

Appendix 1 - Narrative Report

An introduction to Cheshire East, the place

Cheshire East Council is an all-purpose 'unitary' local authority providing key public services to over 370,000 local residents in Northwest England. The borders include the towns of Macclesfield, Congleton and Crewe. The area lies within the historic County of Cheshire between the urban areas of Manchester to the North and Stoke-on-Trent to the South.

Cheshire East covers a largely rural area of approximately 117,000 hectares, this makes the Council one of the largest local authorities in England; maintaining the area as a green and sustainable place is one of the Council's planned outcomes.

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

The Group is focused on achieving outcomes, in line with the Corporate Plan 2017 to 2020, by providing quality local services, within a commercially focused ethos that maximises value for money for local taxpayers.

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

The vast majority of services delivered by the Group focus on local residents and businesses.

During 2017/18 one company, partially owned by the Council, – Cheshire and Warrington Local Enterprise Partnership Ltd - also provided services to residents of Cheshire West and Chester and Warrington and are jointly owned with those Councils.

The most significant services provided by the Group are:

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

Cheshire East, the people

Population: Office for National Statistics Mid-Year Estimates for 2016 shows an estimated population of 377,100. Cheshire East has a relatively older population than average, with 28.3% of the population aged 60+. This figure is much higher than the national average of 23.4% and is reflected in the Council's targeted outcome to support people to live well and for longer.

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

- Cheshire East's current unemployment rate is significantly below the regional and national averages. In 2017, 5,600 of Cheshire East residents were unemployed (not in work, but available and actively looking for work). This equates to 3.1% of the economically active population aged 16 and above and compares to 4.4% for the North West and also 4.4% for

Great Britain, for the same time period. It is also lower than in Cheshire West & Chester (3.8%).

- Claim rates are also relatively low, with 3,440 of Cheshire East's residents claiming out-of-work benefits as at March 2018 which equates to only 1.5% of the Borough's working-age (16-64 year-olds) population. This is significantly lower than the levels for Cheshire West & Chester, the North West and the UK (1.9%, 2.7% and 2.1% respectively). For the Borough's 18-24 year-olds, the claimant rate is 2.4%. This is higher than for other age groups (0.2% for 16-17 year-olds, 1.6% for 25-49s and 1.2% for 50-64s), but is below the current rates for Cheshire West & Chester (3.0%), the North West (3.8%) and the UK (3.0%).
- Cheshire East's median household income was estimated to be £35,800, or 16.2% above the UK median (£30,800) and 31.7% higher than the North West (£27,200). At settlement level, income is below the UK median in two of the Borough's 24 main towns and settlements: Crewe (£26,300, or 14.7% below the UK and 26.6% below the Cheshire East median) and Handforth (£30,300, or 1.8% less than the UK and 15.5% short of the Cheshire East median). At the other end of the spectrum, median household income exceeds £55,000 in three of these 24 towns and settlements: Prestbury (£65,100), Alderley Edge (£59,000) and Goostrey (£56,200).

Government changes to business rate retention and council tax support schemes directly affect the financial health of the Group, and local economic results show how increased commercial development and reduced unemployment help put the Group in a strong position.

The Political Structure of the Council

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

Elections last took place in May 2015 and are due again in 2019. The Council is led by a Conservative overall majority.

	2017/18
Conservative	51
Labour	16
Liberal Democrat	2
Independent or Other	13

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

Councillor Rachel Bailey is the Leader of the Council and heads a Cabinet which consists of seven portfolio holders. The Council also has an annually appointed Mayor for civic functions; the Mayor for the period up to 31st March 2018 was Councillor Arthur Moran.

The Cheshire East Council Group Structure

Cheshire East Borough Council is by far the largest service provider of the Group. It is important to recognise that the Council is a Local Authority whereas the other members of the Group are limited companies which are either wholly or partially owned by the Council. The Council must produce a balanced annual budget and aims to spend within that total. The private companies on the other hand are able to focus on providing a profit. Residents of Cheshire East benefit from this approach as any profit shares retained by the subsidiaries are also retained by the Group and can increase overall value for money.

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

The Group Management Structure (2017/18)

The 2017/18 management structure is based on a commissioning model. The Council owns the companies within the Group either wholly or in part, but each company is a single entity with its own governance arrangements which then reports in to the Council's governance arrangements.

Supporting the work of elected Members is the organisational structure of the Council headed by the Executive Leadership Team (ELT). This is made up of the Council's most senior officers and ensures that the key Statutory Officers are represented at the most senior level of the Council.

Company	Role	Name
Cheshire East Council (Gross Revenue Spend £605m; Capital Spend £88m)	Acting Chief Executive (Head of Paid Service)	Kathryn O'Dwyer
	Executive Directors:	
	<ul style="list-style-type: none"> People (Acting) 	Mark Palethorpe
	<ul style="list-style-type: none"> Place (and Acting Deputy Chief Executive) 	Frank Jordan
	<ul style="list-style-type: none"> Corporate (Interim) 	Jan Willis
	<ul style="list-style-type: none"> Acting Director of Legal Services and Monitoring Officer 	Dan Dickinson
Wholly Owned Subsidiaries: 2017/18 position		
Cheshire East Residents First (CERF)	Chairman	Cllr David Brown
Ansa Environment Services Limited (Turnover £34.5m)	Chairman Managing Director	Cllr John Hammond Kevin Melling
Transport Service Solutions Limited (Turnover £16.4m)	Chairman Managing Director	Cllr Gail Wait Kevin Melling
Engine of the North Limited (Turnover £1.4m)	Chairman Managing Director	Cllr Jamie Macrae Mark Thompson
Orbitas Bereavement Services Limited	Chairman Managing Director	Cllr David Marren Kevin Melling

Company	Role	Name
(Turnover £1.8m)		
Civance Limited (Turnover £1.8)	Chairman Managing Director	Cllr Andrew Kolker Ian Bunn
The Skills and Growth Company (Turnover £2.2m)	Chairman Managing Director	Cllr George Hayes Julian Cobley
Tatton Park Enterprise Limited¹ (Turnover £1.1m)	Chair Directors	Cllr Jamie Macrae Cllr George Walton Brendan Flanagan
Associate:		
Cheshire & Warrington Local Enterprise Partnership Limited¹	Chair Chief Executive	Christine Gaskell, MBE, DL Philip Cox

Note 1: Accounts for TPE & C&WLEP are not consolidated in 2017/18 on the grounds of materiality.

With effect from 25th May 2017 the Executive Leadership Team consisted of Kath O'Dwyer (Acting CEO), Frank Jordan (ED for Place and acting Deputy CEO), Peter Bates (COO), Mark Palethorpe (Acting ED for People) and Jan Willis (Director of Finance & Procurement and CFO). Dan Dickinson is also Acting Director of Legal Services and Monitoring Officer. With effect from 4th December 2017 Jan Willis was temporarily appointed as Interim Executive Director of Corporate Services following the suspension of the Chief Operating Officer.

The subsidiary companies are led by management boards. These consist of a Managing Director, a Chairman and Directors. The Chairman and two directors are appointed from the elected representatives of the Council. The subsidiary Companies report regularly to the CERF board which holds public meetings at least twice a year.

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

Cheshire East Borough Council	www.cheshireeast.gov.uk
Ansa Environmental Services Ltd	www.ansa.co.uk
Engine of the North Ltd	www.Engine of the North.co.uk
Civance Ltd	www.civance.co.uk
The Skills and Growth Company	www.skillsandgrowth.co.uk
Cheshire & Warrington Enterprise Partnership Ltd	Cheshire & Warrington LEP

Accounts for Tatton Park Enterprise Ltd will be published on the Tatton Park website: www.tattonpark.org.uk

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

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

The Group has appropriate governance and control arrangements in place to support the proper management of resources. Each year the Council provides an Annual Governance Statement that

highlights how effective the processes and controls are during the year. The Audit and Governance Committee receive the Statement and consider any actions put in place in response to any issues being highlighted. It is important to read this Statement, which can be found on the Council’s [website](#) alongside the Group Statement of Accounts to appreciate the proportionate level of control being exercised over the resources of the Group.

Group Employees

The Group employs a total of 4,100 people (excluding school based employees).

	No.*	%
Cheshire East Council	3,588	87.5
Ansa	349	8.5
TSS	62	1.5
Civicanace	42	1.0
Orbitas	33	0.8
Skills & Growth	26	0.7
Total	4,100	100.0

*No. represents an average workforce for the year

Engine of the North does not directly employ staff; its human resources including management are provided by Cheshire East Borough Council and by commissioning the services of development surveyors and other professionals from the external market.

The Corporate Plan

The Corporate Plan 2017-2020 sets out five clear residents focused outcomes, underpinned by a sixth outcome based on delivering a responsible and efficient way of working.

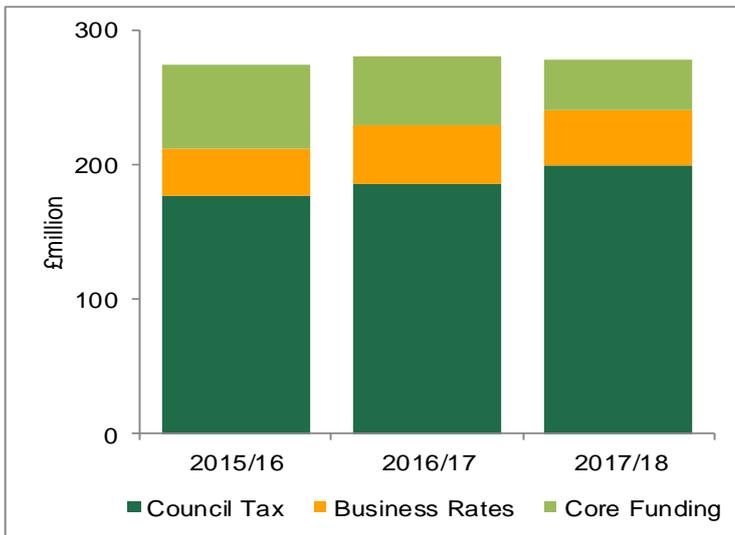


The corporate plan was approved by Council, in February 2017. Measurable achievements within each outcome are reported to members and published on a quarterly basis. Quarterly reports were provided to Cabinet and can be found on the Council’s website: www.cheshireeast.gov.uk

Financial Overview

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

Chart A: Most of the Council’s funding comes from local tax payers

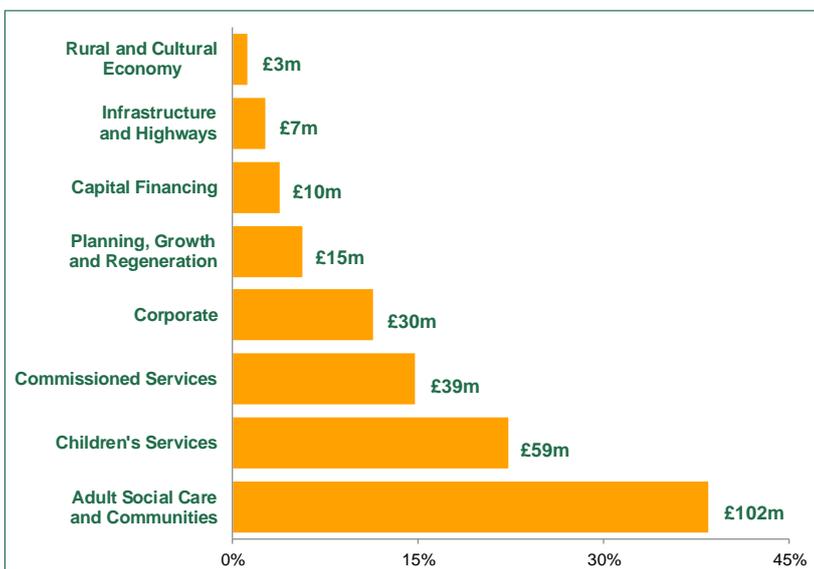


Most of the Council’s £265m Net Budget is allocated to Social Care

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

The significant majority of education funding however, is passed directly to maintained schools and payment of welfare benefits, although administered by the Council, are claimed back from the government. At present public health expenditure is also ring-fenced for spending on public health services.

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



Revenue Outturn position

The Group's strong financial position as at 31st March 2018 reflects its innovative delivery arrangements and effective stewardship of public money. Controlled spending during the year provided the flexibility to create earmarked reserves and fund additional capital investment.

The overall financial outturn includes:

- A net nil variance against budget by commissioning and enabling services of Cheshire East Council. This is an improved position of £0.1m against the forecast published at the Third Quarter, which informed the budget setting for 2017/18; and
- a net profit of £0.833m from the wholly owned subsidiary companies of the Cheshire East Group. This shows a consolidated strong performance from the Council's wholly owned companies, with most companies recording profits and increasing the strength of their respective balance sheets.

Overall revenue reserves of the Group have decreased from £64.6m to £62.4m. This is made up primarily from:

- General reserves for Cheshire East Council of £10.3m, which remain at the same position as reported at 31st March 2017.
- Earmarked reserves for Cheshire East Council of £47.0m.
- Schools reserves and balances of £4.4m.

The overall value of reserves is at a level that is sufficient to continue to protect the Group against its assessed financial risks and also to provide opportunities for future investment.

In 2017/18 the Council opted to utilise flexibility in the use of Capital Receipts to support the revenue position. A number of transformational projects were funded from receipts including the reconfiguration of the commissioning and operations staffing teams in Adults Services and the setting up of a Joint Venture (Alliance) which has been created in partnership with Ansa, High Peak Borough Council and Staffordshire Moorlands District Council. Associated set up costs of Alliance will be paid back on a commercial basis over the duration of the contract.

Each of the single entities of the Group will be separately audited by Grant Thornton LLP Ltd. Any findings will be reported to the relevant board or the Audit and Governance committee and reported on the website of each part of the Group.

The Council produces an Outturn Report for the year that reflects the Council's financial and non-financial performance. The report which includes the narrative to the Statement of Accounts, alongside additional information, reported to Cabinet on 12th June 2018 can be found on the Council's website: www.cheshireeast.gov.uk

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

Cheshire East Council reported a final outturn position of £265.2m.

2017/18 FINAL OUTTURN (Gross Revenue Budget £605.2m)	Revised Budget (net) £m	Final Outturn Position £m	Over / (Under) spend £m
Service Directorates			
Adult Social Care	95.6	100.0	4.4
Children's Services	56.4	58.6	2.2
Public Health Communities	2.7	2.4	(0.3)
People	154.7	161.0	6.3
Growth and Regeneration	14.3	14.5	0.2
Infrastructure and Highways (incl. Car Parking)	7.5	6.7	(0.8)
Planning and Sustainable Development	0.5	0.4	(0.1)
Rural and Cultural Economy	2.6	3.1	0.5
Place Commissioning	8.8	9.0	0.2
Place	33.7	33.7	0.0
Corporate and Central Services	31.4	31.3	(0.1)
Corporate Commissioning	29.9	30.5	0.6
Corporate	61.3	61.8	0.5
Total Services Net Budget	249.7	256.5	6.8
Central Budgets			
Capital Financing	14.0	9.9	(4.1)
Transfer to Earmarked Reserves	(0.1)	1.3	1.4
Transfer from Earmarked Reserves (to balances)	0	(3.1)	(3.1)
Corporate Contributions / Central Budgets	1.2	0.6	(0.6)
Total Central Budgets	15.1	8.7	(6.4)
TOTAL NET BUDGET	264.8	265.2	0.4
Central Budgets			
Business Rates	(41.0)	(41.0)	0
Revenue Support Grant	(13.4)	(13.4)	0
Specific Grants	(18.0)	(18.4)	(0.4)
Council Tax	(191.1)	(191.1)	0
Sourced from Collection Fund	(1.3)	(1.3)	0
Total Central Budgets Funding	(264.8)	265.2	(0.4)
NET POSITION	0	0	0

The wholly owned subsidiaries reported an overall profit.

Company	Turnover £000	Costs £000	Operating Profit/(Loss) £000	Interest Payable & Taxation £000	Net Profit /(Loss) £000	Retained Share Accruals* £000	Shareholder Profit/ (Loss) £000
ANSA	34,518	34,094	424	155	269	96	173
TSS	16,389	16,361	28	15	13	0	13
SAGC	2,230	2,098	132	5	127	81	46
Orbitas	1,814	1,725	89	21	68	50	18
Civcance	1,841	1,471	370	(1)	371	272	99
EOTN	1,481	1,496	(15)	0	(15)	0	(15)
Total	58,273	57,245	1,028	195	833	499	334

*Note: The Retained Share Accruals are in accordance with contractual obligations and the funds are allocated to the Council's Trading Earmarked Reserve.

Performance Overview

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

People

Notable successes this year include:

	<p>In 2017/18 88 organisations received £155,913 of funding contributing to £1,134,963 worth of community projects</p>
<p>A high proportion of parents/carers were given their first choice of school for their child in September. For primary applications this is a slight increase on last year's figure, with a total of 92% receiving their first choice. Secondary school first choice applications were also up on last year's figure to 94% (compared to a 2017 national average of 83.5%)</p>	<p>The North West Quarterly Performance Report on adult social care showed Cheshire East performing above the North West average for adults with a learning disability in paid employment (5.9% for Cheshire East and 3.3% for the North West) and above the NW average for service users self-directed support (92.2% for CE and 84.9% for the NW)</p>
<p>A revised Health and Wellbeing Strategy was consulted on, informing a final draft for presentation to the Health and Wellbeing Board</p>	

The People Directorate net expenditure outturn of £161.0m is £6.3m higher than budget.

The Adult Social Care (Operations and Commissioning) and Public Health and Communities budgets remains under continued pressure across the country. The pressure here in Cheshire East comes from a combination of factors, which have been building over a number of years, and relate to meeting the needs of our most vulnerable residents. This accounts for the most significant variance with an overspend against budget of £4.4m. Adult Social Care Commissioning is responding to this challenge by commissioning the care at home and care with accommodation market to ensure there is a better offer to service users and more certainly for providers. In addition to this the Adult Social Care Commissioners are also looking to introduce an Early Help Framework to support better outcomes in the Voluntary, Community and Faith sectors.

The number of cared for children stood at 473 at 31st March 2018, having stayed at broadly that level since July 2017 which is positive. This is compared to 387 in March 2016 and 422 in March 2017. This continues to place strain on existing budgets and has resulted in an overspend in this area of £3.2m. There are various smaller underspends in the Children's budget to mitigate this total down to £2.2m.

Place Directorate

Notable successes this year include:



During the year 2,270 home adaptations were made, and the team won the 'Home Adaptations Service of the Year' award at the annual Home Improvement Agency awards organised by Foundations, a national body funded by the Department for Communities and Local Government

A new report placed Cheshire East as the top performing area in the North West for 'economic wellbeing'. The 'Vibrant Economy Index', developed by Grant Thornton, measures economic wellbeing based on national statistics broken down into categories of: prosperity; dynamism and opportunity; inclusion and equality; health, wellbeing and happiness; resilience and sustainability; and community, trust and belonging

Latest data on the Visitor Economy in Cheshire East showed an increase since 2009 of 65% to £895m per annum. Figures also showed there were almost 16 million visitors to Cheshire East in 2016; a 36% increase since 2009



613 additional affordable homes were delivered in 2017/18, exceeding our annual target of 400. The Council's overall three-year target of achieving 1,050 affordable homes was significantly outperformed with 1,371 delivered

The Place Directorate net expenditure outturn of £33.7m was on budget.

However, within the department there have been some variances; the trading position for Tatton Park outturned with pressures of £0.4m; costs of appeals within Planning have continued to rise and are now £0.4m above budget; TSSL are reporting pressures relating to local bus services of £0.2m; and income from the investment portfolio has not been realised, creating an income shortfall of £0.3m.

Productivity and contract savings in 2017/18 totalled £2.8m for Place. £1.5m of savings against this target have been found to date and a further £1m has been covered by the use of earmarked reserves in year.

These pressures have been offset by holding staffing vacancies and reducing non essential contract spend across the directorate. Income levels have also increased particularly in Highways and Regulatory Services, to further alleviate the position.

Corporate Directorate

Notable successes this year include:



The Council achieved more awards wins and short listings than ever before in 2017/18, with 46 awards entries, 27 of which had been confirmed as shortlisted by the year-end

The Council successfully undertook the first major review of its Constitution since the Council was formed, and also reviewed all Schemes of Financial Delegation

Considerable progress was made to support the Council's Equality and Diversity Strategy, including training of 47 Equality Champions



2017/18 was a record year for marriages in the Borough, with civil marriages/partnerships at over 2,000 for the first time in Cheshire East history

The Corporate directorate net expenditure budget of £61.3m was overspent by £0.5m.

Corporate Commissioning reported an over spend of £0.6m. £0.5m of Ansa's identified contract savings of £0.9m have been delivered, but savings, linked to the move from landfill to waste to energy, as our main waste disposal route, have been deferred to 2018/19.

There was a shortfall in market income of £0.2m due to the Crewe Town Centre Regeneration plans, and a small overspend of £0.1m within Customer Operations.

There were net underspends within Strategic Human Resources; Finance & Performance; ICT and Legal and Democratic that mitigated this position in part.

Notable Corporate Commissioning successes this year include:



Once again there was an increase in time dedicated to the crucial role of support to local sports clubs and events with 6,995 volunteer hours being given in 2017/18 against the target of 6,742 hours

Attendances at Council leisure facilities rose by 11.7% to over 3.3 million



Our annual recycling rate for 2016/17 was confirmed at 55.2%, placing us in the top 10% of all authorities in England

Changes in Pension Estimates

Due to the scale of the pension assets (£1.3bn) and liabilities (£1.6bn) detailed in the Accounts, even small percentage changes in assumptions regarding their value can have a noticeable impact on the reported position.

In 2017/18 the net pension liability (deficit) reported in the Accounts has decreased by £56.7m.

Detailed actuarial valuations are carried out every three years and the formal valuations for English and Welsh LGPS Funds were concluded as at 31st March 2016. The balance sheet position and charge to Profit and Loss for 2017/18 are based on the 2016 formal valuation. To avoid potentially significant annual impacts on the levels of Council Tax, the Council continues to manage pension liabilities by agreeing longer term changes in the employer contribution rates as part of the planning for the Medium Term Financial Strategy. Three year contributions were also pre-paid in 2017 to reduce overall costs.

Council Tax

Cheshire East collects Council Tax on behalf of the Cheshire Police and Crime Commissioner, the Cheshire Fire Authority and Parish Councils in addition to its own requirement. The total budgeted collectable amount for 2017/18 was £232.2m. The carried forward surplus on the Council Tax Collection Fund at the end of 2017/18 is £2.2m.

The Council Tax in-year collection rate for 2017/18 is 98.24%, maintaining the previous year's performance. The strong economy in Cheshire East also contributed to an increase in the overall tax base of 1.4% (from 142,186.60 to 144,201.51).

Business Rates

Cheshire East collects Business Rates for the whole area and the income is split 49% to Cheshire East, 50% to the Ministry of Housing, Communities and Local Government (MHCLG) and 1% to the Cheshire Fire Authority. The total budgeted collectable amount for 2017/18 was £131.6m as per the NNDR1 return. The carried forward surplus on the Business Rates Collection Fund at the end of 2017/18 is £1.6m.

Cheshire East Council is in a pooling arrangement with the Greater Manchester (GM) Authorities (also includes Cheshire West and Chester from 2016/17) to maximise business rate retention locally and support the economic regeneration of Greater Manchester and Cheshire Councils. Pool members are entitled to retain the levy charge on growth that would normally be paid over to Central Government. Cheshire East retained 50% of this levy charge locally (£0.5m) before paying the remaining half over to the pool.

The Cheshire and GM Pool are also taking part in a pilot scheme where the pool is now able to retain locally the 50% of "additional growth" in business rates which in the usual Business Rates Retention Scheme would be paid directly to MHCLG. Cheshire East are due to receive £0.1m for this growth and this will be set aside in the Collection Fund Management Reserve.

The Business Rates in-year collection rate for 2017/18 is 98.32% which is an increase of 0.65% compared to the same period in 2016/17.

Financial Overview - Capital Programme

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

Total capital expenditure in 2017/18 was £88.2m compared to the budget of £120.4m. A further £12.9m was spent on the Council's contribution to the South East Manchester Multi Modal Strategy, with matched grant funding from the Greater Manchester Combined Authority. The new relief road straddles Stockport MBC and Manchester City Council boundaries as well as Cheshire East: www.semmms.info/

The forecast for planned spend is updated throughout the year and published in the Quarterly Reviews of Performance. During 2017/18 a number of major projects have either completed or got under way including the Best4Business Programme (£3.5m), Schools Improvement Programme (£8.5m), Connecting Cheshire Phase 2 (£1.2m) and the Highways Investment Programme (£10m).

Since the start of 2017/18 slippage on the capital programme has been measured on schemes that are classed as committed as these schemes were forecast to incur expenditure during 2017/18. Slippage has totalled £27.0m, with the main areas being within the ICT projects (£6.7m), Highways and Infrastructure (£7.7m), Growth and Regeneration (£7.3m), Corporate Environment Commissioning Projects (£2.8m) and Schools programme (£1.0m).

Capital receipts in year amounted to £6.8m from the sale of surplus assets, including Redsands (£3.5m), Wilmslow Cemetery Lodge (£0.4m), various land sales (£0.6m) and former housing right to buy and VAT shelter receipts (£1.5m).

The Council has been very successful by attracting £37.5m of grant funding and external contributions for capital improvements. This minimises the impact of reducing the funding available for other services such as social care.

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

	Outturn	Three Year Plan (as per MTF5)			Total
	2017/18	2018/19	2019/20	2020/21	
	£m	£m	£m	£m	£m
Expenditure					
Children and Families	9.6	30.9	2.2	2.2	35.3
Adults, Public Health & Communities	0.1	0.0	0.0	0.0	0.0
Infrastructure and Highways	42.8	52.3	85.7	59.3	197.3
Growth and Regeneration	9.0	10.3	15.1	15.6	41.0
Rural and Cultural Economy	1.9	1.8	1.2	0.1	3.1
Client Commissioning	11.3	15.8	14.0	0.0	29.8
ICT Services	11.4	13.0	3.6	0.0	16.6
Corporate	2.1	3.0	0.0	0.0	3.0
Total Expenditure	88.2	127.1	121.8	77.2	326.1
Funding					
Grants and Other Contributions	37.5	67.5	103.3	51.5	222.3
Capital Receipts and Reserves	0.7	4.3	4.2	10.0	18.5
Borrowing	50.0	55.3	14.3	15.7	85.3
Total Funding	88.2	127.1	121.8	77.2	326.1

Protecting Against Risks

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

During the year the corporate risk register has been reviewed and maintained to ensure that the corporate risks remain relevant and that risk interdependencies are understood. Operational risk registers have also been developed and included in team plans and risk management refresher training has been undertaken with officers and members as and when required.

The Council's key corporate risks recognise potential threats from increasing demand for services and overstretched resources and the Council's financial resilience. The corporate risk register includes measures for countering fraud and corruption, and risks that may arise as a result of partnership working. The risks recognise that austerity and economic conditions affecting the Council's key partners may potentially give rise to events that could have a negative impact upon the Council's ability to achieve its objectives.

Narrative Report – Expenditure and Income Commentary

Explanation of the financial statements

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

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

Subsidiaries have been consolidated into the Group Accounts on a line by line basis incorporating their income and expenditure fully in the relevant service revenue accounts. Note 30 provides further details of the various companies in which the Council has an interest. Tatton Park Enterprises Ltd and Cheshire & Warrington Enterprise Partnership Ltd have been excluded from Cheshire East Council group accounts on the grounds of materiality.

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

The Group Financial Statements

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

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

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

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

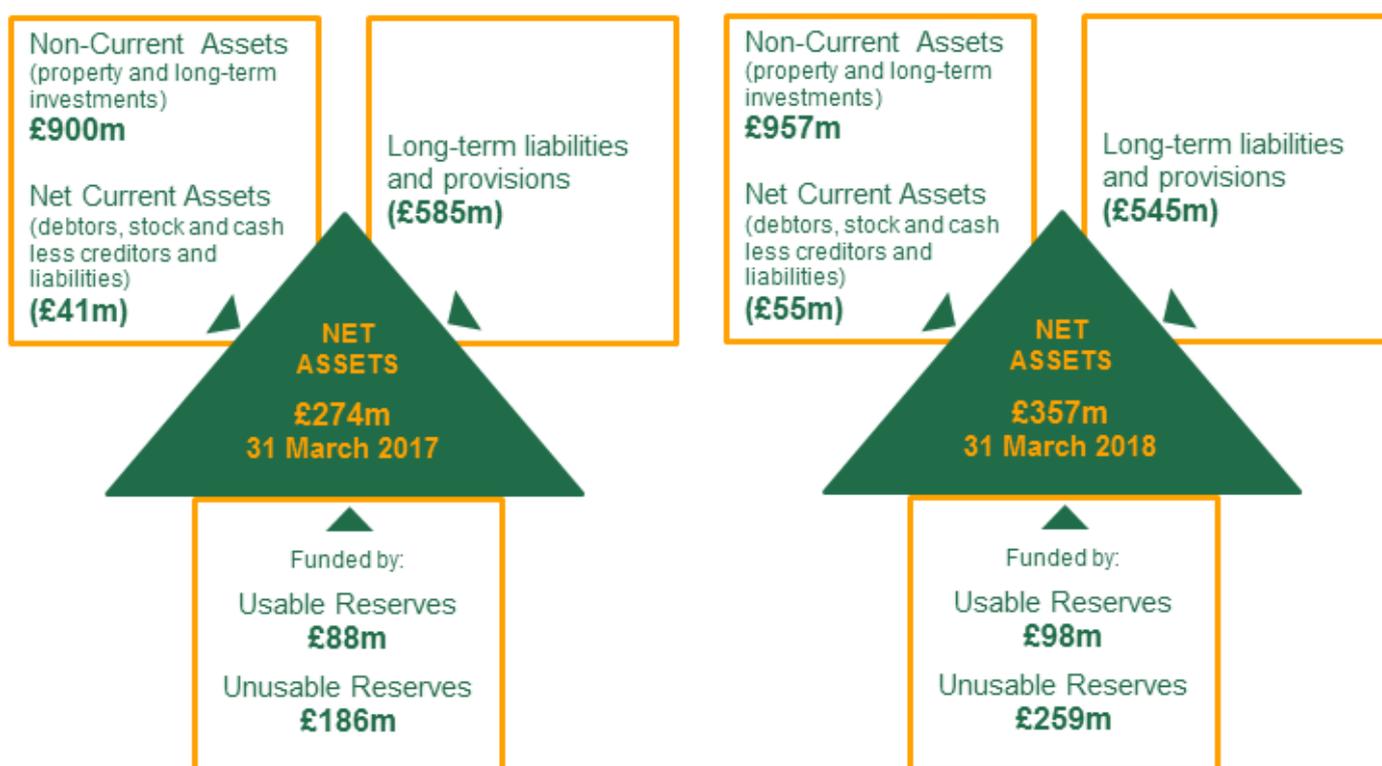
General (£10.3m) and Earmarked reserves (£51.5m including Schools) have decreased in 2017/18 to £62.4m. The overall level of reserves is adequate to continue to protect the Group against financial risks and to provide opportunities for investment in the medium term. The impact of rising demand for services, the economic climate, emerging Government policies (particularly in relation to business rates), and pressure on public services to reduce overall expenditure are relevant, and these present the potential for significant emerging risk. The minimum target level of reserves is quantified by a detailed risk assessment. This approach allows the Council to take account of local circumstances and the impact of economic forecasts.

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

In 2017/18 there is a surplus on the provision of services of £12.8m.

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

Chart C: The Council maintains a strong balance sheet despite the financial challenges.



Collection Fund – this is an agent’s statement that reflects the statutory obligation for Cheshire East Council, in its capacity as a billing authority, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution to local authorities and the Government.

Statement of Responsibilities - this sets out the respective responsibilities of the Authority and the Interim Executive Director of Corporate Services.

Independent Auditor’s Report – gives the auditor’s opinion of the financial statements and of the authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources.

Narrative Report - Future Opportunities and Challenges

Medium Term Financial Strategy 2018/19 – 2021/22

Like most local authorities the Council had significant budget deficits to tackle over the medium term, caused by major grant reductions in local government funding. This is Central Government's clear strategy to try to deal with the scale of the national deficit. Our local response to these pressures continues to focus on innovation and creativity with a clear emphasis on improving efficiency, productivity and establishing more effective local service delivery arrangements.

The Council approved a [Corporate Plan](#) for the period 2017 to 2020 in February 2017. This has formed the basis for developing proposals within the Medium Term Financial Strategy. Progress against the Corporate Plan is monitored through quarterly reporting to Cabinet and Overview and Scrutiny Committees. The quarterly reports identify up to date financial and operational performance of the Council and show how the latest priorities are being managed to achieve the best outcomes for local residents.

Strong economic performance, backed with high growth in housing, has helped attract government funding for infrastructure, and continues to push the local authority in to a position where the cost of local authority services could be funded by local people and businesses. Reforms to business rates, which are currently being considered by government, could in fact make this position a reality in the medium term.

The Council's domestic and non-domestic tax bases are forecast to continue to grow in line with the Local Plan. The government continues to consult on the technical details for a possible move towards local government retaining 100% of the business rates collected, as opposed to the current split whereby HM Treasury retains 50% of the yield. The Provisional Local Government Finance Settlement in December 2017 announced that Local Authorities will start to retain 75% of their rates from 2020/21. The Council continues to be engaged in this consultation process, but recognises that the net impact on the local government finance sector is expected to be nil, as new responsibilities may well be transferred from other parts of the public sector if the overall funding package looks likely to increase.

In addition to changing the way some services are designed and delivered to mitigate rising costs, the Council is continuing to forecast increases in Council Tax each year over the medium term including 2018/19 (5.99%). This includes 3% ring-fenced specifically to help fund the rising costs of Adult Social Care. These increases reflect the change in national government policy that assumes Council Tax will be increased each year to 2020 as part of the medium term financial settlement for Local Government. The Council is not considering proposals that would trigger a referendum. Arranging service delivery in this climate is a challenge but the Council continues to work hard and engage residents and businesses on how services can be designed in a more affordable way to improve value for money.

The Council continues to challenge the way all services are commissioned. This relies on a strong approach to collaboration with partners, and one of the risks to the medium term provision of local services is therefore the financial stability of all parts of the public sector. Reform is essential to improve the productivity, efficiency and affordability of the overall public service offer. The Group will continue to explore opportunities for joining up public sector services, whether for the purpose of receiving more effective vital services or simply better value for money for the local tax payer.