

Finance Sub-Committee

Agenda

Date: Wednesday, 1st June, 2022
Time: 2.00 pm
Venue: Committee Suite 1, 2 & 3, Westfields, Middlewich Road,
Sandbach CW11 1HZ

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

It should be noted that Part 1 items of Cheshire East Council decision making meetings are audio recorded and the recordings will be 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.

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.

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

4. **Minutes of Previous Meeting** (Pages 5 - 26)

To approve as a correct record the minutes of the meeting held on 2nd March 2022.

5. **Review of Medium-Term Financial Strategy Consultation Process** (Pages 27 - 44)

To consider a report which reviews the consultation process for the Medium-Term Financial Strategy.

6. **Appointment of Directors for Orbitas Bereavement Services Limited** (Pages 45 - 50)

To consider a report on the appointment of Directors for Orbitas Bereavement Services Limited.

7. **Work Programme** (Pages 51 - 62)

To consider the Work Programme and determine any required amendments.

8. **Acquisition and Disposal of Assets** (Pages 63 - 76)

To consider a report on land and property acquisitions and disposals.

9. **Wholly-owned Companies Matters** (Pages 77 - 78)

To consider a report relating to two separate matters in respect of the Council's wholly-owned companies.

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

The reports relating to the remaining items on the agenda have been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matters may be determined with the press and public excluded.

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

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

11. **Wholly-owned Companies Matters** (Pages 79 - 100)

To consider the balance of the report and appendices.

12. **Acquisition and Disposal of Assets** (Pages 101 - 108)

To consider Appendix C to the report.

Membership: Councillors D Brown, S Carter (Vice-Chair), J Clowes, S Gardiner, M Goldsmith, N Mannion, B Puddicombe and A Stott (Chair)

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Finance Sub-Committee**
held on Wednesday, 2nd March, 2022 in the Committee Suite 1, 2 & 3,
Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

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

Councillors D Brown, J Clowes, D Edwardes (for Cllr Abel), S Hogben (for Cllr Puddicombe), N Mannion and K Parkinson (for Cllr Gardiner)

OFFICERS

Alex Thompson, Director of Finance and Customer Services
David Brown, Director of Governance and Compliance
Joanne Sutton, Acting Head of Integrated Commissioning
Lianne Halliday, Senior Manager - Procurement
Julie Gregory, Legal Team Manager
Helen Sefton, Business Rates Manager
Paul Mountford, Democratic Services

APOLOGIES

Councillors Q Abel, S Gardiner and B Puddicombe

50 DECLARATIONS OF INTEREST

Councillor S Hogben declared an interest as a non-executive Director of Ansa in relation to any relevant matters to be discussed in Part 2 of the meeting. He signalled his intention to leave the meeting at the end of the Part 1 business.

51 PUBLIC SPEAKING/OPEN SESSION

There were no public speakers.

52 MINUTES OF PREVIOUS MEETING**RESOLVED**

That the minutes of the meeting held on 5th January 2022 be approved as a correct record.

53 ALIGNING THE MEDIUM-TERM FINANCIAL STRATEGY (MTFS) TO THE COMMITTEE STRUCTURE

The Sub-Committee considered a report on the allocation of the approved budgets to each of the service committees. The report also informed the financial reporting cycle for 2022/23.

The financial alignment of budgets to each Committee was set out in Table 1 of the report, with further details in Appendix A.

Since the report had been published, Council had approved amendments to the profiling of the capital programme and a Section 106 item which would be reflected in the allocations to committees.

It was noted that any implications for the Cheshire Pension Fund arising from recent international events would be considered by the Sub-Committee, if necessary by way of an urgent meeting.

With regard to the capital programme expenditure forecast for the Crewe Youth Zone, the Director of Finance and Customer Services clarified that the Council's contribution to the scheme was £2.2m.

RESOLVED (unanimously)

That the Sub-Committee

1. approves allocation of the capital and revenue budgets, policy proposals and earmarked reserves to the following Committees in accordance with the approved MTFS, as set out in Appendix A:
 - Adults & Health
 - Highways & Transport
 - Children & Families
 - Economy & Growth
 - Environment & Communities
 - Corporate Policy
 - Finance Sub-Committee
2. approves the supplementary estimates set out in Appendix B, Tables A and B;
3. recommends to Council to approve supplementary estimates over £1,000,000, set out in Appendix B, Table C; and
4. notes the financial reporting timetable for 2022/23 set out in Appendix C.

54 BUSINESS RATES BRIEFING

The Sub-Committee considered a briefing report which provided an overview of the Business Rates system and its impact on the MTFS. The report also provided an update on the Government's proposed review of Business Rates.

It was suggested that an item be added to the Sub-Committee's work programme to review discretionary reliefs.

The Director of Finance and Customer Services advised that officers were not yet in a position to report on the Council's proposed CARF scheme and that it may be necessary to approve the scheme under urgency provisions.

In response to a question about the timescale for the implementation of the Government's revisions to Business Rates, the Director advised that the Council was awaiting further details but that any changes would not come into effect before 2023/24.

RESOLVED

That the report be noted.

55 WORK PROGRAMME

The Sub-Committee considered its work programme for 2021/22, and items for the work programme for 2022/23.

The Chair advised that an item would be included on the work programme for a future meeting on Movements within the MTFS Reserve. She also undertook to speak to the Chair of the Environment and Communities Committee to request that a member of that Committee make a presentation to the Finance Sub-Committee on Section 106 Monies once the Committee's work on the matter was complete.

The following additional items were proposed for the next work programme:

- Business Rates Relief (as proposed earlier in the meeting).
- A general overview of the Reserves, including the size of the Reserves, flows in and out, and how the Reserves are used.
- An in-depth examination of a number of items within the Procurement Pipeline, provided that this was in accordance with the Sub-Committee's terms of reference. It was suggested that this work could be undertaken by a working group of the Sub-Committee; Councillors Carter and Clowes put their names forward for this.

RESOLVED

That

1. the work programme for 2021/22 be noted and the remaining items on the programme be carried forward to the new municipal year; and
2. the items identified by the Sub-Committee for inclusion in the work programme for 2022/23 be agreed.

56 PROCUREMENT PIPELINE

The Sub-Committee considered a report which provided an update of the pipeline of procurement activity.

A revised Appendix 1 setting out a procurement pipeline of activity was circulated at the meeting.

Details of all waivers, without any information redacted, would be presented to the Sub-Committee in Part 2 of the meeting as they contained commercially sensitive information and/or Officer Details.

In response to a question, the Director of Finance and Customer Services advised that over time the number of waivers should fall to pre-pandemic levels. He stressed, however, that waivers were a normal and necessary part of the Council's procedure rules in recognition of what the market could provide.

The Director also advised that the Council would have to consider the implications of the Integrated Care System for its procedure rules. Members would be advised further on this in due course.

RESOLVED (unanimously)

That the Sub-Committee

1. notes the procurement pipeline of activity in Appendix 1;
2. approves the 2 new pipeline projects in Appendix 1 as business as usual, column G;
3. notes the contracts awarded by the Council since April 2021, Appendix 2;
4. notes that all purchase card expenditure is now published on the Council's transparency pages, the latest information being for October – December 2021; and
5. notes the reason for 7 waivers approved between 1st December 2021 and 31st January 2022 (34 in total in 2021/22).

57 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1, 2, 3 and 5 of

Part 1 of Schedule 12A to the Local Government Act 1972 and the public interest would not be served in publishing the information.

Note: Councillor S Hogben, having made a declaration of interest at the start of the meeting, left at this point.

58 PROCUREMENT PIPELINE

The Sub-Committee considered details of the waivers referred to in the Procurement Pipeline report.

RESOLVED

That the details of individual waivers be noted.

59 EXTRA CARE HOUSING PFI SCHEMES

The Acting Head of Integrated Commissioning gave an oral update on renegotiations of the Cheshire Extra Care PFI contract. A briefing paper was shared with members at the meeting.

RESOLVED

That the update be noted.

60 PROPOSED SHAREHOLDER RESOLUTION

The Director of Governance and Compliance gave an oral update on this matter.

RESOLVED

That the update be noted.

The meeting commenced at 2.00 pm and concluded at 4.15 pm

Councillor A Stott (Chair)

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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 st 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 1st April. The 31st 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 (31st 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.



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Finance Sub-Committee

Date of Meeting:	01 June 2022
Report Title:	Review of Medium-Term Financial Strategy Consultation Process
Report of:	Alex Thompson, Director of Finance and Customer Services
Report Reference No:	FSC/2/22-23
Ward(s) Affected:	All

1. Purpose of Report

- 1.1. To review the consultation process for the Medium-Term Financial Strategy. To identify what, with whom and when consultation should take place for the 2023/24 process. This includes setting some key principles and a high-level timetable up to and including the setting of the budget in February 2023.
- 1.2. To approve the outline stakeholder analysis and engagement proposals for the consultation.
- 1.3. To approve a programme of activity that widens engagement with the process, particularly with Borough and Parish Councillors in the budget setting cycle at appropriate points.

2. Executive Summary

- 2.1 The Council wants to increase the amount of feedback on its financial plans to support informed decision making. The Council also wants to enhance understanding amongst its residents of the services provided by the Council and how important the financial plans are in achieving the Council's priorities.
- 2.2 The approved Medium Term Financial Strategy (referred to as the MTFS) outlines the Council's spending and funding requirements over a four-year period to achieve the priorities within the Corporate Plan.

- 2.3** The MTFS is an essential part of the Council budgetary and policy framework and as such it is important to engage stakeholders, such as residents, businesses and locally elected members, in the process. Members of Cheshire East Council are responsible for approving the MTFS, including the setting of the local Council Tax requirements. Their approval should be informed by the views of stakeholders to determine the overall achievement of value for money.
- 2.4** To ensure the process of engagement and consultation is meaningful members of the Finance Sub-Committee are being asked to consider several principles and headline timescales to continuously improve the experience for stakeholders. The process will include opportunities to enhance understanding of the Council's role and its priorities.
- 2.5** The principles focus on bringing forward the engagement process and increasing the opportunities to get involved. This will be achieved through enhanced communications and accessible information based on current financial proposals.

3. Recommendations

The Finance Sub-Committee is recommended to:

- 3.1.** Approve the following principles of the Medium-Term Financial Strategy consultation process for 2023/24:
 - 3.1.1.** Target an increased number of meaningful responses to the consultation process compared to 2022/23
 - 3.1.2.** Use the current version of the 2023/24 Budget (as contained within the Medium-Term Financial Strategy 2022 to 2025) to support early engagement with stakeholders (Appendix A)
 - 3.1.3.** Increase the range of opportunities for stakeholders to engage with the process via surveys, face-to-face, plus virtual meetings and use of social media.
 - 3.1.4.** Ensure communications, associated with budget setting, inform stakeholders of the range of Council services and how the Council prioritises activity
 - 3.1.5.** Use regular and accessible communications to share knowledge of potential opportunities and risks associated with the Council's financial plans to support informed responses to the consultation process.
- 3.2.** Approve the Medium-Term Financial Strategy process for the 2023/24 budget including:
 - 3.2.1.** The Business Planning Timetable (Annex B), and;
 - 3.2.2.** The Stakeholder Analysis (Annex C)

4. Reasons for Recommendations

- 4.1.** The Council is required to set a balanced annual budget that has been subject to certain consultation requirements. The Council completes this task as part of the annual review of the Medium-Term Financial Strategy.
- 4.2.** The Corporate Plan 2021 to 2025 sets out a Council priority to be Open, Fair and Green. In achieving the priority to be Open the Council aims to be 'An open and enabling organisation'. This is further articulated as:
- Ensuring that there is transparency in all aspects of Council decision making
 - Listening, learning and responding to our residents, promoting opportunities for a two-way conversation
- 4.3.** The recommendations of this report continue to develop this priority in relation to ongoing engagement around the Council's financial plans.

5. Other Options Considered

- 5.1.** There is no obligation for the Council to undertake a wide-ranging consultation exercise on the MTFS. However, it is good practice to do so. It also supports the requirement of the Chief Financial Officer in reporting on the robustness of the Council's financial proposals, as feedback from stakeholders can provide an indication of the effectiveness of proposals. Openness is a key part of the Council's vision. Ensuring that all stakeholders are consulted with at an appropriate level assists with that openness and fosters good relationships and trust in the process.
- 5.2.** The Council has a legal duty to set a balanced annual budget taking regard of the report from the Chief Finance Officer. Options cannot be considered that would breach this duty. There is no option to "do nothing" as to have no business planning process would not fulfil the Council's obligations.

6. Background

Business Planning Process

- 6.1.** The proposed Business Planning Process for 2023/24 is set out in this report at a summary level. The process is recommended to start with the current MTFS, as this presents clear proposals for the achievement of a balanced budget. The next stage is to support stakeholders by highlighting risks associated with the current MTFS based on up-to-date information such as economic forecasts and demand. This review of the assumptions will help with the engagement process as it provides relevant up to date information. See **Annex A** for the current summary balanced budget

position for 2023/24, including the specific proposals which highlight the proposed changes to take place in the year to achieve this.

- 6.2.** The business planning process for 2023/24 (Annex B) runs from April 2022 until the setting of the budget in February 2023. During this time there are various stages of the cycle that need to be undertaken, including:
- 6.2.1. Set Parameters** – Reports have already been taken to all committees to allocate the 2022/23 current budget over individual committees. This acts as the baseline position for future budget setting.
- 6.2.2. Define** – During this stage, the outturn results from the last financial year are reviewed, alongside current budget performance to help articulate any issues that need to be address during this budget setting cycle. Current assumptions for future funding levels, economic factors and changing demand levels are also reviewed during this stage.
- 6.2.3. Consult** – during this period the Council engages stakeholders to understand their ideas and views on the Council’s financial plans. During this period there will be ongoing reports related to financial management, performance and government announcements. Feedback from this period of consultation is co-ordinated and considered before the final budget position is recommended.
- 6.2.4. Approve** – the budget for 2023/24 will then be approved by full Council in February 2023.

Consultation Plan

- 6.3.** The 2023/24 main budget consultation will take place during summer, autumn and winter of 2022.
- 6.4.** It will provide an opportunity for all stakeholders to feedback on the current set of proposals whilst also taking in to account relevant new information. Officers and members of the Council will also be required to develop detailed plans during autumn and winter in line with the feedback being provided.
- 6.5.** The approach will utilise technology where possible, but it will also be designed to ensure that methods are utilised which will ensure that it is inclusive of those who are not online or would rather provide their views in a different way; and will aim to collect all views.

Stakeholder analysis

- 6.6.** The stakeholder analysis sets out the communications and engagement pathway for the budget setting process. It seeks to manage the points at which the plans can be discussed and manage the key points at which media releases, statements and wider internal narratives may be required. This process has been successfully used to manage the budget

communications in the last two years and is reviewed ahead of each budget setting cycle. For the detail please see Annex C.

7. Consultation and Engagement

- 7.1.** The business planning process involves engagement with local people and organisations and will allow the Council to demonstrate its commitment to being an Open and Transparent Council.
- 7.2.** Adequate time will be allowed from the point at which any consultation goes live, to the point at which it closes, to ensure that intelligent consideration of the proposals can be made before any response is made.
- 7.3.** All responses to the consultation will be analysed and will be considered to ensure that feedback is taken into account prior to any final decisions being made on any of the proposals being consulted upon.
- 7.4.** Analysis of the feedback from any consultation will be published prior to any decision-making meeting, to ensure that stakeholders have confidence that the outcome report of the consultation accurately reflects the feedback made during the consultation period.
- 7.5.** It should be noted that reports covering the Draft Communication Strategy and the Approach to Consultation and Engagement are due to be reported to the Corporate Policy Committee on 14th July 2022. These reports will support principles that will be used to improve engagement with the budget setting process.

8. Implications

8.1. Legal

- 8.1.1.** The Council has a legal duty to set a balanced annual budget taking regard of the report from the Chief Finance Officer. As such options cannot be considered that would breach this duty and there is no option to “do nothing” and to have no business planning process would be irresponsible.
- 8.1.2.** The legal implications surrounding the process of setting the 2023 to 2027 Medium Term Financial Strategy will be dealt with in the reports relating to that process later this year and early next year. The purpose of this paper is to provide an overview of the timetable to consult on the draft budget.

8.2. Finance

- 8.2.1.** Financial implications and assumptions will be shared with relevant Members at key points in the process. The Budget consultation will then set out the provisional balancing budget for 2023/24 for all stakeholders to comment on.

8.3. Policy

8.3.1. The Budget consultation outlines draft policy and budget proposals which will impact on service delivery arrangements.

8.3.2. The Corporate Plan will drive and inform Council policy and priorities for service delivery. The priorities and actions listed may have direct policy implications will be considered on a case-by-case basis.

8.4. Equality

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

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

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

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

8.4.4. The Council needs to ensure that in taking decisions on the Medium-Term Financial Strategy and the Budget that the impacts on those with protected characteristics are considered. The Council undertakes equality impact assessments where necessary and continues to do so as proposals and projects develop across the lifetime of the Corporate Plan.

8.4.5. The process assists us to consider what actions could mitigate any adverse impacts identified. Completed equality impact assessments form part of any detailed Business Cases.

8.5. Human Resources

8.5.1. No direct implications from this report.

8.6. Risk Management

8.6.1. The Council has a legal duty to set a balance budget every year. The Budget consultation process including the associated timetable sets out the structure of how this will be consulted on and achieved.

8.7. Rural Communities

8.7.1. No direct implications from this report.

8.8. Children and Young People/Cared for Children

8.8.1. No direct implications from this report

8.9. Public Health

8.9.1. No direct implications from this report.

8.10. Climate Change

8.10.1. No direct implications from this report.

Access to Information	
Contact Officer:	Alex Thompson Director of Finance and Customer Services
Appendices:	Annex A – MTFS table and published Policy Proposals 2023-24 Annex B – Business planning timetable Annex C - Stakeholder Analysis
Background Papers:	-

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Annex 1

Estimated Budget and funding for Cheshire East Council 2022/23 to 2025/26 (excluding ring-fenced grants).

Summary position for 2022/23 to 2025/26	Revised Budget 2021/22 £m	Estimated Net Budget 2022/23 £m	Estimated Net Budget 2023/24 £m	Estimated Net Budget 2024/25 £m	Estimated Net Budget 2025/26 £m
Childrens	68.3	73.8	73.8	75.2	76.6
Adults	119.0	120.8	124.1	129.1	134.0
Place	74.8	79.7	78.7	80.4	81.7
Corporate	36.6	38.3	39.2	40.3	41.1
Total Service Budgets	298.7	312.6	315.8	325.0	333.5
<i>CENTRAL BUDGETS:</i>					
Capital Financing	14.0	19.0	19.0	20.0	21.0
Past Pensions Adjustment from Actuary results	-2.9	-5.4	-3.3	-3.3	-3.3
Bad Debt Provision increase	-0.1	0.2	-0.7	0.0	0.0
Use of (-) /Contribution to (+) Earmarked Reserve	1.3	1.3	-1.9	-2.1	-0.6
Total Central Budgets	12.4	15.1	13.2	14.6	17.1
TOTAL: SERVICE + CENTRAL BUDGETS	311.1	327.7	329.0	339.7	350.6
<i>FUNDED BY:</i>					
Council Tax	-242.8	-254.7	-265.1	-275.8	-286.7
Business Rate Retention Scheme	-49.1	-49.1	-49.1	-49.1	-49.1
Revenue Support Grant	0.0	0.0	0.0	0.0	0.0
Specific Unring-fenced Grants	-19.2	-24.0	-14.8	-14.8	-14.8
TOTAL: FUNDED BY	-311.1	-327.7	-329.0	-339.7	-350.6
Balanced Funding Position	0.0	0.0	0.0	0.0	0.0

Budget Changes for the Period 2022/23 to 2025/26

MTFS Section 1 Ref No	Detailed List of Proposed Budget Changes – Service Budgets	Pre Budget Reference Number	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Support and sustain a financial future for the Council, through service development, improvement and transformation						
3	Pay inflation	2	5.536	3.873	3.964	4.062
5	Improved Debt Recovery and correcting budgeted court costs income targets to reflect actual levels	4	0.337	0.013	-0.024	-
6	Removal of temporary implementation budget and investment to run the new Financial System	11	-0.453	0.006	0.006	0.006
7	Continuing Healthcare Reviews	MTFS 21-25 (9)	-1.000	-0.500	-	-
11	Transfer of Congleton Visitor Information Centre	MTFS 21-25 (25)	-0.020	-0.010	-0.020	-
14	Shared services review	MTFS 21-25 (15)	-	-0.200	-	-
15	Mitigation of reduction in the Dedicated Schools Grant (Corporate Services)	MTFS 21-25 (6)	0.042	0.033	0.027	-
15	Mitigation of the year-on-year reduction in the Dedicated Schools Grant (ICT)	MTFS 21-25 (7)	0.065	0.089	0.109	-
Look at opportunities to bring more income into the borough						
19	Brighter Futures Together Programme Customer Experience	MTFS 21-25 (34)	-0.133	-0.081	-	-
20	Review of governance of ASDVs and seeking increased opportunities for savings/ commercial opportunities	MTFS 21-25 (39)	-0.225	-0.100	-	-
21	Everybody Sport and Recreation Annual Management Fee	MTFS 21-25 (31)	-0.042	-0.041	-0.040	-

MTFS Section 1 Ref No	Detailed List of Proposed Budget Changes – Service Budgets	Pre Budget Reference Number	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
22	Establish a traded service for non-statutory elements of Attendance Service	MTFS 21-25 (38)	-0.035	-0.035	-	-
23	Establish an Education Psychologist traded service to enable a proactive early support and intervention offer	MTFS 21-25 (37)	-0.025	-0.075	-	-
Support and develop our workforce to be confident, motivated, innovative, resilient and empowered						
24	Revenue implications of capital: Vendor Management Phase 3 to drive improvements in procurement	6	0.175	-0.089	0.071	-
25	Revenue implications of capital: Essential replacement of unified IT Communications to support service delivery	7	0.110	0.009	0.017	-
26	Revenue implications of capital: Essential – security and Compliance work to protect Council information and systems	8	0.097	0.006	0.006	-
27	Revenue implications of capital: Procurements of Application Lifecycle Management	9	0.075	0.075	0.078	-
30	Productivity and Efficiency in Adult Social Care	MTFS 21-25 (48)	-0.500	-0.500	-	-
32	Estates Transformation - Office Accommodation	MTFS 21-25 (49)	-0.100	-0.460	-	-
33	Revenue implications of capital Revenue implications of capital : IT - Infrastructure Investment Programme	MTFS 21-25 (43)	0.127	0.224	-	-
Reduce the reliance on long-term care by improving services closer to home and more extra care facilities, including those with dementia						
34	Investment in Adult Social Care	13	4.000	3.500	4.000	4.000
35	Care fee uplifts in Adult Social Care	14	-	2.000	-	-

MTFS Section 1 Ref No	Detailed List of Proposed Budget Changes – Service Budgets	Pre Budget Reference Number	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
36	Direction of travel for the Communities Team to focus more on the Intervention and Prevention Agenda to make cost savings, growth and future cost avoidance	MTFS 21-25 (61)	-0.500	-0.750	-	-
38	Day Care Review	MTFS 21-25 (63)	-0.070	-0.150	-	-
Safeguarding our children from abuse, neglect and exploitation						
41	Investment in Cared for Children and Care Leavers and other pressures	15	4.000	0.400	0.400	0.400
42	Increase capacity to support Statutory SEND service	16	0.400	0.200	0.120	-
47	Increase capacity to support Statutory Education Psychology Service	20	0.125	0.063	-	-
49	Learning Disabilities Future Service Development and Review	MTFS 21-25 (73)	-1.000	-1.250	-	-
Increase the life opportunities for young adults and adults with additional needs						
50	Development and Partnerships Service	MTFS 21-25 (76)	-	-0.300	-	-
A great place for people to live, work and visit						
51	Asset / Service Transfer	MTFS 21-25 (81)	-0.030	-0.020	-	-
52	Tatton Park	MTFS 21-25 (80)	-0.006	-0.028	-0.046	-
To reduce the impact on our environment						
53	Waste Contract Inflation and Tonnage Growth	MTFS 21-25 (84)	0.644	0.657	0.613	-
55	Carbon Reduction - Replacement of existing illuminated signs and bollards with LED units	MTFS 21-25 (87)	0.030	-0.004	-0.031	-

MTFS Section 1 Ref No	Detailed List of Proposed Budget Changes – Service Budgets	Pre Budget Reference Number	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
56	Environment Strategy and Carbon Neutrality	MTFS 21-25 (85)	0.020	-0.081	-	-
57	Inflation in Utility costs and enhanced Carbon Management	NEW post consultation	1.500	-1.500*	-	-
58	Investment in improving the customer experience in Planning Services	NEW post consultation	0.500	-0.500*	-	-
59	Investment in Public Rights of Way	NEW post consultation	0.200	-0.100*	-	-
A transport network that is safe and promotes active travel						
61	Local Supported Buses	24	0.008	-0.012	-	-
62 REPLACEMENT	School Transport – post provisional settlement		1.200	-1.200*	-	-
Total Revised Service Budget Change (February 2022)			13.900	3.163	9.250	8.468

* Item represents one-off spend in 2022/23. As it is not a permanent part of the budget the value of the proposal is reversed in 2023/24

Annex B - Business Planning Overview Timetable 2023-24

TIMETABLE ACTIVITIES AND OUTPUTS		FM CODE	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Set Parameters	Reports have already been taken to all committees to allocate the 2022/23 current budget over individual committees. This acts as the baseline position for future budget setting	Standards												
Define	During this stage, the outturn results from the last financial year are reviewed, alongside current budget performance to help articulate any issues that need to be address during this budget setting cycle. Current assumptions for future funding levels, economic factors and changing demand levels are also reviewed during this stage	Leadership												
Consult	During this period the Council engages stakeholders to understand their ideas and views on the Council's financial plans. During this period there will be ongoing reports related to financial management, performance and government announcements. Feedback from this period of consultation is co-ordinated and considered before the final budget position is recommended	Transparency												
Approve	The budget for 2023/24 will then be approved by full Council in February 2023	Standards												

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Annex C – Stakeholder Analysis 2023-24

Stakeholder	Role	Phase of process	Channel / interaction / activity
Finance Sub Committee	Decision Maker	Set Parameters	Formal Report – Receive current MTFS in committee structure
	Contributor	Define	Review current MTFS assumptions and feedback to Corporate Policy Committee
	Consultee / Impacted	Consult	Formal Report – Consider Budget Engagement – relevant committee proposals. Consider MTFS Strategies (Treasury Management, Capital, Investment and Reserves)
Corporate Policy Committee	Decision Maker	Set Parameters	Formal Report – Receive current MTFS in committee structure
	Decision Maker	Consult	Formal Report – Consider Budget Engagement – plus review all committee feedback
	Decision Maker	Approve	Formal Report – MTFS Budget Report and formal setting of Council Tax
Children and Families Committee	Contributor	Set Parameters	Formal Report – Receive current MTFS in committee structure
	Consultee / Impacted	Consult	Formal Report – Consider Budget Engagement – relevant committee proposals
Economy and Growth Committee	Contributor	Set Parameters	Formal Report – Receive current MTFS in committee structure
	Consultee / Impacted	Consult	Formal Report – Consider Budget Engagement – relevant committee proposals
Highways and Transport Committee	Contributor	Set Parameters	Formal Report – Receive current MTFS in committee structure
	Consultee / Impacted	Consult	Formal Report – Consider Budget Engagement – relevant committee proposals
Adults and Health Committee	Contributor	Set Parameters	Formal Report – Receive current MTFS in committee structure
	Consultee / Impacted	Consult	Formal Report – Consider Budget Engagement – relevant committee proposals
Env and Communities Committee	Contributor	Set Parameters	Formal Report – Receive current MTFS in committee structure
	Consultee / Impacted	Consult	Formal Report – Consider Budget Engagement – relevant committee proposals
Cheshire East Council Members	Involve / Engage	Define	Meetings / Workshops (including non-public)
	Consultee / Impacted	Consult	Promotion of Budget Engagement information
	Decision Maker	Approve	Formal Report – MTFS Budget Report and formal setting of Council Tax
CLT	Enable / Manage	Define / Approve	Meetings and Recommendations (including non-public)
Staff Enabler Group	Enable / Manage	Define	Internal Review of proposals (non-public)
Residents	Consultee / Impacted	Consult	Promotion of Budget Engagement information
	Consultee / Impacted	Approve	Media Statement
Staff	Consultee / Impacted	Consult	Promotion of Budget Engagement information
Corporate Trade Unions	Consultee / Impacted	Consult	Events to consider Budget Engagement information

Stakeholder	Role	Phase of process	Channel / interaction / activity
Town and Parish Councils	Consultee / Impacted	Consult	Events to consider Budget Engagement information
Local MPs	Ext scrutiny / interest	Consult	Promotion of Budget Engagement information
Schools Forum	Consultee / Impacted	Consult	Events to consider Budget Engagement information
Businesses	Consultee / Impacted	Consult	Events to consider Budget Engagement information
Media (local)	Consultee / Impacted	Consult	Promotion of Budget Engagement information
Partners and VCFS	Consultee / Impacted	Consult	Events to consider Budget Engagement information



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Finance Sub-Committee

Date of Meeting:	1 June 2022
Report Title:	Appointment of Directors for Orbitas Bereavement Services Limited
Report of:	David Brown Director of Governance and Compliance
Report Reference No:	N/A
Ward(s) Affected:	None

1. Purpose of Report

- 1.1. On the 19 May 2022 Cheshire East council received notification of the resignation from office of two Directors of Orbitas Bereavement Services Limited to take effect from 1 June 2022.
- 1.2. Finance Sub Committee as the Shareholder Committee is now invited to consider whether to appoint director/s following these resignations.

2. Executive Summary

- 2.1 Orbitas must comply with the formalities under the Companies Act 2006. It must have at least one director S.154, who is a natural person S.155, and over the age of 16 S.157.
- 2.2 The minimum requirements are already achieved as Orbitas has two current directors. The appointment of any additional directors is discretionary.
- 2.3 The shareholder agreement dated 31 March 2015 (appendix 1) provides for certain matters to require the consent of the shareholders it provides for the shareholders to exert decisive influence over the company, and to dismiss any director. The appointment of a director is of fundamental importance to the shareholder.
- 2.4 The shareholder should be satisfied that the board has a diverse membership with the collective skills and attributes needed to lead the company effectively.

3. Recommendations

3.1. The Finance Sub-Committee consider:

- i) Whether to appoint any additional directors; and
- ii) if required, identify suitable persons.

4. Reasons for Recommendations

- 4.1. The appointment of suitably qualified and experienced individuals to support, challenge and develop the company can be of significant benefit to the company.
- 4.2. Where the Council appoints an elected Councillor¹ to a directorship it usually does so in a non-executive role.
- 4.3. The Committee should also be aware that the shareholder agreement predates the adoption of the committee system, the review of the wider company structures and the role of the holding company 'CERF'. Consideration will need to be given to updating the shareholder agreement to ensure it is fit for purpose.

5. Other Options Considered

5.1.

Option	Impact	Risk
Do nothing –	The company would continue with two directors and the current single Councillor appointed as Director	The company does not benefit from a wider perspective and the burden on individual directors is increased.
Appoint one or more than two additional directors.	The impact would be linked to the added value each individual director can contribute to the company.	The company has more directors to support. If a high number are appointed decision making can become diffuse.

6. Background

- 6.1. The Council has previously appointed three councillors to a non-executive directorship of this company.

¹ In this report the term Councillor is used to describe elected members to avoid confusion with the statutory language referring to members of a company.

- 6.2.** Following the resignations the committee is invited to consider and, if it is minded to do so make recommendations on the appointments of replacement/s.
- 6.3.** The committee will be aware of the recent concerns raised in public interest reports on other local authorities on how alternative delivery vehicles have functioned. A link to the Local Authority Company Review Guidance which arose from a recommendation by Max Caller Strategic Adviser and Lead Inspector for HM Government and the 2020 review of Nottingham City Council is provided. [Local Partnerships Local-authority company review guidance v1.pdf \(localpartnerships.org.uk\)](https://localpartnerships.org.uk/local-authority-company-review-guidance-v1.pdf)

7. Implications

7.1. Legal

- 7.1.1.** The potential appointment of Directors is being considered following the resignation of current post holders, effective from 1 June 2022. This will reduce the Board from four Directors to two (a Councillor and the Managing Director).
- 7.1.2.** The Companies Act 2006 requires a company to have 1 Director who is a natural person over the age 16. The Shareholders Agreement does require the Council to exercise decisive control over the company but does not embellish on the legal requirements as set out in the Companies Act 2006.
- 7.1.3.** The Board may therefore continue to operate via the 2 remaining Directors but it is open to the Committee, acting in the role of Shareholder, to consider further appointment to the role of Non-Executive Director.
- 7.1.4.** Under the Companies Act 2006, a company director is required to:
- 7.1.4.1.** Act in a way most likely to promote the success of the company (s172);
 - 7.1.4.2.** Exercise independent judgement (s173);
 - 7.1.4.3.** Exercise reasonable care, skill and due diligence (s174); and
 - 7.1.4.4.** Avoid conflicts of interest (s175).
- 7.1.5.** There is no legal bar to the inclusion of an elected Councillor as a Director. A Councillor can continue to act as a director and governance mechanisms both within the Council and the Company such as declarations of interest and observance of the requirements for registering and reporting conflicts of interest would need to be strictly adhered to.

7.1.6. There nevertheless remains a risk that actual or perceived conflicts of interest could arise, with consequential risks in terms of in terms of personal liability for the Councillor involved and financial/reputational risk for the Council should good governance not be followed/observed.

7.1.7. The Committee's attention is specifically drawn to Recommendation 3 of the Nottingham City Council SI Report 2020 that:

"Where it continues to use Councillors in such roles, it should ensure that non-executives (including Councillors) on the relevant Board have, in aggregate, the required knowledge and experience to challenge management. This is of particular importance where the company is operating in a specialised sector which is outside the normal experience of Councillors." A link to the full copy of the report is provided:

[Report in the Public Interest concerning the Council's governance arrangements for Robin Hood Energy Ltd \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk/reports-and-agendas/committees-and-sub-committees/audit-and-risk/audit-and-risk-reports/2020-si-report/2020-si-report-recommendations)

7.2. Finance

7.2.1. The Shareholder agreement at paragraph 4.10 provides that

7.2.2. *"4.10 The company will offer remuneration to members of the Council proposed to be appointed as non-executive directors of the company of up to:*

4.10.1 £10,000 per annum in respect of appointments to the chair of the company; and

4.10.2 of £5,000 per annum in respect of any other appointment;"

7.2.3 There are no implications for the Medium Term Financial Strategy of the Council from the recommendations in this report as remuneration for directors are funded by the company.

7.3. Policy

7.3.1. There have been several recent public interest reports resulting in additional guidance on council owned companies. The appointment of directors is a fundamental part of how the council manages its relationship with the company. It is understood additional guidance will be produced in the future by CIPFA to assist councils in making these decisions.

7.4. Equality

7.4.1. Any appointment should support the Council's responsibility to have due regard to the Public Sector Equality Duty.

7.5. Human Resources

7.5.1. The shareholder would normally expect and/or approve a director's service agreement specifying the obligations and remuneration of the

company and the director, particularly if it was proposed for a period of two years or more.

7.6. Risk Management

- 7.6.1.** There has been recent guidance relating to the mitigation of risk in the management of companies owned and operated by local authorities and further guidance is expected. The committee should have regard to that guidance.

7.7. Rural Communities

- 7.7.1.** None

7.8. Children and Young People/Cared for Children


- 7.8.1.** None

7.9. Public Health

- 7.9.1.** None

7.10. Climate Change

- 7.10.1.** None

Access to Information	
Contact Officer:	Julie Gregory (Legal Team Manager – Place & Corporate) julie.gregory@cheshireeast.gov.uk 01270 685842
Appendices :	<p>Appendix 1 – Orbitas Shareholder Agreement (and link to New Articles)</p> <p></p> <p>Orbitas - Shareholders Agree</p> <p>https://find-and-update.company-information.service.gov.uk/company/08747498/filing-history/QTQ0TjhPQVJhZGIxemtjeA/document?format=pdf&download=0</p>
Background Papers:	https://www.nottinghamcity.gov.uk/media/2835756/report-in-the-public-interest-rhe.pdf

	https://localpartnerships.org.uk/wp-content/uploads/2021/09/Local Partnerships Local-authority_company_review_guidance_v1.pdf
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Work Programme – Finance Sub-Committee – 2022/23

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
FSC/26/21-22	1 June 2022	Asset Acquisition and Disposal	<p>To receive a report on the Council's acquisitions and disposals of property.</p> <p>To note or approve activity as required by the Constitution.</p> <p>To note the impact of this activity on the MTFS.</p> <p>To note the development of the Council's Asset Management Plan via the Economy and Growth Committee</p>	Director of Growth and Enterprise	Internal Only	No	Yes	An open and enabling organisation	Yes, part exempt, para 3
FSC/2/22-23	1 June 2022	Review of Medium Term Financial Strategy Consultation Process	<p>Review the consultation process for the Medium Term Financial Strategy</p> <p>Approve the stakeholder analysis and engagement proposals for the consultation</p> <p>Approve a programme of activity to engage Borough and Parish Councillors in the budget setting cycle at appropriate points</p>	Director of Finance and Customer Services (s151 Officer)	TBC as part of this report	Yes	Yes	An open and enabling organisation	No

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
FSC/1/22-23	6 July 2022	Procurement Pipeline	<p>To receive an update on the procurement pipeline of the Council, procurement activity to date and progress with the Council's procurement system implementation.</p> <p>To establish a Procurement Working Group to review several completed procurements. The purpose of the group will be to analyse several past procurements and report back to the Committee on their observations and any proposals for change.</p>	Director of Finance and Customer Services (s151 Officer)		No	Yes	An open and enabling organisation	Yes in part, paras 1, 2 & 3
FSC/3/22-23	6 July 2022	Procurement Working Group Feedback	To receive feedback from the Procurement Working Group on their observations and any proposals for change.	-	-	-	-	-	-

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
FSC/4/22-23	6 July 2022	Financial Reporting - Provisional Outturn 2021/22	<p>To provide information on performance against the financial strategy during the 2021/22 Financial Year.</p> <p>The Sub-Committee will be asked to:</p> <ul style="list-style-type: none"> - Note the provisional financial performance in 2021/22 as it relates to: income and expenditure of Revenue and Capital budgets; movement in reserves; achievement of MTFS proposals. - Note reporting is subject to Audit - Note or Approve any mitigating action as a consequence of the performance in 2021/22 - Note or Approve financial management transactions, such as virement and supplementary estimates, as required by the Constitution. - 	Director of Finance and Customer Services (s151 Officer)	No	No	Yes	An open and enabling organisation	No

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
FSC/5/22-23	7 Sept 2022	First Financial Monitoring Report for 2022/23	<p>To provide information on performance against the financial strategy during the 2022/23 Financial Year in relation to the Committee's responsibilities.</p> <p>The Committee will be asked to:</p> <ul style="list-style-type: none"> - Note the financial performance in 2022/23 as it relates to: income and expenditure of Revenue and Capital budgets; movement in reserves; achievement of MTFS proposals.. - Note or Approve any mitigating action as a consequence of the performance in 2022/23 - Note or Approve financial management transactions, such as virement and supplementary estimates, as required by the Constitution. 	Director of Finance and Customer Services (s151 Officer)	No	No	Yes	An open and enabling organisation	No

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
FSC/6/22-23	9 Nov 2022	Second Financial Monitoring Report for 2022/23	<p>To provide information on performance against the financial strategy during the 2022/23 Financial Year in relation to the Committee's responsibilities.</p> <p>The Committee will be asked to:</p> <ul style="list-style-type: none"> - Note the financial performance in 2022/23 as it relates to: income and expenditure of Revenue and Capital budgets; movement in reserves; achievement of MTFS proposals.. - Note or Approve any mitigating action as a consequence of the performance in 2022/23. - Note or Approve items to be considered as part of the 2023 to 2027 MTFS <p>Note or Approve financial management transactions, such as virement and supplementary estimates, as required by the Constitution.</p>	Director of Finance and Customer Services (s151 Officer)	No	No	Yes	An open and enabling organisation	No
FSC/7/22-23	9 th Nov 2022	Business Rates Discretionary Relief Review	<p>To review the detail and overall impact of discretionary relief from business rates.</p> <p>The Sub-Committee will be asked to:</p> <ul style="list-style-type: none"> - Note the detail of the current discretionary relief provided locally - Note the impact of discretionary relief on the MTFS - Approve any proposed local changes to the levels of discretionary relief if agreed 	Director of Finance and Customer Services (s151 Officer)	TBC	Yes	Yes	An open and enabling organisation	No

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
FSC/8/22-23	11 Jan 2023	Financial Planning: Medium Term Financial Strategy 2023 to 2027 Consultation	<p>To allow the Sub-Committee to engage in the MTFS 2023 to 2027 consultation process</p> <p>The Sub-Committee will be asked to:</p> <ul style="list-style-type: none"> - Note the 2023 to 2027 MTFS proposals as related to the Committee responsibilities. - Provide feedback on the proposals as consultees 	Director of Finance and Customer Services (s151 Officer)	Yes	No	Yes	An open and enabling organisation	No
FSC/9/22-23	11 Jan 2023	Investment Strategy Review	<p>To review the Council's approach to managing investments as part of the MTFS</p> <p>The Sub-Committee will be asked to:</p> <ul style="list-style-type: none"> - Consider the appropriateness of the current strategy in light of associated performance and emerging guidance. - Consider and comment on any proposed amendments to the Strategy as part of the development of the MTFS 	Director of Finance and Customer Services (s151 Officer)	Yes	No	Yes	An open and enabling organisation	No

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
FSC/10/22-23	11 Jan 2023	Treasury Management Strategy Review	<p>To review the Council's approach to managing Treasury Management, including cashflow, borrowing and investments as part of the MTFS.</p> <p>The Sub-Committee will be asked to:</p> <ul style="list-style-type: none"> - Consider the appropriateness of the current strategy in light of associated performance and emerging guidance. - Consider and comment on any proposed amendments to the Strategy as part of the development of the MTFS 	Director of Finance and Customer Services (s151 Officer)	Yes	No	Yes	An open and enabling organisation	No
FSC/11/22-23	11 Jan 2023	Capital Strategy Review	<p>To review the Council's approach to managing capital expenditure and associated funding.</p> <p>The Sub-Committee will be asked to:</p> <ul style="list-style-type: none"> - Consider the appropriateness of the current strategy in light of associated performance and emerging guidance. - Consider and comment on any proposed amendments to the Strategy as part of the development of the MTFS 	Director of Finance and Customer Services (s151 Officer)	Yes	No	Yes	An open and enabling organisation	No

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
FSC/12/22-23	11 Jan 2023	Reserves Strategy Review	<p>To review the requirements to maintain financial reserves and to provide statements on the types of reserves and current and predicted balances.</p> <p>The Sub-Committee will be asked to:</p> <ul style="list-style-type: none"> - Consider the appropriateness of the current strategy in light of associated performance and emerging guidance. - Consider and comment on any proposed amendments to the Strategy as part of the development of the MTFS 	Director of Finance and Customer Services (s151 Officer)	Yes	No	Yes	An open and enabling organisation	No
FSC/13/22-23	8 March 2023	Aligning the MTFS to the Council's Committee Structure	<p>Following the Budget Council meeting the MTFS needs to be aligned with the Committee structure. This promotes financial transparency and accountability.</p> <p>The Sub-Committee will be asked to:</p> <ul style="list-style-type: none"> - Approve the alignment of the MTFS to the Council's Committees. This includes: Revenue; Capital; Reserves; New / Amended Proposals. 	Director of Finance and Customer Services (s151 Officer)	No	No	Yes	An open and enabling organisation	No

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
FSC/14/22-23	8 March 2023	Third Financial Monitoring Report for 2022/23	<p>To provide information on the Council's performance against the financial strategy during the 2022/23 Financial Year.</p> <p>The Sub-Committee will be asked to:</p> <ul style="list-style-type: none"> - Note the financial performance in 2022/23 as it relates to: income and expenditure of Revenue and Capital budgets; movement in reserves; achievement of MTFS proposals across all Committees.. - Note or Approve any mitigating action as a consequence of the performance in 2022/23 in relation to the Committees responsibilities. - Note or Approve items being considered as part of the 2023 to 2027 MTFS - Note or Approve financial management transactions, such as virement and supplementary estimates, as required by the Constitution. 	Director of Finance and Customer Services (s151 Officer)	No	No	Yes	An open and enabling organisation	No

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
FSC/30/21-22	TBC	Review of the Impact of Public Interest Reports	The Sub-Committee on 5 th January 2022 agreed that an item be added to its work programme entitled 'Review of the impact of Public Interest Reports as they relate to the Cheshire East Group Structure', the target date for this report to be the first meeting of the Sub-Committee in the 2022/23 Financial Year.	Director of Governance and Compliance (Monitoring Officer)	Internal Only	No	Yes	An open and enabling organisation	No
FSC/15/22-23	TBC (post outturn reporting)	Review the Medium Term Financial Strategy Reserve	<p>To consider the use of this reserve to date and its forecast use within the MTFS 2022 to 2026:</p> <p>The Sub-Committee will be asked to:</p> <ul style="list-style-type: none"> - Note decisions already made in respect of the MTFS reserve - Note the forecast movements within the reserve over the next four years. - Re-Consider the level of the reserve as part of the overall Reserves Strategy 	Director of Finance and Customer Services (s151 Officer)	No	No	Yes	An open and enabling organisation	No
FSC/16/22-23	TBC	s.106 / CIL Oversight	<p>Consider the impact of Developer Contributions (s.106 and Community Infrastructure Levy) on the MTFS.</p> <p><i>(Note: Final structure of report dependent upon activity in this area by the Environment and Communities Committee)</i></p>	-	-	-	-	-	-

Reference	Committee Date	Report title	Purpose of Report	Report Author /Senior Officer	Consultation and Engagement Process and Timeline	Equality Impact Assessment Required and Published (Y/N)	Part of Budget and Policy Framework (Y/N)	Corporate Plan Priority	Exempt Item and Paragraph Number
FSC/17/22-23	TBC (when consultation dates known)	National Business Rates – Consultation Response	<p>To consider the Council's response to national consultation on Business Rates</p> <p>To note the content of the consultation material</p> <p>To note the potential impact on the Council's MTFS</p> <p>To note the impact on local ratepayers</p> <p>To approve the Council's response to the consultation questions</p>	-	-	-	-	-	-

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Working for a brighter future together

Finance Sub-Committee

Date of Meeting:	01 June 2022
Report Title:	Acquisition and Disposal of Assets
Report of:	Peter Skates - Director of Growth & Enterprise, Alex Thompson - Director of Finance & Customer Services
Report Reference No:	FSC/26/21-22
Ward(s) Affected:	All Wards

1. Purpose of Report

- 1.1.** The Purpose of this report is to report land and property acquisition and disposals to the Finance Sub Committee. This allows the Committee to have oversight, scrutiny and budgetary review of the Council's Land and Property function. This report allows transparency in terms of the Council's land and property activity responding to the Corporate aim of Open and the Council's priorities of being an Open and enabling organisation and Plan Priority of Open and making Cheshire East a thriving and Sustainable Place.

2. Executive Summary

- 2.1.** This report provides context and activities linked to the Council's assets acquisitions and disposals of land and property.
- 2.2.** Chapter 2 part 4 in the Constitution (December 2021), identifies the functions of the Sub-Committee and includes responsibilities under point 2.5;

'property transactions including the buying selling and appropriation of land and property (including compulsory purchase where required)'

The Finance Sub-Committee has responsibility for approving property transactions over £2m. This report provides information that will increase understanding of the process and potential approvals that may be required.

- 2.3.** There are no transactions requiring approval at this point, but this report also assists the committee in understanding the relationship between property

transactions and the Medium-term finances of the Council. The importance of these transactions was highlighted to the Committee as part of the feedback on the assumptions behind the current Medium Term Financial Strategy (MTFS) at their meeting of 1st September 2021.

- 2.4. The report provides information on the property acquisitions and disposals undertaken by the Council in the period 1st April 2020 to 31st March 2022. It also provides information on pending transactions and a potential pipeline of further activity.
- 2.5. The Council is an open and enabling organisation. The Corporate Plan states a priority to 'ensure that there is transparency in all aspects of council decision making'.
- 2.6. Provision of this report seeks to ensure that there is transparency in this aspect of the Council's decision making. The work covered in this report supports a sustainable financial future for the Council. In addition to this the work described in this report also supports a thriving and sustainable place, releasing assets so they can be brought back into economic use and enabling services to deliver their projects, supporting a transport network, help urban and rural economies to thrive and deliver safe and clean neighbourhoods.

3. Recommendations

- 3.1. Notes the acquisition and disposal activity of the Council for the period 1st April 2020 to 31st March 2022, and identified within the Appendices;
 - Appendix A - Summary of Acquisitions
 - Appendix B - Disposals completed in 2020 to 2021 Financial Year.
 - Appendix C - Disposals completed in 2021 to 2022 Financial Year.
- 3.2. Notes the pipeline of property transaction activity and the potential impact of these on the MTFS. [**Note : Subject to Part 2 - Commercial considerations**]

4. Reasons for Recommendations

- 4.1. Chapter 2 part 4 in the Constitution (June 2021), identifies the functions of the Sub-Committee and includes responsibilities under point 2.5;

'property transactions including the buying selling and appropriation of land and property (including compulsory purchase where required)'
- 4.2. The Finance Sub-Committee has responsibility for approving property transactions over £2m.

5. Other Options Considered

- 5.1.** The aim of the report is to provide information to the Sub Committee and to improve their understanding of the issues and no approval is required. As a result, the only alternative would be not to provide a report, however this would not be aligned to the Council's corporate plan priority of being an open and enabling organisation. Not bringing a report would hinder the Finance Sub Committee in the discharge of its duties and would not be aligned to the Council's Constitution.
- 5.2.** The Committee could choose not to note the report.

Option	Impact	Risk
Do nothing	The report asks the Committee to note the content of the report. It could choose not to do this.	This could hinder the committee in the discharge of its duties.

6. Background

- 6.1.** The Council in delivering its aims and priorities, set out in the Council's Corporate plan will undertake property transactions as part of its routine business. These transactions include instances where property is either bought or sold.
- 6.2.** In general, Councils principally acquire land and property assets to deliver physical projects in their Boroughs. Cheshire East Council has an extensive Capital programme where acquisition of property plays a central role in the successful delivery of these projects. A good example of these types of acquisition would be the Council's Highway schemes, where land is required to construct a road. A summary of acquisitions is set out in Appendix A. Acquisition of property will continue as these projects mature in line with their respective designs, as previously agreed by the relevant decision taking body within the Council.
- 6.3.** The Council disposes of assets on the open market, generating a capital receipt that supports the Council's MTFS. As part of the Council's current MTFS a sum of £1m per annum has been identified as a target for property disposals through this process for the year 2021/2 and each subsequent year of the MTFS. Based on the forecasting work that has been undertaken the Council is confident in achieving this in the current market.
- 6.4.** This report follows a report in November to the Committee that reported the position as of September 2021.
- 6.5.** A schedule of the assets that has been disposed of in the financial year 2021 to 2022 is set out in Appendix B, with an out turn (as at 31st March 2022) of

£1,300,000. Additional capital transactions, described in Appendix C brings the total Capital receipts out turn to £2,836,287 for the Council. Both numbers represent a good in year performance.

- 6.6.** A schedule showing active disposals for the balance of the current year and for future years is set out in Appendix C. This section also reports on a property transaction that is still ongoing where an urgent decision needed to be taken. This is a part 2 element of this paper as the content is commercially sensitive.
- 6.7.** The delivery of Capital Receipts through the disposal of assets is an important element of the Capital Programme and also supports the Revenue Budget through, where applicable the generation of revenue savings.
- 6.8.** The Councils acquisition programme draws down Capital monies from the Capital Budget but generates potential income and expenditure through the holding of these assets.
- 6.9.** The Sub Committee is also responsible for the oversight of the Council's investment strategy and an element of this strategy could be the acquisition or disposal of land and property.
- 6.10.** The Sub Committee also has a function to provide oversight, scrutiny and budgetary review of the Land and Property Function and its responsibilities also include property transactions including the buying selling and appropriation of land and property. The Finance Sub-Committee has responsibility for approving property transactions over £2m.
- 6.11.** Although there are no specific property transactions to consider, it will aid members in understanding the relationship between these activities and the MTFS.
- 6.12.** As part of the Council's Capital Programme there are a number of physical works that require the acquisition of land. The largest number of acquisitions for this purpose has been the Council's Highway Schemes, where 5 major projects are currently being progressed by the Council's Highway Service. These projects, by their nature will require the acquisition of third-party land. The Council will endeavour to acquire land for these purposes by agreement but may also have to resort to compulsory acquisition of land, seeking powers from the relevant body within the Council to progress this. In these instances, the compensation is dealt with on a statutory basis, using established surveying approaches.
- 6.13.** During the period HM Treasury guidance on accessing Public Works Loan Board (PWLB) has changed. Councils are required to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. As part of this the PWLB will ask Councils to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. Should Councils

wish to buy investment assets primarily for yield during this time they will not be able to access this form of funding.

- 6.14.** During 2020/2021 and the current financial year the Council has prudently tracked the Government's emerging position on PWLB borrowing. The Council has not as a result acquired any assets primarily for investment over these years.
- 6.15.** The Council has a process to transfer assets onto its disposal schedule. All vacant assets that are not used by the Council for operational purposes are on the schedule. Where an Operational Asset is no longer required, the asset is declared surplus to requirements. As part of this process other Council services, other than current user are consulted as to the potential use of the assets for their operational needs. Should an asset not be required for these purposes it is then placed on the Disposal Programme. If there are competing uses these are considered at the Asset Board to aid the development of the Officer Recommendation for the future use of the asset.
- 6.16.** Assets are also disposed of by other methods than a disposal on the open market. The Economy and Growth Committee has recently approved the Council's Community Asset Transfer Framework with consultation. This would allow assets to be transferred to community organisations or the next tier of Local Government, at no cost to the Council, aiding the Council in rationalising its estate and importantly offering the community opportunities to own and control services that are offered in their own communities.
- 6.17.** The Council's Housing Delivery Framework, which was agreed by the Economy and Growth Committee in July 2021, is expected to generate opportunities to mixed tenure housing schemes using a number of the Council's assets.
- 6.18.** The Council is also able to transact with other Government Bodies on a 'One Public Estate' Basis, where the Council can transact with other government bodies on a market value basis. The Council does not have any disposals of this nature over the reporting period.
- 6.19.** The Council is preparing an update of the Corporate Asset Management Plan. The last plan was created in the year 2015/16 and although there is no statutory requirement to develop an asset management plan, it is good practice to develop and then manage and track performance against that plan as part of the Councils budget strategy in supporting capital investments decisions to deliver the MTFs priorities and is a requirement of the Council's Constitution. The asset management plan will set out principles for the corporate approach to managing property assets and the protocols, management, and governance, under which property decisions will be taken.
- 6.20.** A report about the principles behind the Asset Management Planning has been presented to the Economy and Growth Committee and a report presenting the Asset Management Plan is planned to be taken to Economy & Growth Committee in the spring of 2022 under its responsibility for the

development and delivery of the Council' estates, land and property assets policies.

6.21. Disposals are subject to Section 123 of the Local Government Act 1972.

7. Implications

7.1. Legal

7.1.1. The Council has a number of powers to acquire land for various statutory functions and also to dispose of land including those general powers under the Local Government Act 1972 and the Localism Act 2011.

7.1.2. Holding property assets creates a variety of liabilities, some of which are irrespective of active use. Liabilities include legislative ones – for example, the liability to pay rates on a variety of properties, both domestic or non-domestic. There are also actions that are those of a prudent property owner such as keeping the property in reasonable repair to prevent legislative liability arising – such as under the Occupiers' Liability Act 1984 and making sure that the property does not become the source of a private or public nuisance; There are contractual ones that may arise through the use of the property such as landlord's obligations when a property is let.

7.1.3. All actions involving the disposal or acquisition of property assets must be taken in accordance with the Council's Constitution current at the time of taking the decision. The Council's Constitution (December 2021) Chapter 2, Part 5, Paragraph 53 currently delegates to the Executive Director of Place authority to acquire and dispose of assets and requires that:

6.1.3.1 Under Chapter 3, Part 4, Section 4 Paragraph 42 The Chief Finance Officer and the Executive Director Place must be consulted on all proposed acquisitions and disposals of land and property.

6.1.3.2 Under Chapter 3, Part 4, Section 4 in the Budget and Policy Framework Procedure Rules Acquisition and disposal of land and property over £2 million is the responsibility of the Finance Sub-Committee; and below £2m is a member of the Corporate Leadership Team in consultation with the Chief Finance Officer and the Executive Director Place.

7.1.4. The Council operates a "Cascade" principle of delegation under Chapter 2 of the Constitution to ensure that decisions are taken at an appropriate level.

7.1.5. It is recognised good practice for local authorities to produce and implement an Asset Management Plan to enable the Council to manage, develop and rationalise their built and land assets.

7.1.6. The Localism Act 2011 introduced the General Power of Competence, which allows the Council to do anything an individual can do, provided it is

not prohibited by other legislation. These powers have replaced the previous wellbeing powers; however, the use of these powers must be in support of a reasonable and accountable decision made in line with public law principles.

7.1.7. The Council has a fiduciary duty to the taxpayers and must fulfil this duty in a way which is accountable to local people and when land is being disposed of it should be ensured that the land is disposed of for best consideration. In instances where land is disposed of at less than best consideration the Council is providing a subsidy to the occupier of the land. In such cases the Council must ensure that the nature and amount of the subsidy complies with Subsidy Control rules.

7.1.8.

7.2. Finance

7.2.1. The 2022-26 Medium Term Financial Strategy includes an ambitious capital programme, totalling £633.7m. 62% of the programme is externally funded from grants and developer contributions; 32% is funded through prudential borrowing, with only 6% funded from capital receipts and direct revenue contributions.

7.2.2. Capital receipts from asset disposal represent a finite funding source and it is important that a planned and structured manner of disposals is created to support the priorities of the Council. Cash receipts from the disposal of surplus assets are used to fund new capital investment or offset future debt or transitional costs.

7.2.3. The Council maintains a policy of not ring-fencing the use of capital receipts to fund new investment in specific schemes or service areas unless a suitable business case is made available, but instead subject to any claw back provisions, to allocate resources in accordance with key aims and priorities. Capital receipts can arise from certain developments and in those cases will be included as direct funding to a particular scheme.

7.2.4. Capital receipts have been an important source of finance in previous financial years. A more prudent approach has been taken in recent years and there has been no assumption of any significant additional capital receipts. A minimum amount of £1m additional capital receipts has been anticipated in 2022/23. The Council's current strategy is to realise net receipts of £4m for the period 2022/23 to 2025/26.

7.2.5. In March 2016 the government published statutory guidance on the flexible use of capital receipts which allows Local Authorities to use capital receipts to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings for either the Council or other public sector delivery partners.

7.2.6. Since 2018 up to £7m of capital receipts have been used to fund transformational projects under these guidelines. There are no plans to use capital receipts in the future for this purpose.

7.3. Policy

7.3.1. This paper provides the Finance Sub Committee information directly relating to the role of the Sub Committee, enabling it to undertake its functions as set out in the constitution.

7.4. Equality

7.4.1. This is an information report that describes the Council's acquisition and disposal of property activity identifying the linkages between these activities and the MTFS. It does not consider any individual property transactions. Equality implications are considered at the point of creation of the MTFS and at the point that a decision is made about the individual property transactions and therefore a Equality Impact Assessment is not required to support this report.

7.5. Human Resources

7.5.1. None.

7.6. Risk Management

7.6.1. The risks associated with management of risk for property transactions are dealt with on a case by case, at a project and programme level. There is a risk that the Council is not able to achieve the target that it has set out for Capital Receipts. This is managed at these levels and risks are escalated where appropriate.

7.7. Rural Communities

7.7.1. None directly. The programme of acquisitions directly supports programmes of activity that the Council undertakes to achieve its aims and priorities. Achievement of Capital Receipts supports the Council's Capital Programme.

7.8. Children and Young People/Cared for Children

7.8.1. None directly. The programme of acquisitions directly supports programmes of activity that the Council undertakes to achieve its aims and priorities. Achievement of Capital Receipts supports the Council's Capital Programme.

7.9. Public Health

7.9.1. None directly. The programme of acquisitions directly supports programmes of activity that the Council undertakes to achieve its aims and priorities. Achievement of Capital Receipts supports the Council's Capital Programme.

7.10. Climate Change

- 7.10.1.** None directly. Climate change implications are considered on a case by case basis for each project requiring acquisition or each disposal activity. However, by undertaking a programme of disposals will have a wide range of implications for the Council. This will allow the Council to have a smaller leaner estate, which in turn will generate opportunities for efficiencies and minimising the amount of carbon generated by the Council in its day to day activities. Releasing unwanted assets for future economic use will also have benefits potentially reducing the generation of carbon in future construction projects by third parties.

Access to Information	
Contact Officer:	Andy Kehoe, Head of Estates Andy.kehoe@cheshireeast.gov.uk
Appendices:	A - Summary of Acquisitions B - Disposals completed in the current Financial Year, 2021 to 2022 C – Disposals Programme (as at Sept 2021) Appendix Exempt by virtue of paragraph 3
Background Papers:	None

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Appendix A - Summary of Acquisitions

Each Highway Scheme or key acquisition will have been subject to Cabinet or Council decision making, with appropriate delegations to officers to progress, and within reports and decisions appropriate budget provision was identified and included into the Medium Term Financial Strategy (MTFS).

Acquisitions (and legal agreements)	2020 (Number of Schemes)	2021 (Number of Schemes)	2022 (Number of Schemes)
Highway Schemes (including the following) North West Crewe Package Flower Pot Junction Improvements Middlewich Eastern Bypass Poynton Bypass Congleton Relief Road Note: these include acquisition prior to CPO, CPO acquisition and post CPO agreements.	22	13	13
Acquisition for investment purposes	00	00	00
Acquisition for operational reasons Note: acquired for operational reasons, including housing, regeneration education or asset management.	00	00	06

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Appendix B Disposals completed in the current Financial Year, 2021 to 2022.

(As of 31 March 22)

COMPLETED SALES	Receipt Value £	Completion Date
CBP - Land adjacent to Plot 16D Emerald House	£ 44,000	21.04.21
Ridley Pt H26 – Ridley House Farm Lot 1 – House	£ 310,000	14.05.21
The Gables, Nantwich	£ 402,000	24.06.21
Whitehouse Road Garage Site, Bucklow Hill	£ 114,000	22.08.21
Land, Handforth	£300,000	13.01.22
Land at Alderley Road, Wilmslow	£130,000	11.02.22
TOTAL COMPLETED SALES	£ 1,300,000	

In addition to these transactions a further £111,200 was taken in deposits, minor disposals and disposals of fixtures.

In addition, other receipts, including right to buy of £1,053,266, loan repayments of £245,969 and disposal of a vehicle and other agreements totalling £125,852 gave a total of other receipts of £1,425,087.

Therefore, the total capital receipts to the Council were £2,836,287.



Working for a brighter future together

Finance Sub-Committee

Date of Meeting:	1 June 2022
Report Title:	Wholly Owned Companies Matters
Report of:	Alex Thompson, Director of Finance & Customer Services
Report Reference No:	N/A
Ward(s) Affected:	All

1. Purpose of Report

- 1.1. The purpose of this report is to enable consideration of two separate matters in respect of the Council's wholly owned companies, one relating to payments for employees, the other in respect of company tax status.
- 1.2. The report also describes related matters for year-end accounting and financial reporting.
- 1.3. The balance of the report, its appendices and recommendations will be considered in Part 2 of the meeting as they contain exempt information in relation to commercial sensitivity and the business affairs of the wholly-owned companies.

2. Executive Summary

- 2.1 The report enables Members, in their capacity as representing the Council as shareholder, to consider two matters arising since the last Finance Sub-Committee Meeting related to Ansa Environmental Services. The matters are:
 1. A letter received from the Managing Director of Ansa Environmental Services Ltd. requesting amendment to the Shareholder Agreement. This relates to the maximum award that can be made in a year to individual employees.
 2. A letter received from HMRC related to changes in the tax status of the wholly owned companies, following their review into entities that apply the 'Arms Length Management Organisation' (ALMO) guidance.

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