorate	0	0	(1,341)	(1,341)
Collection Fund Management	(6,828)	2,639	(8,510)	(12,699)
Collection Fund - Covid-19 Grant	0	0	(30,134)	(30,134)
Financing Reserve	(9,080)	1,946	(3,748)	(10,882)
Brighter Future Transformation Programme	(910)	60	(1,200)	(2,050)
Insurance Reserve - Cheshire County Fund	(114)	250	(86)	50
Insurance Reserve - Cheshire East Fund	(3,775)	1,456	(2,614)	(4,933)
Pay Structure (M Grade Review)	0	0	(550)	(550)
Other Useable Reserves (<£500k in value)	(617)	531	(224)	(310)
<b>Corporate Total:</b>	<b>(21,324)</b>	<b>6,882</b>	<b>(48,407)</b>	<b>(62,849)</b>
<b>Central:</b>				
MTFS Reserve	(3,439)	846	(5,490)	(8,083)
Revenue Grants Transferred to Earmarked Reserves	(3,262)	808	(648)	(3,102)
Revenue Grants - COVID-19 Emergency Funding	(8,098)	8,098	(5,153)	(5,153)
<b>Central Total:</b>	<b>(14,799)</b>	<b>9,752</b>	<b>(11,291)</b>	<b>(16,338)</b>
<b>Total Earmarked Reserves (excluding schools)</b>	<b>(43,438)</b>	<b>17,779</b>	<b>(65,778)</b>	<b>(91,437)</b>



# Abbreviations

Term	Meaning
ASC	Adult Social Care
ASDV	Alternative Service Delivery Vehicles – part of the Council’s commissioning approach to funding services
BCF	Better Care Fund
BRRS	Business Rates Retention Scheme – the system of local authority funding introduced on 1 <sup>st</sup> April 2013
CAG	Corporate Assurance Group
CDRP	Crime and Disorder Reduction Partnership
CEC	Cheshire East Council
CEFS	Cheshire East Family Support
CERF	Cheshire East Residents First
CFB	Capital Financing Budget
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CSC	Children's Social Care
CTS	Council Tax Support
DfE	Department for Education
DSG	Dedicated Schools Grant – grant received from Government to fund schools
EqIA	Equality Impact Assessment
EIP	Early Intervention and Prevention
ERP	Enterprise Resource Platform
ESG	Education Support Grant
FQR	First Quarter Review (not produced for 2020/21)
FTE	Full Time Equivalent
GP	General Practitioner

Term	Meaning
GVA	Gross Value Added
HLBC	High Level Business Case
HM	Her Majesty's
HR	Human Resources – one of the Council's corporate service areas
ICT	Information and Communication Technology – the service responsible for computers, networks, software, phones, etc.
LA	Local Authority
LED	Light Emitting Diode
LGA	Local Government Association
LOBO	Lenders Option Borrows Option
LSCB	Local Safeguarding Children's Board
MARS	Mutually Agreed Resignation Scheme
MHCLG	Ministry of Housing, Communities and Local Government (formerly Department for Communities and Local Government – DCLG)
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
MYR	Mid-Year Review
NEETs	Not in Education, Employment or Training
NFF	National Funding Formula
NHB	New Homes Bonus Grant
NHS	National Health Service
NJC	National Joint Council
NNDR	National Non-Domestic Rates – the contribution to general local authority costs by businesses. The rate is set by central Government
PHE	Public Health England
PiP	Partners in Practice
PWLB	Public Works Loan Board – a Government agency providing loans to public bodies for capital works
RPI	Retail Price Index
RSG	Revenue Support Grant
S151	Section 151 (Officer)
SAGC	Skills and Growth Company

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

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## Glossary of Terms

### Accounting Period

The period of time covered by the accounts which, for local authorities, is the twelve months commencing 1<sup>st</sup> April. The 31<sup>st</sup> March is the end of the accounting period and the balance sheet date.

### Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

### Agency Services

These are services provided by the Council to a third party on behalf of another organisation.

### Appropriations

Amounts transferred between the Comprehensive Income and Expenditure Statement and revenue or capital reserves.

### Asset Valuation

The Council's property, plant and equipment are valued in the balance sheet using the following measurement bases:

- Infrastructure, community assets, assets under construction – depreciated historical cost
- Dwellings – current value, determined using the basis of existing use value (EUV)
- Surplus assets – fair value
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value or EUV).

### Assets Held for Sale

An asset is deemed as 'held for sale' if it meets the following criteria:

- the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- the sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated; and
- the asset must be actively marketed for a sale at a price that is reasonable in relation to the current value.

### Associate Companies

This is an entity other than a subsidiary or joint venture in which the Council has a participating interest and over who's operating and financial policies the Council is able to exercise significant influence.

## Balance Sheet

This statement shows the true and fair value of the assets and liabilities recognised by the Council at the balance sheet date (31<sup>st</sup> March). The net assets of the Council are matched by the reserves held. The following terms are used within the balance sheet:

- **Assets:** Items of worth that are measurable in terms of value. Long term (non-current) assets yield benefit to the Council for a period of more than one year, whereas current assets are cash and items which can be readily converted into cash.
- **Liabilities:** Amounts due to individuals or organisations. Current liabilities are usually payable within one year of the balance sheet date, whereas long term (non-current) liabilities will not become payable for over one year.
- **Net Assets:** The total value of the Council's assets less total liabilities.
- **Reserves:** These are either usable or unusable, see entry for Reserves.

## Budget

A statement of the Council's planned service provision, income and expenditure in respect of the financial year.

## Capital Transactions (excluding reserves)

- **Capital Assets:** See Property, Plant and Equipment.
- **Capital Expenditure:** Expenditure on the acquisition of an item of Property, Plant or Equipment, or expenditure that extends the useful life or operational capability of an existing asset.
- **Capital Financing:** The means by which capital expenditure incurred by the Council is funded. Usually such funding comprises grants, contributions from third parties, receipts from the sale of assets, contributions from Council reserves and borrowing.
- **Capital Programme:** The planned capital schemes the Council intends to carry out over a specified period of time.
- **Capital Receipts:** Proceeds received from the sale of capital assets. The proceeds are set aside in the Capital Reserve in order to repay the Council's borrowings or to finance new capital expenditure.
- **Capitalisation:** The classification of expenditure as capital rather than revenue, subject to the condition that the expenditure yields a benefit to the Council for a period of more than one year.
- **Revenue Expenditure Funded from Capital Resources under Statute (known as REFCUS):** Expenditure incurred that may be capitalised although it does not create a non-current asset.

## Cash and Cash Equivalents

This comprises cash in hand, cash overdrawn and short term investments that are readily convertible into known amounts of cash.

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash out flows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

## CIPFA

The Chartered Institute of Public Finance and Accountancy is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

## Collection Fund

This is a statutory fund kept separate from the main accounts of the Council and provides details of Council Tax and Non-Domestic Rate transactions of precepting authorities. As a billing authority the Council will share the risks and rewards that the amount of Council Tax and Non-Domestic Rates collected could be greater or less than that anticipated.

Collection Fund terms include the following:

- **Billing Authority:** Cheshire East Council is classed as a billing authority as it has responsibility for collecting Council Tax and Non-Domestic Rates. It collects Council Tax on behalf of Cheshire Police and Crime Commissioner, Cheshire Fire Authority and Parish Councils (also known as precepting authorities) and collects Non-Domestic Rates on behalf of Central Government and Cheshire Fire Authority.
- **Council Tax:** The means of raising money locally to fund local Council services. This is a property-based tax where the amount levied depends on the valuation of each dwelling.
- **Non-Domestic Rates (NDR):** Also known as business rates, NDR is collected from businesses in the Council's geographic area. The rates are set nationally by the Government.
- **Precept:** The amount the Council is required to raise in Council Tax on behalf of other local authorities, for example Cheshire Police and Crime Commissioner.

## Comprehensive Income and Expenditure Statement (CIES)

The CIES sets out the income and expenditure for all the Council's functions for the financial year, according to the CIPFA Service Reporting Code of Practice (SeRCOP).

The CIES has two sections:

- **Surplus or Deficit on the provision of Services** – the increase or decrease in the net assets of the Authority as a result of incurring expenses and generating income.
- **Other Comprehensive Income and Expenditure** – shows any changes in net assets which have not been reflected in the Surplus or Deficit on the provision of Services. Examples include the increase or decrease in net assets of the Authority as a result of movements in the fair value of its assets and actuarial gains or losses on pension assets and liabilities.

### **Consistency**

The principle that the same accounting treatments are used from year to year so that useful comparisons can be made. Any significant change in policies must be declared in the accounting statements.

### **Constitution**

The fundamental principles by which the Council operates and is governed.

### **Contingencies**

Sums set aside to meet either the potential costs of activities expected to occur during the year, over and above those costs included in the services budgets, or items which are difficult to predict in terms of financial impact or timing.

### **Contingent Assets**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

### **Contingent Liabilities**

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly with the Council's control; or
- a present obligation arising from past events where it is probable that a transfer of economic benefits will be required, but the amount cannot be measured with sufficient reliability.

### **Creditors**

These are financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.

### **Debtors**

Debtors (or income due from third parties) are recognised in the balance sheet as an asset. The income is recognised at the point at which a service or good is provided; a debtor is raised for the cash or cash equivalent amount i.e. contract value.

Where there is a risk that a debtor cannot be recovered at its initial contract value, the asset will be reduced to the amount at which it can be recovered in the balance sheet. This is accounted for in a provision for impairment (bad debt) and included in the Comprehensive Income and Expenditure Account in the Surplus or Deficit on the Provision of Services.

### **Deficit**

Arises when expenditure exceeds income or when expenditure exceeds available budget.

### **Delegated Budgets**

Budgets for which schools and other services have complete autonomy in spending decisions.



## Depreciation

Depreciation is a measurement of consumption of the service potential inherent in an item of property, plant or equipment and is recognised in the cost of services.

## Exceptional Items

Items that derive from the ordinary activities of the Council and are material in terms of the Council's overall expenditure and not expected to recur frequently or regularly.

## Financial Instruments

A financial instrument is any contract which gives rise to a financial asset for one party and a financial liability or equity instrument for the other. Terms relating to Financial Instruments include:

- **Amortised cost:** the amount at which the asset or liability is measured at initial recognition (usually 'cost'), minus any repayments of principal, minus any reduction for impairment or uncollectibility, plus or minus the cumulative amortisation of the difference between that initial amount and the maturity amount.
- **Effective rate of interest:** the rate of interest that is used to calculate the value today of any future investment.
- **Equity instrument:** A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (such as equity share in a company) – this will only apply to investments in other entities held by the Council.
- **Fair value:** The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.
- **Financial asset and derivatives:** A right to future economic benefits controlled by the Council that is represented by:
  - cash;
  - an equity instrument of another entity;
  - a contractual right to receive cash (or another financial asset) from another entity; or
  - a contractual right to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the Council.
- **Financial liability:** An obligation to transfer economic benefits controlled by the Council that is represented by; a contractual obligation to deliver cash (or another financial asset) to another entity / a contractual obligation to exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to the Council.
- **Market value:** The monetary value of an asset as determined by current market conditions at the balance sheet date.
- **Soft loans:** The Council may sometimes make loans that are interest free or at less than market rates, where a service objective would justify the Council making a concession. Examples include:
  - Loans to lower tier authorities and voluntary organisations to aid service provision;
  - Local businesses to encourage economic development;
  - Employees as part of a relocation package.

## Government Grants

These are amounts received from Central Government towards funding the Council's activities. These represent a significant amount of Council income.

## Grants and Contributions

Grants and contributions are defined as assistance in the form of transfers of resources to the Council in return for past or future compliance with certain conditions relating to the operation of activities. Most grants have stipulations as to how they are spent and consequences if resources are not applied in the manner authorised. There are a number of terms used to explain these:

- **Conditions:** specify what future economic benefits or service delivery/potential need to be achieved to avoid having to return funding or assets.
- **Restrictions:** limit what the funding / assets can be used for.
- **Stipulations:** where laws or other binding arrangements form part of the agreement between the grantor and the grantee.

## Heritage Assets

Assets which are preserved in trust for future generations, or which are held for their contribution to knowledge and culture.

## Impairment

Relates to a reduction in book value of either a physical or financial asset, for example:

- A reduction in the book value of an item of property, plant or equipment arising from physical damage to the asset, dilapidation or obsolescence; or
- A reduction in the book value of a financial asset for which the carrying value exceeds the estimated recoverable amount. Bad and doubtful debt falls into this category.

## Income

Amounts which the Council receives, or expects to receive, from any source. Income includes Council Tax, Non-Domestic Rates, Revenue Support Grant and other Government grants, fees, charges, sales and capital receipts.

## Intangible Assets

Expenditure incurred on those assets that do not have physical substance but which are separately identifiable and provide the Council with a right of use for a period in excess of one year.

## International Financial Reporting Interpretations Committee

The IFRS Interpretations Committee is the interpretative body of the IFRS Foundation. Its mandate is to review on a timely basis widespread accounting issues that have arisen within the context of current International Financial Reporting Standards (IFRSs).

## International Financial Reporting Standards

A set of international accounting standards which state how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board.

## Inventories

These assets are valued at the lower of cost and net realisable value. Inventories include:

- Materials or supplies to be consumed in the provision of services (e.g. road salt, transport fuel);
- Stocks held for sale or distribution (e.g. publications, leaflets).

### Valuation Definitions:

- **Average Cost:** Where goods such as stocks may be purchased at different times and at different prices, an average cost is calculated to give a value to goods held at the balance sheet date.
- **Cost:** Purchase price, costs of conversion and other costs in bringing the inventories to their present location and condition.
- **Net Realisable Value:** the estimated selling price of an asset after all the costs attributed to bringing an asset to a point at which it can be sold, have been deducted.
- **Work in Progress:** The value of rechargeable work which has not been recharged at the end of the financial year.

### Investment Properties

Assets which are held with a view to providing income, capital appreciation or both. Examples of investment properties are:

- Land held for long term capital appreciation;
- A building held under a finance lease and rented out;
- A property under construction or development / redevelopment for future use as an investment property.

### Investments

Short-term investments comprise deposits of temporary surplus funds with banks or similar institutions. Long term investments comprise similar funds held for a period of more than one year.

### Joint Venture

A Joint Venture is an arrangement under which two or more parties have contractually agreed to share control, such that decisions about the activities of the arrangement are given unanimous consent from all parties.

### Leasing

A method of acquiring the use of a non-current asset by paying a rental for a specified period of time, rather than purchasing it outright. There are two categories for leasing:

- **Finance Lease:** An arrangement whereby the owner of an asset (the lessor) accepts a rental in return for allowing another party (the lessee) use of an asset for a specified period, such that substantially all of the risks and rewards associated with ownership are transferred to the lessee.
- **Operating Lease:** An arrangement similar to a finance lease but where the risks and rewards associated with ownership remain with the lessor.

### Loans and Receivables

These are defined as financial assets (excluding derivatives) that have fixed or determinate payments and that are not quoted in an active market, other than those that the Council intends to sell immediately or in the near term and are classified as held for trading.

### Long Term Borrowing

The main element of long term borrowing comprises loans that have been raised to finance capital expenditure projects.

## Materiality

Materiality relates to the significance of transactions, balances and errors contained in the financial statements. Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about the Council.

## Minimum Revenue Provision (MRP)

The minimum amount (as laid down in statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

## Movement in Reserves Statement (MiRS)

The MiRS shows the movement in the year on the different reserves held by the Authority, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves.

## Non-Distributed Costs

Costs which cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

## Pensions

There are a number of terms used when accounting for pension costs:

- **Actuarial Assumptions:** Assumptions made by the Pension Fund Actuary in valuing the Fund's assets and liabilities.
- **Actuarial Gains and Losses:** A combination of the effects of changes in actuarial assumptions and experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred, including reflection of any funding valuation which has taken place since the last report).
- **Actuarial Valuation:** The valuation of the Pension Fund's assets and liabilities. The Actuary then calculates how much needs to be paid into the Fund by both the employer and contributing members to ensure there will be adequate funds to pay pensions when they become due.
- **Actuary:** An independent qualified professional who is engaged in the valuation of pension scheme assets and liabilities. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the Pension Fund every three years.
- **Current Service Cost:** The increase in the present value of the defined benefit obligation resulting from employee service in the current period.
- **Curtailments:** costs arising from early payment of accrued pensions in respect of any redundancies during the year.
- **Deferred Benefits:** A future benefit which is being paid for in the current accounting period.
- **Defined Benefit Obligation:** the liability of a pension scheme, as shown on the balance sheet.
- **Defined Benefit Pension Scheme:** A pension scheme which is constructed to provide pre-determined pension benefits for retired members, with employers' and employees' contribution rates being calculated based on actuarial assumptions.
- **Defined Contribution Pension Scheme:** A pension scheme where the level of benefits depends on the value of the contributions paid in respect of each member and the investment performance achieved on those contributions.

- **Net Interest Expense:** The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to payment.
- **Net Defined Benefit Liability:** the difference between the fair value of the scheme assets and the present value of the defined benefit obligation, shown as either an asset or liability on the balance sheet (depending on whether a surplus or deficit).
- **Past Service Cost:** The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).
- **Projected Unit Credit Method:** An accrued benefits valuation method in which the Fund liabilities make allowance for projected earnings.
- **Remeasurement Gains/Losses:** changes in the balance sheet value of a scheme liability relating to year on year changes in the assumptions applied by the actuary.
- **Settlements:** liabilities settled at a cost materially different to the IAS 19 reserve during the year.

### Prepayments

Amounts paid by the Council in year that related to goods and services not received until the following year.

### Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include minor corrections or adjustments of accounting estimates made in prior years.

### Private Finance Initiative (PFI)

A means of securing new assets and associated services in partnership with the private sector.

### Property, Plant and Equipment (PPE)

This covers all assets held by the Council with physical substance (tangible assets) that are held for use in the provision of services, for rental to others or for administrative purposes.

## Key Definitions used for PPE:

- **Accumulated Depreciation:** The cumulative accounting estimate (excluding the current year) relating to the consumption of a non-current asset.
- **Amortisation:** The process of writing down capitalised expenditure (usually on intangible assets) to the Cost of Services over the estimated useful life of the asset.
- **Community Assets:** Assets that the Council intends to hold in perpetuity, that have no determinable finite useful life and in addition may have restrictions on their disposal (e.g. parks and historic buildings).
- **Depreciated Historic Cost:** The value of an asset shown in the balance sheet calculated from the original cost less depreciation to date.
- **Depreciation:** The process of writing down capitalised expenditure (usually on Plant and Equipment) to the Cost of Services over the estimated useful life of the asset.
- **Disposals:** the value of assets which have been disposed of or decommissioned.
- **Existing Use Value (EUV):** The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing. The fair value of land and buildings is to be interpreted as the amount that would be paid for an asset in its existing use.
- **Gross Book Value:** The historical cost or the revalued amount of the asset before depreciation.
- **Infrastructure Assets:** Cheshire East Council's network of roads, pavements, and bridges included within Property, Plant and Equipment.
- **Net Book Value:** The amount at which assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
- **Net Current Replacement Cost:** The estimated cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.
- **Net Realisable Value:** The expected proceeds from the sale of an asset when sold on the open market between a willing buyer and a willing seller less all the expenses incurred in selling the asset.
- **Rateable Value:** The annual assumed rental value of a property that is used for business purposes.

## Provisions

Amounts set aside to meet costs that are likely or certain to be incurred but where the amount of cost or timing of payment is uncertain.

## Prudential Code

The Prudential Code for Capital Finance in Local Authorities (2011) (Prudential Code) was introduced in 2004 and was developed as a professional code of practice to support local strategic planning, asset management planning and proper option appraisal for local authorities when developing their programmes for capital investment in fixed assets.

### Public Works Loan Board (PWLB)

The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities, and to collect the repayments.

### Receipts in Advance

Amounts received by the Council during the year relating to goods or services to be delivered in the following year.

### Related Party

A person or organisation who or which has influence and control over another person or organisation.

### Reserves

Specific amounts set aside for future policy purposes or to cover contingencies. There are two types of reserve:

- **Usable Reserves:** These include the revenue and capital resources at the Council's disposal which can be used to fund expenditure or reduce local taxation. Usable reserves include:
  - Capital Receipts Reserve
  - Capital Grants Unapplied
  - Reserves and Balances Held by Schools
  - General Fund Earmarked Reserves (various)
  - General Fund Reserve.
- **Unusable Reserves:** These include unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment where the value of the asset would only become available to fund the provision of services if the asset was sold. Also included are adjustment accounts used to absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure. Unusable Reserves include:
  - Revaluation Reserve
  - Available for Sale Financial Instruments Reserve
  - Capital Adjustment Account
  - Capital Receipts Deferred
  - Financial Instrument Adjustment Account
  - Pensions Reserve
  - Collection Fund Adjustment Account
  - Accumulated Absences Account.

### Revenue Expenditure

Revenue expenditure is spending on the day to day running costs of the Council. It includes expenditure on employees, premises, transport and supplies and services.



## **Section 151 Officer**

An Officer appointed under Section 151 of the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer to assume overall responsibility for the administration of the financial affairs of the Council and preparation of the Statement of Accounts.

## **Share Accruals**

These are the proportional amounts of Net Profit / (Loss) which are shared in accordance with the profit sharing agreement made between Cheshire East Council and its subsidiary and or joint venture entities.

## **Shared Services**

This is a process of merging functions with other organisations to streamline mainstream services, standardise functions and deliver more efficient and effective services. This also enables the Council to have greater leverage and buying power within Government.

## **Slippage**

This is when delays occur in capital works and therefore payments are not made in the financial year originally anticipated.

## **Subsidiary**

This is an entity over which the Council is able to demonstrate it has control, such as a shareholding or representation on the entity's Board of Directors.

## **Surplus**

Arises when income exceeds expenditure or when expenditure is less than available budget.

## **Surplus Assets**

Property, plant and equipment held by the Council which are not currently used in the provision of Council services.

## **'The Code'**

The Code is a code of practice on Local Authority accounting that has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. The Code is based on International Financial Reporting Standards (IFRS), on which local authority accounts are now required to be based.

## **Transfer Payments**

Relates to payments for which no goods or services are received by the Council e.g. rent allowances.

## **Trust Funds**

Accounts for which the Council acts as trustee but for which it is not financially responsible and does not own. These amounts are not included within the Council's balance sheet.