



2022/23 Financial Update

March 2022

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

Anyone wanting to comment is invited to contact the Council at:

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Introduction

Cheshire East Council is the third largest Council in the Northwest of England, supporting over 398,000 local people with annual spending of over £470m.

Local government is going through a period of financial challenges, with a combination of the impact of increasing demand for services and rising costs due to inflation. There is also increasing uncertainty associated with income from business rates and government grants.

Demand for Council services is increasing, with more individuals and families needing support and services than ever before. This reflects an increase in population but also reflects changes in demographics and the national cost of living increases. This demand is resulting in forecast outturn of £336.0m against a net revenue budget of £328.3m, with the most significant impact within the rising complexity of needs in Adult Social Care.

When the 2022/23 budget was set, in February 2022, it was highlighted that the use of reserves was not sustainable in the medium term. Net spending therefore needs to be contained within the estimates of expenditure that form the budget. Early in the year forecasts highlighted pressures due to demand, inflation and pay negotiations. The pressures affecting the medium term finances of the Council have been addressed as part of the MTFs process for 2023 to 2027.

To support openness and transparency, and provide evidence of strong governance, the report has a main section, to provide background and context, and then seven supporting appendices with detailed information about allocation and management of public money during 2022/23:

The **Financial Stability** section provides information on the overall financial stability and resilience of the Council. It demonstrates how spending in 2022/23 is being funded, including the positions on overall service budgets, centrally held budgets, council tax and business rates. Further details are contained in the appendices.

- **Appendix 1** Adults and Health Committee.
- **Appendix 2** Children and Families Committee.
- **Appendix 3** Corporate Policy Committee.
- **Appendix 4** Economy and Growth Committee.
- **Appendix 5** Environment and Communities Committee.
- **Appendix 6** Finance Sub-Committee.
- **Appendix 7** Highways and Transport Committee.

Alex Thompson

Director of Finance and Customer Services
(Section 151 Officer)

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2022/23 Outturn Forecast - Financial Position

2022/23	Revised Budget
(GROSS Revenue Budget £474.2m)	(NET) £m
SERVICE DIRECTORATES	
Adults, Health and Integration	121.1
Children's Services	74.2
Place	81.8
Corporate Services	40.6
CENTRAL BUDGETS	
Capital Financing	19.0
Transfer to/(from) Earmarked Reserves	(3.2)
Transfer from MTFs Earmarked Reserve	-
Corporate Contributions / Central Budgets	(5.2)
TOTAL NET EXPENDITURE	328.3
Business Rates Retention Scheme	(49.1)
Specific Grants	(24.5)
Council Tax	(254.7)
Net Funding	(328.3)
NET (SURPLUS) / DEFICIT	-

Financial Stability

Introduction

1. The Council has a track record of sound financial management. Nevertheless, in common with all UK local authorities the Council finds itself in a position where pressures on the revenue budget are intensifying as a result of rapid inflation, the legacy impact of the Coronavirus pandemic and increasing cost of living pressure on households. These issues have the effect of increasing the demand for services and increasing costs of services.
 2. Complexity and market sustainability in Adults' and Children's Social Care remains the most significant financial pressure for the Council in the medium term. Rising inflation in fuel, utilities and wage levels are affecting costs across all services.
 3. In December a forecast outturn of £8.7m net overspend was reported at the Corporate Policy Committee (The full report can be found [Agenda for Corporate Policy Committee on Monday, 1 December, 2022, 10.00 am, Item 10 | Cheshire East Council](#)).
 4. The outturn position is now forecast to be an overspend of £7.7m due to the following changes since the second review:
 - Increased care commitments, within Adults, Health and Integration, are being offset by income, for example, from direct payment reimbursements and external grants. This results in no net change to the forecast.
 - The Children and Families Directorate forecast has improved by -£0.5m. Additional costs of home to school transport from increasing SEND demand, fuel costs and contract costs is being offset by charging additional amounts to transformation costs to capital receipts and additional underspending in Strong Start from holding vacancies. This forecast assumes that £1.6m of resettlement funding will be applied to costs incurred in 2022/23. Pressure remains on the DSG high needs block as a result of the growth in the number of pupils with an education, health and care plan. The Council holds an unusable reserve to manage DSG balances without impacting on the Council's General Reserves. The balance on the DSG reserve is forecast to be at least £45.6m deficit as at 31 March 2023.
- Environment and Neighbourhood Services forecast pressures have changed by £1.2m. Environmental services operational costs of £1.3m are partially offset by lower premises costs, and vacancies within the Planning service which will not be filled before the year end.
 - Growth and Enterprise forecast has improved by -£1.0m. Cost reduction in Estates of £0.3m due to deferral of some non-essential maintenance work. £0.5m due to release of reserve for the ELENA project and £0.2m grant received relating to Reopening High Streets Safely.
 - Highways and Infrastructure forecast has improved by -£0.7m. Continuing high levels of income is contributing a further £0.5m in 2022/23, costs of the Ringway Jacobs contract are predicted to be £0.2m lower than budget.
 - Increase in the forecast overspend within the Transactional Service Centre due to additional temporary staff in recruitment and pay, external consultants costs (Agyllis), and additional Governance and Support staff

costs. Fall in the underspend being forecast by Customer Services due to test and trace final grant income no longer being received, and back pay costs for staff regrades in the newly formed Continuous Improvements team (£0.4m).

- Confirmation of new burdens funding within the Elections Service and lower than previously forecast electoral registrations costs (-£0.2m).
 - Improvement within ICT due to the use of capital reserve for laptop replacement and an improved revenue contracts forecast decreasing the ICT Strategy overspend (-£0.2m).
 - No change in forecast for Central Budgets.
5. This forecast may be subject to variation in the final quarter, as budget managers will continue to take robust actions to control costs and reduce non-essential expenditure to improve this position further.
6. Individual pressures identified above are reflected in the MTFS for 2023/24 to 2026/27. Any betterment to the forecast outturn position should be utilised to replenish reserves in line with the priority of the Corporate Plan.

Table 1 - Service Revenue Outturn Forecasts

2022/23	Revised Budget	Forecast Outturn	Forecast Variance
(GROSS Revenue Budget £474.2m)	(NET)		
	£m	£m	£m
SERVICE DIRECTORATES			
Adult Social Care - Operations	117.5	126.1	8.6
Commissioning	3.6	3.9	0.3
Public Health	-	-	-
Adults and Health Committee	121.1	130.0	8.9
Directorate	1.0	0.6	(0.4)
Children's Social Care	47.0	49.5	2.5
Strong Start, Family Help and Integration	7.7	6.0	(1.7)
Education & 14-19 Skills	18.5	21.6	3.1
Children and Families Committee	74.2	77.7	3.5
Directorate	0.8	0.7	(0.1)
Growth & Enterprise	22.8	22.1	(0.7)
Economy and Growth Committee	23.6	22.8	(0.8)
Environment & Neighbourhood Services	44.4	47.3	2.9
Environment and Communities Committee	44.4	47.3	2.9
Highways & Infrastructure	13.8	13.6	(0.2)
Highways and Transport Committee	13.8	13.6	(0.2)
Directorate	1.4	1.3	(0.1)
Finance & Customer Services	12.5	13.1	0.6
Governance & Compliance Services	11.9	11.3	(0.6)
Communications	0.7	0.7	-
HR	2.4	2.2	(0.2)
ICT	9.8	10.5	0.7
Policy & Change	1.9	1.9	-
Corporate Policy Committee	40.6	41.0	0.4
TOTAL SERVICES NET EXPENDITURE	317.7	332.4	14.7
CENTRAL BUDGETS			
Capital Financing	19.0	19.0	-
Transfer to/(from) Earmarked Reserves	(3.2)	(9.2)	(6.0)
Corporate Contributions / Central Budgets	(5.2)	(6.2)	(1.0)
Finance Sub-Committee - Central Budgets	10.6	3.6	(7.0)
TOTAL NET EXPENDITURE	328.3	336.0	7.7
Business Rates Retention Scheme	(49.1)	(49.1)	-
Specific Grants	(24.5)	(24.5)	-
Council Tax	(254.7)	(254.7)	-
Finance Sub-Committee - Net Funding	(328.3)	(328.3)	-
NET (SURPLUS) / DEFICIT	-	7.7	7.7

Outturn Impact

7. It is planned that £5.2m will be used from the MTFs reserve to mitigate the overspend. The residual impact on General Reserves would be a reduction of £2.5m, decreasing the forecast closing balance of £14.9m to a potential closing balance of £12.4m, which is aligned to the risk assessed level of reserves for the 2023/24 Budget.
8. The Council will continue to manage and review the financial forecasts in response to emerging pressures and how this affects the Council's revenue budget.

Collecting Local Taxes for Local Expenditure

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

Council Tax

10. Council tax is set locally and retained for spending locally. Council tax was set for 2022/23 at £1,626.24 for a Band D property. This is applied to the taxbase.
11. The taxbase for Cheshire East reflects the equivalent number of domestic properties in Band D that the Council is able to collect council tax from (after adjustments for relevant discounts, exemptions and an element of non-collection). The taxbase for 2022/23 was agreed at 156,607.48 which, when multiplied by the Band D charge, means that the expected income for the year is £254.7m.
12. In addition to this, Cheshire East Council collects council tax on behalf of the Cheshire Police and Crime Commissioner, the Cheshire Fire Authority and Parish Councils. **Table 3** shows these amounts separately, giving a total budgeted collectable amount of £313.8m.

13. This figure is based on the assumption that the Council will collect at least 99% of the amount billed. The Council will always pursue 100% collection, however to allow for non-collection the amount billed will therefore exceed the budget.
14. This figure may also vary during the year to take account of changes to Council Tax Support payments, the granting of discounts and exemptions, and changes in numbers and value of properties. The amount billed to date is £315.6m.

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

	£m
Cheshire East Council	254.7
Cheshire Police and Crime Commissioner	36.9
Cheshire Fire Authority	12.9
Town and Parish Councils	9.3
Total	313.8

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

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

Financial Year	CEC Cumulative			
	2018/19	2019/20	2020/21	2021/22
	%	%	%	%
After 1 year	98.2	97.9	97.4	97.8
After 2 years	99.0	98.8	98.3	**
After 3 years	99.2	98.9	**	**

**data not yet available

16. The council tax in-year collection rate for the period up to the end of December 2022 is 82.9%. This is a small decrease of 0.5% on the previous year, indicating current cost of living pressures. Facilities are in place for residents to extend payments where needed and staff are engaging with residents who need additional support.
17. Council tax support payments were budgeted at £18.4m for 2022/23 and at the end of December the total council tax support awarded was £18.7m.
18. During 2021/22 there was a consultation and review of the Council Tax Support scheme resulting in some amendments being made. The revised scheme was confirmed by full Council in December 2021.
19. Council tax discounts awarded are £29m which is a slight increase in comparison to the same period in 2021/22. A small increase is attributable to work related to raising awareness of the discounts available to residents.
20. Council tax exemptions awarded is £7.7m which although broadly in line with previous years shows a slight increase due to reasons shown at 19.

Non-Domestic Rates (NDR)

21. NDR is collected from businesses in Cheshire East based on commercial rateable property values and a nationally set multiplier. The multiplier changes annually in line with inflation and takes account of the costs of small business rate relief.
22. The small business multiplier applied to businesses which qualify for the small business relief was set at 49.9p in

2022/23. The non-domestic multiplier was set at 51.2p in the pound for 2022/23.

23. **Table 5** demonstrates how collection continues to improve even after year end. The table shows how over 99% of non-domestic rates are collected within three years.
24. The business rates in-year collection rate for the period up to the end of December 2022 is 80.8%. This is a significant increase on last year and begins to revert collection rates back to pre-pandemic figures. A return to standard collection processes and government support through additional reliefs has assisted the recovery in collection.

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

Financial Year	CEC Cumulative			
	2018/19	2019/20	2020/21	2021/22
	%	%	%	%
After 1 year	98.5	98.2	92.4	95.6
After 2 years	99.4	98.4	97.4	**
After 3 years	99.4	99.2	**	**

**data not yet available

Appendices to the 2022/23 Financial Update

March 2022

Appendix 5 : Environment and Communities Committee

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Environment and Communities Committee Extracts

1. Changes to Revenue Budget 2022/23 since Financial Review Update

2. Corporate Grants Register

Table 1: Environment and Communities Committee Grants

**Table 2: Delegated Decision Additional Grant Funding (General Purpose)
£500,000 or less**

3. Debt Management

4. Capital Strategy

5. Reserves Strategy

Appendix 5

Environment and Communities Committee

1. Changes to Revenue Budget 2022/23 since Financial Review Update

	Second review Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Revised Net Budget £000
Environment and Communities				
Environment & Neighbourhood Service	44,365	-	44	44,409
	44,365	-	44	44,409

2. Corporate Grants Register

Table 1 – Corporate Grants Register

Corporate Grants Register	National Allocation 2022/23 £m	Revised Forecast 2022/23 £000
SPECIFIC USE (Held within Services)		
Environment and Communities Committee		
Bikeability Grant	not available	240
Enforcement Grant (Planning) - brought forward	not available	30
Air Quality Grant - brought forward	not available	18
Air Quality Grant scheme	not available	55
Offensive weapons	not available	4
Cosmetic fillers	not available	7
Food Information Grant - Natasha's Law - brought forward	not available	1
Food Information Grant - Natasha's Law	not available	10
Section 31 grant - Biodiversity net gain	not available	20
Natural England - Stewardship scheme	not available	2
Total		387
GENERAL PURPOSE (Held Corporately)		
Environment and Communities		
Neighbourhood Planning Grant	not available	35
Total		35
Total Environment and Communities Committee		422

3.1 Cheshire East Council receives two main types of Government grants; specific use grants and general purpose grants. Specific use grants are held within the relevant service with a corresponding expenditure budget. Whereas general purpose grants are held in central budgets with a corresponding expenditure budget within the allocated service area.

3.2 Spending in relation to specific use grants must be in line with the purpose for which it is provided.

3.3 **Table 2** shows additional grant allocations that have been received which are £500,000 or less and are for noting only.

Table 2 – Note Delegated Decision - Supplementary Revenue Estimate Requests for Allocation of Additional Grant Funding (General Purpose) £500,000 or less

Committee	Type of Grant	£000	Details
Environment and Communities	Neighbourhood Planning Grant for Local Planning Authorities	25	This grant is from the Department for Levelling Up, Housing and Communities (DLUHC). The conditions of grant mean that this funding could be used across the wider Spatial Planning area. This level of funding would be intended to support a number of Community Neighbourhood Plans across the borough.
Total General Purpose Allocations less than £500,000		25	

3. Debt Management

	Outstanding Debt £000	Over 6 months old £000
Environment and Communities Committee		
Environment and Neighbourhood Services	1,141	198
	1,141	198

4. Capital Strategy

Environment and Communities											CAPITAL			
CAPITAL PROGRAMME 2023/24-2026/27														
Scheme Description	Total Approved Budget £000	Forecast Expenditure						Total Forecast Budget 2023/27 £000	Forecast Funding					Total Funding £000
		Prior Years £000	Forecast Budget 2022/23 £000	Forecast Budget 2023/24 £000	Forecast Budget 2024/25 £000	Forecast Budget 2025/26 £000	Forecast Budget 2026/27 £000		Grants £000	External Contributions £000	Revenue Contributions £000	Capital Receipts £000	Prudential Borrowing £000	
Committed Schemes														
Environment Services														
Arnold Rhodes Public Open Space Improvements Phase 2	94	89	0	5	0	0	0	5	0	5	0	0	0	5
Barony Skate Park Refurbishment	100	0	0	100	0	0	0	100	100	0	0	0	0	100
Carbon Offset Investment	1,000	0	125	125	250	500	0	1,000	0	0	0	0	1,000	1,000
Congleton Household Waste Recycling Centre	50	20	15	15	0	0	0	30	0	0	0	0	30	30
Energy Improvements at Cledford Lane	985	825	20	140	0	0	0	160	0	0	0	0	160	160
Fleet Vehicle Electric Charging	585	0	65	225	179	116	0	585	0	0	0	0	585	585
Future High Street Funding - Sustainable Energy Network	2,577	149	153	2,275	0	0	0	2,428	2,428	0	0	0	0	2,428
Green Investment Scheme (Solar Farm)	3,950	64	400	3,486	0	0	0	3,886	0	0	0	0	3,886	3,886
Household Waste Recycling Centres	860	0	50	810	0	0	0	860	0	0	0	0	860	860
Litter and Recycling Bins	208	56	50	50	52	0	0	152	0	0	0	0	152	152
Park Development Fund	946	496	64	236	150	0	0	450	0	0	0	0	450	450
Pastures Wood Decarbonisation	50	27	11	12	0	0	0	23	0	0	23	0	0	23
Solar Energy Generation	14,180	0	20	280	13,880	0	0	14,180	0	0	0	0	14,180	14,180
Victoria Park Pitch Improvements	29	5	12	12	0	0	0	24	0	24	0	0	0	24
Total Environment Services Schemes	25,613	1,732	985	7,770	14,511	616	0	23,882	2,528	29	23	0	21,302	23,882
Neighbourhood Services														
Congleton Leisure Centre	12,225	6,272	5,903	50	0	0	0	5,953	0	0	0	0	5,953	5,953
Macclesfield Leisure Centre Improvements	3,865	3,398		467	0	0	0	467	0	0	0	0	467	467
Libraries - Next Generation - Self Service	374	322	1	51	0	0	0	52	0	0	0	0	52	52
Poynton Leisure Centre	4,606	391		2,000	2,215	0	0	4,215	0	0	0	0	4,215	4,215
Total Neighbourhood Services	21,070	10,383	5,904	2,568	2,215	0	0	10,687	0	0	0	0	10,687	10,687
Planning Services														
Replacement Planning & Building	410	320	45	45	0	0	0	90	0	0	0	0	90	90
Regulatory Services & Environmental Health ICT System	313	240	50	23	0	0	0	73	0	0	0	0	73	73
Total Planning Services	723	560	95	68	0	0	0	163	0	0	0	0	163	163
Total Committed Schemes	47,406	12,674	6,984	10,406	16,726	616	0	34,732	2,528	29	23	0	32,152	34,732
New Schemes														
Environment Services														
Fleet EV Transition	6,897	0		1,605	1,991	3,301	0	6,897	0	0	0	0	6,897	6,897
Total New Schemes	6,897	0	0	1,605	1,991	3,301	0	6,897	0	0	0	0	6,897	6,897
Total Environment and Communities Schemes	54,303	12,674	6,984	12,011	18,717	3,917	0	41,629	2,528	29	23	0	39,049	41,629

5. Reserves Strategy

Environment and Communities Committee				
Name of Reserve	Opening Balance 1st April 2022 £000	Forecast Movement in Reserves 2022/23 £000	Forecast Closing Balance 31st March 2023 £000	Notes
Environment and Neighbourhood Services				
Strategic Planning	568	(287)	281	To meet costs associated with the Local Plan - site allocations, minerals and waste DPD.
Trees / Structures Risk Management	202	(52)	150	New reserve to respond to increases in risks relating to the environment, in particular the management of trees, structures and dealing with adverse weather events.
Spatial Planning - revenue grant	89	(47)	42	Funding IT costs over 4 years.
Neighbourhood Planning	82	(38)	44	To match income and expenditure.
Air Quality	36	0	36	Air Quality Management - DEFRA Action Plan. Relocating electric vehicle chargepoint in Congleton.
Street Cleansing	26	(26)	0	Committed expenditure on voluntary litter picking equipment and electric blowers, due to be fully utilised in 2022/23.
Custom Build & Brownfield Register	19	(19)	0	
Community Protection	17	(17)	0	
Licensing Enforcement	15	(15)	0	Three year reserve to fund a third party review and update of the Cheshire East Council Taxi Licensing Enforcement Policies.
Flood Water Management (Emergency Planning)	2	0	2	Plans to draw down the reserve in 2023/24 relating to Public Information Works.
ENVIRONMENT AND COMMUNITIES TOTAL	1,056	(501)	555	