

***Cheshire East Council  
Medium Term Financial Strategy  
2019-22  
Executive Summary***

***February 2019***

***Working for a brighter future together***

This document is available to download on the [Cheshire East Council](#) website. It will form part of the 5<sup>th</sup> February 2019 Cabinet Agenda and the recommended version will be distributed to all Members as part of the 21<sup>st</sup> February 2019 Council Agenda.

You can continue to provide feedback on the proposals in this report by speaking to your local Councillor  
– visit [Find Your Local Councillor](#) on the Cheshire East Council website for contact details.

# Executive Summary – Delivering Our Corporate Plan

## A Great Place to Live

***“Cheshire East is a great place to live, work and visit - and this is as important to the Council as it is to our local residents. In addition, we have one of the strongest economies in the country which is made up of a vibrant mix of businesses across a wide range of sectors.”***

*Source: Cheshire East Corporate Plan 2017-20*

Cheshire East Council, along with most local authorities in England, is facing a significant challenge to provide essential services within the resources available. A combination of increasing and more complex demand, inflation and reductions in government funding creates significant financial pressures, which are exacerbated by very limited assurances on how services will be funded beyond 2020.

The Council's Corporate Plan 2017 to 2020 highlights how the Council is striving to create financial stability through growth in the local economy that supports improvements in the health and economic wellbeing of residents.

Strong economic performance is evidenced by positive Gross Value Added in Cheshire East, which is a measure of economic output per head. High growth in housing, has also 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.

Cheshire East is the third largest council in the Northwest of England, responsible for over 500 services and with a population of over 375,000. Our annual turnover exceeds £700m and our resources are well-managed through our budgetary framework.

The Council continuously seeks to engage with the communities of this beautiful part of the Northwest of England in delivering much needed services to people who need them.

\*Sources: [1] Regional Gross Value Added (Income Approach) 1997-2016 data, ONS, Dec 2017. [2] Time series dataset released as part of the 'Quarterly National Accountants: Quarter 3 (July to Sept) 2017'

ONS statistical release, Dec 2017.

## Achieving Objectives

In the final year of the Corporate Plan 2017-20 the Council is able to demonstrate the ongoing achievement of positive outcomes for local people. Education achievement rates for pupils in Cheshire East remain as one of the highest levels in the country, and social care for children and adults are receiving higher levels of investment in the medium term. Infrastructure projects continue to unlock land and housebuilding numbers are exceeding targets. Employment is high, and the numbers of businesses in the area is as high as it is in Manchester. Life expectancy for Cheshire East residents is also higher than both regional and national averages.

## Working for a brighter future together

Throughout 2018/19 the Council has been on a path to review the culture of the organisation, under the banner of the Brighter Future Together Programme.

The Council has a clear vision for “Working for a brighter future together”. Proposals within the Medium Term Financial Strategy build on the Council's ability to work with residents and partners to deliver services that meet local needs. The set of core values, our FIRST values, continue to shape our approach to decision making and service delivery.

## Financial Pressure

The costs associated with maintaining quality in our services and environment is very challenging. 60% of the Council's net budget is spent on providing support for People based services, such as social care, but the housing growth in the area also brings additional challenges for our other key services such as increased waste collection and disposal and highway maintenance.

The Council froze Council Tax levels for five consecutive years from 2011/12 to 2015/16 inclusive, with some Government support, saving local taxpayers a total of nearly £50m in that period. But, by 2019/20, there will be no general Government grant support to the revenue budget of Cheshire East Council. Growth in demand for services must therefore be funded locally, and this creates a requirement to increase Council Tax levels in line with Government expectations. Recently the Council has increased Council Tax to specifically fund the pressures in Adult Social Care and this has proved to be a successful strategy with spending in this area coming within budget in 2018/19.

## Financial stability

To manage the ambitions of the area with the accessible resources the Council has created a medium term financial strategy that balances the 2019/20 budget, but must continue to develop in order to balance the medium term financial challenges.

In **2019/20** the headlines of the financial strategy are:

- Targeting cost effective service provision for residents and addressing increasing demand within the social care system. Council Tax will **increase by 2.99%** to offset the severity of Government grant reductions and provide additional investment in Children and Family services.

- Dealing with a reduction in Revenue Support Grant from Central Government of £5.4m.
- Managing inflation pressures relating to pay, contracts and demand for services of £23.3m.
- Increasing expenditure in all our front line services.
- Boosting local economic prosperity through continued investment on capital projects, such as roads maintenance, infrastructure, education and regeneration.

**Table 1: Running costs (Revenue) are being managed. Investment in assets (Capital) is increasing**

Table 1	2018/19*	2019/20	Change
	£m	Budget £m	£m
Revenue Budget	268.1	281.2	13.1
Capital Budget	120.7	149.2	28.5

\* Approved Permanent Budget as at Quarter 3

### Net Revenue Budget 2019/20

- Income is estimated to vary from 2018/19 as follows:
  - Revenue Support Grant (-£5.4m)
  - Increase in New Homes Bonus (+£0.7m)
  - Other Specific grants (+£1.9m)
  - Growth in Council Tax Base (+£3.6m)
  - Increase in Council Tax levels (+£6.2m)
  - Council Tax Collection Fund Contribution change (+£1.1m)
  - Business Rates Retained (+£5.0)
- Net expenditure is estimated to increase by £13.1m from 2018/19 as set out in **Table 2**:

<b>Table 2</b>	<b>Change from 2018/19 Budget £m</b>	<b>2019/20 Budget £m</b>
Outcome 1 – Communities	+0.7	22.7
Outcome 2 – Economy	+0.3	12.7
Outcome 3 – Education	+2.9	22.4
Outcome 4 – Environment	+1.7	44.6
Outcome 5 – Health	+6.2	134.2
Outcome 6 – Efficient	+3.1	36.3
Contribution from Earmarked Reserves - including draw down from ASDV reserve (£0.5m)	-2.6	-2.9
Central Budgets	+0.8	11.2
<b>Total</b>	<b>+13.1</b>	<b>281.2</b>

**Annex 1** to the Executive Summary provides a further breakdown of the Council's revenue budget.

### Capital Budget 2019/20 to 2021/22

The three year capital programme includes investment plans of around £0.5bn. 65% of the funding for this ambitious programme will come from Government grants or contributions from other external partners. In addition, 3% will come from the Council's work to maximise the value of assets sales to support development in the local area.

- The main forecasted income sources are:
  - Government Grants (£250m/52%)
  - Other external contributions (£65m/13%)

- Receipts from Council Assets (£14m/3%)
- Expenditure is estimated in the following areas:
  - Highways (£270m)
  - Education (£46m)
  - Economic Growth and Visitor Economy (£49m)
  - Client Commissioning (£66m)
  - ICT (£14m)
  - Corporate (£40m)

In addition to these investment plans a number of further schemes, totalling expenditure of £0.1bn are requesting approval but these projects will only commence on completion of detailed business cases and when funding for these projects is confirmed.

### Reserves

Reserves are focused on the Council's ability to invest in opportunities and to manage exposure to financial risk. Where something has been identified as a specific risk or investment opportunity, then an amount will be earmarked for that purpose.

**Table 3: Good financial management reduces the overall need for high Total Revenue Reserves**

<b>Table 3</b>	<b>Forecast Closing Balance</b>		
	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>Change £m</b>
<b>General Reserves</b>	10.3	12.0	1.7
<b>Earmarked Reserves*</b>	30.1	26.5	(3.6)
<b>Total Revenue Reserves</b>	<b>40.4</b>	<b>38.5</b>	<b>(1.9)</b>

\* Earmarked reserves are spent in accordance with planned timescales and will increase or reduce accordingly

The Council's Reserves Strategy (**Annex 14**) provides the reasons for holding General or Earmarked Reserves at current levels.

## Achieving Outcomes for Residents

### Outcome 1

The Council will deliver a net increase of £0.7m for services to **local communities** including:

- Universal information and advice service

### Outcome 2

Cheshire East Council will increase budgets by £0.3m overall and continue to help ensure it has a **strong and resilient economy** through:

- Management of brownfield sites
- Investment portfolio

### Outcome 3

Increasing budgets by £2.9m and ensuring people have the **life skills and education** they need to thrive through:

- Realignment of Children's Services funding streams
- SEN restructure/investment

### Outcome 4

Increasing budgets by £1.7m to help ensure Cheshire East is a **green and sustainable place** in relation to Waste Management.

### Outcome 5

Redesigning services to ensure People **live well and for longer** and investing an extra £6.2m through:

- Adults Social Care investment

- Cared for Children and Care Leavers investment

The Council also has a sixth underpinning outcome to ensure we continue to improve and be a **responsible, effective and efficient organisation**. Net cost increases will be kept to a minimum (£3.1m) by delivering maximum productivity, enhancing returns from investments, maximising value for money on contracts, streamlining processes and rationalising assets in order to focus as much investment as possible towards front line services.

## A listening Council

The budget report reflects the Council's ongoing commitment to transparency, engagement and consultation. The process of budget development has been open and clear, and based on previous feedback was also started earlier than in previous years. The process demonstrates that we listen to residents and stakeholders.

### The stakeholder engagement process included:

- An appropriate timescale that supported the development and sharing of draft Budget ideas.
- Regular elected Member involvement through meetings and briefings.
- Wide ranging stakeholder engagement via open meetings, consultation and an online survey tool to gather feedback.
- Effective internal challenge processes including staff and union briefings.
- Inclusion of proposals that are not currently proposed for implementation to help stakeholders understand the options that were considered as part of the overall process.
- Listening to and meeting stakeholders to discuss important issues and future considerations.

During the consultation process the Council received notification of the Government funding settlement. The Council entered into a



multi-year agreement, along with 97% of English Local Authorities that fixed certain grants up to 2019/20. The 2019/20 settlement provided additional funding to protect the Council against negative grants as well as introducing further social care grant.

In addition to stakeholder feedback and the Government settlement the Council also reviewed the impact of its Third Quarter financial forecasts.

Based on the feedback, and revised information, some changes have been made compared to the Pre-Budget Consultation Report. 'New' proposals have been marked as such within the MTFS, but include increases in budgets for Children's Services to reflect the ongoing demand pressures on this service.

The proposals within the MTFS are affordable based on a Council Tax increase of 2.99%, which is significantly less than in each of the previous three years. The Council's strategy to increase Council Tax over recent years to reflect growing expenditure in Adult Social Care has been successful as the service is performing within budget in 2018/19 and further growth is manageable within the revised MTFS. In line with the national trend of increasing costs in Children's Services, alongside inflationary pressures, the Council is still increasing Council Tax, but is not proposing to exceed the referendum limit set by the Secretary of State. Since Local Government Reorganisation the cumulative increase in Council Tax by Cheshire East Council is significantly lower than inflation and is amongst the lowest of any unitary authority in England.

Where specific proposals have been amended these changes are included within **Section 1** of the MTFS. **Annex 2** of the MTFS also describes the engagement activities carried out by the Council.

## Changing the way we work and Invest

Cheshire East has established itself as a commissioning council. This means we provide the service options that best fit the needs of our residents, regardless of historical approaches to service delivery. The current structure of service providers allows the Council to commission (or 'buy') the right services for the right people at the right price.

A sample of the main providers of services to Cheshire East is shown below:

### Privately owned contractors:

- Ringway Jacobs (Highways)
- BT (Superfast Broadband projects)
- Engie (Facilities Management)

### Delivery vehicles wholly or partly owned by the Council:

- Ansa Environmental Services Ltd (Waste Services, Street Cleansing, Grounds and Fleet)
- Transport Service Solutions Ltd
- Orbitas Bereavement Services Ltd
- Engine of the North Ltd
- Civicance Ltd
- The Skills and Growth Company
- Tatton Park Enterprise Ltd
- Cheshire & Warrington Local Enterprise Partnership

### Charitable organisations:

- Everybody Sport and Recreation Trust (Leisure Services)
- 76 Academies

### Collaborative Arrangements:

- Regional Adoption Agency
- Foster4

- Pan Cheshire Youth Offending Team
- Emergency Planning Team
- Shared Services with Cheshire West & Chester (Transactional Service Centre and ICT)
- NHS England

In-House Council Services:

- Cheshire East libraries
- Planning
- Children's Social Care
- Safeguarding
- Early Help and Prevention
- Schools Support Services (71 Local Authority maintained schools)

The Council is currently undertaking a review of the arrangements for service providers, particularly in relation to the Council's wholly owned companies. Results of the review will be implemented during 2019/20 and members and other stakeholders will be engaged as appropriate.

The 2019/20 Medium Term Financial Strategy also includes a combination of strategies related to longer term ways to maintain financial stability. The Treasury Management Strategy, Capital Strategy, Investment Strategy and Reserves Strategy present a complex framework for utilising temporary and long term assets to support achievement of the Corporate Plan. The strategies are focused on:

- Investing available balances to achieve low risk returns
- Utilising an approach to borrowing
- Providing opportunities for commercial investment that supports outcomes and provides financial returns
- Maintaining adequate reserves to manage financial risks and prevent short term deficits

The combination of the strategies provides longer term financial stability, whilst also allowing the Council to react to market conditions and maintain a balanced approach to managing investment opportunities and risks.



## The Medium Term Financial Strategy (Full Report)

As the Finance Portfolio Holder, I have developed the medium term strategy, with the professional support of Alex Thompson (Acting S151 Officer) and the Council's senior management team.

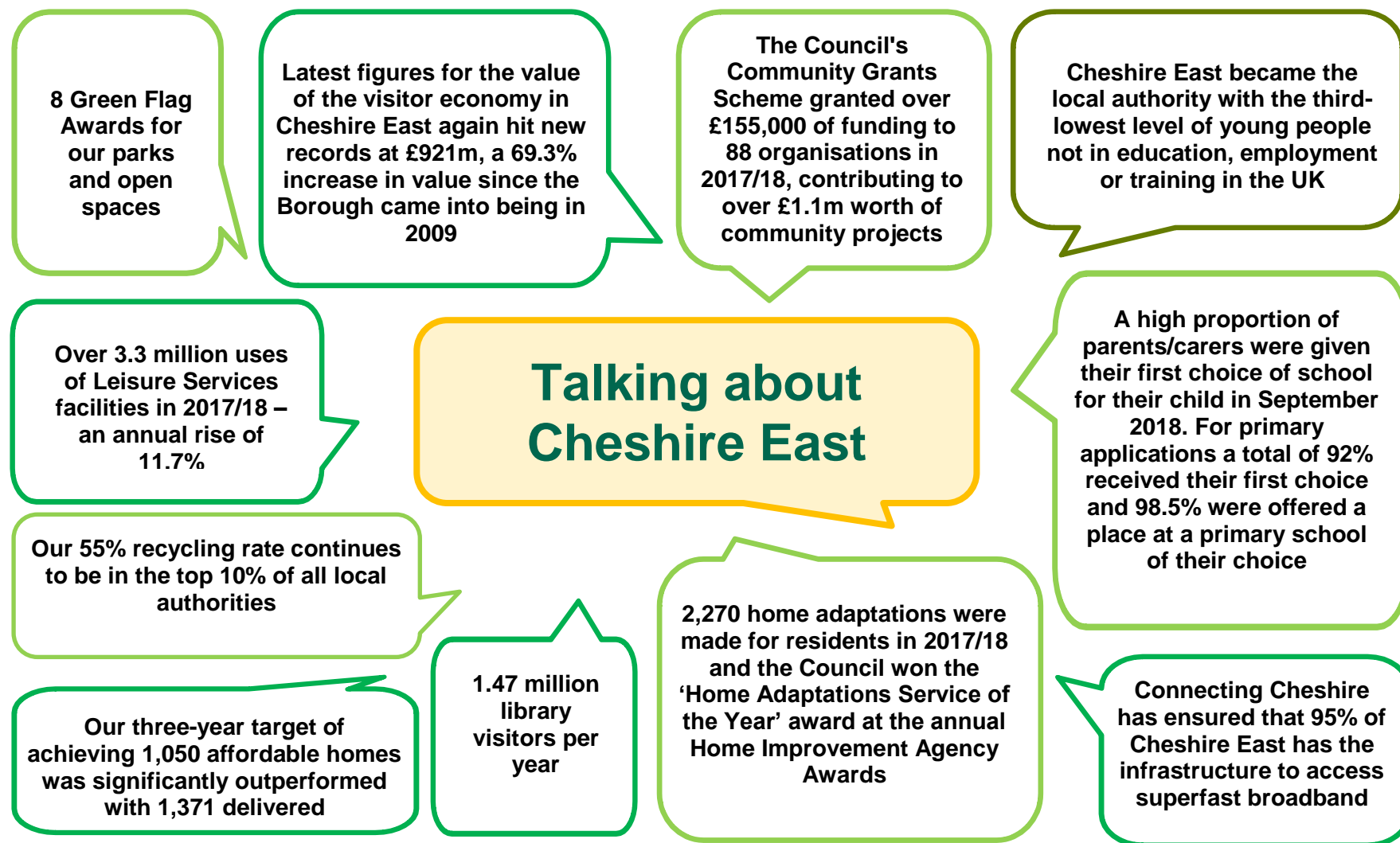
This comprehensive report provides further information on the issues facing the Council in the medium term and shows how these are being addressed to present a balanced financial position for the 2019/20 financial year. The report also includes medium term estimates showing financial challenges from 2020 through to 2022.

Additional detailed analysis of the Council's financial position is contained within the Council's [Value for Money](#) publication. This illustrates a strong financial position and provides clear evidence of delivering more with less.

The effective management of the budget has provided a solid financial platform, but current consultations on the Local Government Settlement provide little certainty on the models Central Government will use to determine future funding arrangements. The medium term forecasts shows the extent of the financial challenge ahead but I am confident and determined to deliver for local residents and to do everything I can to maintain Cheshire East as one of the best places to live in the Northwest.

*Clr Paul Bates*

Portfolio Holder for Finance & Communication,  
Cheshire East Council  
February 2019



## Annex 1

Estimated Budget and funding for Cheshire East Council 2019/20 to 2021/22 (excluding ring-fenced grants).

Summary position for 2019/20 to 2021/22	Budget Book 2018/19 (revised at Third Quarter Review) £m	Estimated Net Budget 2019/20 £m	Estimated Net Budget 2020/21 £m	Estimated Net Budget 2021/22 £m
Outcome 1 - Our Local Communities are strong and supportive	22.0	22.7	23.2	23.7
Outcome 2 - Cheshire East has a strong and resilient economy	12.4	12.7	12.8	13.2
Outcome 3 - People have the life skills and education they need in order to thrive	19.6	22.4	22.7	22.9
Outcome 4 - Cheshire East is a green and sustainable place	42.9	44.6	44.7	45.9
Outcome 5 - People live well and for longer	128.0	134.2	140.9	142.3
Outcome 6 - A responsible, effective and efficient organisation	33.2	36.3	36.9	37.9
Total Outcomes	258.1	272.9	281.2	286.0
<i>CENTRAL BUDGETS:</i>				
Capital Financing	10.0	12.0	12.0	14.0
Past Pensions Adjustment	0.3	0.2	1.2	1.2
Income from Capital Receipts	-2.0	-2.0	-1.0	0.0
Contingency	1.0	0.0	0.0	0.0
New Homes Bonus Community Fund	1.0	1.0	1.0	0.0
Use of (-)/Contribution to (+) Earmarked Reserve	-0.3	-2.9	-0.9	-0.9
Total Central Budgets	10.0	8.3	12.3	14.3
Additional changes to balance future years		0.0	0.0	-11.0
<b>TOTAL: SERVICE + CENTRAL BUDGETS</b>	<b>268.1</b>	<b>281.2</b>	<b>293.4</b>	<b>289.2</b>
<i>FUNDED BY:</i>				
Council Tax	-206.4	-216.2	-222.7	-229.4
Business Rate Retention Scheme	-43.0	-48.0	-48.4	-48.9
Revenue Support Grant	-5.4	0.0	0.0	0.0
Specific Grants	-12.3	-14.9	-11.2	-11.1
Sourced from Collection Fund	-1.0	-2.1	0.0	0.0
<b>TOTAL: FUNDED BY</b>	<b>-268.1</b>	<b>-281.2</b>	<b>-282.4</b>	<b>-289.5</b>
<b>Funding Deficit</b>	<b>0.0</b>	<b>0.0</b>	<b>11.0</b>	<b>-0.3</b>

# ***Cheshire East Council Medium Term Financial Strategy 2019-22***

***February 2019***

***Working for a brighter future together***

# Foreword from the Finance and Communication Portfolio Holder

## A great place to live

***“Cheshire East is a great place to live, work and visit - and this is as important to the Council as it is to our local residents. In addition, we have one of the strongest economies in the country which is made up of a vibrant mix of businesses across a wide range of sectors.”***

*Source: Cheshire East Corporate Plan 2017-20*

## Dealing with financial Challenges

2019/20 is the final year of a four year financial settlement from Central Government, and in this final year the Revenue Support Grant to Cheshire East has ended, placing greater reliance on funding local services from locally raised income from residents and businesses.

High growth in housing and ongoing local commercial developments provides additional funding towards the associated increases in demand for key services, such as highways maintenance, as well as education and waste services. An ageing population and increasing demand for Children's Services requires an important balance between the finances of individuals, the NHS and Cheshire East Council's resources. The Leader of the Council has written to the Prime Minister highlighting the difficulties in managing this balance in the medium term. The letter highlighted the positive impact that the area has on the national economy, but draws attention to the potentially negative impact that current funding strategies could have on the local area.

## Local Services, engaging local people

The Council's Pre-Budget Consultation document, released in October 2018, received significant attention, but responses to the Council's proposals were limited in number. The proposals included an increase in Council Tax by up to 2.99% for the 2019/20 financial year. This reflects the financial pressure the Council is facing from inflation and growing demand for services, which is most acute in Children's Services. This approach will add 78p per week to the average household Council Tax bill each year.

## Achieving our plans

The proposals in this document continue to work towards the achievement of the Council's Corporate Plan, which focuses on:

- Communities** ~ helping residents to help themselves and each other, supporting volunteering and minimising anti-social behaviour.
- Economy** ~ encouraging and supporting businesses to create high employment and creating opportunities for all.
- Education** ~ intervening early to provide a great start in life.
- Environment** ~ supporting energy saving initiatives and making sure our green spaces make Cheshire East a great place to live.
- Health** ~ safeguarding the vulnerable, with care that people need.

I believe this report provides a strong set of options that will be able to create a sustainable position in the medium term. Clearly there is more to do and I will be engaging with key people and organisations throughout 2019/20 to ensure we can create a position that matches local needs with local resources.

**CLLr Paul Bates**

Cllr Paul Bates, Finance and Communication Portfolio Holder

# Comment from the Acting Section 151 Officer

Under Section 25(1) of the Local Government Act 2003, I am required to comment on the robustness of the estimates in the budget and the adequacy of the proposed reserves. The Council must have regard to this report when making decisions in respect of the budget.

## Robust Estimates

The process to produce a balanced budget for 2019/20 has engaged a wide array of stakeholders throughout 2018/19. Significant challenge has been provided via consultation, briefings and dedicated liaison with senior officers and elected members. Officers within the Finance Team have co-ordinated the process and provided the necessary diligence in reviewing business cases.

The 2019/20 Budget relies upon the closing balances and performance forecasts within the Third Quarter Review 2018/19. The 2018/19 outturn is balanced, but particular financial pressures were identified within Children's Services, Environmental Services and there has been non-achievement of certain cross-cutting savings. Each of the issues identified within the outturn has been taken into account when producing the 2019/20 budget, and appropriate growth has been proposed. This provides the reassurance that such issues will not recur to the same degree. Other significant estimates such as the Council Tax and Business Rates income forecasts, as well as grants to be received, are primarily based on government returns and published commitments.

Gross expenditure estimates within the 2019/20 Budget is matched to gross income estimates. This includes a Council Tax increase of 2.99% which is lower than the government threshold of 3% and is therefore not subject to a referendum. The budget also relies on income from investments and assumptions on borrowing costs and

professional advice has been sought in forecasting these activities. The introduction of an Investment Strategy is new for 2019/20, but the budget does not place any new reliance on income from activities within this strategy, this does mean there may be opportunities, in excess of risks, but any potential gains will be subject to due diligence and any decisions will be made in accordance with the Finance Procedure Rules.

## Adequate Reserves

The Reserves Strategy provides information on the impact of the MTFS on the Council's reserves. In considering whether reserves are adequate I have reflected on recent work by CIPFA to produce a resilience index as well as considering local and national risks. Indicators from CIPFA suggest that Cheshire East Council's useable reserves are lower than for most comparative authorities, however this is counterbalanced by very strong domestic and non-domestic taxbases and the consistent achievement of a balanced outturn. When looking at risks it is important to recognise that local funding of the Council's budget is higher than ever, that the budget has increased overall and that there are potential unknown impacts from Brexit. The Council's ability to achieve efficiency savings is reducing over time as the focus turns to ensuring services remain compliant. With this level of risk the 2019/20 Budget has been prepared on the basis that General Reserves will increase to £12m. This will be achieved through moving Earmarked Reserves to the General Reserve.

## Conclusion

Based on my engagement and observations of the process to determine a balanced budget for 2019/20 I believe that the budget presents a robust set of proposals. And based on my assessment of the risks the Council is facing I am satisfied that the Reserves Strategy presents an adequate level of reserves. I will monitor the impact of the closure of the 2018/19 financial year, and review in-year performance, in order to provide timely updates during 2019/20.

*Alex Thompson*

Alex Thompson, Head of Finance & Performance

Acting S.151 Officer



# Table 1 – Three Year Summary Position

Estimated Budget and funding for Cheshire East Council 2019/20 to 2021/22 (excluding ring-fenced grants)

Summary position for 2019/20 to 2021/22	Budget Book 2018/19 (revised at Third Quarter Review) £m	Estimated Net Budget 2019/20 £m	Estimated Net Budget 2020/21 £m	Estimated Net Budget 2021/22 £m
Outcome 1 - Our Local Communities are strong and supportive	22.0	22.7	23.2	23.7
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Contingency	1.0	0.0	0.0	0.0
New Homes Bonus Community Fund	1.0	1.0	1.0	0.0
Use of (-)/Contribution to (+) Earmarked Reserve	-0.3	-2.9	-0.9	-0.9
Total Central Budgets	10.0	8.3	12.3	14.3
Additional changes to balance future years		0.0	0.0	-11.0
<b>TOTAL: SERVICE + CENTRAL BUDGETS</b>	<b>268.1</b>	<b>281.2</b>	<b>293.4</b>	<b>289.2</b>
<i>FUNDED BY:</i>				
Council Tax	-206.4	-216.2	-222.7	-229.4
Business Rate Retention Scheme	-43.0	-48.0	-48.4	-48.9
Revenue Support Grant	-5.4	0.0	0.0	0.0
Specific Grants	-12.3	-14.9	-11.2	-11.1
Sourced from Collection Fund	-1.0	-2.1	0.0	0.0
<b>TOTAL: FUNDED BY</b>	<b>-268.1</b>	<b>-281.2</b>	<b>-282.4</b>	<b>-289.5</b>
<b>Funding Deficit</b>	<b>0.0</b>	<b>0.0</b>	<b>11.0</b>	<b>-0.3</b>

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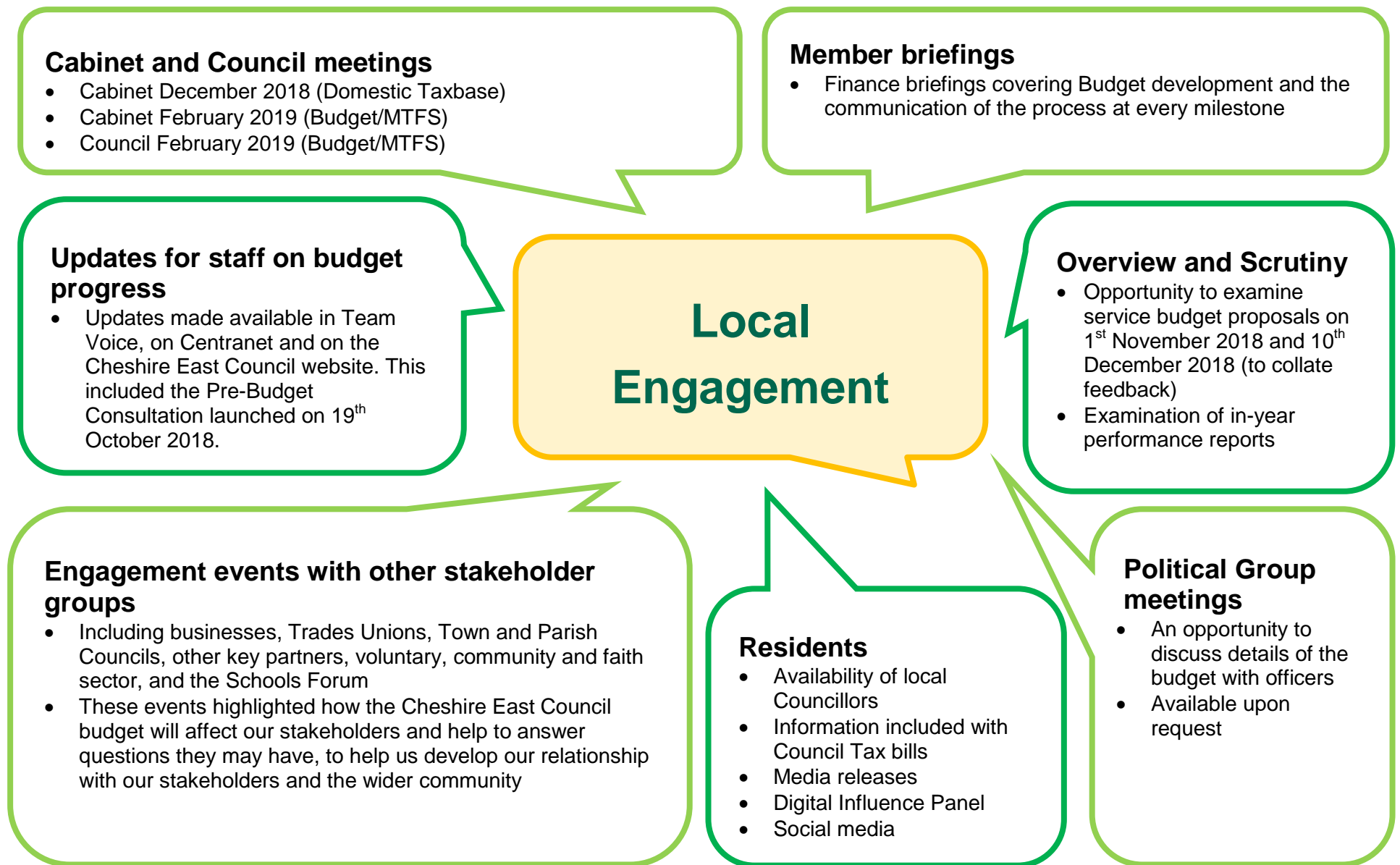
# Section 1 - Achieving Outcomes

Cheshire East Council is responsible for providing approximately 500 local public services across an area of over 1,100km<sup>2</sup> for over 375,000 residents. The total amount of spending to deliver these services in the period April 2018 to March 2019 will be in the region of £740m, which is funded from a combination of local taxes, national taxes (in the form of government grants) and payments direct from service users and other organisations.

As a place we have a fantastic mix of rural and urban environments. However the most important element of Cheshire East is its people and we strive to make sure we have a Council that serves its diverse community well and delivers value for money. We want to see Cheshire East Council build a national reputation for customer services and partnership working and to build a clear programme that continually delivers.

The Corporate Plan 2017-2020 highlights six outcomes that the Council aims to achieve that will meet the needs of local residents and businesses. As local needs and priorities in Cheshire East change over time the Council continues to be flexible. This section provides the details of how the Council aims to achieve its outcomes through the delivery of focused and clear priorities.

Each of the Council's Priority outcomes are set out on the following pages along with the budget changes that will deliver a balanced position for 2019/20.



# Understanding the financial tables in this document

Budget changes in this document are expressed in cash terms compared to the Council's Approved Budget for 2018/19.

Each change is included in a table as described below:

Theme of the Potential Change(s) (such as "Changing the way we work" or "Income Generation")	2019/20 £m*	2020/21 £m*	2021/22 £m*
<b>Title of budget change (either Revenue or Capital) [Pre Budget Consultation Reference]</b> A narrative to describe the budget change.			
Impact on Services Budget =	-x.xxx	-x.xxx	-x,xxx
<p>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</p> <p>Values are not cumulative</p>			

The specific Service Budget that will be affected is identified here. Current budgets are detailed in the Council's Budget Book.

Capital changes are split by the year in which expenditure is incurred.

Figures represent an increase or decrease in spending compared to the 2018/19 Approved Budget.

If the potential change is permanent it is therefore repeated in each year.

If spending will vary across the three years each figure still represents the change from the existing 2018/19 Budget

## Outcome 1 – Our local communities are strong and supportive

<b>What this means:</b>	<p>Individuals and families are self-reliant and take personal responsibility for their quality of life.</p> <p>Communities are cohesive, with a strong sense of neighbourliness. There is genuine civic pride and mutual respect.</p>	
<b>What the Council will focus on:</b>	<p><b>1. Active, Resilient and Connected Communities where people want to live</b></p>	<p><b>2. Communities where you are Safe, and feel Safe</b></p>
<b>What this will look like:</b>	<p>People work together to help each other, take action and take pride in where they live. We enable and support all of our communities to be independent. We lead by example as a proactive and enforcing Council.</p>	<p>People feel safer in their own homes and in their communities. We work with partners to target a reduction in anti-social behaviour and improve public and road safety.</p>

# Key Priorities

Over the past year we have held coproduction events with service users, communities and the voluntary sector to better understand their needs. This is essential to ensure that our communities are safe, strong and supportive and to be able to meet the challenges of having to make large scale savings, whilst still meeting need.

We are working with communities to develop strength based community initiatives and targeted interventions to build social relationships amongst isolated groups. We are also working to encourage social connections between people with similar experiences to provide peer support, helping residents to help themselves.

We are committed to investing in our communities and maximising the full value of our community capital to maximise our shared potential, bringing about greater social, economic and personal benefits for everyone in Cheshire East. By developing our approach to engaging with and supporting community development, we can ensure we maximise potential to help all our communities to become more enterprising and to enable more deprived areas to lift themselves out of dependence and to address the inequalities which impact on their lives.

There needs to be a shift towards more prevention and early intervention which will require services to organise and professionals to behave in very different ways.

## Challenges

- There continues to be pressure on the health and care system due to the significant demand on services, high costs to the system and local demographic pressures.
- Addressing the geographical inequalities in life expectancy across the borough, which is significantly higher in our more affluent areas.
- Managing the increase in areas of the borough that fall in the most deprived 20% nationally.

## Opportunities

- Create sustainable communities through strengthening our approach to community engagement and communications, including ensuring coproduction is at the centre of all our commissions.
- Empowering people to take greater control over their own lives, to influence personalised services and to take greater responsibility for their health outcomes.
- Making our communities more connected through reshaping our approach to Adult Social Care and Communities work, helping people in communities to become more connected to others, reducing inequalities and improving life chances.
- Developing Connected Neighbourhoods to strengthen local networks and partnerships, which work collaboratively to improve health and wellbeing.
- Engaging local people to be more involved in decision making in their areas.



## Proposals to vary the Budget under Outcome 1 (Communities) are focused on these areas:

Changing the way we work <i>Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.</i>	2019/20 £m*	2020/21 £m*	2021/22 £m*
<b>Withdrawal of temporary reduction in funding for Universal Information and Advice service (Revenue Investment) [1]</b>  There was a temporary increase of £30,000 in the grant funding for this service in 2015/16 on the basis that the “loan” would be paid back over the following three years. This growth will restore the budget to its original value from 2019/20.  <i>Impact on Benefits Administration Service Budget =</i>			
	<b>+0.010</b>	<b>+0.010</b>	<b>+0.010</b>
*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a> . Values are not cumulative			

## Outcome 2 - Cheshire East has a strong and resilient economy

<b>What this means:</b>	<b>We will invest in the building blocks that will allow business to grow, give our residents the right skills to secure employment and attract inward investment in to the Borough. By working together with business and our residents we will enhance the quality of place and create prosperity for all.</b>			
<b>What the Council will focus on:</b>	<b>1. Culture, Heritage and Tourism</b>	<b>2. Jobs and Skills</b>	<b>3. Business Growth and Inward Investment</b>	<b>4. Infrastructure</b>
<b>What this will look like:</b>	Across the Borough our towns and villages will offer a rich mix of retail, leisure, cultural and heritage facilities that will serve our residents and attract more visitors and tourists to Cheshire East.	The workforce in Cheshire East will be well educated and skilled.  Unemployment will be kept low, new and high quality jobs will be created and people will be ready for work as soon as they leave education or training.	Businesses will grow and thrive in Cheshire East.  Sites and support will be available to attract new businesses to the Borough and to allow existing businesses to grow.	The Borough will be connected to the rest of the country and movement and connectivity within the Borough will improve as well as being safe and efficient.

# Key Priorities

Cheshire East has one of the strongest economies in the country and is made up of a vibrant mix of businesses across a wide range of sectors. However, we need to maintain this position and create further growth that will support the wellbeing of our residents.

However, there are some strategic risks which must be managed if we are to be able to support continuing growth in the Borough's economy.

In particular we need to continue to support housing growth in a manner so that we can provide the right type of housing that will attract people with the skills to support our local economy; as well meeting the needs of all our residents.

Furthermore, we need to ensure we can deliver employment sites so we can continue to attract inward investment and to enable our existing businesses to grow and become more productive.

Another key strand of supporting a vibrant economy is ensuring we are able to provide a rich and diverse range of leisure opportunities for visitors and local residents to enjoy.

With this in mind the Council is prioritising investment from both its capital and revenue budgets to support economic growth through the delivery of major infrastructure projects such as HS2 and through projects which will support housing, employment and regeneration in our towns and villages.

## Challenges

- Not just delivering housing growth but delivering the right type of houses which meet all the needs of residents and will attract new residents to the Borough.
- Delivering employment sites to attract inward investment and to enable existing businesses in the Borough to grow.
- Delivering the required infrastructure to support growth in a sustainable manner.

## Opportunities

- Ensuring we fully capitalise on the opportunity for sustainable growth that can be enabled with the arrival of high speed rail and other investments in strategic infrastructure.
- Taking a strategic approach to the way we manage our land and property so that we can not only support economic growth but also create future revenue to support the delivery of essential services.
- Regenerating our key towns so we can offer a diverse range of leisure, retail and commercial opportunities.

## Proposals to vary the Budget under Outcome 2 (Economy) are focused on these areas:

<b>Changing the way we work</b> <i>Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Visitor Economy (Revenue Savings) [3]</b>  Reviewing alternative and more efficient means of delivering visitor information in the Borough.  <i>Impact on Visitor Economy Service Budget =</i>	<b>-0.017</b>	<b>-0.022</b>	<b>-0.022</b>
<b>Contract and Commissioning savings (Revenue Savings) [4]</b>  The Council is reviewing all its commercial arrangements with third parties including the contracts it holds with its wholly owned companies. A proposal to deliver this saving target has been developed and has been considered by the Council's Cabinet.  <i>Impact on Cross Service Budgets =</i>	<b>-0.250</b>	<b>-0.250</b>	<b>-0.250</b>
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.                      Values are not cumulative</i>			

<b>Changing the way we work</b> <i>Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Macclesfield Silk Heritage Trust (Revenue Investment) [5]</b>  This proposal recommends a standstill position in investment in the Trust, to improve sustainability whilst West Park Museum is redeveloped.  <i>Impact on Cultural Economy Service Budget =</i>	<b>+0.020</b>	<b>+0.020</b>	<b>+0.020</b>
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.            Values are not cumulative</i>			

<b>Income generation</b> <i>Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Increase Public Rights of Way Fees and Charges (Revenue Savings) [6]</b>  Additional income to be delivered through the Public Rights of Way Service.  <i>Impact on Public Rights of Way Service Budget =</i>	<b>-0.023</b>	<b>-0.023</b>	<b>-0.023</b>
<b>Investment Portfolio (Revenue Savings) [7]</b>  The objective of this proposal is to deliver a long term and sustainable income to the Council through investment in commercial property. The general approach will be to consider the level of investment, risk and potential rate of return prior to considering acquiring the specific investment.  <i>Impact on Assets Service Budget =</i>	<b>-0.250</b>	<b>-0.500</b>	<b>-0.500</b>
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.  Values are not cumulative</i>			

<b>Investment in services</b> <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Cheshire East Reflects (Revenue Savings) [8]</b>  The programme of events end in 2018 so no further funding will be required in 2019/20.  <i>Impact on Cultural Economy Service Budget =</i>	<b>-0.050</b>	<b>-0.050</b>	<b>-0.050</b>
<b>Business Rate Growth for Council Facilities (Revenue Investment) [9]</b>  Recent additions to the Council's estate to improve facilities for residents have resulted in pressures on budgets. For example, the creation of improved leisure and environmental facilities, the retention of empty buildings and the revaluation of properties for business rates has resulted in higher business rates being payable, are contributing to the budget pressure.  <i>Impact on Facilities Management Service Budget =</i>	<b>+0.090</b>	<b>+0.180</b>	<b>+0.180</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p><i>Values are not cumulative</i></p>			



<b>Investment in services</b> <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Management of Risks Relating to Land (Revenue Investment) [10]</b>  <p>The Council has a number of brownfield sites in its ownership, some of which are former landfill sites or contaminated land from their former uses. The Council currently has robust management arrangements for active sites, but needs to put in place a regime to address non-active sites and to undertake works on certain sites e.g. water treatment, septic tanks.</p> <p style="text-align: right;"><i>Impact on Assets and Facilities Management Service Budget =</i></p>	<b>+0.090</b>	<b>+0.010</b>	<b>+0.010</b>
<b>Energy Cost Increases (Revenue Investment) [11]</b>  <p>Additional budget requirement as a result of the increased cost of gas and electricity within Council buildings. The full impact of the increase will be mitigated in 2019/20 due to the abolition of the Carbon Reduction Commitment Levy (CRC), which has been replaced by an increase in the Climate Change Levy at lower cost than CRC.</p> <p style="text-align: right;"><i>Impact on Facilities Management Service Budget =</i></p>	<b>+0.145</b>	<b>+0.145</b>	<b>+0.145</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: right;"><i>Values are not cumulative</i></p>			

Reducing subsidy <i>Ensure limited resources are redirected to the areas with the most critical need.</i>	2019/20 £m*	2020/21 £m*	2021/22 £m*
<b>Homelessness Reduction Act - new burdens (Revenue Investment) [12]</b>  <p>The Minister for Local Government is providing local authorities with new burdens funding following the introduction of the Homelessness Reduction Act. The Homelessness Reduction Act places new statutory duties on Local Authorities.</p> <p>The Homelessness Reduction Act has significantly reformed England's homelessness legislation to ensure that more people get the help they need to prevent them becoming homeless in the first place. It forms part of the Government's end to end approach to tackling homelessness, helping both those at risk of homelessness and those experiencing a crisis. The new burdens funding for the Act sits alongside other funding for homelessness, including the Homelessness Prevention funding and the Flexible Homelessness Support Grant.</p> <p>The funding has been made available for local authorities to meet the new duties contained within the Act.</p> <p style="text-align: right;"><i>Impact on Strategic Housing Service Budget =</i></p>			
	<b>+0.010</b>	<b>-0.037</b>	<b>-0.037</b>
<b>Community Transport (Revenue Savings) [13]</b>  <p>Following the introduction of the revised bus network the Council has continued to look how to deliver its transport related services in the most effective and efficient way. This programme is now looking at a review of the Council's flexible transport Little Bus service. In addition, staff and overhead efficiencies from the Council's wholly owned company, TSS, are being proposed.</p> <p style="text-align: right;"><i>Impact on Client Commissioning - Transport Service Budget =</i></p>			
	<b>-0.109</b>	<b>-0.200</b>	<b>-0.200</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: right;"><i>Values are not cumulative</i></p>			

## Outcome 3 – People have the life skills and education they need in order to thrive

<b>What this means:</b>	Children and young people get a good start in life, and are prepared for the world of work. Everyone is equipped to live independent, self-sufficient lives, and to realise their particular talents and abilities.		
<b>What the Council will focus on:</b>	<b>1. Securing the Best Start in Life</b>	<b>2. Highest Achievement for All Learners</b>	<b>3. Inclusion</b>
<b>What this will look like:</b>	Pupils will be school ready and have a firm foundation for a good education at the end of Early Years Foundation stage.	Academic achievement and employability will be outstanding in Cheshire East.	Vulnerable children and young people are supported to achieve their potential and increase aspirations.

## Key Priorities

Ensuring that our children and young people get a good start in life, have the education and skills to prepare them for adulthood, fulfilling their career aspirations and providing a highly skilled workforce for the future is a priority for the Council. To achieve this, we need to maintain and continue to further increase the number of education settings from early years to further education which are recognised as good or outstanding.

The 'Parenting Journey', our universal offer of parenting support from pre-birth to starting school, has been established to ensure that all young people get a good start in life. It integrates and joins up our support for families in the early years across education, health and care. We will further improve our targeted offer to our vulnerable 0-2 year old children by ensuring that they have access to targeted speech, language and communication tools to ensure that they have the best possible start. We will continue to out-perform all of our peers to maximise 30 hours of free childcare, ensuring that children get to school ready to learn and thrive.

Having sufficient good or outstanding school places is a priority as this makes Cheshire East a good place to live and learn. The Council has an ambitious plan for the creation of additional school places, both in mainstream and special educational needs settings over the next ten years. Plans for a new 40 place school in Crewe to meet the needs of children with social, emotional and mental health are progressing along with the expansion of places in Alsager, Congleton, Nantwich, Sandbach and Wilmslow, with early discussions taking place in other areas.

We continue to celebrate strong educational outcomes for young people of all ages. However, we recognise the outcomes for some of our more vulnerable children could be better. In 2018 we were successful in attracting funding across Cheshire East to help to improve the outcomes for these children. This project will continue

into 2019 and we will ensure improvements are embedded and learning is shared across all schools and not just those which participated.

The timeliness and quality of education, health and care plans (EHCPs) for children and young people with special educational needs remains a high priority for the Council and its partners, along with the development of an autism strategy and continuation of the development of local provision to meet needs of children and young people locally. We will look to achieve improvement in this area, working jointly with partners and parents and carers in coproduction and delivery.

Safeguarding in our educational settings is strong, but we will continue to build on this by further developing arrangements to support children who are not accessing a full time mainstream education. There will be a targeted support and intervention for families and greater support for education settings will be explored.

We will continue to champion the need for increased funding for education settings in Cheshire East, seeking the continued support of Local MPs. Monitoring the financial stability of our maintained schools will remain a priority. We will develop a clear core offer to all schools (maintained and academies) and provide clarity on the additional offer and support to our maintained schools, with a specific focus of the sustainability of our rural schools, who provide a valuable contribution to the education infrastructure.

We have great success in that 99% of our young people progress in education, employment or training at age 16. We have a number of approaches to supporting the skills of young people across various services and we will look to strengthen the governance and strategic approach to the way these different services work together to develop a skills strategy which contributes to the economic wellbeing of families. We will continue to focus our efforts to support

the most vulnerable pupils to achieve positive destinations into jobs or training when they leave school maintaining existing high performance standards that our learners deserve.

### Challenges

- Financial sustainability of education settings, many of which are forecasting increasing deficit budgets over the next three years.
- Improving the timeliness and quality of education, health and care plans through an integrated, child centred approach across partners and services.
- A potential increasing number of children who are not accessing full time education or who have been excluded from school.
- Creating additional school places required as a consequence of housing developments and demographic growth, without destabilising existing schools through expanding other schools too soon.
- To bring together the range of services which provide support to improve the skills of young people and families and develop a strategic approach through improved governance.
- Develop a stronger focus on evidence based support for the families of children and young people most vulnerable to the poorest outcomes.

### Opportunities

- Further develop the 'Parenting Journey' so it has maximum impact on giving young children the best start in life.
- Create a locality focus, agreeing specific localities across the borough, to harness shared assets and create virtual teams across sectors to better support joint working with children and families at the centre.
- To build on the strong relationship with all schools through East Cheshire Association of Primary Heads (ECAPH) and Cheshire East Association of Secondary Heads (CEASH) to embed a sustainable sector led approach to education and skills with a focus on the curriculum and transition arrangements.
- Utilise the performance data and intelligence on our schools to provide targeted support for maintained schools at risk of not achieving at least a good Ofsted inspection and provide challenge to academy trusts, where needed, through the Regional Schools Commissioner.
- Work with clusters of maintained schools to develop a clear local authority offer which aligns with development of a potential locality approach to delivery of services creating a team around the school model.
- Embed the learning from the school improvement project to sustain improved education outcomes for our most vulnerable children and young people.

## Proposals to vary the Budget under Outcome 3 (Education) are focused on these areas:

Changing the way we work <i>Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.</i>	2019/20 £m*	2020/21 £m*	2021/22 £m*
<b>Children and Families Transport (Revenue Savings) [14]</b>  Review of transport policies and delivery arrangements to achieve efficiencies. Work with the current school transport provider, Transport Service Solutions, to explore all options to provide a more cost effective solution. Provide support for ongoing management of transport provision and change programme.  <i>Impact on Education Participation and Pupil Support Service Budget =</i>	<b>+0.271</b>	<b>-0.009</b>	<b>-0.289</b>
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>. Values are not cumulative</i>			

<b>Income generation</b> <i>Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.</i>	<b>2019/20</b> <b>£m*</b>		<b>2020/21</b> <b>£m*</b>		<b>2021/22</b> <b>£m*</b>
<b>Provide Schools Meal Subsidy (Revenue Investment) [15]</b>  Expectation of income targets from school meals to be removed due to increased food prices and competition from other providers.  <i>Impact on Education Infrastructure and Outcomes Service Budget =</i>	<b>+0.210</b>		<b>+0.210</b>		<b>+0.210</b>
<b>Early Years Team Income (Income Generation) [16]</b>  This proposal is to increase the income from selling training, conferences and materials from the Early Years Team both to local early years providers and to other local authorities beyond the basic universal offer.  <i>Impact on Preventative Services Service Budget =</i>	<b>-0.020</b>		<b>-0.020</b>		<b>-0.020</b>
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.            Values are not cumulative</i>					



<b>Investment in services</b> <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>People Directorate Business Management Service (Revenue Investment) [17]</b>  To align the business management and support functions in Children and Adult Services to provide a People Directorate Business Management Service. The team is currently staffed with a number of temporary positions, funded from temporary grant budgets. This funding ends on 31 <sup>st</sup> March 2019. The aim is to establish these posts on a permanent basis from April 2019 and to extend its functions across the People Directorate.  <i>Impact on People – Children and Families Service Budget =</i>	<b>+0.345</b>	<b>+0.345</b>	<b>+0.345</b>
<b>Realignment of Children's Services funding streams (Revenue Investment) [18]</b>  Provide additional funding to help manage pressures mainly within Special Educational Needs Placements.  <i>Impact on People – Children and Families Service Budget =</i>	<b>+0.707</b>	<b>+0.707</b>	<b>+0.707</b>
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.            Values are not cumulative</i>			

<b>Investment in services</b> <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Provide Additional Capacity for Special Educational Needs Service (Revenue Investment) [NEW]</b>  <p>In order to meet our statutory requirements it is necessary to ensure there is sufficient resource in the service to meet the increase in demand and address backlogs. We have seen a 25% increase in the number of education, health and care plans over recent years but there has been no increase in capacity in the service. In order to meet the statutory requirement to finalise within 20 weeks of receiving a request there is a need to increase the number of SEND Keyworkers and Educational Psychologists. This will be part of a fundamental restructure of the service which improves efficiency within the process and improves outcomes for children and families.</p> <p><i>Impact on People – Children and Families Service Budget =</i></p>	<b>+0.500</b>	<b>+0.500</b>	<b>+0.500</b>
<b>Extension of Traded Service Opportunities with Schools (Revenue Investment) [19]</b>  <p>This business case continues to widen our ability as a Council to shape and influence our trading arrangements with Schools/Educational Institutions. This proposal is to request a small growth item to invest in detailed analysis of current trading arrangements in order to consider future models of delivery and establish savings/efficiencies based upon a structured evaluation of existing trading arrangements.</p> <p><i>Impact on Education Infrastructure and Outcomes Service Budget =</i></p>	<b>+0.040</b>	<b>+0.040</b>	<b>+0.040</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p><i>Values are not cumulative</i></p>			

## Outcome 4 – Cheshire East is a green and sustainable place

<b>What this means:</b>	<b>Cheshire East's rural and urban character is protected and enhanced through sensitive development, environmental management, transport and waste disposal policies.</b>			
<b>What the Council will focus on:</b>	<b>1. Sustainable Development</b>	<b>2. Waste Management</b>	<b>3. Environment</b>	<b>4. Highways and Parking</b>
<b>What this will look like:</b>	We will deliver the right homes in the right places by unlocking brownfield sites and controlling new development through the planning process to ensure that it will fit within its local setting, help create a better place for residents to live and work in, and protect the areas urban and rural character.	We will promote sustainability through keeping the Borough clean, public engagement in waste reduction and reuse, introducing food waste recycling and disposing of the remaining waste to produce energy, minimising the use of landfill.	Cheshire East Council will continue to protect our countryside and ensure that new development appropriately contributes towards improved facilities needed as a result of increased housing.  CEC will ensure that the environmental impact of new development is assessed and appropriate measures implemented to mitigate any harmful impacts.  CEC is continuing to develop appropriate strategies and policies to protect our environment.	The Council has procured a new Highway Services Contract in order to improve transport connectivity through a well managed and maintained highway network.  We will commence a programme of local transport and parking reviews to gather the evidence necessary for preparation of annual investment programmes and implementation of the Council's updated Local Transport Plan strategy to support sustainable growth.  CEC will ensure that all new development makes provision where appropriate to transport infrastructure that supports public transport, cycling and walking wherever possible.

# Key Priorities

The Council is focused on protecting and enhancing Cheshire East's rural and urban character through sensitive development and effective environmental management.

The Local Plan provides an effective strategic planning framework to control development in the Borough. This includes policies aimed at maintaining the quality of housing development in the Borough and we will continue to ensure our planning service has the resources it needs to continue to be effective.

We also understand that the maintenance and management of highways and parking are important issues for local residents and businesses.

We are therefore developing a Local Transport Plan which will promote sustainable transport in the Borough by promoting the use of cycling, walking and public transport. It will also include a comprehensive parking strategy for the Borough which will set the direction for the development of parking provision across the Borough.

We have also procured a new contract for the maintenance of highways which is aimed at reducing cost, improving the quality of service delivery and improving customer satisfaction rates with this important service.

Another important dimension to the way we manage the environment is our approach to waste management. We have a very effective waste management strategy which has enabled the Council to divert almost 100% of our waste away from landfill and has seen a significant increase in our recycling and reuse rates. We will continue to improve our waste management arrangements to ensure they are as efficient as possible whilst delivering the maximum level of benefit to the environment.

## Challenges

- We have one of the busiest planning departments in the country and have significant numbers of complex applications to deal with. We therefore need to ensure we continue to get the balance between controlling development and providing a good level of customer service to applicants and residents.
- Whilst we have invested significantly in the highway network to protect this important asset, poor weather events will lead to the need to undertake further repairs on the highway.

## Opportunities

- The local transport plan will create a framework to enable us to put further measures in to promote cycling, walking and the use of public transport.
- A fundamental review of parking in the Borough will enable us to set tariffs in a way which will support our economy and to promote alternative forms of transport.
- We will prioritise funding to enhance the quality and promote the accessibility to our countryside and open spaces in the Borough.

## Proposals to vary the Budget under Outcome 4 (Environment) are focused on these areas:

Changing the way we work <i>Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.</i>	2019/20 £m*	2020/21 £m*	2021/22 £m*
<b>Markets Income (Revenue Income Foregone) [20]</b>  Our markets are undergoing significant change and investment and as a result of this the income target in the coming years needs to be changed to reflect this. The budget will need to be reset to reflect the transition of Crewe Markets to a new operating model. This proposal captures the necessary budget adjustments.  <i>Impact on Environmental (incl. Bereavement) Service Budget =</i>	<b>+0.087</b>	<b>+0.057</b>	<b>+0.042</b>
<b>Street Lighting improvements (Revenue Savings) [21]</b>  Following approval to fund a three year programme (2016/17, 2017/18 and 2018/19) of LED street light conversions, this project will allow for a reduction in the reactive revenue maintenance budget due to reduced maintenance requirements and extended life guarantees on the lanterns.  <i>Impact on Highways Service Budget =</i>	<b>-0.050</b>	<b>-0.050</b>	<b>-0.050</b>
*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a> . Values are not cumulative			

<b>Changing the way we work</b> <i>Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Highways Procurement (Revenue Savings) [22]</b>  <p>The Council has now completed the procurement of a new highway contract and therefore the budget that has been established to support the procurement project can now be removed.</p> <p style="text-align: right;"><i>Impact on Highways Service Budget =</i></p>			
	<b>-0.100</b>	<b>-0.100</b>	<b>-0.100</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: right;"><i>Values are not cumulative</i></p>			

<b>Income generation</b> <i>Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.</i>	<b>2019/20</b> <b>£m*</b>		<b>2020/21</b> <b>£m*</b>		<b>2021/22</b> <b>£m*</b>
<b>Parking Strategy – Pay and Display Machines – maintenance saving (Revenue Investment) [23]</b>  This proposal is for a revised level of revenue maintenance funding for the Borough's new pay and display machines. This is lower than the previous maintenance costs following the investment in new machines.  <i>Impact on Car Parking Service Budget =</i>	<b>+0.041</b>		<b>+0.041</b>		<b>+0.041</b>
<b>LTP Parking Studies (Revenue Saving made in 2018/19) [24]</b>  The Council will undertake local transport studies and town-based parking reviews to gather the evidence necessary for preparation of a parking strategy. Income is expected in 2019/20 from studies carried out in 2018/19, but this has already been captured in the 2018/19 base budget. Income in subsequent years depends on the availability of one off funding.  <i>Impact on Car Parking Service Budget =</i>	<b>0.000</b>		<b>0.000</b>		<b>0.000</b>
<b>Bereavement Services Increased Income (Income Generation) [25]</b>  Increase to the income level anticipated to reflect the current levels of service demand since the completion of the improvement to the Crematorium at Crewe.  <i>Impact on Environmental (incl. Bereavement) Service Budget =</i>	<b>-0.045</b>		<b>-0.045</b>		<b>-0.045</b>
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.            Values are not cumulative</i>					

<b>Investment in services</b> <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Lead Local Authority Flood Grant Funding (Revenue Funding) [26]</b>  <p>The Council as the Lead Local Flood Authority contributes an annual sum to the Regional Flood and Coastal Committee. This money is then available as a source of funding in addition to allowing access to wider Flood Defence Grant in Aid funds.</p> <p><i>Impact on Highways Service Budget =</i></p>	<b>+0.001</b>	<b>+0.001</b>	<b>+0.001</b>
<b>Planning Reserve (Revenue from use of Reserve) [27]</b>  <p>Whilst we have adopted the Cheshire East Council Local Plan there is an ongoing work stream relating to other strategic planning documents that need to be prepared. There is a residual amount in the 2016/17 reserve which will be used to cover these additional costs for 2017/18, 2018/19 and 2019/20.</p> <p><i>Impact on Spatial Planning Service Budget =</i></p>	<b>-0.800</b>	<b>-1.000</b>	<b>-1.000</b>
<b>Environmental Services Base Budget (Revenue Investment) [28]</b>  <p>Substantial savings to the Environmental Services budget have been achieved by the Council since Ansa Environmental Services Ltd commenced in 2014/15. The base budget now needs to be rebased to reflect actual savings achieved and to ensure the Council meets its statutory requirements.</p> <p><i>Impact on Environmental (incl. Bereavement) Service Budget =</i></p>	<b>+0.324</b>	<b>+0.309</b>	<b>+0.309</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p><i>Values are not cumulative</i></p>			



<b>Managing waste</b> <i>Reviewing our current Waste offer to ensure value for money is achieved</i>	<b>2019/20</b> £m*	<b>2020/21</b> £m*	<b>2021/22</b> £m*
<b>Ansa income generation and efficiencies (Revenue Savings) [29]</b>  Income generation through Ansa Environmental Services commercial approach to service delivery, benefit to the commissioner from Ansa's subsidiary joint venture (with two neighbouring authorities) and further efficiency savings based on a route and rota review.  <i>Impact on Environmental (incl. Bereavement) Service Budget =</i>	<b>+0.045</b>	<b>-0.580</b>	<b>-0.580</b>
<b>Housing Growth, Waste Contract Inflation and Tonnage Growth (Revenue Investment) [30]</b>  Housing growth to date and future projections will see a corresponding increase in collection costs and recycling and waste. In addition annual contract inflation and a rise in the quantity of waste per household is increasing waste handling and disposal costs.  <i>Impact on Environmental (incl. Bereavement) Service Budget =</i>	<b>+0.403</b>	<b>+0.753</b>	<b>+1.103</b>
<b>Food Waste Recycling (Composting Plant) (Revenue Investment) [31]</b>  This project enables the development of a composting plant to allow food waste recycling in 2019. Household food waste recycling is a key aim of the Council's Municipal Waste Strategy. The Council is seeking to expand its recycling service by enabling household food waste to be recycled within the garden waste bin. To achieve this a new green waste processing solution is required through the construction of a composting plant.  <i>Impact on Environmental (incl. Bereavement) Service Budget =</i>	<b>+0.220</b>	<b>+0.150</b>	<b>+0.150</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p><i>Values are not cumulative</i></p>			

Managing waste <i>Reviewing our current Waste offer to ensure value for money is achieved.</i>	2019/20 £m*	2020/21 £m*	2021/22 £m*
<b>Household waste recycling centre efficiencies (Reversal of Revenue Savings) [32]</b>  <p>The improvements and efficiencies to the Household Waste Recycling Centre service, have delivered savings through reducing opening hours, charging for rubble waste, the acceptance of trade waste and the closure of a site. A capital investment programme improving our sites is underway related to this savings package. The revenue budget now needs to be rebased to reflect actual savings achieved.</p> <p>However, as part of the Council's Municipal Waste Strategy 2030, an independent review of household waste recycling centre provision was carried out in 2016. Significant savings were identified and achieved and the next phase of these changes are being proposed for 2020 onwards.</p> <p style="text-align: right;"><i>Impact on Environmental (incl. Bereavement) Service Budget =</i></p>			
	<b>+0.347</b>	<b>+0.247</b>	<b>+0.247</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: right;"><i>Values are not cumulative</i></p>			

## Outcome 5 – People live well and for longer

<b>What this means:</b>	<b>Local people have healthy lifestyles and access to good cultural, leisure and recreational facilities. Care services focus on prevention, early intervention and physical and mental wellbeing.</b>			
<b>What the Council will focus on:</b>	<b>1. Empowering people to live independent, healthier and more fulfilled lives</b>	<b>2. Information, Advice and Guidance, Prevention and Early Intervention</b>	<b>3. Accessible high quality services, Information &amp; Advice</b>	<b>4. Public Protection, Health Protection and Safeguarding</b>
<b>What this will look like:</b>	<p>Our residents are supported to live independently with a high quality of life.</p> <p>Our residents take responsibility for their own health and well-being. They have a positive experience in all interactions with the health and care system.</p>	<p>The Council commissions and delivers proactive services which help to support physical and mental wellbeing.</p> <p>Facilitating the identification, at an early stage, of individuals who can benefit from preventative services and interventions which help improve physical and mental health and wellbeing.</p>	<p>Residents and customers find it easy to access local services and get the information they need.</p> <p>Our residents have choice when accessing our high quality services. Our residents achieve excellent outcomes through engagement with our local services.</p>	<p>There are strong, multi-agency arrangements in place to ensure residents are safeguarded and protected.</p>

# Key Priorities

## Introduction

The Council has experienced a significant increase in the number of children entering care in Cheshire East. Whilst this rise is reflected locally and nationally, it continues to put pressure on budgets within Children's Social Care, both in terms of placement and staffing costs. A number of measures were put in place in 2017/18 and these have started to impact; children in care numbers have started to stabilise. A growth bid for social care in 2018/19 forms part of these proposals.

Increasing pressures on the budget have led to a number of service reviews and changes in commissioned services. The focus of these has been to maintain frontline capacity and target our resources more effectively on those services that make an impact. The Council has continued to invest in the intensive child in need service, to prevent the escalation of children's needs, previously known as Project Crewe. We are reshaping the market to meet the change in demand and refocus our early help offer.

We are increasingly working on a sub-regional footprint. In July this year Cheshire East, in partnership with Manchester, Salford, Trafford and Stockport Councils, celebrated the first birthday of its regional adoption agency. The service, called 'Adoption Counts', has been formed to ensure that children can be adopted sooner by speeding up the adoption process and providing a better range of post-adoption services. In April this year the Council, in partnership with Cheshire West and Chester, Warrington and Halton Councils launched its shared fostering marketing and recruitment hub. This collaboration recently welcomed its 100th enquiry to foster and it is anticipated that this will lead to an increase in local foster carers. The collaboration is already sharing foster carers and has ambitions to be a market leading shared fostering service.

Work is well underway to establish new safeguarding children partnership arrangements, both at a pan-Cheshire level and, importantly, locally. These changes are being created by the Children and Social Work Act, 2017 and will replace the current Local Safeguarding Children's Boards (LSCBs).

Significant work has taken place over the past year to commence the implementation of Signs of Safety (SoS) as a new way of working with families across Cheshire East. This has included over 500 practitioners and managers from across the partnership being trained in the model. Working closely with North Yorkshire County Council (who were recently rated by Ofsted as Outstanding) as part of the DfE Partners in Practice (PiP) Programme, Cheshire East has benefitted from the advice and guidance from an authority that is successfully using the model to achieve positive results for children, young people and staff. Staff have participated from the outset to help to shape and prepare for Signs of Safety within their services, embracing change. We believe that this is already starting to change the culture across the service and partnership; recruitment and retention of social care staff has significantly improved over the past year. Embedding this model across all areas of our work with children, young people and families is a priority for 2018/19 and beyond.

During 2017 feasibility work has been underway around developing a locality model of working for frontline children's services. This has looked at a range of factors to determine whether it would be more effective and improve services for children, young people and their families based on a number of geographical areas across the borough.

Improving the outcomes for our cared for children and care leavers continues to be a priority. Improving their experiences around

education, health and care services is a priority and a new Corporate Parenting Strategy will be launched later this year. The strategy will set out the 'pledges' made by all corporate parents to our cared for children and care leavers. The Council will shortly also publish its 'local offer' to care leavers, setting out the services they can expect to access.

Absolutely paramount is the ability to ensure we protect both our vulnerable adults and children. Through working with our partners, we continue to focus on issues such as domestic abuse, child exploitation and adult abuse. To ensure we continue to tackle these important issues, we are increasingly working across agencies and partnerships such as Cheshire Fire and Rescue, Police and Crime Commissioner for Cheshire, NHS and housing associations to ensure we take a holistic approach.

We have worked over recent years to shift to Adult Social Care and Health services that reflect the outcomes and aspirations of people using those services. Our ambition is to develop flexible, personalised services that enable people to maintain their independence and, where possible, remain living in their own home.

In line with the Care Act 2014, we will focus on the wellbeing of individuals, supporting choice by giving people the opportunity to have a direct payment and develop their own bespoke package of support. We will stimulate the development of an active and vibrant care market both in the independent sector but also across the voluntary, community and faith sectors.

The recommissioning of Care at Home services (Domiciliary Care), and Accommodation with Care services (Nursing and Residential Care) in Cheshire East has been led by the Council with our health partners. Joint commissioning with our health partners has enabled the Council to develop our local model and will increase opportunities including step up, step down and discharge to assess beds. The recommissioning of Care at Home and Accommodation with Care is underpinned by Care Market Development activities, as

we continue to develop the care market in Cheshire East. We are also currently reviewing our Extra Care provision with a long term ambition to re-design and grow our local model for Extra Care. Additional priority areas for Adults and Older People commissioning will include: Assistive Technology, Community Equipment Services, Advocacy and Direct Payments Support services.

We are committed to developing the Care Provider Market in Cheshire East to improve services and outcomes for adults with complex needs. This includes individuals with Learning Disabilities, Physical Disabilities, Mental Health and Autism, through the development of our Complex Needs Dynamic Purchasing System, which providers bid to be part of, and which enables the Council to commission services which meet the local needs and outcomes of individuals. The Complex Needs Dynamic Purchasing System has been for Young People and Adults aged 16 years plus which will also support transition from Young Peoples to Adult services. This will be supported through the development of three local strategies Learning Disabilities, Mental Health and Autism, which have been developed across the Local Authority and Health partners.

Our commitment to supporting carers who provide care and support to their families in our community continues to grow through the Cheshire East Carers Hub which was commissioned by the Council in partnership with Health. The Carers Hub was commissioned in April this year as a single point of contact for Carers of all ages (Young Carers, Working Age Carers, Parent carers and Older carers), which includes the Information and Advices, the Carers Living Well Fund, Group Support, Training and a 24 hour chat line which is peer led. During the first 3 months the Carers Hub identified over 300 hidden carers across Cheshire East. We are also in the process of re-designing our Respite Care offer, to include a more flexible bed based and community based offer, in response to what carers have told us to include.

The Public Health Team will continue to provide the evidence and data that informs commissioners as to where they need to focus

their efforts to deliver the best outcomes to improve resident's health and wellbeing. There will also be a concerted effort to embed early intervention and prevention in everything that we do across health and the local authority, recognising that empowering individuals to improve their health and wellbeing will be beneficial to both the individual, but also the system as it will, in time, reduce demand. The recommissioning of Public Health Services will ensure effective delivery in the most efficient way.

Our priorities for Public Health commissioning over the next year include: The mobilisation of the new Substance Misuse Services which went live on the 1<sup>st</sup> November; and recommissioning Sexual Health Services, Lifestyle Services (One You), Children and Young People Early Help Mental Health services (including Emotional Health Schools), Infection Prevention and Control services, and our Healthy Child Programme.

Our Communities Team will focus on the continued implementation of the Connected Communities Strategy, supporting communities to help themselves and creating a sustainable community infrastructure that will help individuals and families to live well.

Following feedback from local organisations, we will aim to build relationships, and to support the development of a thriving Voluntary Community and Faith Sector in Cheshire East through the coproduction of a local strategy. This will be supported through the recently commissioned Early Help Framework, which currently has 56 Providers contracted to respond to bid for Early Intervention and Prevention services, for example Befriending services, and Sensory Impairment services which are currently being commissioned via the Framework.

Proposed changes within Health will inevitably have a significant impact on social care both in children's and adults, but the full impact of these are not yet known. We remain committed to working with our NHS colleagues locally and sub-regionally.

## Challenges

- Continuing to manage the increase in numbers of children and young people in care and affordability of residential and external placements.
- Managing the market to ensure that there is a range of services, care and support available to support cared for children and young people in their local area, many of whom have complex needs, including working sub-regionally to broaden the range and effectiveness of our services.
- Strengthening partnerships to deliver integrated, value for money services that ensure the voice of children and young people and better meet their needs.
- Managing young people in transition to adulthood, in particular those with a complex disability who will be transitioning to adult social care during the next three years.
- Meeting the needs of our aging population; by 2027 the number of people in the Borough aged 65+ is estimated to rise to over 127,000 and those aged 85+ estimated to have increased to 18,800.
- Managing the needs of adults with dementia, which has a higher prevalence in Cheshire East than the England average (4.47% of the population aged 65+ are recorded as having dementia).
- Supporting our 'unpaid carers' to have breaks but also to maintain their caring roles.
- Addressing the health and wellbeing, especially mental wellbeing, of our population to ensure they can live full and independent lives.



## Opportunities

- Continue to work to embed Signs of Safety as a way of working in Cheshire East to make our services more inclusive to support families to develop their own solutions leading to sustainable outcomes and more child-focused, putting the needs of children and young people first.
- Maximise sub-regional arrangements to improve collaborations, streamline and enhance good practice across all partnerships.
- Commission new children's care hubs, where children and young people's needs can be better met by integrating fostering and residential care more closely so they achieve greater stability of care.
- Implement a locality working model to better support joint working with children and families at the centre.
- In the forthcoming Green Paper on Adult Social Care the Government has indicated that the Green Paper will cover: a sustainable social care system; how people pay for social care including a cap on lifetime social care bills; care market stability and development; and also the integration of health and social care.
- The commissioning of Early Intervention and Prevention services via the Early Help Framework.
- Ensuring a strategic approach to digital innovation, for example through the work to introduce the Personal Care Record, enhancing the Live Well online directory and the Digital Inclusion Strategy.
- Continued roll out of Connected Communities Centres to deliver the right services in the right places at the right time.
- Working with NHS colleagues to further develop joint commissioning for outcomes.
- Develop new ways of working where the service user is in charge of their journey to remain in their own home and they are connected to their communities.

## Proposals to vary the Budget under Outcome 5 (Health) are focused on these areas:

Changing the way we work <i>Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.</i>	2019/20 £m*	2020/21 £m*	2021/22 £m*
<b>Independent Living Fund - Attrition Factor Reductions (Revenue Savings) [33]</b>  Cheshire East Council receives annual funding from central Government to support individuals previously in receipt of funding from the Independent Living Fund which closed in June 2015. Funding available to the Council reduces annually and although the Council has ring-fenced the money to Adult Social Care the demand for ongoing care and support continues.  <i>Impact on External Care Costs Service Budget =</i>	-0.027	-0.027	-0.027
<b>Client Finance and Business Support Review (Revenue Savings) [34]</b>  Review of the adult social care client finance and business support function to ensure reduced bureaucracy and prevent duplication across services and review the structure to ensure maximum effectiveness and productivity. This is interdependent with the people directorate management service business case.  <i>Impact on Operations – Support to Social Work Service Budget =</i>	-0.100	-0.100	-0.100
<p>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</p> <p>Values are not cumulative</p>			



<b>Changing the way we work</b> <i>Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Direct Payments Review (Revenue Savings) [35]</b>  Review of direct payment policy and process to ensure that it is up to date, efficient and meets legal requirements.  <i>Impact on Commissioning – External Care Costs Service Budget =</i>	<b>-0.500</b>	<b>-0.500</b>	<b>-0.500</b>
<b>One You Cheshire East (Revenue Savings) [36]</b>  Cheshire East Council commissions an integrated lifestyle service for members of the population aiming to improve their long term health through smoking cessation, physical activity, healthy eating, weight management and falls based interventions. This service is currently delivered by a number of providers. The Council will look to reduce the management costs whilst maintaining frontline delivery.  <i>Impact on Public Health Service Budget =</i>	<b>-0.050</b>	<b>-0.100</b>	<b>-0.100</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p><i>Values are not cumulative</i></p>			

<b>Changing the way we work</b> <i>Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Community Equipment Service (Revenue Savings) [37]</b>  <p>The Community Equipment service is currently commissioned by Cheshire East Council, Eastern Cheshire and South Cheshire Clinical Commissioning Groups. The service aims to improve and maintain a person's health and wellbeing through increased independence, choice, control and quality of life of the individual with the provision of equipment. A review is being undertaken of the Community Equipment service to ensure that it is the most efficient and effective service for the residents of Cheshire East, the outcome of which will inform future commissioning intentions.</p> <p style="text-align: right;"><i>Impact on Commissioning - Other Service Budget =</i></p>	<p style="text-align: right;"><b>-0.050</b></p>	<p style="text-align: right;"><b>-0.100</b></p>	<p style="text-align: right;"><b>-0.100</b></p>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: right;"><i>Values are not cumulative</i></p>			

<b>Changing the way we work</b> <i>Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Review and reduction of contract values (Children's Services) (Revenue Savings) [38]</b>  <p>Across the children's services (social care, education and early intervention) there are a significant amount of external contracts worth circa £21m. A systematic review of all contracts will be undertaken and a negotiation will take place with the providers to ensure outcomes for children and young people remain person focused.</p> <p><i>Impact on People – Children and Families Service Budget =</i></p>	<p><b>-0.500</b></p>	<p><b>-0.500</b></p>	<p><b>-0.500</b></p>
<b>Healthwatch Cheshire East (Revenue Savings) [39]</b>  <p>The primary purpose of the Healthwatch service is to act as an independent champion and voice for residents in order to help monitor and shape local health and social care services. This is achieved by actively gathering the opinions and experiences of local people in using these services and producing valuable and timely feedback for the NHS and local authority. Negotiations have been initiated between the partnership &amp; the provider to propose 10% reduction to the value of the overall contract.</p> <p><i>Impact on People – Commissioning Early Intervention &amp; Prevention Budget =</i></p>	<p><b>-0.015</b></p>	<p><b>-0.015</b></p>	<p><b>-0.015</b></p>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.  Values are not cumulative</i></p>			

<b>Income generation</b> <i>Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Increase Income (Income Generation) [40]</b>  <p>The proposal is to conduct a review of individuals who have historically been assessed with a low or no financial contribution towards their care and support services, to support these individuals to access their full welfare benefit entitlement, address any changes in individual circumstances and to ensure consistent application of the Council's charging policies.</p> <p style="text-align: right;"><i>Impact on Client Contributions Service Budget =</i></p>	<p style="text-align: center;"><b>-0.100</b></p>	<p style="text-align: center;"><b>-0.100</b></p>	<p style="text-align: center;"><b>-0.100</b></p>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>			

<b>Investment in services</b> <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Growth in Demand for Adult Social Care (Revenue Investment) [41]</b>  <p>The Adults Social Care budget both here in Cheshire East, and across the country, remains under pressure as a result of a number of factors. These include young people transitioning into adulthood, care fee levels paid to external care providers, the rising demand generally and our older population requiring much more complex care. To ensure the Council is well placed to meet this demand it will invest in services that will deliver high quality support to our most vulnerable residents.</p> <p style="text-align: right;"><i>Impact on External Care Costs Service Budget =</i></p>	<b>+3.500</b>	<b>+8.500</b>	<b>+8.500</b>
<b>New Adult Social Care Winter pressures (Revenue Investment) [NEW]</b>  <p>This additional funding is for councils to help alleviate the pressures on Social Care and the NHS through the winter months, ensuring that people can avoid hospital or leave hospital when they are ready into a setting that best meets their needs. This will support the NHS to free up capacity over winter. Cheshire East Council will agree, in consultation with NHS colleagues, the most effective way to spend the money to achieve the purposes of the grant, including tackling delayed discharges of care, based on the challenges faced in the local health and care system, including local market conditions and preventing admissions. This funding is to be reported within the Better Care Fund.</p> <p style="text-align: right;"><i>Impact on External Care Costs Service Budget =</i></p> <p style="text-align: right;"><i>Additional Ringfenced Grant Funding =</i></p>			
	<b>+1.451</b>	<b>0.000</b>	<b>0.000</b>
	<b>-1.451</b>	<b>0.000</b>	<b>0.000</b>

<b>Investment in services</b> <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Independent Reviewing Officer (IRO) Service (Revenue Investment) [NEW]</b>  <p>There is a significant increase on the demands on the Independent Review Officer (IRO) service to meet their statutory responsibilities as a result of a 33% increase in the number of children who are cared for. This additional funding secures a temporary post and an additional post to ensure that expectations are met without compromise to children and young people in our care.</p> <p style="text-align: right;"><i>Impact on Children's Social Care Budget =</i></p>	<p style="text-align: center;"><b>+0.126</b></p>	<p style="text-align: center;"><b>+0.126</b></p>	<p style="text-align: center;"><b>+0.126</b></p>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: right;"><i>Values are not cumulative</i></p>			

<b>Looking after young children</b> <i>Review of current service offers to ensure high standards are maintained and demand is managed.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Growth Bid Cared for Children and Care Leavers (Revenue Investment) [42]</b>  <p>There has been a 17% increase in the numbers of cared for children in Cheshire East over the last year, which is a situation being experienced elsewhere, both regionally and nationally. Although we are still below national and local comparators, admissions to care have continued to exceed the number of discharges and the complexity of needs of individuals are increasing due to improved assessments and effective prevention arrangements. This increase in numbers and complexity has resulted in the need for additional placement purchases, including high cost placements, and additional staffing to support children, young people and care leavers.</p> <p><i>Impact on Commissioning – Social Care – Cared for Children Service Budget =</i></p>	<b>+0.700</b>	<b>+1.200</b>	<b>+1.200</b>
<b>Extension of the Fact22 model (Revenue Investment) [43]</b>  <p>Additional investment to provide an intensive support offer for families who have experienced repeat care proceedings and/or who have children in need, where alcohol and substance misuse is negatively impacting upon their ability to care safely for their children.</p> <p><i>Impact on Children in Need and Child Protection Service Budget =</i></p>	<b>+0.300</b>	<b>+0.300</b>	<b>+0.300</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p><i>Values are not cumulative</i></p>			

<b>Looking after young children</b> <i>Review of current service offers to ensure high standards are maintained and demand is managed.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>0-19 Healthy Child Programme (Revenue Savings) [44]</b>  <p>The 0-19 Healthy Child Programme is a universal programme available to all children and young people. The programme aims to ensure that every child gets the good start they need to lay the foundations of a healthy life. The programme recognises the importance of building on the support in the early years and sustaining this across the life course for school-aged children and young people to improve outcomes and reduce inequalities through universal provision and targeted support. Recommissioning will look to reduce management costs and maintain current frontline provision.</p> <p style="text-align: right;"><i>Impact on Public Health Service Budget =</i></p>	<b>No change</b>	<b>-0.150</b>	<b>-0.150</b>
<b>Review of allowances for children previously cared for (Revenue Savings) [45]</b>  <p>To review the existing policies for the financial support provided to Special Guardians, Adopters and those with Child Arrangement/Residence Orders. Review and re-assess suitability for existing arrangements, how these compare to other similar authorities and consider implementing a new policy for any future financial arrangements.</p> <p style="text-align: right;"><i>Impact on Cared for Children and Care Leavers Service Budget =</i></p>	<b>-0.075</b>	<b>-0.150</b>	<b>-0.300</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: right;"><i>Values are not cumulative</i></p>			



<b>Looking after young children</b> <i>Review of current service offers to ensure high standards are maintained and demand is managed.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Funding of Social Workers (Revenue Investment) [NEW]</b>  To permanently fund nine social workers within the Children's Social Care Service to ensure caseloads remain appropriate and manageable. This is in keeping with the Council's commitment as Corporate Parents.  <i>Impact on Children's Social Care Service Budget =</i>	<b>+0.400</b>	<b>+0.400</b>	<b>+0.400</b>
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.            Values are not cumulative</i>			

Reducing subsidy <i>Ensure limited resources are redirected to the areas with the most critical need.</i>	2019/20 £m*	2020/21 £m*	2021/22 £m*
<b>Reducing the Cost of Leisure Services (Revenue Savings) [46]</b>  <p>The Operating Agreement between the Council and Everybody Sport &amp; Recreation requires a minimum of a 3% cash reduction of the annual management fee based on the previous year's agreed figure.</p> <p>The current management fee investment to Everybody Sport &amp; Recreation allows the Trust to operate a concessionary "leisure card" scheme. The current options scheme gives 40% off the full adult peak rate for a range of leisure centre activities. The proposal is to retain the scheme but reduce this 40% to 30% across all categories.</p> <p>Due to increased demand for car park refunds at Everybody leisure facilities in Crewe and Nantwich, there is a need to increase the budget by a further £25,000 to meet this additional usage. This reflects the actual costs for 2017/18, and those projected on current year usage which is anticipated to continue through to the 2019/20 financial year. Discussions will continue with the leisure trust to see if this increase can be addressed as part of the annual management fee setting process.</p> <p style="text-align: right;"><i>Impact on Leisure Service Budget =</i></p>			
	<b>-0.086</b>	<b>-0.125</b>	<b>-0.163</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p><i>Values are not cumulative</i></p>			

Reducing subsidy <i>Ensure limited resources are redirected to the areas with the most critical need.</i>	2019/20 £m*	2020/21 £m*	2021/22 £m*
<b>Allocated Adult Social Care Grants (Revenue Investment) [47]</b>  Increase to the Adults service budget in line with the additional grant income for the Local Community Voices, Social Care in Prisons and War Pensions Disregard grants.  <i>Impact on Care Costs, Client Income and Healthwatch Service Budget =</i>			
	<b>+0.065</b>	<b>+0.065</b>	<b>+0.065</b>
*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a> . Values are not cumulative			

## Outcome 6 – A responsible, effective and efficient organisation

<b>What this means:</b>	<b>The Council serves the people of Cheshire East through: ensuring quality and best value for local people, striving to get it right first time, and acting with integrity, being open, honest and accountable and delivering on our promises</b>				
<b>What the Council will focus on:</b>	<b>1. Best Use of Assets</b>	<b>2. Effective Processes</b>	<b>3. Engaging Our Staff</b>	<b>4. Enhance Leadership and Governance</b>	<b>5. Strong Financial Management</b>
<b>What this will look like:</b>	Property, Plant, Equipment and Information assets will be appropriate and add value to service delivery.	Strong Governance and appropriate internal controls will be in place.	Staff will be engaged and their welfare and development will be managed well.	External and internal assessment will show how the Council is performing.	Financial control will be effective. Budgets will be well prepared. Financial information will be accurate and appropriate.

# Strategic Overview

This outcome requires all departments to maintain compliance whilst increasing productivity through the better use of systems, automated processes and challenging the value for money of all initiatives.

Services most associated with supporting the achievement of Outcome 6, such as Legal, Accountancy, HR and ICT work alongside all Council Directorates and the Group of Cheshire East companies. They are responsible for providing professional expertise and technology that enable front-line services to operate effectively. These services have a vital role in ensuring compliance with the law and local constitutional requirements and supporting elected Members and senior officers when making decisions that are transparent and accountable.

Achievements within Outcome 6 is measured by such things as promoting local democracy; unqualified 'true and fair' opinions from the external auditors; the level of income collection; how the costs of support compare with national comparisons; and achieving the best rate of returns on investments.

During 2019/20 the Council will continue the council-wide Working for a Brighter Future Together Programme.

The Council is also undertaking a review of all the Council's buildings and IT systems, our customer management systems, our commissioning and procurement arrangements and our current framework for taking the commercialisation agenda forward.

A baseline review will also support the development of savings opportunities relating to this programme.

The proposals contained within this section are achievable, but in some cases will also depend on changing behaviours staff and moving arrangements to modern self-service options.

## Proposals to vary the Budget under Outcome 6 Services are focused on these areas:

<b>Changing the way we work</b> <i>Managing services in a way that gets more for less. Investing in modern technology to get better quality outputs, eliminating duplication and streamlining processes.</i>	2019/20 £m*		2020/21 £m*	2021/22 £m*
<b>Reduce costs of core processes (Revenue Savings) [48]</b>  The implementation of a new Enterprise Resource Platform solution across Transactional Finance / Human Resources, and the associated business process transformation will result in streamlined processes and efficiency savings in future years.  <i>Impact on Corporate Service Budget =</i>	-0.250		-0.250	-0.250
<b>Delivery of the Equality, Diversity and Inclusion Strategy (Revenue Investment) [49]</b>  The Council has made significant progress in its implementation of the Equality and Diversity Strategy. A dedicated budget is required to support the ongoing delivery of priority initiatives and training programmes defined in the annual work programme.  <i>Impact on Cross Service Budget =</i>	+0.020		+0.020	+0.020
<b>Reversal of Admin Review Efficiencies (Reversal of Revenue Savings) [NEW]</b>  In the last year the Council has been proactive in reducing the level of business administration support. Individual initiatives, including MARS and restructuring of teams, have impacted on the level of further savings that can be achieved by the business admin review. As such it is expected that £0.2m of these savings will not be achieved.  <i>Impact on Corporate Directorate Service Budget =</i>	+0.200		+0.200	+0.200
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.                      Values are not cumulative</i>				

<b>Income generation</b> <i>Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>ASDV Pension Contribution (Revenue Savings) [50]</b>  <p>Management Fees to Council Alternative Service Delivery Vehicles (ASDVs) should be reduced to reflect a reduction in Employer pension contributions. This aligns with the reduction in Local Government Pension Scheme (LGPS) current service contribution rates in the last triennial valuation. Management fees have not previously been adjusted for this matter, in anticipation of the potential impacts of introducing an alternative pension scheme. As the introduction of an alternative pension scheme has been postponed, pending consideration as part of the ASDV Review, it is therefore proposed to reduce operational management fees, to reflect the current lower costs of making pension contributions. The proposal has no impact on service levels or the overall funding of the pension scheme. The proposal will be effected by abating the Corporate allocation for pay/pensions changes for 2018/19.</p> <p style="text-align: right;"><i>Impact on Central Service Budget =</i></p>	<p style="text-align: center;"><b>-0.152</b></p>	<p style="text-align: center;"><b>-0.152</b></p>	<p style="text-align: center;"><b>-0.152</b></p>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>			

<b>Income generation</b> <i>Charging strategies for each service area to increase income where appropriate based on market rates and considering the price elasticity of demand for services.</i>	<b>2019/20</b> <b>£m*</b>		<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Legal Services Income (Revenue Savings) [51]</b>  To further increase the department's income generation from third parties in relation to planning related work.  <i>Impact on Legal Service Budget =</i>	<b>-0.030</b>		<b>-0.030</b>	<b>-0.030</b>
<b>Registrations Income (Revenue Savings) [52]</b>  The proposed growth in Registration Income is a reasonable and proportionate increase in various fees which apply to the team which administer marriages and other civil ceremonies. Given the extensive scale of the Registration Service business, the achievement of this proposed growth is felt to be achievable.  <i>Impact on Registrations Service Budget =</i>	<b>-0.075</b>		<b>-0.075</b>	<b>-0.075</b>
<b>Income from the recovery of local taxation (Revenue Income Foregone) [53]</b>  The budget for income (cost recovery) from the issue of court summonses has been reviewed to reflect the trend of reducing arrears cases, as more tax payers are paying on time, and subsequent reduction in legal action.  <i>Impact on Revenues Service Budget =</i>	<b>+0.050</b>		<b>+0.050</b>	<b>+0.050</b>
<i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>. Values are not cumulative</i>				



<b>Investment in services</b> <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Corporate Services Restructure (Revenue Investment) [54]</b>  <p>The Corporate Directorate is undergoing a review and restructure which will require an increase in its staffing budget to support and enhance both new and existing teams. Some costs within this service area relate to one-off projects, both Capital and Revenue. The overall funding for one-off projects will be reviewed, but in the meantime, growth in this budget will be matched by a draw down of reserves.</p> <p style="text-align: right;"><i>Impact on Cross Service Budget =</i></p>	<p style="text-align: center;"><b>+0.280</b></p>	<p style="text-align: center;"><b>+0.280</b></p>	<p style="text-align: center;"><b>+0.280</b></p>
<b>Growth in Legal services (Revenue Investment) [55]</b>  <p>To address a number of long-standing unfunded establishment posts. It also provides additional capacity to meet demand in child and adult social care and education, as well as building resilience across the service which will reduce dependency on more costly external legal support and enable income generation. Some costs within this service area relate to one-off projects, both Capital and Revenue. The overall funding for one-off projects will be reviewed, but in the meantime, growth in this budget will be matched by a draw down of reserves.</p> <p style="text-align: right;"><i>Impact on Legal Service Budget =</i></p>	<p style="text-align: center;"><b>+0.250</b></p>	<p style="text-align: center;"><b>+0.250</b></p>	<p style="text-align: center;"><b>+0.250</b></p>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: right;"><i>Values are not cumulative</i></p>			

<b>Investment in services</b> <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Growth in HR services (Revenue Investment) [56]</b>  <p>Human Resources is undergoing a review and restructure to ensure the appropriate support and capacity is available to services across the Council as we embark upon a number of wide-ranging restructures of services and embark on the Whole Organisation Transformation Programme proposals. This will require a permanent increase for its staffing budget to support and enhance both new and existing teams. Some costs within this service area relate to one-off projects, both Capital and Revenue. The overall funding for one-off projects will be reviewed, but in the meantime, growth in this budget will be matched by a draw down of reserves.</p> <p style="text-align: right;"><i>Impact on HR Service Budget =</i></p>	<b>+0.175</b>	<b>+0.175</b>	<b>+0.175</b>
<b>Local Election Costs 2019 (Revenue Investment) [57]</b>  <p>All-out Borough, Town and Parish Council elections will take place on 2<sup>nd</sup> May 2019 funded by Cheshire East Council. No European or Central Government election or referendum are scheduled to take place on the same day, as has happened in previous years, so costs cannot be shared. To ensure there are sufficient funds in the 2019/20 financial year, the Council will require an additional sum for the Electoral Services budget in the region of up to £450,000. This expenditure relates to a single event and is therefore matched by a draw down of reserves.</p> <p style="text-align: right;"><i>Impact on Elections Service Budget =</i></p>	<b>+0.450</b>	<b>0.000</b>	<b>0.000</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: right;"><i>Values are not cumulative</i></p>			

<b>Investment in services</b> <i>Investment will be put into systems that support key services and into other assets to ensure they remain fit for purpose. The impact of capital spending will be managed at affordable levels.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Community Governance Review (Revenue Investment) [NEW]</b>  <p>The September meeting of the Constitution Committee considered a report on a proposed Community Governance Review (CGR) of town and parish council (T&amp;PC) governance arrangements in the Borough. The review will focus on boundaries, parish size and membership, grouping of parishes, etc. There are 186 T&amp;PC wards which are the subject of the CGR: a major undertaking. Whilst much of this work will take place in the 2019/20 year, some work has already begun, and some costs incurred. Funding is required in order to ensure that this major piece of work can be effectively undertaken.</p> <p style="text-align: right;"><i>Impact on Elections Service Budget =</i></p>	<b>+0.037</b>	<b>+0.037</b>	<b>+0.037</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: right;"><i>Values are not cumulative</i></p>			

<b>Reducing subsidy</b> <i>Ensure limited resources are redirected to the areas with the most critical need.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Insurance Contributions (Revenue Savings) [58]</b>  <p>The Council is entering in to new contractual arrangements that will allow a reduction in the total cost of administering highways insurance claims. Claims will be handled and paid by the Highways Service provider, unless the claim relates to defects in the Council's policies. This approach will support a reduction in the cost of administration, premiums and claims.</p> <p style="text-align: right;"><i>Impact on Insurance Service Budget =</i></p>	<p style="text-align: center;"><b>-0.100</b></p>	<p style="text-align: center;"><b>-0.100</b></p>	<p style="text-align: center;"><b>-0.100</b></p>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: center;"><i>Values are not cumulative</i></p>			

# Section 2 - Financial Stability

## Introduction

1. Unprecedented funding pressures and demand for key services is pushing councils to the limit. Councils have played a vital role in supporting local economies and communities through a difficult few years. Local government has sustained disproportionately large reductions in Government funding over this decade, in comparison to the rest of the public sector.
2. Local residents and businesses contribute to sustainable Council services through local taxation, contributions and charges; and Central Government provides grant funding mainly from national taxation. The Council manages these resources to achieve maximum efficiency and diverts as much funding as possible to front line services.
3. The Government's Autumn Statement for 2018 confirmed the previously announced spending period funding available for Local Government with the addition of some extra support for Adults and Children's Social Care for 2019/20 to help combat the increasing demands in these key service areas.

The key areas being covered in this section include:

Source of Funding	Paragraphs
Balance of National vs Local Funding	4 to 11
Government Grant Funding of Local Expenditure	12 to 48
Collecting Local Taxes for Local Expenditure	49 to 85
Charges to Local Service Users	86 to 89

**Income and expenditure are also influenced by decisions and estimates of the Council in relation to:**

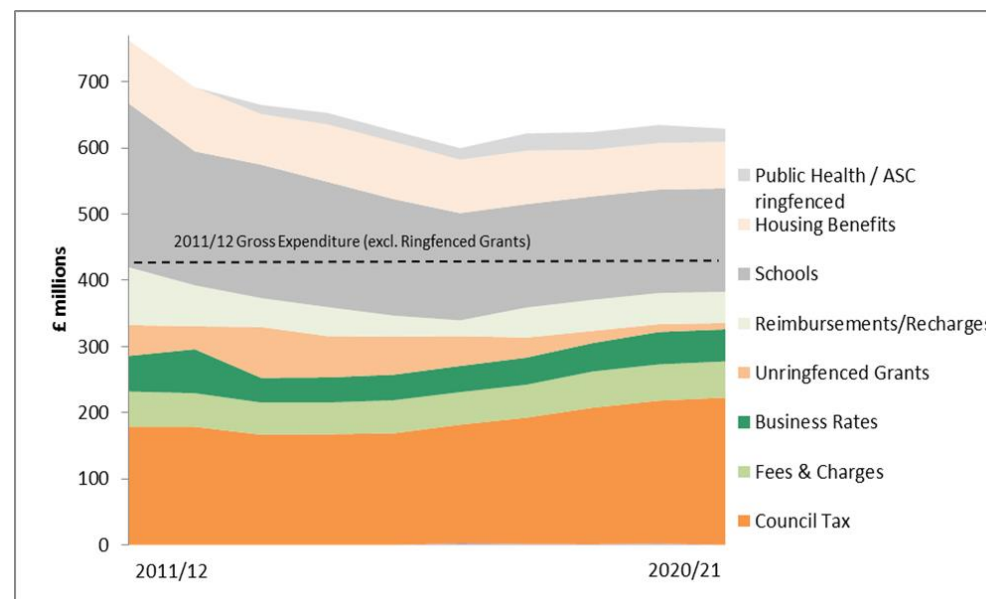
Investment, Borrowing and the Capital Programme	90 to 109
Other Economic Factors	110 to 113
Managing the Reserves Position	114 to 115

## Balance of National vs Local Funding

4. Cheshire East Council is becoming more reliant on local funding and less reliant on Central Government grant. The Provisional Local Government Settlement 2016/17 provided a shift in approach, where Government used potential Council Tax income to determine levels of Local Authority spending. This is highlighted by the fact that funding for Council services from Council Tax and Business Rates will have increased to over 95% of the total net funding for 2019/20.
5. The financial stability of the Council, which determines the amount of money available for service expenditure, should be exposed to less risk from further Government funding shortfalls in the medium term. This was strengthened by the submission to Central Government of our 4-Year Efficiency Plan in October 2016. This confirmed our acceptance of the 2016/17 Finance Settlement funding levels which are now guaranteed up to the end of 2019/20. These were reconfirmed in the Provisional Finance Settlement released on 13<sup>th</sup> December 2018.
6. Financial planning for the Council continues to reflect the potential for year on year increases in demand to fall on local funding sources such as council tax, business rates and fees and charges.
7. **Chart 1** illustrates how the balance between funding sources is changing over time placing emphasis on support from local funding sources.
8. The 2019/20 Budget Report is based on the Provisional Local Government Finance Settlement released on 13<sup>th</sup> December 2018. The final settlement is expected in early 2019 with a debate in the House of Commons shortly after. Any further

information on funding will be reported to Members as soon as practical and may require management through reserves.

**Chart 1: The Council is becoming more reliant on local funding sources**



Source: Cheshire East Finance

9. **Table 2** sets out the revised funding forecast for Cheshire East Council for the period 2018/19 and 2019/20. This shows how Government Grants are reducing and how local funding sources are being increased to fund the increasing demand on service budgets.

Table 2 - Funding available to services	2018/19 £m	2019/20 £m	Change £m	Change %
Council Tax	-206.4	-216.2	9.8	<b>4.7%</b>
Government Grants	-17.7	-14.9	-2.8	<b>-15.8%</b>
Business Rates Retention	-43.0	-48.0	5.0	<b>11.6%</b>
Collection Fund Contribution	-1.0	-2.1	1.1	<b>110.0%</b>
<b>Funding Available to Services</b>	<b>-268.1</b>	<b>-281.2</b>	<b>13.1</b>	<b>4.9%</b>

Sources: Cheshire East Finance

Ministry of Housing, Communities and Local Government

10. The Business Rates Retention funding system and control over Council Tax levels are placing greater responsibility on all councils to determine their own funding levels.
11. In Cheshire East the Council is meeting this challenge in a number of ways and focusing on longer term financial stability through the following actions:
  - **Growing the domestic tax base** - each new home brings additional Council Tax revenue, New Homes Bonus and potentially Community Infrastructure Levy together with additional costs, such as education, waste collection and highways. The Council ensures that any subsidy from its general funding sources is carefully managed to achieve maximum value.
  - **Promoting Economic Growth** - business growth can result in additional income being retained for local investment, subject to certain thresholds. Therefore, the Council is investing heavily in economic growth and infrastructure projects that will unlock development land and support inward investment.

- **Increasing employment opportunities** - through economic growth resulting in fewer people relying on welfare benefits from the Council which releases funding for further investment or for direct provision of front line services.
- **Maintaining strong collection rates and challenge of tax bases** - to ensure fairness to all involved and ensure the Council maximises local income for local use.

This approach is very important and is embedded in the Council's actions.

## Government Grant Funding of Local Expenditure

12. The detailed funding settlement from Government impacts on longer term financial planning. Key dates for 2019/20 include:
  - The release of the Autumn Statement on 29<sup>th</sup> October 2018.
  - The release of the Provisional Settlement on 13<sup>th</sup> December 2018 confirming the approach to grants, Council Tax and calculation of business rates estimates.
  - Final Settlement announced early February 2019.

These have set out changes to:

- General funding levels – confirming a 100% reduction in Revenue Support Grant.
- Additional funding announcements, payable to local authorities, for the following areas:
  - Adult social care and support
  - Disabled Facilities Grant

- Children's social care
- Housing Revenue Account, Housing Infrastructure Fund, strategic housing deals
- Highways

13. The Council receives grant funding from the Government under several main headings:
- Revenue Support Grant (£0m in 2019/20)
  - Specific Grants (unring-fenced revenue) (£14.9m in 2019/20)
  - Specific Grants (ring-fenced revenue) (£249.7m in 2019/20)
  - Capital Grants (main programme) (£89.1m in 2019/20)

More detail is provided on each of these funding elements below.

## Revenue Support Grant (RSG)

14. In addition to retained business rates the Government provides RSG which is not ring-fenced for specific purposes. Historically, RSG and retained business rates were allocated based on a complicated formula that reflected local characteristics such as deprivation, age profiles and road lengths. Links to this complex approach have been dropped in favour of promoting economic growth through named grants. The provisional settlement has confirmed previous indications that RSG will be phased out, and that no payment will be received by Cheshire East in 2019/20.
15. The authority was actually due to have to repay some "negative" RSG but this decision has now been reversed.

16. The reduction in RSG, from £5.4m to nil remains a significant challenge and means that all grants rolled into RSG, including Social Care new burdens, and previous Council Tax Freeze Grants, have also been reduced to nil.

## Unring-fenced Specific Grants

17. A number of separately identified but unring-fenced Specific Grants have been retained totalling an estimated £14.9m in 2019/20. The detailed list is shown in **Annex 8** and summarised in **Table 3**. Note that Table 3 shows the original budget for 2018/19 and Annex 8 shows the revised in-year position including grants received after the budget was set.
18. Other than RSG, the list of Specific Grants mainly relates to funding for the New Homes Bonus (NHB) and Social Care Grants. Together they equate to 80% of the total unring-fenced specific grants expected in 2019/20.
19. As part of the Provisional Local Government Finance Settlement announced on 13<sup>th</sup> December 2018, there were additional funding allocations for 2019/20 of £1.5m to support Adult Social Care Winter pressures and also an additional £2.5m allocation to support social care. This was new monies when compared to the agreed 2016/17 to 2019/20 finance settlement that was locked in as part of the submission to Central Government of our 4-Year Efficiency Plan in October 2016 which guaranteed our settlement values up to the end of 2019/20.



Table 3 - Specific grants and RSG have decreased overall	2018/19 £m	2019/20 £m	Change £m	Overall Change %
Revenue Support Grant	-5.4	0.0	-5.4	
New Homes Bonus	-8.6	-9.3	0.7	
Social Care Grants	-1.1	-2.5	1.4	
Independent Living Fund	-0.9	-0.9	0.0	
Other Grants	-1.7	-2.2	0.5	
<b>Total Specific Grants</b>	<b>-17.7</b>	<b>-14.9</b>	<b>-2.8</b>	<b>-15.8%</b>

Sources: Cheshire East Finance

Ministry for Housing, Communities and Local Government

20. Increasing development in Cheshire East means NHB is expected to exceed recent expectations. The grant continues to be paid over four years instead of the previous six years, and the threshold level before growth is to be paid out has been maintained at 0.4% of the housing stock.

## Ring-fenced Specific Grants

### Dedicated Schools Grant (DSG)

21. The Government announced the indicative allocations of DSG for 2019/20 on 17<sup>th</sup> December 2018. DSG is a ring-fenced grant provided to the Council to meet certain educational costs.
22. Following the introduction of several national funding formula (NFF) arrangements DSG is now allocated in funding blocks, namely the Schools Block, Early Years Block, High Needs Block and Central Schools Services Block.

23. The Schools Block allocation to the Council is now based on the schools block NFF. This takes the October 2018 pupil data and provides a basic per pupil amount plus additional funding for issues such as deprivation and low attainment. The NFF also applies a minimum per pupil level of funding of £3,500 Primary and £4,800 Secondary in 2019/20.
24. Pupils who are in Resource Provision have transferred into the schools block (but will continue to receive additional funding from the high needs block).
25. Local authorities can continue to provide funding to schools through a local formula for 2019/20 and 2020/21. The Schools Forum have recommended a local formula for consideration at the February 2019 Cabinet. Subject to Cabinet approval that formula will be used to allocate funding to schools for 2019/20. The per pupil figures in **Table 4** assume that formula is approved.
26. The Early Years Block is mainly comprised of:
- Funding for the universal 15-hour entitlement for all three- and four-year-olds.
  - Funding for the additional 15 hours for three- and four-year-old children of eligible working parents.
  - Funding for the Early Years pupil premium plus a few other areas.
27. The High Needs Block is a single block for local authorities' high needs pupils / students aged 0-24. The block includes place funding for pre-16 and post-16 places in appropriate establishments such as maintained mainstream schools, maintained special schools and pupil referral units. The block

includes top-up funding for pupils and students occupying places in such settings.

28. The high needs block is calculated through the high needs NFF. This is made up of a range of factors and weightings including:
  - A basic entitlement
  - An historic spend factor
  - A population factor
  - Measures relating to low attainment and deprivation
  - A funding floor
  - An area cost adjustment
29. The Council has received additional SEN funding of £0.8m for 2018/19 and £0.8m for 2019/20. The 2019/20 DSG figure in **Table 4** includes that amount.
30. The Central Schools Services Block is based on a NFF that includes:
  - Historic commitments
  - Ongoing responsibilities
  - An area cost adjustment
31. **Table 4** shows the actual DSG received for 2018/19, the indicative DSG for 2019/20, and per pupil funding levels. (This excludes the adjustment for Academy recoupment).
32. For 2019/20 the Schools Forum have agreed to transfer 0.5% of the Schools Block to High Needs to recognise pressures in that area.

33. Other than that adjustment all the schools block funding is passported directly through to schools.

Table 4 - Dedicated Schools Grant are allocated in four notional blocks from 2019/20	Actual 2018/19 £m	Provisional 2019/20 £m	Change £m	Change %
Total Dedicated Schools Grant	266.0	272.5	6.5	2.4%
Comprising:				
Schools Block	207.7	212.6	4.9	2.4%
Central School Services Block	3.0	3.0	0.0	0.0%
Early Years Block	21.2	21.2	0.0	0.0%
High Needs Block	34.1	35.7	1.6	4.7%
<b>Per Pupil Funding</b>	<b>£ / pupil 2018/19</b>	<b>£ / pupil 2019/20</b>		
Dedicated Schools Grant:				
Schools Block				
Primary	3,903	3,935		
Secondary	4,896	4,934		
Central Schools Block (historic commitments)	30.55	31.21		
Early Years Block 3 and 4 hourly rate	4.30	4.30		
2 Year old hourly rate	5.28	5.28		
Figures quoted are before the Academy recoupment and before any High Needs Deductions.				

Sources: Cheshire East Finance  
Education and Skills Funding Agency

### Dedicated Schools Grant (DSG) ~ Academy Funding

34. The Department for Education are clear that becoming an academy should not bring about a financial advantage or disadvantage to a school but rather, enable academies to have greater freedom over how they use their budgets.
35. The Schools Block funding receivable for the 74 academies which opened before or during 2018/19 has not been removed from the total DSG award to be received (as reflected in **Table 4**). The funding for these academies of

approximately £127.8m will be deducted from the Authority's DSG as part of the academy recoupment process (see **Annex 8**). The figures included in this paragraph do not include the two recent academy conversions which converted in December 2018. These were Poynton High School and Lostock Hall Primary School.

### Sixth Form Funding

36. Total sixth form funding of £2.8m is receivable for maintained schools (this is an estimated figure to be confirmed when actual sixth form pupil numbers are known). In 2018/19 a balance of £11.8m was allocated directly to academies by the Education and Skills Funding Agency. The allocation for 2019/20 is not yet known.

### Pupil Premium Grant & Pupil Premium Plus

37. The indicator for eligibility will be Free School Meals received in any of the prior six years by any pupil. The allocations for 2019/20 are expected to be the same as in 2018/19 at £1,320 for primary-aged pupils and £935 for secondary-aged pupils for every eligible child in both maintained schools and academies. All looked after children, adopted children and children with guardians will attract funding of £2,300 and children whose parents are in the armed forces continue to attract £300 per annum. It is estimated that Cheshire East Council will receive £4.6m in relation to the Pupil Premium for 2019/20.

### Physical Education Grant

38. The Council expects to receive £1.2m for 2019/20. This is an estimate after any reduction for academies.

### Universal Infant Free School Meals (UIFSM)

39. The Council expects to receive £2.3m for 2019/20. This is an estimate for maintained schools. The figure is normally based on a set amount per eligible pupil. The grant is paid directly to local authorities or academies. The Council will comply with the requirement to pass on the grant to maintained schools in full.

### School Improvement Monitoring and Brokering Grant

40. This is a grant for local authorities to continue to monitor and broker school improvement provision for low-performing maintained schools and intervene in certain cases. Nationally £50m is being allocated, with £30m allocated for September 2018 to March 2019 and £20m for April 2019 to August 2019. The Council received £160,000 for September 2018 to March 2019 based on 76 maintained schools. This will be adjusted for any further conversions prior to being paid. It is not yet certain if this grant will continue beyond August 2019.

### Milk Subsidy Grant

41. The terms and conditions of this grant are under review for 2019/20 in terms of the eligibility criteria. At this stage there are no forecasts available for the MTFS until more is known about the impact.

### DSG Reserve Forecasts

42. The Council holds a DSG Reserve created from some additional DSG funding provided several years ago. Over the last two years the pressure on high needs has been gradually reducing the reserve balance. Current forecasts suggest the reserve will become a negative reserve at the end of March 2018 and plans are being taken forward to reduce the spend pressure.

43. The reserve position can be summarised as :

<b>Table 5 - Dedicated Schools Grant Reserve</b>		<b>2018/19</b>
		<b>£</b>
Brought Forward Position		2.3
Forecast Overspend for High Needs		-3.7
Early Years - additional hours		0.1
Additional SEN funding		0.8
<b>Predicted Carry Forward</b>		<b>-0.5</b>

Sources: Cheshire East Finance

44. It is expected that high needs will continue to form a pressure on the reserve in 2019/20 and there may be further pressures from school budget deficits in due course.

### Public Health Grant

45. Public Health responsibilities cover a wide range of services including: sexual health services; children's 0-19 services; NHS health check programmes; substance misuse services, infection control and One You services.
46. Public Health grant has been ring-fenced from 2013 and will continue to be so during 2019/20 to ensure expenditure is incurred in line with the public health framework.
47. Provisional allocations for 2019/20 estimate the grant to be £16.0m. This has been prudently reduced by a further 2.6% for 2020/21 taking the grant forecast to £15.6m.

48. In 2020/21 the grant is being considered as one of a number of funding streams that will be rolled into the Business Rates Retention Scheme when it moves to 75% retention by local authorities.

## Collecting Local Taxes for Local Expenditure

### Business Rate Retention Scheme (BRRS)

49. The Council anticipates collection of approximately £142m (before accounting adjustments) in business rates in 2018/19, based on the Council's NNDR1 return to Central Government on 31<sup>st</sup> January 2018. Under the BRRS arrangements 50% of this funding is paid to Government with 49% being retained specifically to support Cheshire East Council services. 1% is paid to the Fire Authority. In addition to this reduction a tariff of £23.7m must be paid to Government which is used to top-up funding allocations to other local authorities.
50. Up to and including 2016/17, the Council continued to use the nationally set Business Rates baseline figures, plus levy savings as a result of being in the Greater Manchester Pool, for budget setting purposes. This was slightly below the NNDR 1 level reflecting a prudent approach to business rates growth. Since 2017/18, a growth estimate per annum of £0.5m in retained rates for the authority has also been factored in to take account of the steady rise in business rate growth in recent years.
51. For 2019/20 this approach has been maintained. Therefore, in addition to the forecast £0.75m levy saving (as a result of being in the Pool), a further £0.5m in retained business rate

growth income is being forecast (see **Table 6**). This is in addition to the baseline inflationary increase of £1.0m for 2019/20.

52. Since the baseline funding level for business rates retention was set back in 2013/14, there have been many policy changes around reliefs for different business types. With each policy change, all local authorities are compensated for their share of business rates foregone. Up to and including 2018/19 these compensation grants have been set aside in a volatility reserve to help smooth cash flow changes in business rates that can arise when businesses are revalued or move out of the area. Due to more stable forecasts it is now appropriate to recognise compensation grants as a source of base funding. £3.5m has been included in the total retained business rates figure below.

<b>Table 6 - Business Rates Retention</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>Change £m</b>	<b>Change %</b>
Business Rate Retention Scheme - Total funding	-43.0			
Baseline Inflation		-1.0		
Growth in retained rates		-0.5		
S31 compensation grants		-3.5		
Business Rate Retention Scheme - Total funding		-48.0	<b>5.0</b>	<b>11.6%</b>

Source: Cheshire East Finance

53. Growth in business rates can increase local funding, but this does take time and recent trends in rateable values have slowly increased. The Council continues to promote inward

investment to the area. **Annex 6** sets out the forecasts for business rate growth over the medium term.

54. During 2018/19, the Council continued to be part of a BRRS Pool with Greater Manchester authorities and Cheshire West and Chester. This allows the authorities included within the pool to be treated as one entity for the purposes of tariff/top up and levy/safety net payments potentially reducing the amounts to be paid over to Central Government.
55. The Impact Assessment at **Annex 3** identifies how changes in business rates could affect local business.

### Council Tax

56. Locally collected domestic taxes that are directly retained by the Council will provide approximately 80% of the Council's net funding in 2019/20. The Council therefore takes a very careful approach to managing the domestic taxbase in a way that reflects local growth ambitions and supports sustainable services in the medium term.
57. Growth in the local taxbase supports the ambition in the Corporate Plan of creating economic independence from government grant. In 2019/20, there will be no general government grant support to the revenue budget of Cheshire East Council. The speed of this change has been a major challenge and when increases in demand related to protecting vulnerable people and inflation in costs are taken into account, then this creates a requirement to continue to increase Council Tax levels in line with government expectations.
58. The ability to raise additional Council Tax for use solely on Adult Social Care (ASC) was accepted in 2017/18, and 2018/19. Local authorities could raise up to 3% in any year

from 2017/18 to 2019/20, but subject to a maximum of 6% over the three year period. Cheshire East applied this increase equally over the first two years therefore no further increase can be applied in 2019/20 to be ringfenced for this purpose.

59. Nationally Children's Services are under increased financial pressure to sustain effective services to keep children safe and to meet their educational needs. There is a current financial pressure in Cheshire East's Children and Families Service of circa £2.2m in 2018/19. Permanent investment is needed to maintain effective services.
60. The provisional local government finance settlement announced the referendum limit on base increases was to be maintained at 3% in line with inflation, as such, it is proposed that Council Tax is increased by 2.99% (including 1% ringfenced for Children's Services pressures) for 2019/20 to give a Band D charge of £1,446.27 for 2019/20.
61. The proposed increase for 2020/21 is currently 1.99% and a further 1.99% for 2021/22 at this time.
62. The calculation of the Council Tax for 2019/20 is shown in **Table 7**.

Table 7 - The calculation of the Cheshire East Council Band D Council Tax		2019/20	
		£m	£m
Total Net Revenue Budget 2019/20			281.2
Specific Grants			-14.9
Revenue Budget recommended to Council on 21 <sup>st</sup> February 2019			266.3
Less:			
Business Rates Retention Scheme	-18.0% <sup>1</sup>	-48.0	
Revenue Support Grant	0.0% <sup>1</sup>	0.0	-48.0
Surplus on Council Tax	-0.8% <sup>1</sup>		-2.1
<b>Amount to be Raised from Council</b>	<b>81.2% <sup>1</sup></b>		<b>216.2</b>
No. of Band D Equivalent Properties			149,517.54
<b>Band D Council Tax</b>			<b>£1,446.27</b>

Source: Cheshire East Finance

<sup>1</sup>: Percentage of Cheshire East net budget

The impact on each Council Tax Band and the number of dwellings in each band is shown in **Table 8**.



**Table 8 – Impact of Council Tax on each Band**

<b>Band</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
Council Tax £	964.18	1,124.88	1,285.57	1,446.27
No of Dwellings	30,646	36,272	34,134	25,966
<b>Band</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
Council Tax £	1,767.66	2,089.06	2,410.45	2,892.54
No of Dwellings	20,207	13,783	12,224	1,827

Source: Cheshire East Finance

## Council Tax Base

63. The Council Tax Base quantifies the number of properties from which the Council is able to collect Council Tax. The tax base is presented as an equivalent number of domestic properties in Council Tax Band D terms after adjusting for relevant discounts and exemptions (for example a Band H property counts as two Band D properties, whereas a Band A property counts as two thirds of a Band D). The level of Council Tax multiplied by the tax base equals the expected income from local taxation.
64. The gross tax base for 2019/20 (before making an allowance for non-collection) is calculated as 151,027.52. After taking into account current high collection rates, the non-collection rate has been maintained at 1.00% for 2019/20. This results in a final tax base of **149,517.54** Band D equivalent domestic properties.
65. The tax base for 2019/20 reflects an increase of 1.7% on the 2018/19 equivalent position. This reflects the overall increase in properties in Cheshire East after allowing for the impact of

Council Tax Support. The Council Tax Base was approved by [Council on 13th December 2018](#).

66. Cheshire East has a relatively high Council Tax Base compared to its nearest neighbours. This is partly due to the much higher proportion of properties in Bands F to H in the Cheshire East area (16% in Cheshire East compared to the England average of 9%).
67. The tax base has been calculated in accordance with the Council's local policy to offer no reduction for empty properties except that Discretionary reductions will continue to be allowed, for landlords, under Section 13A of the Local Government Finance Act 1992. From 1<sup>st</sup> April 2019, the period eligible for exemption is being reduced from eight weeks to six weeks.
68. In common with most Billing Authorities, Cheshire East Council charges a Council Tax premium of 50% on property that has been empty for two years or more in order to encourage homes to be brought back into use. The Local Government Finance Act 1992 (amended) enables councils to charge a premium on empty properties. The Autumn Budget 2017 increased the premium from 50% to 100% with effect from April 2019. Cheshire East Council will implement this change with effect from 1<sup>st</sup> April 2019.

## The impact of the Council Tax Support Scheme

69. From 1<sup>st</sup> April 2013 the Council Tax Benefit system was replaced by a locally designed Council Tax Support Scheme. Claimants under this scheme receive appropriate discounts to their bills depending on their circumstances. It is important to note that pensioner claimants remain unaffected by this change.

70. The impact of Council Tax Support reductions has slowly decreased in Cheshire East, reflecting a positive trend away from a dependence on support from the local authority. The local Council Tax Support Scheme was reviewed and consulted on during 2015 and a revised scheme was implemented from April 2016. The scheme is unchanged for 2019/20.

### Collection Fund

71. Receipts from Council Tax payers and businesses are paid into the Collection Fund which is then distributed to all precepting organisations (Cheshire East Council, Fire Authority, Police and Crime Commissioner, Central Government and local Town and Parish Councils).
72. A predicted surplus in the Collection Fund can be drawn down to support revenue funding for the following annual budget, and vice versa in the case of a deficit. This can happen if actual changes in the taxbase vary from the predicted changes, or if collection rates exceed forecasts.
73. The estimated balance on the Council Tax Collection Fund has been forecast to be a £2.47m surplus at 31<sup>st</sup> March 2019. £2.1m of this surplus is retained by the Council and is factored in to the 2019/20 budget.
74. The year-end balance on the Business Rates Collection Fund is estimated to be a cumulative deficit position of £1.9m, of which £0.9m will be repayable by Cheshire East. This estimated deficit equates to 1.3% of the net rates forecast to be collected for 2018/19 (£141.7m before accounting adjustments). The Collection Fund Management earmarked reserve will be used to fund the deficit.
75. The fluctuations in the Business Rates Collection Fund will continue to be managed through the earmarked reserve and use of the reserve reflects a risk based approach to future BRRS income streams.

### Council Tax on Second Homes

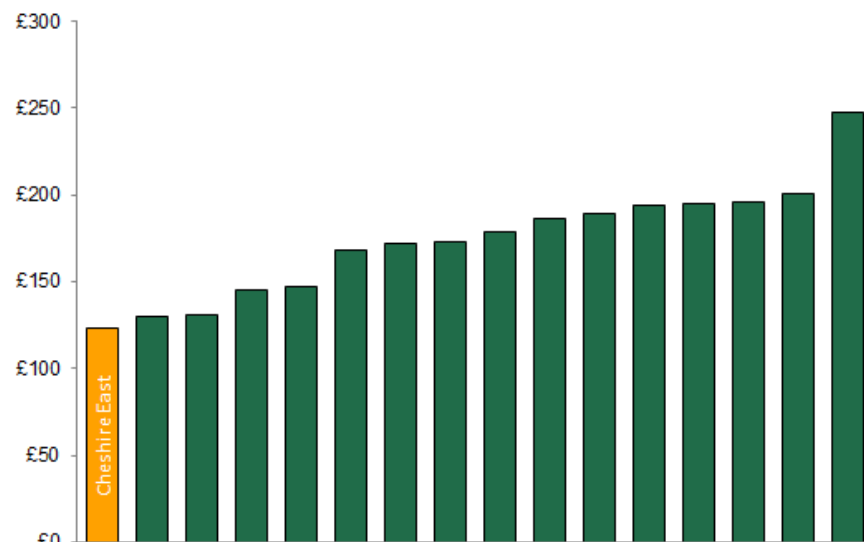
76. During 2006 the Cheshire Local Government Association (LGA) agreed to reduce the level of discount on Second Homes across Cheshire from 50% to 25% on the basis that the additional funds would be utilised as follows:-
- 50% to be retained by local authorities.
  - The balance to be paid over to Local Crime and Disorder Reduction Partnerships (CDRPs) for local activities including the appointment of Community Support Officers.
77. The final figures cannot be calculated until each authority has set its 2019/20 Council Tax. Contributions under the Second Homes agreement to the CDRP from the Police and Crime Commissioner and Cheshire Fire and Rescue Authority will be made during 2019/20 by adjusting the precept payments to those authorities. The provisional contribution from Cheshire East Council is £254,000.
78. Any further changes to Second Homes discounts are not part of the local agreement and therefore the additional income from any change is not included in the figure shown.

### Funding Comparisons to similar Councils

79. Comparisons, based on available data, add context to Cheshire East's funding position. For further analysis of the Council's financial position please refer to the Council's [Value for Money](#) document.



**Chart 2: Cheshire East Council receives the lowest level of Government Grant per head compared to its Near Neighbours.**



Sources: Cheshire East Finance  
CIPFA Council Tax Demands and Precept Statistics 2017/18  
Ministry for Housing, Communities and Local Government

### What is the Council doing about it?

80. There are several areas where the Council is attempting to ensure its voice is heard. These are:

#### Responding to Key Consultations

81. 2018/19 has seen several consultations on changes to local government finance, particularly around the Business Rates Retention scheme. The Council has had the opportunity to input into the relevant responses collated by the Society of County Treasurers, Society of Unitary Treasurers and the Local Government Association (Cheshire East Council is a

member of all three) and therefore, in some cases, relied on their collective responses to make any relevant comments. The consultations that have taken place so far in 2018/19 are as follows:

- Rates Retention and Formula Grant
  - 2019/20 Local Government Finance Settlement – Technical Consultation (closed September 2018)
  - 2019/20 Business Rates Retention Pilots Invitation (closed September 2018)
  - 2019/20 Local Government Provisional Finance Settlement: Consultation (closed January 2019)
  - Business Rates Retention Reform - Sharing risk and reward, managing volatility and setting up the reformed system (closed February 2019)
- Health and Social Care
  - Public Health – Call for Evidence (closed April 2018)
  - Contracting arrangements for Integrated Care Providers (ICPs) (closed October 2018)
- Accounting and Audit
  - Consultation on the role of the Chief Financial Officers in Local Enterprise Partnerships (closed May 2018)
  - Local Authority Budget Setting: mitigating the impact of fair value movements on pooled investment funds (closed September 2018)
  - 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (closed October 2018)
- General
  - CIPFA Index of Resilience (closed August 2018)

### **Membership of Collective Groups**

82. The Council has membership of several collective groups which provide a stronger voice at a national level. They are:
- The Local Government Association
  - The Society of County Treasurers
  - The Society of Unitary Treasurers
  - The Sparse Rural Network
  - The F40 Group
83. The Council is also continuing to make use of the Pixel Financial Management Service to assist with financial forecasts and strategy.

### **Monitoring Developments**

84. The Council is monitoring news alerts and public sector journals for any developments with Business Rates and grant funding arrangements. There are various authorities involved in the pilot scheme to trial the 75% business rates retention scheme early. Cheshire East applied to be part of the pilot scheme but was unsuccessful. The results of these pilots will be closely followed.

### **On-going briefing with Members of Parliament**

85. The Council provides an update on key issues to local MPs on a regular basis, or when special updates are required. At certain times these focus on the Budget and funding issues. The Leader of the Council has also written to the Prime Minister as recommended by full Council.

## **Charges to Local Service Users**

86. In some key service areas the Council makes a charge directly to the service user. The prices charged will sometimes be set nationally, but should always be related to recovering some or preferably all of the Council's costs in delivering discretionary services.
87. Approximately 9% of the Council's gross income is received through Fees & Charges and the prices are reviewed at least annually.
88. The Cheshire East Council pricing structure has over 1,500 different charges. With the overall objective to reduce subsidy in charged for services some price rises may exceed inflation in the medium term. In such cases users are consulted and alternative service options are discussed.
89. To assist officers and Members to recover full cost, the Council has produced a Charging and Trading Strategy to provide the relevant guidance to be applied. This document is available on request.

## **Investment, Borrowing and the Capital Programme**

90. The capital programme is intentionally aspirational, reflecting the Council's priority to promote local economic wellbeing. To support this ambition the Council actively pursues funding from private sector organisations and Government as well as attempting to maximise receipts from asset sales. Resources will be utilised accordingly to allow flexibility within the overall programme. Major highway infrastructure projects, for

example, may require Council resources before capital receipts and developer contributions can be realised and therefore the funding requirement for future years will be updated as plans and funding streams are secured.

91. The Council applies an agreed Treasury Management Strategy (**Annex 12**) to ensure capital financing is affordable in the medium term. During 2017/18 the Council revised its approach to calculating the Minimum Revenue Provision (MRP) to release revenue funding and mitigate overspending on services. Whilst within the existing policy, this consisted of a change from using the straight line to the annuity method under the Asset Life (Option 3). This will continue to deliver a saving of £2m on the capital financing budget in 2019/20.
92. The capital financing budget for 2019/20 is shown in **Table 9**. This includes repayment of debt and interest payable on the Council's long-term loans. Costs are partly offset by the interest earned on the Council's investments. The Capital Financing budget reflects an increase of £2m in 2019/20 from the 2018/19 budget of £10m. This is for the financial years 2019/20 and 2020/21 and the capital financing budget will return to the level of £14m in future years.

Table 9 - Capital Financing Budget	2019/20 £m
Repayment of Outstanding Debt	10.6
Contribution re: Schools Transforming Learning Communities Schemes	-0.9
Other Revenue Contributions	-1.1
Transfer from revenue reserve	-0.4
Interest on Loans	4.3
Less: Interest Receivable on Cash Balances	-0.5
<b>Net Capital Financing Budget</b>	<b>12.0</b>

Source: Cheshire East Finance

93. Charges for the amount borrowed are made to the Council's income and expenditure account and, for 2019/20, comprise of the following elements:
  - **For borrowing incurred prior to April 2008:** Cost is calculated at a 2% annuity rate over a 50 year period.
  - **For borrowing incurred after April 2008:** Cost is calculated on an annuity basis over the anticipated life of the asset. These periods vary from five years to 50 years depending on the type of expenditure funded from the borrowing.
94. Details of the Council's Minimum Revenue Provision Policy are shown at **Annex 11**.
95. The Council currently has external borrowing of £123m of which £29m is temporary borrowing with other local authorities. The amount of interest paid on the Council's

portfolio of loans is mainly at fixed rates of interest (c.3.2%). Currently long term interest rates are around 2.5%.

96. The rate of interest to be earned on the Council's cash balances that are temporarily invested is budgeted to be £0.5m.
97. The Council sets out the approach to these issues in its Treasury Management Strategy which is set out in **Annex 12** of this report.

### Capital Programme Planning

98. The 2018/21 capital programme was approved by Council on 22<sup>nd</sup> February 2018. Updates have been provided via quarterly reports to Cabinet during 2018/19.
99. The Third Quarter Review of Performance and the revised profile of spend for 2019/20 onwards forms the base for the 2019-22 programme, which is detailed in **Annex 11**.
100. Capital commitments have been reviewed to identify the profile of expenditure. There is recognition that the complexities around planning applications, public consultation and dependencies on third parties for external funding can mean that projects are delayed from one year to the next.
101. Spending plans are monitored to ensure a robust quality assurance framework is followed for each project. The governance arrangements safeguard against projects proceeding where costs may escalate beyond budgets. Potential variances from approved budgets may become subject to supplementary approval in accordance with Financial Procedure Rules. Further details on the governance

arrangements for the capital programme are set out in **Annex 11**.

### Capital Programme Financing

102. The level of resources required to fund capital investment in the medium term is set out in **Table 10** and is based on the level of borrowing that the Council can undertake on a prudential basis, the level of Government grant, the level of capital receipts and external contributions that can be generated over the period.

Table 10 - Capital Programme Summary	2019/20	2020/21	2021/22	Total 2019-22
	£m	£m	£m	£m
Committed Schemes	112.3	105.0	96.5	313.8
New Schemes	36.9	72.3	61.9	171.1
Total Capital Programme	149.2	177.3	158.4	484.9
<b>Financing:</b>				
Prudential Borrowing	48.3	56.9	50.7	155.9
Government Grants	89.4	98.9	61.4	249.7
Capital Receipts	5.5	4.4	4.3	14.2
External Contributions	5.8	17.1	42.0	64.9
Other Revenue Contributions	0.2	0.0	0.0	0.2
Total Sources of Funding	149.2	177.3	158.4	484.9

Source: Cheshire East Finance

103. The Council will attempt to maximise external resources such as grants and external contributions in the first instance to fund the capital programme. Where the Council resources are

required the preference will be to utilise capital receipts from asset disposals. The forecast for £14.2m capital receipts for the period 2018/21 assumes a prudent approach based on the work of the Asset Management team and their most recently updated Disposals Programme.

104. The schemes in the Capital Programme, both existing and new proposals, have undergone a prioritisation exercise to ensure they represent value for money, attract external funding or alternatively are affordable within the capital financing budget and do not commit the Council to additional debt repayments that are not affordable in the medium term.
105. Longer term proposals are included in an addendum to the programme for planning purposes. Detailed business cases will be developed for these schemes as precise details become known. Before work can commence, on schemes listed on the addendum, the business case will be required to provide significant certainty linked to:
  - Strategic impact of the scheme
  - Expenditure profiles
  - Funding sources or associated return on investment
106. The schemes separately identified on the Addendum to the capital programme are still submitted for approval; subject to them meeting the above requirements in the future. At the stage where the business cases are sufficiently robust and are deemed to be affordable the Portfolio Holder for Finance & Communication and the Section 151 Officer will provide the additional approval for these schemes to proceed and form part of the main capital programme. Updates on these schemes will be provided to Cabinet through the quarterly reporting process. As detailed in **Table 11**:

Table 11	2019/20	2020/21	2021/22	Total
Capital Programme				2019-22
ADDENDUM	£m	£m	£m	£m
<b>Directorate</b>				
People	0.2	0.0	0.0	0.2
Place	42.1	74.0	40.5	156.6
Corporate	3.1	3.9	0.0	7.0
<b>Total Capital Schemes</b>	<b>45.4</b>	<b>77.9</b>	<b>40.5</b>	<b>163.8</b>

Source: Cheshire East Finance

### Borrowing for Capital Expenditure

107. The Council's capital investment complies with the "Prudential Code for Capital Finance in Local Authorities". Under the Code, local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code, the level of borrowing they wish to undertake to deliver their capital programmes.
108. The level of Prudential Borrowing required in 2019/20 and in future years is detailed in **Annex 11** Prudential Borrowing Indicators. The revenue consequences have been considered as part of the medium term strategy to ensure they can be afforded in future years.

### Government Capital Grants

109. **Annex 9** provides a list of Government Grants that are supporting the Cheshire East capital programme.

## Other Economic Factors

110. The Council makes an assessment of its financial position over the next three years by using a model known as the financial scenario. It is based on a series of planning assumptions which were published in the Pre-Budget Consultation 2019-22 issued in October 2018, and updated through the year via Finance Briefings with the Portfolio Holder for Finance and Communication. Allowance will be made in the 2019/20 budget for other economic factors, such as pay inflation and pension costs, totalling £7.5m.
111. The Budget Report for 2019/20 continues the theme of not including any central allowance for non-pay inflationary pressures on the basis that this is being mitigated by effective contract management, service efficiency proposals, increased charges or specifically bid for as a separate policy proposal.

## Employer Pensions Contributions

112. The Workforce Planning section (**Annex 4**) provides further details on the Pensions provision.
113. The decision was made to pay past service pension deficit contributions for the next three years in one advance payment of £45m in April 2017. The discount available from early payment more than offsets the costs of temporary borrowing where required. The forecast benefit over the three year period is around £2m which will support mitigation of future service costs as appropriate. £0.9m of this saving was taken in 2018/19 with a further £1.0 being taken in 2019/20.

## Managing the Reserves Position

114. The Council Reserves Strategy 2019/20 states that the Council will maintain reserves to protect against risk and support investment. The Strategy is updated each year and the latest update is provided in the MTFS 2019-22 Report at **Annex 14**.
115. The Strategy identifies two types of reserves:
- **General Reserves**  
Balances in this category are not identified for specific purposes, but will be used to cushion against the impact of emerging events or genuine emergencies.
  - **Earmarked Reserves**  
Balances in this category have been set aside for a specific purpose and will either be spent on that purpose or otherwise returned to General Reserves.
- Further details, such as opening and closing balances and protection against financial risks, are contained within the Strategy.



## Summary of Financial Stability

116. **Table 12** summarises the position for 2019/20 to 2021/22.

Summary position for 2019/20 to 2021/22 Table 12	Estimated Net Budget 2019/20 £m	Estimated Net Budget 2020/21 £m	Estimated Net Budget 2021/22 £m
Outcome 1	22.7	23.2	23.7
Outcome 2	12.7	12.8	13.2
Outcome 3	22.4	22.7	22.9
Outcome 4	44.6	44.7	45.9
Outcome 5	134.2	140.9	142.3
Outcome 6	36.3	36.9	37.9
Total Outcomes	272.9	281.2	286.0
<i>CENTRAL BUDGETS:</i>			
Capital Financing	12.0	12.0	14.0
Past Pensions Adjustment	0.2	1.2	1.2
Income from Capital Receipts	-2.0	-1.0	0.0
Contingency	0.0	0.0	0.0
New Homes Bonus Community Fund	1.0	1.0	0.0
Use of (-)/Contribution to (+) Earmarked Reserve	-2.9	-0.9	-0.9
Total Central Budgets	8.3	12.3	14.3
Additional changes to balance future years	0.0	0.0	-11.0
<b>TOTAL: SERVICE + CENTRAL BUDGETS</b>	<b>281.2</b>	<b>293.4</b>	<b>289.2</b>
<i>FUNDED BY:</i>			
Council Tax	-216.2	-222.7	-229.4
Business Rate Retention Scheme	-48.0	-48.4	-48.9
Revenue Support Grant	0.0	0.0	0.0
Specific Grants	-14.9	-11.2	-11.1
Sourced from Collection Fund	-2.1	0.0	0.0
<b>TOTAL: FUNDED BY</b>	<b>-281.2</b>	<b>-282.4</b>	<b>-289.5</b>
<b>Funding Deficit</b>	<b>0.0</b>	<b>11.0</b>	<b>-0.3</b>

117. Service expenditure for 2019/20 is shown as **£281.2m**. This represents an increase of £13.1m (4.9%) on the Budget at the [Three Quarter Year Review](#) position.

118. The Funding Available to Services in 2019/20 is estimated at **£281.2m** to give a balanced position.

119. Proposals were received in a Better Business Cases Five Case Model format, with associated Equality Impact Assessments, and were subject to detailed scrutiny by corporate enabling services through several iterations before being accepted into this budget; these business cases will be developed into the delivery phase.

## Forecasting the Medium Term Budget 2019/20 to 2021/22

120. The Council has a track record of balancing the revenue budget, spending in-line with the forecasts and maintaining adequate reserves to protect against risk and provide necessary investment.

121. Work with other organisations, as detailed from paragraph 80 (the “What are we doing about it?” section), will primarily aim to lengthen the planning process. The overall approach to funding is sound, and has been for some time, in that local sources such as Council Tax and Business Rates will fund a greater share of local costs in the future so a pro-growth approach is appropriate.

122. Council expenditure is forecast to increase over the medium term and demand for services will continue to increase.

123. The Medium Term Financial Strategy reflects a balanced position for 2019/20 with a mix of specific policy proposals in each Service.
124. The position for 2020/21 and 2021/22 is still a challenge as per the estimates in this document. This position will continue to be addressed during 2019/20 as changes are bedded in and cost pressures are firmed up as consultation of the Government's approach to local authority funding are analysed and implemented.
125. The Council adopts a standard five measures approach to balancing the budget and each measure is explored in relation to the medium term balancing of the MTFS. The measures are:

Measure	Description
Measure One ~ Challenge Financial Assumptions	Estimates related to Government funding and inflation in particular are checked against up to date indices and policies.
Measure Two ~ Review Local Taxation	Flexibility in Council Tax and Business Rates is explored in relation to emerging Government policy, demographic changes, local service ambitions and growth in the taxbase.
Measure Three ~ Manage Reserves	The impact of the Council's Reserves Strategy is analysed, particularly in relation to risk and investment.
Measure Four and Five ~ Manage Cost Drivers & Income	Options for future service delivery are challenged to ensure outcomes will be achieved in a cost effective and efficient way.



## Options related to each of the five measures are set out below:

Measure	Table 13 – Forecasting the Medium Term Budget
Measure One Challenge Financial Assumptions	<ul style="list-style-type: none"> <li>• In December 2018 the Government issued provisional Core Spending Power figures for the final year of the spending review period (2019/20). This confirmed the estimates set out in the 2016/17 Final Settlement released in February 2016 and, due to the submission of our <a href="#">4-Year Efficiency Plan</a> in October 2016, guarantee the central funding levels for the medium term. From 2020/21 funding levels have been estimated locally.</li> <li>• The overall ambition, within the announcements from Government, is to maintain core spending over the life of the parliament in cash terms.</li> <li>• Core Spending Power includes:               <p><b>Business Rates</b></p> <ul style="list-style-type: none"> <li>- Business Rate income will rise with inflation (CPI from 2018/19 rather than RPI previously), as controlled by the Government set multiplier. Above inflation increases of £0.5m per annum have been factored in to the Cheshire East medium term financial plans. The increase is prudent due to the current significant risk associated with business rates income.</li> <li>- The Provisional Local Government Finance Settlement in December 2017 announced the Government's intention to increase the local share of business rates retention to 75% in 2020/21. This will be through incorporating existing grants into business rate retention including the Revenue Support Grant, and potentially the Public Health Grant. The remaining 25% central share will be returned to HM Treasury and recycled back to local government. This may increase the level of business rates retained, but makes no actual difference in the level of core funding for the Council as tariff payments will be adjusted where retained rates exceeds grants rolled in to ensure each local authority is no better or worse off under the new arrangements. However, a greater share of the growth in business rates will be able to be retained after this time.</li> </ul> </li> </ul>

Measure	Table 13 – Forecasting the Medium Term Budget
Measure One Challenge Financial Assumptions	<p><b>Revenue Support Grant (RSG)</b></p> <ul style="list-style-type: none"> <li>- RSG will reduce to nil in 2019/20 for Cheshire East Council. The Government settlement continues to assume authorities can replace an element of lost grant with Council Tax increases. However this is a local discretion and is subject to referendum limits (increased from 2% to a cap of 3% for 2018/19 and 2019/20 before being subject to a local referendum).</li> </ul> <p><b>New Homes Bonus (NHB)</b></p> <ul style="list-style-type: none"> <li>- Increasing development in Cheshire East means NHB is expected to exceed recent expectations.</li> </ul> <p><b>Specific Grants</b></p> <ul style="list-style-type: none"> <li>- These remain subject to ad-hoc information releases from Government departments. Where no information is available assumptions are used based on the reductions in general funding levels or past trends.</li> </ul>

Measure	Table 13 – Forecasting the Medium Term Budget
Measure Two Review Local Taxation	<p>The Council retains the opportunity to review current funding assumptions:</p> <ul style="list-style-type: none"> <li>• Council Tax will rise in line with Government policy and to support Children and Families (2.99% in total).</li> <li>• Increases for later years will be reviewed annually but current assumptions are for 1.99% and 1.99% increases per annum in 2020/21 and 2021/22 respectively.</li> <li>• The Council will continue to review its tax base in light any further flexibility made available by legislation. The potential for development in the area, backed by the Council's continued support for economic growth, is also likely to increase the domestic and non-domestic tax bases over time.</li> <li>• The tax base has been calculated in accordance with the Council's local policy to offer no reduction for empty properties except that Discretionary reductions will continue to be allowed, for landlords, under Section 13A of the Local Government Finance Act 1992. Based on analysis of the locally determined, discretionary reduction period for landlords, it was recommended at the 13<sup>th</sup> December full Council meeting that it be reduced from eight weeks to six weeks.</li> <li>• In common with most Billing Authorities, Cheshire East Council charges a Council Tax premium of 50% on property that has been empty for 2 years or more in order to encourage homes to be brought back into use. The Local Government Finance Act 1992 (amended) enables Councils to charge a premium on empty properties. The Autumn Budget 2017 increased the premium from 50% to 100% with effect from April 2019. On the 13<sup>th</sup> December Cheshire East Council approved a premium of 100% and implements this change with effect from 1st April 2019.</li> <li>• Impacts from the continuation of the local Council Tax Support (CTS) Scheme will be reviewed and scrutinised during the medium term. The scheme may be amended where appropriate, but overall the ambition is to reduce claimant numbers in relation to out of work residents through the promotion of economic growth in the area.</li> <li>• Increasing employment opportunities – through economic growth, resulting in fewer people relying on welfare benefits from the Council and releasing funding for further improvements.</li> </ul>

Measure	Table 13 – Forecasting the Medium Term Budget
	<ul style="list-style-type: none"> <li>• As the potential benefits of investment in local infrastructure are realised local business may engage with the Council to consider the introduction of a Business Rate Supplement to raise funds for specific local purposes. For example, if businesses opted to pay an additional rate of 1p on the rating multiplier they could raise as much over £2m each year, this level of funding could support a 15% increase in the Council's Capital funding costs for an agreed scheme.</li> <li>• There is potential to work with local businesses to introduce business improvement districts for specific purposes.</li> <li>• Continued high collection rates may result in a surplus that can be released to support investment in improved services in the local area.</li> </ul>

Measure	Table 13 – Forecasting the Medium Term Budget
Measure Three Manage Reserves	<ul style="list-style-type: none"> <li>• The Council adopts a rigorous approach to managing in-year expenditure. Service heads will sign off their Budget allocations to endorse accountability. In-year reporting will identify variances to budget.</li> <li>• The robustness of the proposals in the budget will improve budget management, significantly reducing the risks of unforeseen budget pressure.</li> <li>• The Reserves Strategy for 2019/20 aims to maintain adequate reserve levels over the medium term, although emerging risks or opportunities may require short-term use of reserves.</li> </ul>
Measures Four and Five Manage Cost Drivers and Income	<ul style="list-style-type: none"> <li>• The Council's current proposals for change are contained within <b>Section 1</b> of the Medium Term Financial Strategy. Although the financial implications focus on 2019/20, many of these programmes will deliver further savings through to 2021/22 as highlighted by further savings figures in the later two years.</li> <li>• Some of the financial areas being reviewed by budget holders and the Finance Team are: <ul style="list-style-type: none"> <li>- Pay Inflation will be assumed at 3.32% for 2019/20 and 2% thereafter.</li> <li>- Reviewing management control and staffing structures. Expenditure on employees' accounts for c.20% of the Council's revenue gross expenditure on services, and the reviews will look to ensure that the Council operates an effective commissioning model that focuses best fit service providers while achieving cost benefits and efficiency.</li> <li>- Ensuring Corporate back office services, which account for c.4% of the Council's net budget, continue to reflect changes that are making the Council a smaller organisation.</li> <li>- Challenging discretionary services to ensure these meet priority needs, are paid for in the most effective way or are instead ceased or transferred to alternative providers.</li> <li>- Review and challenge of all Council contracts to ensure the most cost effective services are commissioned.</li> </ul> </li> </ul>

Measure	Table 13 – Forecasting the Medium Term Budget
Measures Four and Five  Manage Cost Drivers and Income	<ul style="list-style-type: none"> <li>• Maximising development opportunities from the increasing broadband coverage. Increasing commercial development located in Cheshire East would see returns from Business Rate Retention. For example a 1% increase in Business Rates would realise c.£0.4m of additional income per year.</li> <li>• Exploring opportunities to improve health and reduce dependency through integration of the local health programme with key partners. Net expenditure on Adult Services continues to account for c.40% of the Council's budget. This is the largest budget area so managing costs in this area is essential.</li> <li>• Engaging with voluntary, community and faith groups and local town and parish councils to explore ways of transforming service delivery at a local level. There are c.300 such groups already financially engaged with Cheshire East Council and 21% of our population volunteer. The third sector is a powerful economic partner, employing 2.5% of the workforce and generating an income of over £25m per annum, the vast proportion of which is invested back into our local communities and economies. Further opportunities will be explored as part of the Council's Corporate Plan (Hidden Power report: Community and Voluntary Sector).</li> <li>• Carrying out a further Capital Challenge to ensure the benefits of the ambitious programme are realised.</li> <li>• Promoting "Digital Customer Services" approach across the Council where suitable to improve access to services.</li> <li>• Continuing to rationalise the Council's assets to minimise costs associated with utilities and rates and maximise receipts that can support economic growth outcomes.</li> <li>• Making sure that ways of working maximise the technology we have within the organisation and helping staff to take advantage of expertise and development opportunities that can increase productivity.</li> </ul>

# ***Annexes to the Medium Term Financial Strategy Report 2019-22***

***February 2019***

***Working for a brighter future together***

# 1. Corporate Plan 2017 to 2020





## 2. Business Planning Process - Engagement

### Introduction

- 2.1 Cheshire East Council conducted an engagement process on its Medium Term Financial Plans through a number of stages running from October 2018 to Council in February 2018, and beyond that as proposals are implemented.
- 2.2 The [Pre-Budget Consultation](#), published on the 19<sup>th</sup> October 2018, included details of the proposals from each service area for the next three years. This report was made available to various stakeholder groups and through a number of forums.
- 2.3 Where consultation with specific stakeholder groups is required in relation to specific proposals, this is being identified as part of the proposal's High Level Business Case. Therefore, some of the major proposals remain "subject to consultation", that is further targeted consultation activity will be undertaken in advance of those specific proposals being implemented.
- 2.4 The Council acknowledges that such consultation activity may alter the outcome of the final proposal and mean the expected financial impact included within the budget is subject to change. The Council deals with financial risk by factoring into its minimum level of reserves an allowance for negative changes to proposals arising from consultation or delayed implementation.

### Background

- 2.5 Local authorities have a statutory duty to consult on their Budget with certain stakeholder groups including the Schools Forum and businesses. In addition, the Council chooses to consult with other stakeholder groups. The Council continues to carry out stakeholder analysis to identify the different groups involved in the budget setting process, what information they need from us, the information we currently provide these groups with, and where we can improve our engagement process.
- 2.6 This analysis helps to inform the consultation process for each Budget and continues to identify additional channels of communication which are used to facilitate consultation with more of our stakeholder groups.

### Business Planning Process

- 2.7 The Business Planning Process for 2019-22 followed the standard timescale for consultation and allowed four months for consultation on the [Pre-Budget Consultation](#). The engagement exercise used existing meetings, as well as specific events, to provide a briefing on the Council's Priorities, Outcomes, the Budget Setting Process, and updates on progress for various stakeholder groups. It was based around the proposals that were published in the Council's [Pre-Budget Consultation](#) 2019-22, issued on 19<sup>th</sup> October 2018 and shared with [Corporate Overview and Scrutiny Committee](#) on 1<sup>st</sup> November 2018.

2.8 As part of this year's process an internal campaign was launched during June 2018 to ask staff for ideas to help "Save Us Money". The ideas put forward as part of this campaign were considered by the relevant Head of Service and Corporate Leadership Team member and taken forward where appropriate to do so.

2.9 The key events are outlined in **Table 1**.

2.10 All the feedback received by the Council, including the use of an online survey, is set out in detail in **Appendix B** to The Council's Medium Term Financial Strategy 2019-22 Report.

**Table 1 – Key Engagement Events**

Event	Date	Comments
Corporate Leadership Group Budget Session	2 <sup>nd</sup> May 2018	Launch process for 2019-22. Confirm potential funding deficit for 2019/20 and the process to manage it.  Discuss high level proposals and possible mitigating actions.
Informal Cabinet Budget Session	29 <sup>th</sup> May 2018	Launch process for 2019-22. Confirm potential funding deficit for 2019/20 and the process to manage it.  Discuss high level proposals and possible mitigating actions.
Save Us Money internal staff campaign	1 <sup>st</sup> to 30 <sup>th</sup> June	Internal campaign on Centranet and posters displayed across the Council's buildings to encouraged saving ideas to come forward.
Cabinet	12 <sup>th</sup> June 2018	<a href="#">Revenue 2017/18 Outturn.</a>
Joint Corporate Leadership Group and Cabinet Members Budget Sessions	30 <sup>th</sup> July 2018 25 <sup>th</sup> September 2018	Refine proposals/agree funding strategy
Town and Parish Council Conference	26 <sup>th</sup> September 2018	Engagement event with local town and parish councils

Event	Date	Comments
Cabinet	9 <sup>th</sup> October 2018	Received the <a href="#">Mid-Year Review of Performance</a> Report.
South Cheshire Chamber of Commerce Business Event	18 <sup>th</sup> October 2018	Update on <a href="#">Pre-Budget Consultation</a> (headline items only as session fell before publication date)
Cheshire East Council website	19 <sup>th</sup> October 2018	<a href="#">Pre-Budget Consultation</a> placed on Council's website and Centranet to launch consultation exercise.
Team Voice	24 <sup>th</sup> October 2018	Issued to all staff and Members to headline release of <a href="#">Pre-Budget Consultation</a> .
Corporate Overview and Scrutiny Committee	<a href="#">1<sup>st</sup> November 2018</a>	Received <a href="#">Pre-Budget Consultation</a> and <a href="#">Mid-Year Review of Performance</a> Report.
Trades Unions	19 <sup>th</sup> November 2018	Considered <a href="#">Pre-Budget Consultation</a> .
Cabinet	4 <sup>th</sup> December 2018	Consider the <a href="#">Domestic Tax Base</a> for recommendation to Council.
Schools Forum	6 <sup>th</sup> December 2018	Considered <a href="#">Pre-Budget Consultation</a> .
Provisional Funding announcements	13 <sup>th</sup> December 2018	From Central Government
Council	13 <sup>th</sup> December 2018	Agree the <a href="#">Domestic Tax Base</a>
Pre Budget Consultation	14 <sup>th</sup> December 2018	Pre Budget Consultation period closes
Third Quarter Performance – Review Sessions	5 <sup>th</sup> November to 19 <sup>th</sup> December 2018	Provided updated baseline spending calculations for services and potential impact on calculations proposed within the MTFS.

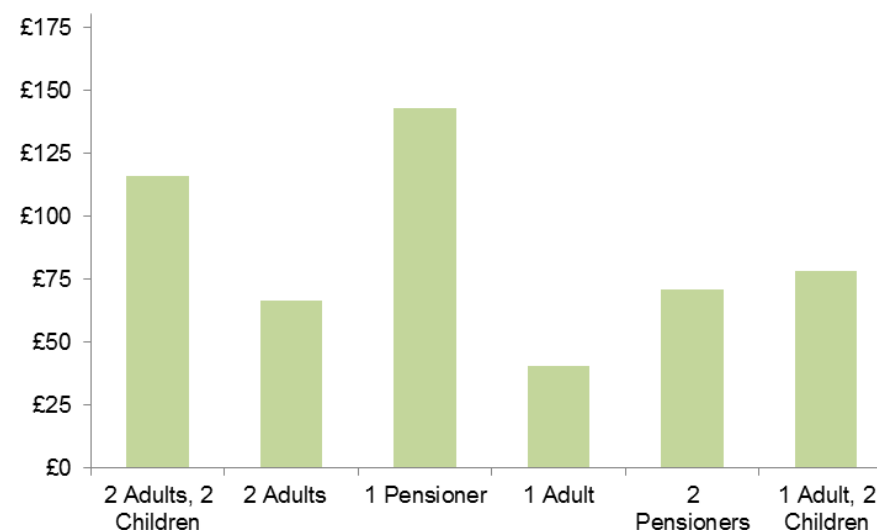
Event	Date	Comments
Informal Cabinet	18 <sup>th</sup> December 2018	Review of draft Capital Programme
South Cheshire Chamber of Commerce Business Event	18 <sup>th</sup> January 2019	Considered <a href="#">Pre-Budget Consultation</a>
North Cheshire Chamber of Commerce Business Event	23 <sup>rd</sup> January 2019	Considered <a href="#">Pre-Budget Consultation</a> .
Children & Families Overview and Scrutiny Committee	<a href="#">28th January 2019</a>	Considered <a href="#">Pre-Budget Consultation</a> (relevant budget areas)
Environment & Regeneration Overview and Scrutiny Committee	<a href="#">21st January 2019</a>	Considered <a href="#">Pre-Budget Consultation</a> (relevant budget areas)
Corporate Overview and Scrutiny Committee	<a href="#">4th February 2019</a>	Received MTFS Report/Review Final Budget Proposals
Cabinet	<a href="#">5th February 2019</a>	Received the <a href="#">Third Quarter Review of Performance</a> Report. Consider MTFS Report and recommend proposals to Council
Final Funding announcements	TBC	From Central Government
Council	<a href="#">21st February 2019</a>	Debate and approval of 2019/20 budget

## 3. Impact Assessment

### Household Calculator

- 3.1 The 2019/20 Budget is the result of a major process to set a balanced budget that can meet the needs of local people in the local environment. The details of the Budget have been set out in previous sections in terms of financial stability and allocation to services. This section considers the impact of the Budget on typical groups of service users in terms of the changes they may see and the charges they may pay.
- 3.2 A number of assumptions must be made in relation to property sizes and service usage. The Council uses existing data to inform this process.
- 3.3 **Chart 1** below illustrates the annual impact on six typical households accessing a variety of different services if a blanket increase in line with Retail Price Index (RPI), as at November 2018, were to be applied.

**Chart 1: Without a strategic approach households could face £40 to £143 increases in costs if simple inflation was applied to charges**



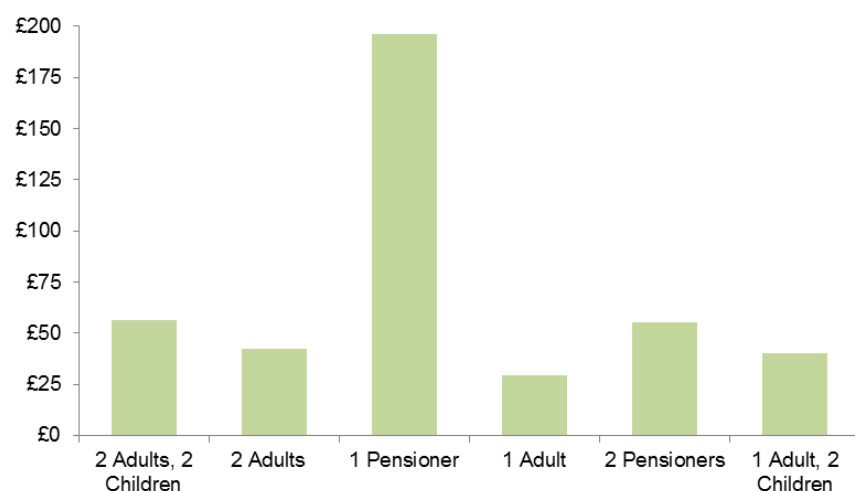
Source: Cheshire East Finance

- 3.4 Every service within the Authority is refining and updating a Charging and Trading Strategy which sets out the rationale for setting/changing fees and charges within that area.
- 3.5 The Strategies calculate full cost of the service being provided and therefore set out the resulting subsidy or surplus each time a charge is made. This will then be used to inform the setting of future levels of fees and charges to

ensure fairness and that the Council meets any statutory obligations.

3.6 **Chart 2** below illustrates the anticipated annual increases per household when applied to the same variety of services.

**Chart 2: Forecast increases in costs are split appropriately across all groups**



Source: Cheshire East Finance

3.7 The anticipated average increase per household is £70. This is £16 lower than an average increase of £86 if RPI at 3.2% had been applied across all services. Fees and charges in these typical household examples are forecasted to rise by an average of £34 for 2019/20 and council tax is forecast to rise by 2.99%.

**Note:**

Typical households are made up as follows:

- 2 Adults with 2 Children living in a Band E property
- 2 Adults no Children living in a Band C property
- 1 Pensioner living in a Band C property
- 1 Adult (not Pensioner) living in a Band B property
- 2 Pensioners living in a Band D property
- 1 Adult with 2 Children living in a Band D property.

Each household average is based on typical use of chargeable services expected for that category such as school meals, libraries and environmental, and leisure services. The large charge shown against the 1 pensioner category relates to a charge for 30 minutes of day care per day.

3.8 Further details on the impact on businesses, communities and the environment are shown in **Table 1** on the following pages.

**Table 1: Impact of the 2019/20 Budget Proposals on Businesses**

**Typical Facts:**

- Non Domestic Rates are set by Government
- Supplementary Rates could be set by Cheshire East Council
- Businesses are liable to pay some Fees and Charges (for example licensing)



**Working with Businesses**

The Council takes a proactive role in engaging with and supporting local businesses. They are the engines of our economy, and the Borough's future prosperity is driven by their capacity to thrive and grow.

Cheshire East Council established the Skills and Growth Company as a new 'arms-length' company in April 2016, to bring together existing skills and growth services under one structure. Their objective is to ensure the Council can deliver more for less, achieving greater innovation and benefits for businesses and residents. The company supports businesses to maximise growth, funding and investment opportunities; increase the availability and take-up of apprenticeships, support people into work, help to create jobs and stimulate economic growth and innovation.

Over the past three years they have supported businesses to create over 2,000 jobs and secure more than £90m in investment.

The Council has made significant commitments to the regeneration of Crewe town centre, acting as a catalyst for further private sector investment as the town prepares itself as a HS2 station location in 2027. Over the 2019-22 period, £23.7m will be invested through the use of external funding, the Council's capital budget and the strategic use of its own land and property. By taking a mixed use approach that incorporate leisure, retail, public realm and event space, this will enhance the attractiveness of Crewe to its significantly growing resident base and increase confidence in the development and investment sectors.

The Council remains committed to the revitalisation of Macclesfield town centre. Proposals for a scheme of public realm enhancements for Castle Street have progressed to tender stage, a Shop Front Scheme continues to be run for the Lower Mill Street area, plans are being progressed to see the reuse of the Old Police Station and Butter Market, and a Strategic Regeneration Framework is being developed to guide future town centre regeneration priorities.

**Government sets new Business Rates multipliers for 2019/20**

- The multiplier for 2019/20 will increase by CPI following the Chancellor's announcement in





the Autumn Budget on 22<sup>nd</sup> November 2017. The multiplier has previously increased by RPI and was due to change to CPI in 2020, but the Chancellor has brought this forward by two years. The provisional multipliers have been set as follows:-

- Provisional 2019/20 Standard Multiplier at 50.4p\* in the £.
- Provisional Small Business Multiplier 49.1p\*\* in the £.

\* Includes supplement to fund small business relief.

\*\* All occupied properties with a rateable value below £51,000 are charged using the lower multiplier – except for those ratepayers receiving mandatory rate relief.

#### **New Transitional Scheme for 2017 rating list**

- The transition scheme will continue to help businesses that would face a large increase or decrease in their rates payable following the revaluation in April 2017. Any relief under the transition scheme will be automatically calculated and will appear on rate demands.

#### **Small Business Rate Relief (SBRR)**

- The Government announced in the budget in March 2016 that SBRR will permanently double.
- Thresholds for relief for SBRR were amended following the revaluation in 2017. Properties with RV below 12,000 where the ratepayer meets the criteria will receive 100% relief and properties between 12,000 and 15,000 will receive tapered relief.
- Continuation of amended SBRR criteria to allow businesses in receipt of SBRR to keep it for one year when they take on an additional property that would currently cause them to lose SBRR, in order to help small businesses with expansion costs.

#### **Rural Rate Relief**

Mandatory relief for rural businesses will continue at 100% for qualifying properties.

#### **Spring Budget Reliefs**

In the Spring Budget of 2017 the Chancellor announced new reliefs for businesses affected by the revaluation of 2017. All reliefs are fully funded by the Government. Reliefs eligible in





2019/20 are:

- Supporting Small Business (SSB) – Relief for those ratepayers who have lost SBRR or rural rate relief as a result of the revaluation. This relief limits the increase in rates to £600 pa.
- Discretionary Revaluation Relief – Cheshire East Council will receive £1.3m over four years to grant relief to ratepayers who have faced an increase in rates payable as a result of the revaluation. The relief awarded as shown in the table below:

Amount of discretionary revaluation relief awarded to date (£)				TOTAL £
Year 1 2017/18	Year 2 2018/19	Year 3 2019/20	Year 4 2020/21	
743,495	350,843	-	-	1,094,338

Discretionary revaluation relief will be provided to properties with a RV of up to and including £100,000. The scheme will award all eligible ratepayers relief for the increase in rates due to the revaluation from 2016 to 2017. In most cases the relief will be awarded automatically without the need for application. State aid rules apply. The Council will review the percentage awarded for each new financial year to take account of the funding available from Central Government.

#### **Autumn Budget 2018**

The chancellor announced a new relief scheme for retail properties that have a rateable value of below £51,000. Under the scheme, eligible ratepayers will receive a one third discount of their daily chargeable amount. The relief will have effect for 2019/20 and 2020/21, state aid rules apply.

#### **Supplementary Business Rates**

There are no proposals for Cheshire East Council to charge supplementary rates in 2019/20.



### **Local Retention of Business Rates**

From 1<sup>st</sup> April 2013 Cheshire East Council retains c.28% of any local growth in the rates generated through increased occupancy of commercial premises subject to certain tolerances. The Medium Term Financial Strategy (**Annex 6**) sets out the Council's ambition and forecast income from promoting economic development.

### **Local Discretionary Rate Relief**

Cheshire East Council has the discretion to award rate relief to any ratepayer. Applications are considered on an individual basis. Relief would only be awarded where it was in the Council Tax payer's interest to do so.

### **Other measures to support local businesses with business rates**

Continuation of the option to spread business rates bills over 12 months rather than 10 months.

## Council Partners and Stakeholders

For Example: Town and Parish Councils, Health, Fire, Police, Schools, Colleges, Universities, Community, Voluntary and Faith Organisations, Housing Providers, Community Partnerships.



Old Saw Mill Connected Communities Centre Open day, professionals are working together in Congleton (above).

Connected Communities top Health and Wellbeing event (below).



The Council seeks pride in working collaboratively with statutory and third sector providers to provide the right level of support to the residents of Cheshire East. We are working with our partners through integrated commissioning processes, to deliver the appropriate level of support to the most vulnerable in society and to empower the residents of Cheshire East through focusing on intervention and prevention services so we can continue to build strong and resilient communities.

The Council will continue to work in partnership with Town and Parish Councils to understand the needs of each community and to ensure we are working as one system at a local level to meet these expectations where appropriate.

The Council is committed to further developing and managing our strategic and operational partnerships to enable best working practices that support the Council's key objectives. Some of the ways we are doing that are as follows:

- Developing our strategic partnerships across Cheshire East to enable integrated commissioning and improve efficiencies and access to local services.
- Bringing local partners together to better share resources and redesigning public sector services across Cheshire East to better meet local needs.
- Focus on one system delivery around intervention and prevention through the Health and Wellbeing strategy 2018-2012 and the Connected Communities Strategy 2016.
- The Connected Communities approach to Health and Wellbeing will enable us to:
  - Engage communities to identify and be involved in addressing local issues
  - To coproduce local services with local people
  - Promote and support community networks on a local footprint to facilitate collaborative working between health, social care and communities
  - Provide the appropriate levels of resource to empower local people to support their local community using an asset based community development approach
  - Develop positive relationships between the Council and the community, voluntary and faith sector, at both a local and strategic level
  - To invest in our communities through the New Homes Bonus, Early Help Community Grants and through integrated commissioning

## The Local Environment



Cheshire East Council is committed to continuing to reduce its energy consumption and carbon emissions from its buildings and will continue to develop strategies during 2019/20, and beyond, to reduce the environmental impact of its activities.

The Council has achieved its Carbon Management Plan target of reducing carbon emissions by 25% by March 2016 - a full two years early. The target for reducing energy use in its corporate buildings was increased and by 2016 it had achieved a 43% reduction. The Council has embedded carbon reduction into its service delivery and has developed a 2020 vision that will aim to reduce carbon emissions by a further 20% across all corporate buildings. Improvements are planned undertaking a wide range of carbon reducing projects:

- Energy saving measures and property rationalisation in our own Council buildings to continue to reduce our carbon footprint.
- Macclesfield Leisure and Wilmslow Leisure Centres have undergone a major refurbishment of their heating and ventilation which will provide energy efficiency savings.
- Congleton Leisure Centre is being redeveloped to meet modern standards and will incorporate the latest energy efficient measures.
- The Council is installing a 230kW solar PV array to its Environmental Hub which adds to the existing smaller installations at Crewe Lifestyle Centre and Westfields.
- Reducing carbon emissions from its own vehicles by undertaking a fleet review that will include the trialling, where possible, of alternative refuse collection technologies including new fuel technology such as electric and hybrid variants and vehicles that can run on compressed natural gas.
- The Highway service carbon reduction programme set a target of a 27% reduction in carbon from street lighting by March 2016 supported by the Council's £5.2m capital investment in street lighting. The target was exceeded with 31% savings achieved from two completed initiatives:
  - a Borough wide replacement of traffic signal lamps with LEDs. Carbon reduction delivered - 6%.
  - the conversion of traditional street lights to LED on the Borough's inter urban

	<p>routes. Carbon reduction delivered - 25%.</p> <ul style="list-style-type: none"> <li>• The strategy continues to make good progress with a three year programme (2016 – 2019) to convert 26,000 street lights to LED in residential areas. Year 1 and 2 are complete with the final year commencing March 2018. Overall target is to deliver a further reduction in carbon of 27%.</li> <li>• Reducing the impact of our staff travel through a number of measures including changes to staff travel rates and promotion of alternatives to single car occupancy.</li> </ul>
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## Equality and Diversity



The Council recognises that promoting equality and diversity will improve public services for everyone. Cheshire East wants to be an area of equal opportunity, where everyone has a fair chance and people from all backgrounds take part in community life. The aim, therefore, is to make equality an integral part of the way the Council works by putting it at the centre of everything it does.

It is important to consider all individuals when carrying out day-to-day work. To ensure this, services provide equality analysis for everything carried out as a way of considering the effect on different groups protected from discrimination by the Equality Act 2010.

The Equality Impact Assessment (EIA) process helps to consider if there are any unintended consequences for each of the 'protected characteristics' of age, disability, gender reassignment, marriage and civil partnership, maternity and pregnancy, race, religion or belief, sex and sexual orientation.

An EIA is carried out on:

- new functions, policies, procedures and services as they are developed
- significantly altered functions, policies, procedures and services
- Overtime, on existing functions and policies.

For all of the budget proposals an EIA has been carried out where appropriate. For some of the proposals presented it is recognised that these are still very much at a concept stage, therefore for these an initial screening has been carried out with the expectation that a full and detailed EIA will be completed in due course.

## 4. Workforce Strategy

### Working for a Brighter Future – Together

- 4.1 We are living and working in a world where residents and communities have high expectations of both business and public services.
- 4.2 Providing high quality services is increasingly challenging for public services where there is a need to respond to both increasing demand on services and increasing financial challenges.
- 4.3 As the climate within which our people operate is more difficult, it is the priority to support them to meet the needs of residents by improving the deal for our employees. Following a period of in-depth engagement activity with all our people, the new Vision, Employee Deal, Values and Behaviours were launched in July 2018.
- 4.4 Between 2018 and 2020 a programme of work to embed the new approach will run ensuring that our employees are valued and have the skills and support to provide the high quality services required.

### People Plan 2018-20

- 4.5 Putting the right people in the right places at the right times is at the heart of the Council's success. To deliver the Council's ambitious plans within the context of the Vision and Employee

Deal, three priority areas come together to form the Council's People Plan:

- **Our Culture – establishing and enabling our workplace vision**
- **Our organisational development and delivery**
- **Our employee experience**

### Workforce, Pay and Pensions

- 4.6 A review of Local Living Wage was undertaken in the light of the National Joint Council (NJC) 2 year pay deal for 2018 and 2019. As the pay deal has taken into account the government's ongoing commitment to increase the National Living Wage by bottom loading the lower national scale points with higher pay increases, it is no longer necessary for the Council to support a Local Living Wage. From the 1st April 2019 the lowest paid employee will receive £9.00 per hour which exceeds the National Living Wage and will going forward be increased accordingly above this level.
- 4.7 The current NJC pay deal for 2018/20 saw a 2 year agreement reached for all staff to receive a minimum annual 2% pay increase from 1st April 2018 and 1st April 2019 with a bottom loading of the scale points such that lower grades receive pay awards of up to 8%. This ensures Councils are National Minimum Wage proof going forward with a bottom rate of £9.00 per hour on new scale point 1 and keep in line with Government planned increases and targets. The other JNC national awards for Chief Officers and Chief Executives

saw a similar 2% increase across the board for a 2 year period.

- 4.8 There is also a requirement to assimilate NJC staff onto the new national pay structure by 1st April 2019 which will start at spinal point 1 and progress up to spinal point 43. This process will be achieved through trade union consultation and agreement.
- 4.9 The Council has now commenced a review of its existing local pay structures in order to comply with the terms of the national agreement and agree a new pay structure aligned with the national agreement which will be signed off with the regional Trade Unions and implemented on 1st April 2019.
- 4.10 Through the Finance Act (2017), the payment of an apprenticeship levy became a statutory requirement in April 2017 and both the levy and apprenticeship new starts target are ongoing annually. The Council's liability remains at 0.5% of the pay bill which is forecast to be approximately £0.7m per year.
- 4.11 Based on current headcount, the 2.3% of the workforce to be made up of apprentices is estimated to be 180 apprenticeship new starts for the Council each year, including ASDVs and maintained schools. Increasing the number of new apprentices to the organisation will increase salary costs as will releasing existing staff to undertake the off the job training required for an apprenticeship.
- 4.12 A valuation of the Cheshire Pension Fund was undertaken to determine the employer contribution rates for the Local Government Pension Scheme which came into effect from 1st April 2017. Forecasts on the increasing contribution rates of +1.5% will contribute to increased employee costs in 2019/20.

4.13 Headcount and Full Time Equivalents (FTEs) have reduced steadily since Cheshire East Council was formed, following Local Government Reorganisation in 2009

Date	Headcount	% change from previous year	FTE	% change from previous year
30-Apr-09	6,522	n/a	4,891.5	n/a
30-Apr-10	6,155	-5.63	4,582.8	-6.31
30-Apr-11	5,860	-4.79	4,385.4	-4.31
30-Apr-12	5,449	-7.01	4,080.2	-6.96
30-Apr-13	5,103	-6.35	3,880.7	-4.89
30-Apr-14	4,403	-13.72	3,232.7	-16.70
30-Apr-15	3,812	-13.42	2,883.5	-10.80
30-Apr-16	3,763	-1.29	2,891.7	0.28
30-Apr-17	3,623	-3.72	2,835.3	-1.95
30-Apr-18	3,587	-0.99	2,824.5	-0.38
30-Sep-18	3,580	-0.20*	2,771.0	-1.89*

\*Year to date change



<b>Workforce</b> <i>Increasing productivity through workforce planning whilst meeting our statutory obligations regarding pay inflation and ensuring non essential staff travel and supplies are minimised</i>		2019/20 £m*	2020/21 £m*	2021/22 £m*
<b>Pay and Pensions Allocation (Revenue Investment) [59]</b>  Increases in employee related costs over the medium term. Items covered by this proposal include spinal point incremental increases for eligible staff, annual nationally negotiated pay awards, remodeling of pay structures in line with NJC agreement, sleep in payments, holiday payments and annual employer pension contribution increases of 1.5%. An element of the increases will be offset by vacancy provisions therefore an overall increase of 2% on pay budgets has been provided for in each year.				
<b>PEOPLE</b>		<b>+3.284</b>	<b>+5.309</b>	<b>+7.335</b>
<b>PLACE</b>		<b>+2.915</b>	<b>+4.918</b>	<b>+6.921</b>
<b>CORPORATE</b>		<b>+1.275</b>	<b>+2.166</b>	<b>+3.058</b>
<i>Impact on Cross Service Budgets =</i>		<b>+7.474</b>	<b>+12.393</b>	<b>+17.314</b>
*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a> . Values are not cumulative				

<b>Workforce</b> <i>Increasing productivity through workforce planning whilst meeting our statutory obligations regarding pay inflation and ensuring non essential staff travel and supplies are minimised.</i>	<b>2019/20</b> <b>£m*</b>	<b>2020/21</b> <b>£m*</b>	<b>2021/22</b> <b>£m*</b>
<b>Mutually Agreed Resignation Scheme 2018/19 (Reversal of Revenue Savings) [60]</b>  <p>A MARS scheme was offered to employees for the first time in 2018/19, allowing staff to voluntarily leave their posts with a one-off payment dependent upon their length of service. This resulted in staff reductions and budget savings, but not at the level forecast in the 2018/19 Budget. Despite the overall reduction in budget the initial analysis of potential savings, based on similar schemes run in other organisations, suggested take-up could have created savings of up to £1.5m. As this target was not achieved, as reported to the Staffing Committee, £1m is being reinstated as budget growth within the base budget for 2019/20.</p> <p style="text-align: right;"><i>Impact on Cross Service Budgets =</i></p>	<b>+1.000</b>	<b>+1.000</b>	<b>+1.000</b>
<b>Mutually Agreed Resignation Scheme 2019/20 (Revenue Savings) [61]</b>  <p>Due to the achievement of overall savings in 2018/19 the MARS scheme, allowing staff to voluntarily leave their posts with a one-off payment dependent upon their length of service, is being re-run. Reflecting on the level of take-up in 2018/19 the scheme for 2019/20 is forecasting a lower level of savings as part of the Medium Term Financial Strategy.</p> <p style="text-align: right;"><i>Impact on Cross Service Budgets =</i></p>	<b>-0.300</b>	<b>-0.300</b>	<b>-0.300</b>
<p><i>*Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a>.</i></p> <p style="text-align: right;"><i>Values are not cumulative</i></p>			

## 5. Risk Management

- 5.1 The Council continues to implement and embed an effective risk management framework and appropriate risk appetite to ensure that it is better placed to manage its performance; achieve its corporate objectives; and provide an enhanced level of service and outcomes to the community. Risk management is a key principle of effective corporate governance, and operating within the framework ensures that there is a mechanism in place to support effective decision making and appropriate risk responses.
- 5.2 Cheshire East recognises that in pursuit of its objectives and outcomes that it may choose to accept an increased degree of risk. Where the council chooses to accept an increased level of risk it will do so, subject always to ensuring that the potential benefits and threats are fully understood before developments are authorised, that it has sufficient risk capacity and that sensible measures to mitigate risk are established.
- 5.3 In this constantly evolving environment, with a need to continually adapt internal organisation to meet legal requirements, economic challenges, urban changes, demographic and social changes, it is possible for managers and decision makers to miss risks that may arise suddenly or unexpectedly. The Council uses its risk management framework to help protect against this and the Corporate Leadership Team and Cabinet regularly review the Council's corporate risks and give assurance on the effectiveness of risk management through the Council's Audit and Governance Committee.
- 5.4 The highest rated risks on the Council's corporate risk register are around shifting costs for both the Council and its key partners and suppliers, and increased demand, which places additional strain on the Council's capacity, resources and its financial resilience.
- 5.5 At a strategic level, the Corporate Leadership Team and Cabinet are included as part of the process to review existing and dying risks and to identify new and emerging risks. Operationally risk management is integrated into service planning and decision making to ensure that:
- Risks are recognised and responded to appropriately throughout business management and decision making lifecycles.
  - Risk activity is focused on the delivery of key organisational objectives.
  - Risk registers are critically examined and refreshed throughout the year.
- 5.6 A risk around financial resilience is included as a corporate risk and general reserves are focused on the Council's potential exposure to risk. In addition, where a particular area has been identified as specific risk or investment opportunity, then an amount will be earmarked for that specific purpose.
- 5.7 A £1m contingency budget was included in the revenue budget from 2018/19. Robust budget change proposals backed up by formal business cases, along with the management of budget risk through an appropriate reserves strategy have meant that the previous revenue contingency budget can now be removed as per the table overleaf.

	2019/20 £m*	2020/21 £m*	2021/22 £m*
<b>Removal of Contingency Revenue Budget [65]</b>  Robust budget change proposals backed up by formal business cases, along with the management of budget risk through an appropriate reserves strategy have meant that the previous revenue contingency budget can now be removed.  <i>Impact on Central Budget =</i>			
	<b>-1.000</b>	<b>-1.000</b>	<b>-1.000</b>
* Values represent a +/- variation to the Cheshire East Council approved budget for <a href="#">2018/19</a> . Values are not cumulative			

## 6. Business Rates – Forecasting over the medium term

- 6.1 The Government introduced the Business Rates Retention Scheme on 1<sup>st</sup> April 2013. There has been much uncertainty around the scheme as a result of appeals to the local list. This has resulted in the need to create and build upon a specific earmarked reserve and provision for appeals to protect against large fluctuations in any given year. This Annex provides an illustration of how the scheme has worked over time and what changes are likely over the medium term including estimates of future income.
- 6.2 The basic concept is that a baseline position is established and an element of growth over and above that can be retained. Central Government set the baseline over which growth is measured but the Council can budget on locally set figures. This can be informed by the NNDR1 form which contains estimates that must be provided to Government at the end of January each year.
- 6.3 As part of the last three budget cycles, growth estimates above baseline were calculated and the taxbase has been monitored to assess the robustness of those estimates. This has proved to be reasonably accurate so far for 2019/20 and beyond, the methodology is continuing to be used to estimate growth and this income has been included in the funding assumptions contained within this document. The methodology has been set out below.
- 6.4 For 2018/19 the NNDR1 return is forecasting retained rates above the funding baseline (of £40.9m) for Cheshire East to be £2.1m giving a contribution to the revenue budget of £43.0m. This budget above the baseline is accounting for the growth projections plus levy savings that were forecast as part of the 2018-21 Medium Term Financial Strategy report.
- 6.5 A Non Domestic taxbase for 2019/20 was formally reported to Cabinet and Council in December 2018 which included current hereditaments valued at 2017 levels following the national revaluation in April 2017. Work has been carried out to estimate new business growth in the area and this was included in the calculation for the taxbase. More information on the Business Rates taxbase for 2019/20 and the background on the Business Rates Retention Scheme is available in the report that was approved at [Council](#) on 13<sup>th</sup> December 2018.
- 6.6 The use of the Collection Fund Management Earmarked Reserve, to hold differences between the NNDR1 and the outturn position, continues to provide an element of protection against future risks.

### Available Data

- 6.7 The Council has gathered information from several sources to judge likely levels of economic growth including:
- Information from the business engagement team.
  - Data from the Council's planning system.
  - Data from the team working to generate capital receipts.
  - Data from the Revenues collection service in terms of appeals and expected growth.

- Data from the valuation office.
- Financial Strategy & Reporting knowledge of the BRRS calculations.

## Method

- 6.8 This available data has been reviewed to generate broad estimates of the potential increase in Rateable Value (RV) over the medium term.
- 6.9 An allowance has been made for the average impact of timing delays, on appeals, on other RV nearby (displacement) and likely loss of RV where appropriate.
- 6.10 The end result has been converted to business rates and processed via a BRRS model developed and maintained by Strategy Finance.
- 6.11 This model also takes account of any impact of pooling.

## Results

- 6.12 **Table 1** sets out the results.
- 6.13 Retained rates income forecast from growth in the taxbase for 2019/20 is forecast to be £2.25m. After the central share and levy payments have been made it results in a net increase for Cheshire East of £0.9m as per **Table 1**.

- 6.14 The mix of data sources and balance of results provides a good indication that this methodology is creating a reliable baseline for future estimates in this area. Therefore, the prudent estimate of £0.5m growth per annum in the medium term budget continues to be factored in.

<b>Table 1 - Estimated Increased Net Business Rates Income (incremental)</b>		
<b>Business Type</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>
Manufacturing	1.43	0.47
Offices	0.78	0.13
Other	0.09	0.00
Leisure	0.05	0.00
Retail	-0.10	2.89
<b>Total Net Growth</b>	<b>2.25</b>	<b>3.49</b>
<b>Total Retention for Cheshire East</b>	<b>0.90</b>	<b>1.39</b>

Source: Cheshire East Finance

## 7. The Budget Setting Process

Set Parameters	Gather Evidence	Consult and Refine	Approve																																																																																									
Apr to May 2018	June to Sept 2018	Oct 2018 to Jan 2019	Feb 2019																																																																																									
Assumptions reported to Cabinet / Council in Feb 2018	Develop Pre Budget Consultation	Changes Post Pre Budget Consultation	Medium Term Financial Strategy																																																																																									
<table><tr><th colspan="3">Revenue Budget 2019/20</th></tr><tr><th></th><th>£m</th><th></th></tr><tr><td>Cost of services</td><td>268.0</td><td>➡</td></tr><tr><td>Local Taxation</td><td>-254.5</td><td>➡</td></tr><tr><td>Government Funding</td><td>-12.5</td><td>➡</td></tr><tr><td>Council Tax Collection Fund</td><td>-1.0</td><td>➡</td></tr><tr><td>Total</td><td>0.0</td><td></td></tr></table>	Revenue Budget 2019/20				£m		Cost of services	268.0	➡	Local Taxation	-254.5	➡	Government Funding	-12.5	➡	Council Tax Collection Fund	-1.0	➡	Total	0.0		<table><tr><th colspan="3">Review Assumptions</th></tr><tr><th></th><th>£m</th><th></th></tr><tr><td>Additional net growth pressures forecast</td><td>6.3</td><td>➡</td></tr><tr><td>Council Tax Increase from 1.99% to 2.99%</td><td>-2.1</td><td>➡</td></tr><tr><td>Further Local Tax Base Increases</td><td>-5.0</td><td>➡</td></tr><tr><td>Business Rates S31 compensation grants</td><td>-3.6</td><td>➡</td></tr><tr><td>Other Central Budget and Grant Changes</td><td>5.4</td><td>➡</td></tr><tr><td>Council Tax Collection Fund</td><td>-1.0</td><td>➡</td></tr><tr><td>Total</td><td>0.0</td><td></td></tr></table>	Review Assumptions				£m		Additional net growth pressures forecast	6.3	➡	Council Tax Increase from 1.99% to 2.99%	-2.1	➡	Further Local Tax Base Increases	-5.0	➡	Business Rates S31 compensation grants	-3.6	➡	Other Central Budget and Grant Changes	5.4	➡	Council Tax Collection Fund	-1.0	➡	Total	0.0		<table><tr><th colspan="3">Confirm Proposals</th></tr><tr><th></th><th>£m</th><th></th></tr><tr><td>Proposed budget changes following consultation period</td><td>2.1</td><td>➡</td></tr><tr><td>Funding estimates refined following Prov Settlement -</td><td></td><td></td></tr><tr><td>Social Care Support Grant</td><td>-2.5</td><td>➡</td></tr><tr><td>New Homes Bonus</td><td>-0.5</td><td></td></tr><tr><td>Business Rates growth forecast</td><td>1.0</td><td>➡</td></tr><tr><td>Council Tax Collection Fund</td><td>-0.1</td><td>➡</td></tr><tr><td>Total</td><td>0.0</td><td></td></tr></table>	Confirm Proposals				£m		Proposed budget changes following consultation period	2.1	➡	Funding estimates refined following Prov Settlement -			Social Care Support Grant	-2.5	➡	New Homes Bonus	-0.5		Business Rates growth forecast	1.0	➡	Council Tax Collection Fund	-0.1	➡	Total	0.0		<table><tr><th colspan="2">Budget Report</th></tr><tr><th></th><th>£m</th></tr><tr><td>Cost of services</td><td>281.2</td></tr><tr><td>Local Taxation</td><td>-264.2</td></tr><tr><td>Government Funding</td><td>-14.9</td></tr><tr><td>Council Tax Collection Fund</td><td>-2.1</td></tr><tr><td>Total</td><td>0.0</td></tr></table>	Budget Report			£m	Cost of services	281.2	Local Taxation	-264.2	Government Funding	-14.9	Council Tax Collection Fund	-2.1	Total	0.0
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## 8. Revenue Grant Funding

Corporate Grants Register 2019-22	Revised Budget 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000
<b>SPECIFIC USE (Held within Services)</b>				
<b>People</b>				
<b>Schools</b>				
Dedicated Schools Grant	265,997	272,559	272,559	272,559
Less Academy Recoupment	127,831	134,223	140,934	147,980
Dedicated Schools Grant (Cheshire East)	138,166	138,336	131,625	124,579
Pupil Premium Grant (maintained schools only)	4,739	4,628	4,628	4,628
Sixth Forms Grant (maintained schools only)	4,083	2,749	2,749	2,749
Universal Infant Free School Meals	2,290	2,266	2,266	2,266
Physical Education Sports Grant	1,252	1,228	1,228	1,228
School Improvement Monitoring and Brokering Grant	274	274	274	274
Strategic School Improvement Grant	615	0	0	0
Milk Subsidy	32	0	0	0
<b>Total Schools</b>	<b>151,451</b>	<b>149,481</b>	<b>142,770</b>	<b>135,724</b>
Children and Families	1,842	1,732	1,360	1,360
Adult Social Care	11,695	12,675	4,187	4,152
Public Health	16,400	15,967	15,552	15,552
<b>Total People</b>	<b>181,388</b>	<b>179,855</b>	<b>163,869</b>	<b>156,788</b>



Corporate Grants Register 2019-22	Revised Budget 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000
<b>Place</b>				
Growth and Regeneration	547	652	0	0
Planning and Sustainable Development	283	220	0	0
Directorate	787	787	787	787
Customer Operations	68,211	68,211	68,211	68,211
<b>Total Place</b>	<b>69,828</b>	<b>69,870</b>	<b>68,998</b>	<b>68,998</b>
<b>TOTAL SPECIFIC USE</b>	<b>251,216</b>	<b>249,725</b>	<b>232,867</b>	<b>225,786</b>
<b>GENERAL PURPOSE (Held Corporately)</b>				
<b>Central Funding</b>				
Revenue Support Grant	5,416	0	0	0
<b>PEOPLE - Children and Families</b>				
Troubled Families (including Coordinator)	372	195	0	0
Staying Put Implementation Grant	115	0	0	0
Extended Rights to Free Transport	165	0	0	0
Extended Personal Adviser Duty Implementation	14	0	0	0
Extension of the role of Virtual School Heads	38	0	0	0
<b>PEOPLE - Adult Social Care and Independent Living</b>				
Social Care Support Grant	0	2,478	0	0
Independent Living Fund	888	861	818	818
Local Reform and Community Voices	204	207	207	207
Social Care in Prisons	73	73	73	73
War Pension Scheme Disregard	59	60	60	60
Adult Social Care Support Grant	907	0	0	0
Controlling Migration Fund	75	0	0	0

Corporate Grants Register 2019-22	Revised Budget 2018/19 £000	Forecast 2019/20 £000	Forecast 2020/21 £000	Forecast 2021/22 £000
<b>PLACE</b>				
Lead Local Flood Authorities	15	16	0	0
Neighbourhood Planning Grant for Local Planning Authorities	60	0	0	0
Local Enterprise Partnership (LEP): MHCLG Additional Funding	200	0	0	0
Homelessness Reduction Act - new burdens	37	47	0	0
<b>CORPORATE - Customer Operations</b>				
Housing and Council Tax Benefit Administration	1,083	1,027	1,027	1,027
NNDR Administration Grant	566	571	571	571
Universal Support Grant 2017/18	-9	0	0	0
Universal Support Grant 2018/19	63	0	0	0
<b>CORPORATE - Chief Operating Officer</b>				
New Homes Bonus	8,563	9,327	8,397	8,282
Additional Growth Pilot	138	0	0	0
Transition to Individual Electoral Registration 2018/19	133	0	0	0
<b>CENTRAL ITEMS</b>				
Business Rates 2018/19 Tax Loss Compensation Payment:	7,180	0	0	0
<b>TOTAL GENERAL PURPOSE</b>	<b>26,355</b>	<b>14,862</b>	<b>11,153</b>	<b>11,038</b>
<b>TOTAL GRANT FUNDING</b>	<b>277,571</b>	<b>264,587</b>	<b>244,020</b>	<b>236,824</b>

## 9. Capital Grant Funding

	Prior Years Grant Received £000	Expected Receipt 2019/20 £000	Application of Grants in 2019/20 £000	Expected Receipt 2020/21 £000	Application of Grants in 2020/21 £000	Expected Receipt Future Years £000	Application of Grants in Future Years £000
<b>SPECIFIC PURPOSE (Held Corporately)</b>							
<b>PEOPLE</b>							
<b>Education and 14-19 Skills</b>							
School Condition Grant 2018/19	4,902	0	2,965		2,452		621
School Condition Grant 2019/20	0	1,000	485	0	0		515
School Condition Grant 2020/21	0			1,892	1,290	0	602
School Condition Grant 2021/22	0		20			1,560	1,560
Devolved Formula Capital 2016/17	376		376	0	0		
Devolved Formula Capital 2017/18	282		5	0	277	0	0
Devolved Formula Capital 2018/19	469	0	0	0	235	0	234
Devolved Formula Capital 2019/20	0	0	0	0	0	400	400
Basic Need Grant 2016/17					9	0	0
Basic Need Grant 2017/18	2,684	0	7,086	0	9	0	0
Basic Need Grant 2018/19	8,208	0	65		8,143		
Basic Need Grant 2020/21	0	0	0	8,921	3,274	0	5,647
<b>TOTAL PEOPLE</b>	<b>16,921</b>	<b>1,000</b>	<b>11,002</b>	<b>10,813</b>	<b>15,689</b>	<b>1,960</b>	<b>9,579</b>

	Prior Years Grant Received £000	Expected Receipt 2019/20 £000	Application of Grants in 2019/20 £000	Expected Receipt 2020/21 £000	Application of Grants in 2020/21 £000	Expected Receipt Future Years £000	Application of Grants in Future Years £000
<b>SPECIFIC PURPOSE (Held Corporately)</b>							
<b>PLACE</b>							
<b>Growth and Regeneration</b>							
Disabled Facilities Grant 2017/18	1,936						
Disabled Facilities Grant 2018/19	2,118		586				
Disabled Facilities Grant 2019/20		1,753	1,166		585		
Disabled Facilities Grant 2020/21				1,751	1,164		584
Disabled Facilities Grant 2021/22						1,750	1,750
Crewe Town Centre Regeneration / Local Growth Fund	794	3,839	3,839	5,368	5,368		
Premises Capital (FM)	5,016						
Private Sector Assistance	1,263						
<b>Rural and Green Infrastructure</b>							
Accessibility – Walking & Cycling	1,626		72				
PROW CMM A6 MARR	100		90				
<b>Client Commissioning</b>							
Connecting Cheshire Digital 2020 - Super Fast Broadband	32	420	420	1,683	1,683	4,155	4,155
North Cheshire Garden Village	577	5,192	5,192	11,948	11,948	3,983	3,983
South Macclesfield Development Area	450	6,000	6,000	3,550	3,550		

	Prior Years Grant Received £000	Expected Receipt 2019/20 £000	Application of Grants in 2019/20 £000	Expected Receipt 2020/21 £000	Application of Grants in 2020/21 £000	Expected Receipt Future Years £000	Application of Grants in Future Years £000
<b>SPECIFIC PURPOSE (Held Corporately)</b>							
<b>PLACE</b>							
<b>Infrastructure and Highways</b>							
Congleton Relief Road / Local Growth Fund	14,400	23,810	27,403	9,197	9,197		
Flower Pot Junction, Macclesfield - Phase 1	1,237	1,513	2,250	750	750		
Incentive Fund 2018/19 / Department for Transport		1,751	1,751				
Incentive Fund 2019/20 / Department for Transport				1,751	1,751		
Incentive Fund 2020/21 / Department for Transport						1,751	1,751
Integrated Transport Block 2018/19 / Department for Transport		1,803	1,803				
Integrated Transport Block 2019/20 / Department for Transport				1,803	1,803		
Integrated Transport Block 2020/21 / Department for Transport						1,803	1,803
Macclesfield Movement Strategy / Local Growth Fund	50	40	63				
Maintenance Block 2018/19 / Department for Transport		8,409	8,409				
Maintenance Block 2019/20 / Department for Transport				8,409	8,409		
Maintenance Block 2020/21 / Department for Transport						8,409	8,409
Mid Cheshire Towns Study	20	20	20				
Middlewich East Bypass		7,892	7,892	21,699	21,699	17,190	17,190
North West Crewe Package	2,303	6,480	8,783	6,768	6,768		
Poynton Relief Road / Local Growth Fund	3,328	559	559	7,261	7,261	12,205	12,205
Safer Road Fund / Department for Transport		938	938	313	313		
Sustainable Travel Access Programme	130	889	889	981	981		
Sydney Road Bridge / Local Growth Fund	5,876						
<b>TOTAL PLACE</b>	<b>41,256</b>	<b>71,307</b>	<b>78,124</b>	<b>83,232</b>	<b>83,230</b>	<b>51,246</b>	<b>51,830</b>
<b>TOTAL SPECIFIC PURPOSE - CAPITAL GRANT FUNDING</b>	<b>58,177</b>	<b>72,307</b>	<b>89,126</b>	<b>94,045</b>	<b>98,919</b>	<b>53,206</b>	<b>61,409</b>

## 10. Financial Summary Tables (Revenue)

The 2018/19 Budget, shown as the starting point for the following tables, takes account of any permanent changes made during the 2018/19 financial year to date. There may be differences from the budget position at the [Third Quarter](#) Review which includes both permanent and temporary budget changes. The table below summarises these changes. Further details are available on request.

Service	Current Net Budget 2018/19 at Three Quarter Review £m	Less Temporary Specific Grants Allocations £m	Less Other Temporary In Year Budget Adjustments £m	Permenant Base Budget Carried Forward to 2019/20 £m
SERVICE DIRECTORATES				
Directorate	600			600
Children's Social Care	35,949	-129	-77	35,743
Education and 14-19 Skills	11,715	-72	-231	11,412
Prevention and Support	9,201	-177	-532	8,492
Adult Social Care - Operations	24,005		-193	23,812
Adult Social Care - Commissioning	80,278	-65	-847	79,366
Public Health and Communities	2,615	-75	-32	2,508
<b>People</b>	<b>164,363</b>	<b>-518</b>	<b>-1,912</b>	<b>161,933</b>
Directorate	204		-16	188
Planning and Sustainable Development	3,255	-60	-243	2,952
Infrastructure and Highways (incl Car Parking)	12,377			12,377
Growth and Regeneration	17,306	-200	-90	17,016
Rural and Cultural Economy	2,967			2,967
Customer Services	8,355	-63	30	8,322
Client Commissioning - Leisure	2,019			2,019
Client Commissioning - Envioronmental	28,466			28,466
<b>Place</b>	<b>74,949</b>	<b>-323</b>	<b>-319</b>	<b>74,307</b>

Service	Current Net Budget 2018/19 at Three Quarter Review £m	Less Temporary Specific Grants Allocations £m	Less Other Temporary In Year Budget Adjustments £m	Permenant Base Budget Carried Forward to 2019/20 £m
SERVICE DIRECTORATES				
Directorate - Former Professional Services	1,379			1,379
Directorate - Business Manager	1,146		-291	855
Directorate - Unallocated	-951			-951
Legal & Democratic Services	5,972	-133	-115	5,724
Human Resources	2,297		25	2,322
Finance & Performance	6,187			6,187
ICT	5,745			5,745
Communications	603			603
<b>Corporate</b>	<b>22,378</b>	<b>-133</b>	<b>-381</b>	<b>21,864</b>
<b>Total Services Net Budget</b>	<b>261,690</b>	<b>-974</b>	<b>-2,612</b>	<b>258,104</b>
CENTRAL BUDGETS				
Capital Financing	10,000			10,000
Transfer to Earmarked Reserves	-1,213		907	-306
Corporate Contributions / Central Budgets	-737		1,000	263
<b>Total Central Budgets</b>	<b>8,050</b>	<b>0</b>	<b>1,907</b>	<b>9,957</b>
<b>TOTAL NET BUDGET</b>	<b>269,740</b>	<b>-974</b>	<b>-705</b>	<b>268,061</b>

# Cheshire East Council Revenue Budget Summary

## REVENUE

	2019/20 Budget			2020/21 Budget			2021/22 Budget		
	Budget including Policy Proposals								
Service Area	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
People	401,232	-230,288	170,944	399,990	-222,126	177,864	394,539	-215,080	179,459
Place	176,926	-99,601	77,325	177,977	-99,761	78,216	180,292	-99,776	80,516
Corporate	53,336	-28,692	24,644	54,228	-29,142	25,086	55,120	-29,142	25,978
Total Cost of Service	631,494	-358,581	272,913	632,195	-351,029	281,166	629,951	-343,998	285,953
Central Items	14,783	-6,519	8,264	15,783	-3,569	12,214	16,783	-2,569	14,214
Previous Year Budget Deficit						0		-11,042	-11,042
Total Cost of Service	646,277	-365,100	281,177	647,978	-354,598	293,380	646,734	-357,609	289,125
	Policy Proposals included above								
People	8,612	399	9,011	-1,242	8,162	6,920	-5,451	7,046	1,595
Place	3,205	-187	3,018	1,051	-160	891	2,315	-15	2,300
Corporate	2,985	-205	2,780	892	-450	442	892		892
Central Items	900	-2,593	-1,693	1,000	2,950	3,950	1,000	1,000	2,000
Financial Impact of Policy Proposals	15,702	-2,586	13,116	1,701	10,502	12,203	-1,244	8,031	6,787



## People Directorate Summary

## REVENUE

Service Area	2019/20 Budget			2020/21 Budget			2021/22 Budget		
				Budget including Policy Proposals					
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Adult Social Care Commissioning	116,108	-33,833	82,275	119,469	-32,382	87,087	119,531	-32,382	87,149
Adult Social Care Operations	30,865	-5,638	25,227	31,681	-5,638	26,043	32,497	-5,638	26,859
Children's Social Care	40,724	-2,874	37,850	41,609	-2,874	38,735	41,919	-2,874	39,045
Directorate	451	-299	152	488	-299	189	525	-299	226
Education and 14-19 Skills	18,205	-5,879	12,326	18,161	-5,879	12,282	18,117	-5,879	12,238
Prevention and Support	25,684	-15,138	10,546	26,056	-15,138	10,918	26,428	-15,138	11,290
Public Health and Communities	19,714	-17,146	2,568	19,756	-17,146	2,610	19,798	-17,146	2,652
Schools Grant Funded Expenditure	149,481	-149,481	0	142,770	-142,770	0	135,724	-135,724	0
<b>Total Cost of Service</b>	<b>401,232</b>	<b>-230,288</b>	<b>170,944</b>	<b>399,990</b>	<b>-222,126</b>	<b>177,864</b>	<b>394,539</b>	<b>-215,080</b>	<b>179,459</b>
<b>Policy Proposals included above</b>									
Adult Social Care Commissioning	4,460	-1,551	2,909	3,361	1,451	4,812	62		62
Adult Social Care Operations	1,415		1,415	816		816	816		816
Children's Social Care	2,107		2,107	885		885	310		310
Directorate	-448		-448	37		37	37		37
Education and 14-19 Skills	914		914	-44		-44	-44		-44
Prevention and Support	2,074	-20	2,054	372		372	372		372
Public Health and Communities	60		60	42		42	42		42
Schools Grant Funded Expenditure	-1,970	1,970	0	-6,711	6,711	0	-7,046	7,046	0
<b>Financial Impact of Policy Proposals</b>	<b>8,612</b>	<b>399</b>	<b>9,011</b>	<b>-1,242</b>	<b>8,162</b>	<b>6,920</b>	<b>-5,451</b>	<b>7,046</b>	<b>1,595</b>

Note: Appendix 8 shows a breakdown of Schools Grant Funding

## People Directorate - Adult Social Care Commissioning

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Client Contributions	5		-22,862	-22,862		-22,862	-22,862		-22,862	-22,862
Early Intervention and Prevention	5	678		678	678		678	678		678
External Care Costs	5	102,689	-1,451	101,238	106,088		106,088	106,088		106,088
Other	5	11,159	-9,520	1,639	11,059	-9,520	1,539	11,059	-9,520	1,539
Staffing Team	5	1,496		1,496	1,496		1,496	1,496		1,496
Pay & Pensions		86		86	148		148	210		210
Total Cost of Service		116,108	-33,833	82,275	119,469	-32,382	87,087	119,531	-32,382	87,149
Policy Proposals included above										
Policy Proposals										
Independent Living Fund - Attrition Factor Reductions	5	-27		-27			0			0
Direct Payments Review	5	-500		-500			0			0
One You Cheshire East	5	-50		-50	-50		-50			0
Community Equipment Service	5	-50		-50	-50		-50			0
Healthwatch Cheshire East	5	-15		-15			0			0
Increase Income	5		-100	-100			0			0
Growth in Demand for Adult Social Care (merged)	5	3,500		3,500	5,000		5,000			0
0-19 Healthy Child Programme	5			0	-150		-150			0
Allocated Adult Social Care Grants	5	65		65			0			0
Adult Social Care Winter Pressures Expenditure	5	1,451		1,451	-1,451		-1,451			0
Adult Social Care Winter Pressures Grant Funding	5		-1,451	-1,451		1,451	1,451			0
Pay & Pensions		86		86	62		62	62		62
Financial Impact of Policy Proposals		4,460	-1,551	2,909	3,361	1,451	4,812	62	0	62

## People Directorate - Adult Social Care Operations

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Care4CE	5	15,988	-4,620	11,368	15,988	-4,620	11,368	15,988	-4,620	11,368
Other	5	93		93	93		93	93		93
Staffing Teams	5	11,735	-1,018	10,717	11,735	-1,018	10,717	11,735	-1,018	10,717
Support To Social Work	5	1,534		1,534	1,534		1,534	1,534		1,534
Pay & Pensions		1,515		1,515	2,331		2,331	3,147		3,147
Total Cost of Service		30,865	-5,638	25,227	31,681	-5,638	26,043	32,497	-5,638	26,859
		Policy Proposals included above								
Policy Proposals										
Client Finance and Business Support Review	5	-100		-100			0			0
Pay & Pensions		1,515		1,515	816		816	816		816
Financial Impact of Policy Proposals		1,415	0	1,415	816	0	816	816	0	816

## People Directorate - Children's Social Care

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Children's Commissioning	5	1,779		1,779	1,779		1,779	1,779		1,779
Head of Service	5	51	-110	-59	51	-110	-59	51	-110	-59
Safeguarding including Domestic Abuse	5	2,254	-320	1,934	2,254	-320	1,934	2,254	-320	1,934
Social Care - Cared for Children	5	29,768	-2,444	27,324	30,193	-2,444	27,749	30,043	-2,444	27,599
Social Care - Child Protection / Children in Need	5	6,216		6,216	6,216		6,216	6,216		6,216
Pay & Pensions		656		656	1,116		1,116	1,576		1,576
Total Cost of Service		40,724	-2,874	37,850	41,609	-2,874	38,735	41,919	-2,874	39,045
		Policy Proposals included above								
Policy Proposals										
Growth Bid Cared for Children and Care Leavers	5	700		700	500		500			0
Extension of the Fact22 model	5	300		300			0			0
Review of allowances for children previously cared for	5	-75		-75	-75		-75	-150		-150
Funding of Social Workers	5	400		400			0			0
Independent Reviewing Officers	5	126		126			0			0
Pay & Pensions		656		656	460		460	460		460
Financial Impact of Policy Proposals		2,107	0	2,107	885	0	885	310	0	310

## People Directorate - Directorate

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Business Support Corporate Savings		-193		-193	-193		-193	-193		-193
Directorate	3,5	592	-299	293	592	-299	293	592	-299	293
Pay & Pensions		52		52	89		89	126		126
Total Cost of Service		451	-299	152	488	-299	189	525	-299	226
		Policy Proposals included above								
Policy Proposals										
Review and reduction of contract values - to be allocated across Children and Families	5	-500		-500				0		
Pay & Pensions		52		52	37		37	37		37
Financial Impact of Policy Proposals		-448	0	-448	37	0	37	37	0	37

## People Directorate - Education and 14-19 Skills

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Client Commissioning - Transport	3	8,835		8,835	8,555		8,555	8,275		8,275
Education Infrastructure and Outcomes	3	250		250	250		250	250		250
Education Participation and Pupil Support	3	5,858	-5,319	539	5,858	-5,319	539	5,858	-5,319	539
Head of Service and Legacy Pension Costs	3	2,709	-560	2,149	2,709	-560	2,149	2,709	-560	2,149
Skills and Lifelong Learning	3	160		160	160		160	160		160
Pay & Pensions		393		393	629		629	865		865
Total Cost of Service		18,205	-5,879	12,326	18,161	-5,879	12,282	18,117	-5,879	12,238
		Policy Proposals included above								
Policy Proposals										
Children & Families Transport Policy Review	3	271		271	-280		-280	-280		-280
Provide School Meals Subsidy	3	210		210			0			0
Extension of Traded Service Opportunities with Schools	3	40		40			0			0
Pay & Pensions		393		393	236		236	236		236
Financial Impact of Policy Proposals		914	0	914	-44	0	-44	-44	0	-44

## People Directorate - Prevention and Support

## REVENUE

Service Area	Outcome Reference	2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals			Budget including Policy Proposals			Budget including Policy Proposals		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Children's Development and Partnerships	3	809	-197	612	809	-197	612	809	-197	612
Early Intervention and Prevention	3	8,498	-1,595	6,903	8,498	-1,595	6,903	8,498	-1,595	6,903
SEND / Education Psychologists	3	15,520	-13,346	2,174	15,520	-13,346	2,174	15,520	-13,346	2,174
Youth Engagement Service	3	335		335	335		335	335		335
Pay & Pensions		522		522	894		894	1,266		1,266
<b>Total Cost of Service</b>		<b>25,684</b>	<b>-15,138</b>	<b>10,546</b>	<b>26,056</b>	<b>-15,138</b>	<b>10,918</b>	<b>26,428</b>	<b>-15,138</b>	<b>11,290</b>
<b>Policy Proposals included above</b>										
<b>Policy Proposals</b>										
Early Years Team Income	3		-20	-20			0			0
People Directorate Business Management Service	3	345		345			0			0
Realignment of Children's Services funding streams	3	707		707			0			0
Provide Additional Capacity for SEND Service	3	500		500			0			0
Pay & Pensions		522		522	372		372	372		372
<b>Financial Impact of Policy Proposals</b>		<b>2,074</b>	<b>-20</b>	<b>2,054</b>	<b>372</b>	<b>0</b>	<b>372</b>	<b>372</b>	<b>0</b>	<b>372</b>

## People Directorate - Public Health and Communities

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Partnerships and Communities	1	2,963	-455	2,508	2,963	-455	2,508	2,963	-455	2,508
Public Health	1	16,691	-16,691	0	16,691	-16,691	0	16,691	-16,691	0
Pay & Pensions		60		60	102		102	144		144
Total Cost of Service		19,714	-17,146	2,568	19,756	-17,146	2,610	19,798	-17,146	2,652
		Policy Proposals included above								
Policy Proposals										
Pay & Pensions		60		60	42		42	42		42
Financial Impact of Policy Proposals		60	0	60	42	0	42	42	0	42



## Place Directorate Summary

## REVENUE

Service Area	2019/20 Budget			2020/21 Budget			2021/22 Budget		
	Budget including Policy Proposals								
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Client Commissioning: Environmental	33,364	-2,808	30,556	33,244	-2,713	30,531	34,059	-2,728	31,331
Client Commissioning: Leisure	2,402		2,402	2,700		2,700	2,999		2,999
Customer Services	77,687	-68,855	8,832	77,999	-68,855	9,144	78,311	-68,855	9,456
Directorate	-38		-38	-21		-21	-4		-4
Growth and Regeneration	22,896	-5,409	17,487	23,125	-5,659	17,466	23,391	-5,659	17,732
Infrastructure and Highways	22,889	-10,528	12,361	22,937	-10,528	12,409	23,076	-10,528	12,548
Planning and Sustainable Development	9,549	-6,975	2,574	9,651	-6,975	2,676	9,953	-6,975	2,978
Rural and Cultural Economy	8,177	-5,026	3,151	8,342	-5,031	3,311	8,507	-5,031	3,476
<b>Total Cost of Service</b>	<b>176,926</b>	<b>-99,601</b>	<b>77,325</b>	<b>177,977</b>	<b>-99,761</b>	<b>78,216</b>	<b>180,292</b>	<b>-99,776</b>	<b>80,516</b>
<b>Policy Proposals included above</b>									
Client Commissioning: Environmental	2,037	53	2,090	-120	95	-25	815	-15	800
Client Commissioning: Leisure	383		383	298		298	299		299
Customer Services	460	50	510	312		312	312		312
Directorate	-226		-226	17		17	17		17
Growth and Regeneration	721	-250	471	229	-250	-21	266		266
Infrastructure and Highways	-16		-16	48		48	139		139
Planning and Sustainable Development	-378		-378	102		102	302		302
Rural and Cultural Economy	224	-40	184	165	-5	160	165		165
<b>Financial Impact of Policy Proposals</b>	<b>3,205</b>	<b>-187</b>	<b>3,018</b>	<b>1,051</b>	<b>-160</b>	<b>891</b>	<b>2,315</b>	<b>-15</b>	<b>2,300</b>

## Place Directorate - Client Commissioning: Environmental

## REVENUE

Service Area	Outcome Reference	2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals			Budget including Policy Proposals			Budget including Policy Proposals		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Environmental (including Bereavement)	4	32,655	-2,808	29,847	32,070	-2,713	29,357	32,420	-2,728	29,692
Pay & Pensions		709		709	1,174		1,174	1,639		1,639
<b>Total Cost of Service</b>		<b>33,364</b>	<b>-2,808</b>	<b>30,556</b>	<b>33,244</b>	<b>-2,713</b>	<b>30,531</b>	<b>34,059</b>	<b>-2,728</b>	<b>31,331</b>
Policy Proposals included above										
<b>Policy Proposals</b>										
Markets Income	4	-66	153	87	-125	95	-30		-15	-15
Bereavement Services Increased Income	4	55	-100	-45			0			0
Environmental Services Base Budget	4	324		324	-15		-15			0
Ansa income generation and efficiencies	4	45		45	-625		-625			0
Housing Growth, Waste Contract Inflation and Tonnage Growth	4	403		403	350		350	350		350
Food Waste Recycling (Composting Plant)	4	220		220	-70		-70			0
Household waste recycling centre efficiencies	4	347		347	-100		-100			0
Pay & Pensions		709		709	465		465	465		465
<b>Financial Impact of Policy Proposals</b>		<b>2,037</b>	<b>53</b>	<b>2,090</b>	<b>-120</b>	<b>95</b>	<b>-25</b>	<b>815</b>	<b>-15</b>	<b>800</b>

## Place Directorate - Client Commissioning: Leisure

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Leisure	5	1,933		1,933	1,894		1,894	1,856		1,856
Pay & Pensions		469		469	806		806	1,143		1,143
Total Cost of Service		2,402	0	2,402	2,700	0	2,700	2,999	0	2,999
		Policy Proposals included above								
Policy Proposals										
Reducing the cost of leisure services	5	-86		-86	-39		-39	-38		-38
Pay & Pensions		469		469	337		337	337		337
Financial Impact of Policy Proposals		383	0	383	298	0	298	299	0	299

## Place Directorate - Customer Services

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Benefits Administration	6	2,321	-151	2,170	2,331	-151	2,180	2,331	-151	2,180
Benefit Payments	6	67,144	-67,216	-72	67,134	-67,216	-82	67,134	-67,216	-82
Customer Services	6	2,051	-24	2,027	2,051	-24	2,027	2,051	-24	2,027
Customer Services Management	6	138		138	138		138	138		138
Digital Savings	6	-856		-856	-856		-856	-856		-856
Emergency Planning	6	142		142	142		142	142		142
Library Services	6	3,768	-355	3,413	3,768	-355	3,413	3,768	-355	3,413
Online Services	6	317	-54	263	317	-54	263	317	-54	263
Revenues	6	1,545	-1,055	490	1,545	-1,055	490	1,545	-1,055	490
Service Development and Systems	6	667		667	667		667	667		667
Pay & Pensions		450		450	762		762	1,074		1,074
Total Cost of Service		77,687	-68,855	8,832	77,999	-68,855	9,144	78,311	-68,855	9,456
Policy Proposals included above										
Policy Proposals										
Withdrawal of temporary reduction in funding for Universal Information and Advice service	1	10		10			0			0
Income from the recovery of local taxation	6		50	50			0			0
Pay & Pensions		450		450	312		312	312		312
Financial Impact of Policy Proposals		460	50	510	312	0	312	312	0	312

## Place Directorate - Directorate

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Directorate	2	-62		-62	-62		-62	-62		-62
Pay & Pensions		24		24	41		41	58		58
Total Cost of Service		-38	0	-38	-21	0	-21	-4	0	-4
		Policy Proposals included above								
Policy Proposals										
Contract and Commissioning savings	2	-250		-250	0			0		
Pay & Pensions		24		24	17		17	17		17
Financial Impact of Policy Proposals		-226	0	-226	17	0	17	17	0	17

## Place Directorate - Growth and Regeneration

## REVENUE

Service Area	Outcome Reference	2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals			Budget including Policy Proposals			Budget including Policy Proposals		
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Assets	2	2,394	-2,236	158	2,314	-2,486	-172	2,314	-2,486	-172
Client Commissioning - Skills and Growth	2	1,144		1,144	1,144		1,144	1,144		1,144
Constellation Partnership	2	40		40	40		40	40		40
Facilities Management	2	14,388	-1,520	12,868	14,478	-1,520	12,958	14,478	-1,520	12,958
Farms	2	337	-709	-372	337	-709	-372	337	-709	-372
Regeneration	2	567	-95	472	567	-95	472	567	-95	472
Strategic Housing	5	3,640	-849	2,791	3,593	-849	2,744	3,593	-849	2,744
Pay & Pensions		386		386	652		652	918		918
<b>Total Cost of Service</b>		<b>22,896</b>	<b>-5,409</b>	<b>17,487</b>	<b>23,125</b>	<b>-5,659</b>	<b>17,466</b>	<b>23,391</b>	<b>-5,659</b>	<b>17,732</b>
<b>Policy Proposals included above</b>										
<b>Policy Proposals</b>										
Investment Portfolio	2		-250	-250		-250	-250			0
Business Rate Growth for Council Facilities	2	90		90	90		90			0
Management of Risks Relating to Land	2	90		90	-80		-80			0
Energy Cost Increases	2	145		145			0			0
Homelessness Reduction Act - new burdens	2	10		10	-47		-47			0
Pay & Pensions		386		386	266		266	266		266
<b>Financial Impact of Policy Proposals</b>		<b>721</b>	<b>-250</b>	<b>471</b>	<b>229</b>	<b>-250</b>	<b>-21</b>	<b>266</b>	<b>0</b>	<b>266</b>

## Place Directorate - Infrastructure and Highways

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Car Parking	4	1,805	-5,930	-4,125	1,805	-5,930	-4,125	1,805	-5,930	-4,125
Client Commissioning - Transport	2	4,581		4,581	4,490		4,490	4,490		4,490
Highways	4	14,141	-3,470	10,671	14,141	-3,470	10,671	14,141	-3,470	10,671
HS2	2	703		703	703		703	703		703
Strategic Infrastructure	2	1,458	-1,128	330	1,458	-1,128	330	1,458	-1,128	330
Pay & Pensions		201		201	340		340	479		479
Total Cost of Service		22,889	-10,528	12,361	22,937	-10,528	12,409	23,076	-10,528	12,548
Policy Proposals included above										
Policy Proposals										
Community Transport	2	-109		-109	-91		-91			0
Street Lighting improvements	4	-50		-50			0			0
Highways Procurement	4	-100		-100			0			0
Lead Local Authority Flood Grant Funding	4	1		1			0			0
Parking Strategy - Pay & Display Machines - maintenance saving	4	41		41			0			0
Pay & Pensions		201		201	139		139	139		139
Financial Impact of Policy Proposals		-16	0	-16	48	0	48	139	0	139

## Place Directorate - Planning and Sustainable Development

## REVENUE

Service Area	Outcome Reference	2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Building Control	4		-1,756	-1,756		-1,756	-1,756		-1,756	-1,756
Client Commissioning: Civicance	4	1,789		1,789	1,789		1,789	1,789		1,789
Development Management	4	3,105	-3,700	-595	3,105	-3,700	-595	3,105	-3,700	-595
Director of Planning and Sustainable Development	4	321		321	321		321	321		321
Neighbourhood Planning	4	430	-400	30	430	-400	30	430	-400	30
Regulatory Services and Health	4	2,578	-1,119	1,459	2,578	-1,119	1,459	2,578	-1,119	1,459
Spatial Planning	4	904		904	704		704	704		704
Pay & Pensions		422		422	724		724	1,026		1,026
<b>Total Cost of Service</b>		<b>9,549</b>	<b>-6,975</b>	<b>2,574</b>	<b>9,651</b>	<b>-6,975</b>	<b>2,676</b>	<b>9,953</b>	<b>-6,975</b>	<b>2,978</b>
<b>Policy Proposals included above</b>										
<b>Policy Proposals</b>										
Planning Reserve	4	-800		-800	-200		-200			0
Pay & Pensions		422		422	302		302	302		302
<b>Financial Impact of Policy Proposals</b>		<b>-378</b>	<b>0</b>	<b>-378</b>	<b>102</b>	<b>0</b>	<b>102</b>	<b>302</b>	<b>0</b>	<b>302</b>



## Place Directorate - Rural and Cultural Economy

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Countryside	2	1,051	-205	846	1,051	-205	846	1,051	-205	846
Cultural Economy	2	885		885	885		885	885		885
Head of Rural and Cultural Economy	2	124		124	124		124	124		124
Public Rights of Way	2	576	-181	395	576	-181	395	576	-181	395
Tatton Park	2	4,533	-4,093	440	4,533	-4,093	440	4,533	-4,093	440
Visitor Economy	2	754	-547	207	754	-552	202	754	-552	202
Pay & Pensions		254		254	419		419	584		584
Total Cost of Service		8,177	-5,026	3,151	8,342	-5,031	3,311	8,507	-5,031	3,476
		Policy Proposals included above								
Policy Proposals										
Macclesfield Silk Heritage Trust	2	20		20			0			0
Cheshire East Reflects	2	-50		-50			0			0
Increase Public Rights of Way Fees and Charges	2		-23	-23			0			0
Visitor Economy	2		-17	-17		-5	-5			0
Pay & Pensions		254		254	165		165	165		165
Financial Impact of Policy Proposals		224	-40	184	165	-5	160	165	0	165

## Corporate Directorate Summary

## REVENUE

Service Area	2019/20 Budget			2020/21 Budget			2021/22 Budget		
	Budget including Policy Proposals			Budget including Policy Proposals			Budget including Policy Proposals		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Communications	682	-51	631	701	-51	650	720	-51	669
Directorate - Business Manager	1,195	-61	1,134	1,237	-61	1,176	1,279	-61	1,218
Directorate - Former Professional Services	1,831	-611	1,220	1,896	-611	1,285	1,961	-611	1,350
Directorate - Unallocated	-129		-129	-133		-133	-137		-137
Finance and Performance	10,190	-3,793	6,397	10,413	-3,793	6,620	10,636	-3,793	6,843
Human Resources	3,504	-910	2,594	3,574	-910	2,664	3,644	-910	2,734
ICT Services	27,421	-21,289	6,132	27,685	-21,289	6,396	27,949	-21,289	6,660
Legal Services	8,642	-1,977	6,665	8,855	-2,427	6,428	9,068	-2,427	6,641
<b>Total Cost of Service</b>	<b>53,336</b>	<b>-28,692</b>	<b>24,644</b>	<b>54,228</b>	<b>-29,142</b>	<b>25,086</b>	<b>55,120</b>	<b>-29,142</b>	<b>25,978</b>
<b>Policy Proposals included above</b>									
Communications	28		28	19		19	19		19
Directorate - Business Manager	279		279	42		42	42		42
Directorate - Former Professional Services	-159		-159	65		65	65		65
Directorate - Unallocated	822		822	-4		-4	-4		-4
Finance and Performance	310	-100	210	223		223	223		223
Human Resources	272		272	70		70	70		70
ICT Services	387		387	264		264	264		264
Legal Services	1,046	-105	941	213	-450	-237	213		213
<b>Financial Impact of Policy Proposals</b>	<b>2,985</b>	<b>-205</b>	<b>2,780</b>	<b>892</b>	<b>-450</b>	<b>442</b>	<b>892</b>	<b>0</b>	<b>892</b>

## Corporate Directorate - Communications

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Communications	6	588	-51	537	588	-51	537	588	-51	537
Corporate Campaigns	6	66		66	66		66	66		66
Pay & Pensions	6	28		28	47		47	66		66
Total Cost of Service		682	-51	631	701	-51	650	720	-51	669
		Policy Proposals included above								
Policy Proposals										
Pay & Pensions	6	28		28	19		19	19		19
Financial Impact of Policy Proposals		28	0	28	19	0	19	19	0	19

## Corporate Directorate - Business Manager

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Admin Review (Cross Cutter)	1,4,6	-91		-91	-91		-91	-91		-91
Chief Executive Office	6	567		567	567		567	567		567
Equality and Diversity	6	20		20	20		20	20		20
Executive Director - Corporate	6	73	-2	71	73	-2	71	73	-2	71
Executive Support Team	6	567	-59	508	567	-59	508	567	-59	508
Pay & Pensions		59		59	101		101	143		143
Total Cost of Service		1,195	-61	1,134	1,237	-61	1,176	1,279	-61	1,218
		Policy Proposals included above								
Policy Proposals										
Delivery of the Equality, Diversity and Inclusion Strategy	6	20	0	20	0	0	0	0	0	0
Reversal of Admin Review Efficiencies	6	200	0	200	0	0	0	0	0	0
Pay & Pensions		59	0	59	42	0	42	42	0	42
Financial Impact of Policy Proposals		279	0	279	42	0	42	42	0	42

## Corporate Directorate - Former Professional Services

## REVENUE

Service Area	Outcome Reference	2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Business Solutions	6	470	-13	457	535	-13	522	600	-13	587
Oracle System Review (cross cutter)	6	-500		-500	-500		-500	-500		-500
Professional Services and Commercial Services Manager	6	120		120	120		120	120		120
Transactional Shared Services	6	1,741	-598	1,143	1,741	-598	1,143	1,741	-598	1,143
<b>Total Cost of Service</b>		<b>1,831</b>	<b>-611</b>	<b>1,220</b>	<b>1,896</b>	<b>-611</b>	<b>1,285</b>	<b>1,961</b>	<b>-611</b>	<b>1,350</b>
<b>Policy Proposals included above</b>										
<b>Policy Proposals</b>										
Reduce costs of core processes (Oracle system review)	6	-250		-250			0			0
Pay & Pensions		91		91	65		65	65		65
<b>Financial Impact of Policy Proposals</b>		<b>-159</b>	<b>0</b>	<b>-159</b>	<b>65</b>	<b>0</b>	<b>65</b>	<b>65</b>	<b>0</b>	<b>65</b>

## Corporate Directorate - Unallocated

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
ASDV Pension Contribution	6	-152		-152	-152		-152	-152		-152
Corporate Services Restructure	6	280		280	280		280	280		280
ESG	6			0			0			0
Mutually Agreed Resignation Scheme (MARS)	6	-251		-251	-251		-251	-251		-251
Pay & Pensions		-6		-6	-10		-10	-14		-14
Total Cost of Service		-129	0	-129	-133	0	-133	-137	0	-137
Policy Proposals included above										
Policy Proposals										
Service Area to be determined:										
Mutually Agreed Resignation Scheme (MARS) 2018 shortfall	6	1,000		1,000			0			0
Mutually Agreed Resignation Scheme (MARS) 2019 offer	6	-300		-300			0			0
Corporate Services Restructure	6	280		280			0			0
ASDV Pension Contribution	6	-152		-152			0			0
Pay & Pensions		-6		-6	-4		-4	-4		-4
Financial Impact of Policy Proposals		822	0	822	-4	0	-4	-4	0	-4

## Corporate Directorate - Finance and Performance

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Audit, Counter Fraud, Risk	6	678	-139	539	678	-139	539	678	-139	539
Business Intelligence - People	6	801	-444	357	801	-444	357	801	-444	357
Business Intelligence - Place and Corporate	6	311	-6	305	311	-6	305	311	-6	305
Finance Partnering and Strategy	6	2,342	-248	2,094	2,342	-248	2,094	2,342	-248	2,094
Head of Finance and Performance	6	117		117	117		117	117		117
Insurance	6	2,578	-1,158	1,420	2,578	-1,158	1,420	2,578	-1,158	1,420
Procurement	6	657	-201	456	657	-201	456	657	-201	456
Project Management Office	6	1,237	-700	537	1,237	-700	537	1,237	-700	537
Projects and Commercial Finance	6	1,159	-897	262	1,159	-897	262	1,159	-897	262
Pay & Pensions	6	310		310	533		533	756		756
Total Cost of Service		10,190	-3,793	6,397	10,413	-3,793	6,620	10,636	-3,793	6,843
		Policy Proposals included above								
Policy Proposals										
Insurance Contribution	6		-100	-100	0			0		
Pay & Pensions		310		310	223		223	223		223
Financial Impact of Policy Proposals		310	-100	210	223	0	223	223	0	223

## Corporate Directorate - Human Resources

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Head of Human Resources	6	284		284	284		284	284		284
Health and Safety inc. Occ Health	6	520	-364	156	520	-364	156	520	-364	156
HR Delivery Non-Schools	6	715	-16	699	715	-16	699	715	-16	699
HR Delivery Schools	6	360	-440	-80	360	-440	-80	360	-440	-80
Organisational Development	6	319		319	319		319	319		319
Policy	6	200		200	200		200	200		200
Workforce Development	6	1,009	-90	919	1,009	-90	919	1,009	-90	919
Pay & Pensions	6	97		97	167		167	237		237
Total Cost of Service		3,504	-910	2,594	3,574	-910	2,664	3,644	-910	2,734
		Policy Proposals included above								
Policy Proposals										
Growth in HR Services	6	175		175			0			0
Pay & Pensions		97		97	70		70	70		70
Financial Impact of Policy Proposals		272	0	272	70	0	70	70	0	70



## Corporate Directorate - ICT Services

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
ICT Service Delivery	6	18,059	-17,888	171	18,059	-17,888	171	18,059	-17,888	171
ICT Strategy	6	8,975	-3,401	5,574	8,975	-3,401	5,574	8,975	-3,401	5,574
Pay & Pensions		387		387	651		651	915		915
Total Cost of Service		27,421	-21,289	6,132	27,685	-21,289	6,396	27,949	-21,289	6,660
		Policy Proposals included above								
Policy Proposals										
Pay & Pensions		387		387	264		264	264		264
Financial Impact of Policy Proposals		387	0	387	264	0	264	264	0	264

## Corporate Directorate - Legal Services

## REVENUE

Service Area	Outcome Reference	2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
		Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
<b>Legal:</b>										
Compliance	6	412		412	412		412	412		412
Legal Services	6	3,055	-577	2,478	3,055	-577	2,478	3,055	-577	2,478
Monitoring Officer	6	-40		-40	-40		-40	-40		-40
<b>Democratic:</b>										
Business Support and Civic Office	6	248	-10	238	248	-10	238	248	-10	238
Coroners	6	567		567	567		567	567		567
Democratic Services	6	750	-50	700	750	-50	700	750	-50	700
Elections Service	6	996		996	996	-450	546	996	-450	546
Members Services	6	1,425		1,425	1,425		1,425	1,425		1,425
Registrations Service	6	920	-1,340	-420	920	-1,340	-420	920	-1,340	-420
Pay & Pensions		309		309	522		522	735		735
<b>Total Cost of Service</b>		<b>8,642</b>	<b>-1,977</b>	<b>6,665</b>	<b>8,855</b>	<b>-2,427</b>	<b>6,428</b>	<b>9,068</b>	<b>-2,427</b>	<b>6,641</b>
<b>Policy Proposals included above</b>										
<b>Policy Proposals</b>										
Growth in Legal Services	6	250		250	0			0		
Legal Services Income	6	0	-30	-30	0			0		
Community Governance Review	6	37		37	0			0		
Local Election Costs 2019	6	450		450	-450			0		
Registration Income	6	0	-75	-75	0			0		
Pay & Pensions	6	309		309	213		213	213		213
<b>Financial Impact of Policy Proposals</b>		<b>1,046</b>	<b>-105</b>	<b>941</b>	<b>213</b>	<b>-450</b>	<b>-237</b>	<b>213</b>	<b>0</b>	<b>213</b>

## Central Items

## REVENUE

		2019/20 Budget			2020/21 Budget			2021/22 Budget		
		Budget including Policy Proposals								
Service Area	Outcome Reference	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
Capital Financing	6	13,620	-1,620	12,000	13,620	-1,620	12,000	15,620	-1,620	14,000
Past Service Pensions	6	163		163	1,163		1,163	1,163		1,163
Income from Capital Receipts	6		-2,000	-2,000		-1,000	-1,000			0
Community Budget	6	1,000		1,000	1,000		1,000			0
Transfers to/from Reserves	6		-2,899	-2,899		-949	-949		-949	-949
Total Cost of Service		14,783	-6,519	8,264	15,783	-3,569	12,214	16,783	-2,569	14,214
		Policy Proposals included above								
Policy Proposals										
Minimum Revenue Provision revision from Straight Line to Annuity Method	6	2,000		2,000			0	2,000		2,000
Past Service Pension Income	6	-100		-100	1,000		1,000			0
Capital Receipts Income	6			0		1,000	1,000		1,000	1,000
Removal of Contingency Revenue Budget	6	-1,000		-1,000			0			0
Community Budgets funded from New Homes Bonus	6			0			0	-1,000		-1,000
Change in planned contribution to/from reserves	6		-2,593	-2,593		1,950	1,950			0
Financial Impact of Policy Proposals		900	-2,593	-1,693	1,000	2,950	3,950	1,000	1,000	2,000

# 11. Capital Strategy

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## Executive Summary

11.1 Cheshire East Council's financial strategy includes a programme of capital investment aimed at two fundamental objectives:

- **Boosting local economic prosperity** through the delivery of projects such as building roads, creating new infrastructure, supporting education and supporting regeneration.
- **Maximising value for money from Council assets** by creating and maintaining Council owned assets that help services achieve outcomes or financial returns.

11.2 The Council will stop receiving many revenue government grants by 2020 which means that Council services will need to be self reliant and only funded from Council Tax payments, Business Rates and direct charges for services. Achieving self reliance will be supported by creating economic growth, or other financial returns from assets in a way that can be sustained.

### Five Principles

11.3 Five Principles underpin the Capital Strategy for Cheshire East Council:

1. Capital expenditure is priority based and is aligned with the Council's Corporate Plan outcomes
2. The financial implications of capital projects are aligned with the Medium Term Financial Strategy

3. Capital projects will be focused on delivering the best return on investment
4. Decisions in relation to the programme will follow a clear framework
5. There will be a corporate approach to generating and applying capital resources

11.4 The overarching aim of the Capital Strategy is to provide a framework within which the Council's capital investment plans will be delivered. The plans are driven by the Corporate Plan and the Local Plan Strategy, adopted by Council in July 2017. All capital schemes should contribute to the achievement of the corporate objectives.

F Jordan

**Frank Jordan**  
Executive Director – Place

## Comment from the Acting Section 151 Officer

11.5 The Capital Strategy forms a key part of the Council's Medium Term Financial Strategy (MTFS) alongside the Treasury Management and Investment Strategies. Each of these strategies will be reviewed each year and will support my opinion in determining the robustness of the Council's financial plans.

11.6 In particular the capital strategy:

- provides a framework for the management and monitoring of the capital programme
- creates the process for bidding for additional capital resources
- sets out the approach to funding capital expenditure
- takes account of significant revenue implications

11.7 The Strategy also sets out the Council's processes for:

- setting the financial parameters for capital expenditure in the medium term
- confirming the flexible use of capital receipts in the medium term
- the option appraisal of capital project proposals
- deciding on the prioritisation of capital projects
- monitoring and evaluating approved schemes

11.8 The Strategy also incorporates confirmation of the Council's Minimum Revenue Provision and gives details of the Prudential Indicators.

*A Thompson*

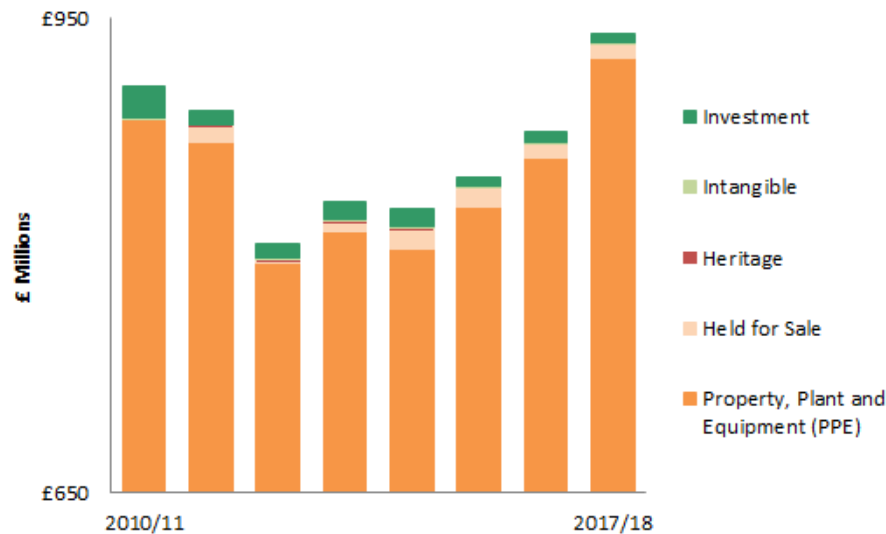
**Alex Thompson** CPFA

Head of Finance and Performance  
(Acting Section 151 Officer)

# 1. Introduction

- 11.9 As a public sector organisation, with assets in excess of £900m, Cheshire East Council maintains a robust capital strategy that is clearly related to the corporate objectives; linked with infrastructure and asset planning; and includes a consistent approach to funding capital investment.

## Property, Plant and Equipment is the most significant category of assets for the Council



- 11.10 The capital programme, which is developed in line with the Strategy, is the list of capital projects that the Council plans to undertake within a given timeframe.

- 11.11 The programme is approved in line with the Council's Constitution and covers a minimum period of three years. It is reviewed annually by Council. The programme may include projects that require a longer time to develop and design and these will remain in the programme for many years.

- 11.12 The Chartered Institute of Public Finance and Accountancy (CIPFA) definition of capital expenditure is:

### Definition of Capital Expenditure

*"An expenditure on assets that will provide a benefit to the organisation beyond the current financial year including expenditure on purchase of new assets, creation of new assets and enhancing and/or extending the useful life of existing assets."*

A more detailed definition of capital expenditure, as it applies to UK local authorities, is contained in *Practitioners' Guide to Capital Finance in Local Government* (CIPFA, 2016).

- 11.13 The accounting treatment of capital will be in accordance with International Accounting Standard 16 *Property, Plant and Equipment*.
- 11.14 Capital investment will be subject to due process, and assurance will be provided that ensures plans are prudent, affordable and sustainable in accordance with the Prudential Framework (the Prudential Framework being an umbrella term for a number of statutory provisions and professional requirements that allow authorities largely to determine their own plans).

11.15 Non capital expenditure will normally fall outside the scope of the framework and be charged to revenue in the year that it occurs. If expenditure meets the definition of capital, there may be opportunities to finance the outlay from capital receipts or by spreading the cost over future years' revenues.

11.16 The capital strategy is the foundation of long-term planning of capital investment and how it is to be delivered. Robust processes are relied upon to ensure projects are evaluated and prioritised, and approved to the programme along with the resources to fund it. This requires clear parameters to be set at the beginning of the process, clarity about the information that must be supplied with each project proposal and clear criteria, related to the organisation's corporate objectives, for prioritising projects.

11.17 In determining how much capital investment to undertake, the Council will consider the long-term impact of borrowing and other forms of capital funding on their revenue budgets. The same principle applies to the use of leases, public-private partnerships and outsourcing arrangements to procure public assets.

11.18 Delivering the capital programme requires efficient programme management, project management and procurement, as well as appropriate systems for corporate monitoring, control and scrutiny.

### Capital Strategy Principles

11.19 Five Principles underpin the Cheshire East Council Capital Strategy. The principles will be adhered to by members and employees of the Council and the Section 151 Officer will determine the framework for administering and monitoring the effective application of the principles.

#### The 5 Principles of the Capital Strategy

1. Capital expenditure is priority based and is aligned with the Council's priorities.
2. The financial implications of capital projects are aligned with the Medium Term Financial Strategy and the Asset Management Plan.
3. Capital projects will be focused on delivering the best return on investment. This will be demonstrated through:
  - infrastructure which will generate local economic growth
  - investment in new service delivery models that provide reductions in revenue expenditure
  - improvements in the Council's asset base that generate a financial return or provide cost effective avoidance of future expenditure.
  - Capital Projects will be externally funded or supported by private sector investment in a way that maximises the Council's financial interest in the asset
  - Borrowing will be appropriate based on the lifetime benefits of a scheme and all investments will be subject to strong control arrangements and risk analysis.
  - The impact of financing capital expenditure will be reviewed annually to ensure it remains appropriate in terms of the expected return on the overall investment.
  - Capital investment will follow an agreed set of prudential limits and indicators in order to demonstrate that plans and borrowing are affordable, prudent and sustainable.
4. Decisions in relation to the programme will follow a clear framework with an appropriate gateway reviews and robust management of risk relating to capital projects.
5. There will be a corporate approach to generating and applying capital resources.



11.20 These principles will be achieved through a process of prioritisation, setting financial parameters, asset management and managing risk as set out in the following chapters.

## 2. Prioritisation of Capital Expenditure

11.21 Capital Projects will be submitted for approval to the Council's Capital Programme based on how they will meet the needs of the Council as expressed in the Corporate Plan and how they adhere to the Principles of the Capital Strategy.

11.22 Capital ambitions in most Councils exceed the potential capital resources, particularly given recent funding cuts and demand pressures in the public sector. Cheshire East Council will manage this issue by making decisions, about which projects will be included in the approved capital programme, by prioritising projects on a variety of factors.

11.23 The Capital Strategy stands above operational strategies that are needed for key services such as housing, transport, education and other spending areas.

11.24 The Council agrees a rolling three year programme each year consistent with the Capital Strategy and the resources available. The current three year capital programme includes investment plans of £0.4 billion. 65% of the funding is planned to come from government grants or contributions from other external partners. In addition, 3% will come from the Council's work to maximise the value of asset sales to support development in the local area.

**Capital Spend by Directorate and Priority Category**



11.25 The budget process has also identified £140m of new projects which will require business cases to be developed prior to being submitted for approval to be added to the Capital Programme.

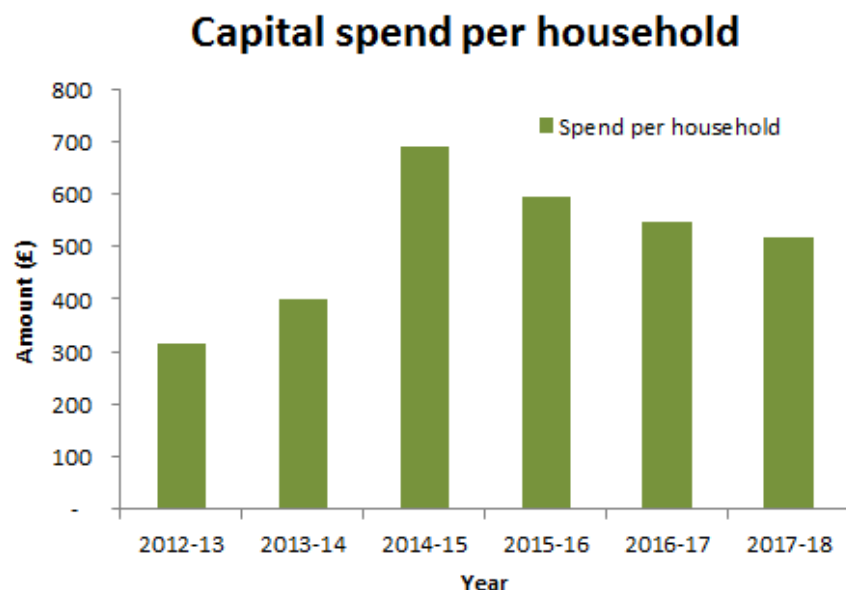
11.26 The starting point for the Capital Strategy is the Council's Corporate Plan and identification of the aims for capital investment that will help to achieve these outcomes.

1. Our local communities are strong and supportive
2. Cheshire East has a strong and resilient economy
3. People have the life skills and education they need in order to thrive
4. Cheshire East is a green and sustainable place
5. People live well and for longer
6. Cheshire East Council is a responsible, effective and efficient organisation

11.27 The capital programme includes investment in private sector housing, education and children's social care, transport

infrastructure, major regeneration activities, environmental, cultural and leisure services; all of which contribute to achieving these outcomes.

- 11.28 The capital programme also provides opportunities for the construction industry to bid for schemes that provide employment opportunities for the duration of these contracts.



- 11.29 The top priority for the Council is to increase the borough's economic and social wellbeing in a way that is cohesive and sustainable. The Local Plan was adopted by full Council in July 2017 and is vital in driving and supporting the development of jobs and the infrastructure and housing that is needed to support that employment. The Local Plan covers a range of matters including:

- How many new homes will be required and where they should be located;
- Providing new transport infrastructure including roads, cycle routes and footpaths; and
- How town centres and community facilities in the Borough could be improved.

- 11.30 The Local Plan Strategy informs the Infrastructure Delivery Plan which sets out what future infrastructure is required and how it will be provided. The full documents are available on the Council's website. [Local Plan](#)

- 11.31 In addition to the Local Plan the National Infrastructure Plan, sets out the Government's long term plan to make sure that it can deliver the investment required to meet the UK's infrastructure needs to 2020 and beyond. The Government will fund a pipeline of specific projects; specifically for Cheshire East these include:

- Investment in roads
- Building High Speed 2
- Extending superfast broadband investment

- 11.32 The Council has adopted the Five Case Business Model, which was developed by HM Treasury and the Welsh Government specifically for public sector business case development. The business cases for major projects include full option appraisal and links to core strategy to ensure they are delivering on key Council objectives.

- 11.33 The Five Case Business Model includes:

- Strategic Case

- Economic Case
- Commercial Case
- Financial Case
- Management Case

Assessing all these areas within the business case will ensure that all aspects of a potential scheme are analysed and the impact on all stakeholders identified. Therefore, the Council will be able to gain a full understanding on how a specific scheme will impact on the overall strategy, the local economy, officers and resources of the Council.

- 11.34 The 'full' model is appropriate for major infrastructure projects but not for all proposals; equally, the 'light touch' version is insufficiently detailed for many of our key major change projects. We have therefore taken the 'best of both' to construct an iterative, scalable version that is not a 'one size fits all' but sufficiently flexible for our need. The Section 151 Officer will determine the level of training required by business case authors.
- 11.35 The Annexes to the Business Case will provide supporting information, including benefits realisation, risks, constraints and dependencies, contractual arrangements, costs and funding, governance arrangements and key milestones.
- 11.36 High Level Business Cases are submitted as part of the Business Planning process and the Section 151 Officer will analyse these in accordance with the 5 Principles of the Capital Strategy and then grade each project as High, Medium or Low Priority in accordance with the following table:

Priority	Description
<b>High</b>	Vital repairs and maintenance of existing assets
	Investment in infrastructure that meets the strategic priorities of the Local Plan and attracts government infrastructure investment
	An agreed service provision that is defined within the MTFS
	Projects required to meet compliance and legislative needs
	Fully funded by external sources
<b>Medium</b>	Self-funding projects with high level financial returns
	Cost effective repairs and maintenance of existing assets
	Projects with positive financial returns
<b>Low</b>	Part funded projects of strategic importance to outcomes
	Cosmetic repairs and maintenance
	Unfunded projects without financial returns

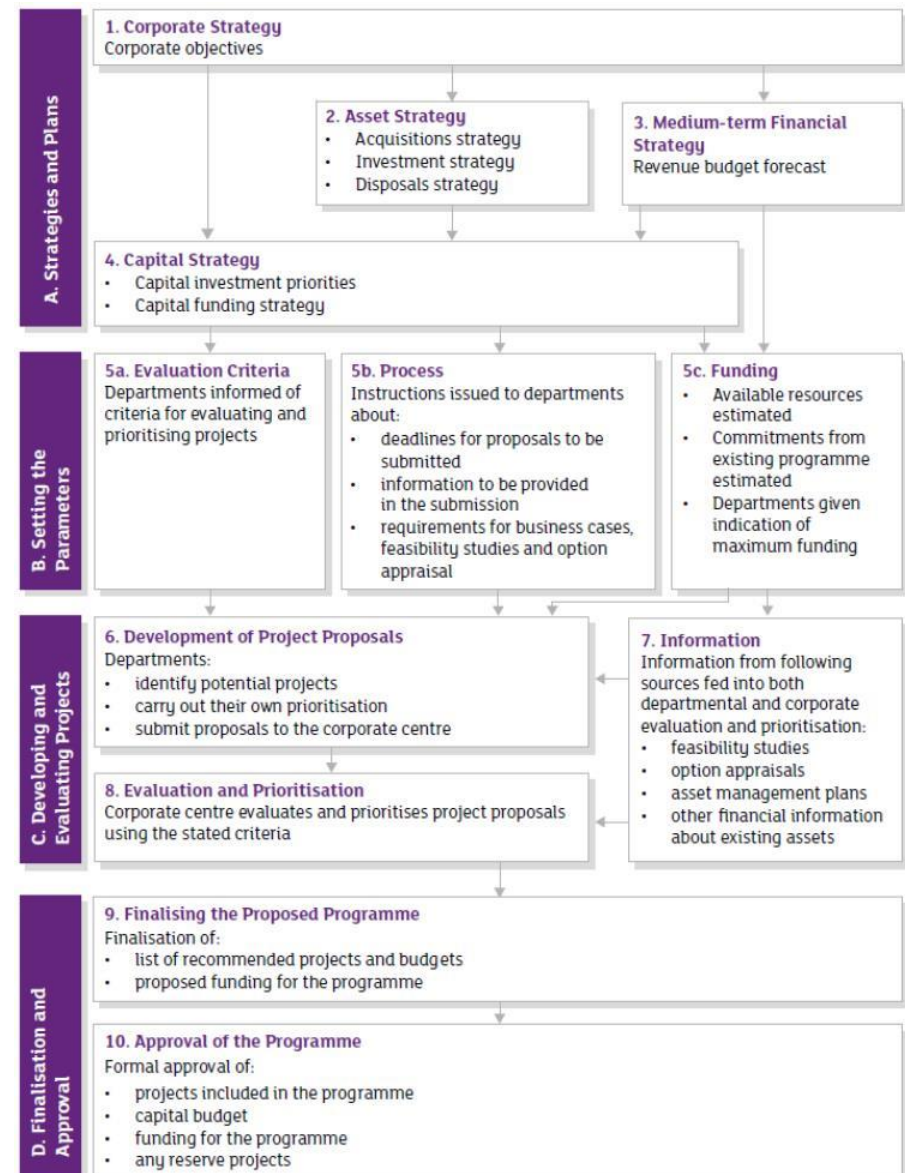
- 11.37 High Priority projects are most likely to be recommended for approval within the capital programme. Medium Priority projects will only be recommended if funding is available within the financial parameters of the MTFS, however they are likely to be recommended for inclusion on the programme addendum (see para. 11.39). Low priority projects are unlikely to be recommended for approval, unless specific strategic importance is associated with the project, or public demand is significant.
- 11.38 Annex A provides the current Capital Programme for the Council with a clear indication of the priority status of each project.

11.39 The capital programme is presented in two separate parts; the main programme includes capital schemes in progress and new schemes with approval to commence spend in April 2019. The addendum includes proposals which are included for planning purposes but are awaiting more detailed business cases to be developed.

11.40 Before work can commence on schemes listed on the addendum, the business case will be required to provide significant certainty linked to:

- Strategic impact of the scheme
- Expenditure profiles
- Funding sources or associated return on investment

11.41 The schemes separately identified on the Addendum to the capital programme are still submitted for approval; subject to them meeting the above requirements in the future. At the stage where the business cases are sufficiently robust and are deemed to be affordable the Portfolio Holder for Finance & Communication and the Section 151 Officer will provide the additional approval for these schemes to proceed and form part of the main capital programme. Updates on these schemes will be provided to Cabinet through the quarterly reporting process.



### 3. Financial Controls

#### Setting Financial Parameters

- 11.42 The Medium Term Financial Strategy (MTFS) provides the overall basis for budget forecasts and annual budget planning both in terms of revenue and capital expenditure. This describes the activities to be carried out over the next three years to achieve the corporate priorities and objectives and the revenue and capital resources which will be needed to deliver those improvements.
- 11.43 As part of the revenue budget setting process, the estimated financing costs for the capital programme and for existing debt are calculated to update the Capital Financing budget (CFB). The flexible use of capital receipts will also be considered and these values set the parameters of affordability for projects within the Capital Programme.
- 11.44 The Financial Parameters will be reviewed by the Portfolio Holder for Finance, and proposals will be put forward as part of the Council's pre-budget consultation. In considering the value of the Financial Parameters the Portfolio Holder will consider, forecast outturn data and emerging issues.
- 11.45 The Section 151 Officer will invite bids for Capital Expenditure on an annual basis, and present a full capital programme to Council at each Budget Council meeting prior to the start of each financial year. Bids will be presented as High Level Business Cases by Executive Directors following consultation with elected members. The Section 151 Officer will determine the prioritisation of bids (see Section 2) and the financial implications on the MTFS to assess whether bids are affordable within the Financial Parameters of the Capital
- Strategy and will then report their findings to members for appropriate information and/or approval in line with the Financial Procedure Rules.
- 11.46 The Council's strategic management of the capital programme will allow new schemes to be added to the programme, and/or schemes to be transferred from the addendum to the main programme. These will be reported to Cabinet on a quarterly basis through the Financial and Performance Update reports.
- 11.47 If the value of the CFB is likely to vary from the strategy in any year the Portfolio Holder will consider options to top-up or draw down temporarily from the Financing Earmarked Reserve and will report this approach to members.
- 11.48 Current forecasts are that the CFB will continue at 4% to 5% of the Net Revenue budget in the medium term.
- 11.49 **Table 1**, provides the Financial Parameters for the period 2019/20 to 2021/22, followed by the strategy behind each element of the calculation.

**Table 1: Financial Parameters for 2019/20 to 2021/22**

Parameter	Value (£m)			Notes
	2019/20	2020/21	2021/22	
<b>Repayment of Borrowing</b>				
<b>Minimum Revenue Provision*</b>	10.6	12.1	13.7	
<b>External Loan Interest</b>	4.3	4.3	4.3	
<b>Investment Income</b>	(0.5)	(0.4)	(0.4)	
<b>Contributions from Services Revenue Budgets</b>	(2.0)	(2.2)	(2.4)	<b>See Annex B</b>
<b>Total Capital Financing Costs</b>	<b>12.4</b>	<b>13.8</b>	<b>15.2</b>	
<b>Use of Financing EMR</b>	<b>(0.4)</b>	<b>(1.8)</b>	<b>(1.2)</b>	
<b>Actual CFB in MTFS</b>	<b>12.0</b>	<b>12.0</b>	<b>14.0</b>	
<b>*Capital Receipts targets</b>	<b>5.5</b>	<b>4.4</b>	<b>4.3</b>	
<b>Flexible use of Capital Receipts</b>	<b>2.0</b>	<b>1.0</b>	<b>0</b>	

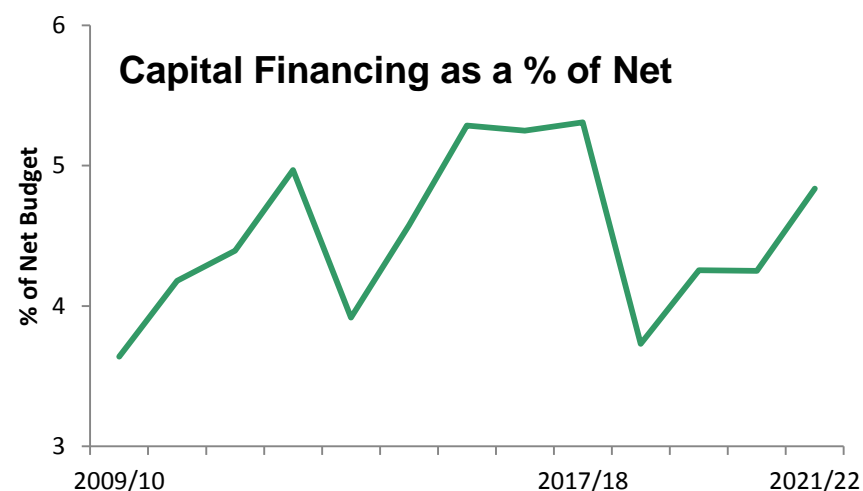
\* Anticipated MRP based on achieving capital receipts targets

### Repayment of Borrowing

- 11.50 The use of prudential borrowing allows the Council to spread the cost of funding the asset over its useful economic life. Using prudential borrowing as a funding source increases the

Council's capital financing requirement (CFR), and will create revenue costs through interest costs and minimum revenue provision.

- 11.51 Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, requires local authorities to charge to their revenue account for each financial year a minimum amount to finance the cost of capital expenditure. Commonly referred to as MRP (Minimum Revenue Provision). This ensures that the revenue costs of repaying debt is spread over the life of the asset, similar to depreciation.



- 11.52 The projection of the Council's Capital Financing Requirement (CFR) and external debt, based on the proposed capital budget and treasury management strategy is shown in Annex D. This highlights the level to which the Council is internally borrowed (being the difference between the CFR and external debt), and the expected repayment profile of the external debt.



11.53 The nature and scale of the Council's capital programme means that it is a key factor in the Council's treasury management, including the need to borrow to fund capital works. The treasury management strategy for the Council is included in Annex 12 of this report.

11.54 *The Council's current strategy is to use available cash balances, known as 'internal borrowing' and to borrow short term loans. As short-term interest rates are currently much lower than long-term rates this is likely to be more cost effective.*

### Investment Income

11.55 The Treasury Management Strategy determines the approach and financial limits associated with providing a financial return on the Council's investment portfolio.

11.56 The Section 151 Officer, with advice from treasury management advisors, is responsible for considering the prudent level of available balances in any year and then assessing risk against potential financial returns to determine a level of income to be achieved from investments.

11.57 *The Council's strategy is to utilise the net financial returns from investments to reduce the overall Capital Financing Budget.*

### Contributions from Services

11.58 All business cases supporting capital expenditure will include full analysis of the financial implications of the scheme alongside a clear indication of how the financial implications will be managed within the Medium Term Financial Strategy.

11.59 When including any scheme in the Council's Capital Programme the Section 151 Officer will determine the appropriate impact on the Revenue Budget. This impact will require service budgets within the MTFS to fund either all, part or none of the net capital costs of the scheme.

11.60 In making a determination about funding capital schemes from revenue budgets the level of potential revenue savings or additional revenue income will be considered. If a capital scheme will increase revenue costs within the MTFS, either from the future costs of maintaining the asset or from the costs of financing the capital expenditure, then the approach to funding such costs must be approved as part of the business planning process before the scheme can commence.

11.61 *The Council's strategy is to use revenue contributions to the Capital Programme to reduce the overall Capital Financing Budget as shown in Annex B to the Capital Strategy.*

### Use of Financing Earmarked Reserve

11.62 To allow a longer term approach to setting the Financial Parameters of the Capital Strategy the Council will maintain an earmarked reserve to minimise the financial impact of annual variations to the Capital Financing Budget.

11.63 The Council's Reserves Strategy determines the appropriate use of reserves and how they are set up and governed. In the first instance any under or overspending of the CFB within any financial year will provide a top-up or draw-down from the Financing Earmarked Reserve. In balancing the CFB over the period of the MTFS the Section 151 Officer may also recommend appropriate use of the Financing Earmarked Reserve over the period.

- 11.64 *The Council's current strategy is to draw-down up to £3.4m from the Financing Earmarked Reserve for the period 2019/20 to 2021/22.*

### Capital Receipts from Asset Disposals

- 11.65 The Council has a substantial land and property estate, mainly for operational service requirements and administrative buildings. This estate is managed by the Asset Management Service who identify property requirements and, where appropriate, properties which are surplus to requirements and which may be disposed of.
- 11.66 Council Plans, such as the Local Plan, Local Transport Plan, Farms Strategy and Asset Management Plans, set the strategic framework for significant land and property asset disposals and acquisitions associated with these key areas. In each financial year the net impact of these plans will allow the Section 151 Officer, in consultation with the Executive Director for Place, to determine the net impact of disposals and acquisitions on the CFB.
- 11.67 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 to be used to fund new capital investment or offset future debt or transitional costs, included within the new flexibilities provisions, as and when received.
- 11.68 The Council will continue to maintain 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 is made available, but instead subject to any claw back provisions, to allocate resources in accordance with key aims and priorities. Capital receipts have been a significant source of finance in previous financial years. £62m during the period 2009-2018

- 11.69 In considering the 2019/20 capital programme, a prudent approach has been taken and there has been no assumption of any significant additional capital receipts. A small amount of additional capital receipts has been anticipated in 2019/20 and 2020/21. The Council anticipates using up to £2m of capital receipts in 2019/20 to support transformational projects, the detail of which is yet to be determined.

- 11.70 *The Council's current strategy is to realise net receipts of £14.2m for the period 2019/20 to 2021/22 and that these receipts will support two financial aims:*

1. *Reduce the overall Capital Financing Budget.*
2. *Support Transformation costs of £3m* (see below)

### Flexible use of Capital Receipts

- 11.71 Following the 2015 Spending Review, in March 2016 MHCLG published statutory guidance on the flexible use of capital receipts for a three year period covering 2016/17 to 2018/19. This guidance 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. As part of 2018/19 Provisional Local Government Finance Settlement, the Secretary of State announced an extension of this flexibility for a further three years to 2022 and updated the previous direction accordingly. This was confirmed in the Final Settlement notification received on 6 February 2018.



11.72 *The Council's strategy is to utilise up to £3m of capital receipts to support Transformation Projects over the period 2019/20 to 2020/21.*

## Government Grants

11.73 Government capital grants are generally allocated by specific Government departments to fund projects either as part of a block allocation or following a specific application process. The Council must therefore allocate such funding to support the spending programmes for which they are specifically approved.

11.74 Overall Government funding has reduced in recent years but the Council still receives government grants including:

- DfT Local Transport Plan
- Local Growth Fund
- Housing Infrastructure Fund
- Disabled Facilities Grants
- DfE Devolved Formula Capital; Schools Condition and Basic Needs Allocations

11.75 *The Council's strategy is to ring fence capital grants to the service that they are allocated to.*

## Developer Contributions

11.76 Developer contributions will be sought to ensure that the necessary physical, social, public realm, economic and green infrastructure is in place to deliver development. Contributions will be used to mitigate the adverse impacts of development

and to help facilitate the infrastructure needed to support sustainable development.

11.77 Development proposals will be expected to provide a contribution to the cost of infrastructure including initial design, capital costs and ongoing revenue such as the maintenance of services and facilities.

11.78 *The Council's strategy is to forward fund anticipated Section 106 contributions for major infrastructure schemes.*

## Community Infrastructure Levy (CIL)

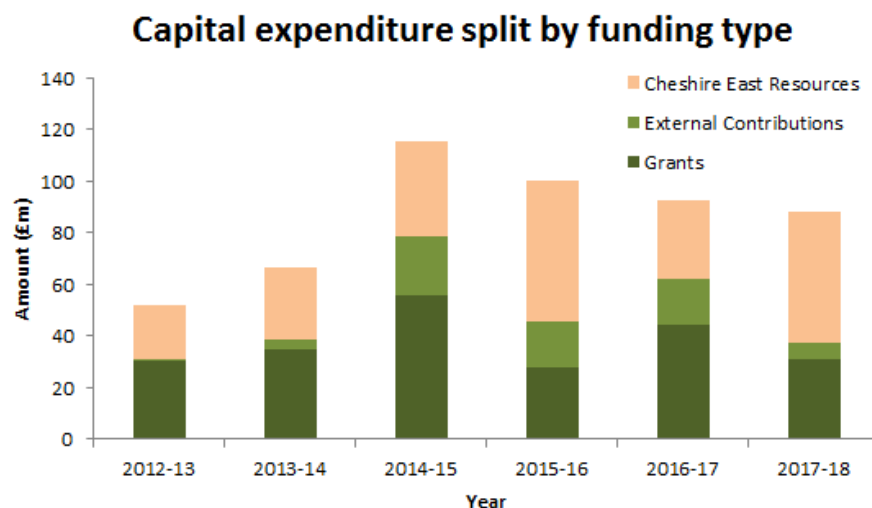
11.79 The Community Infrastructure Levy (CIL) is a planning charge based on legislation that came into force on 6 April 2010. When adopted, a CIL levy allows the Council to raise contributions from new development to help pay for infrastructure that is needed to support planned growth. CIL contributions can be used to supplement other funding streams and can wholly or partly fund a variety of strategic infrastructure projects ranging from transport, green infrastructure, flood defenses, education and health, subject to pooling restrictions.

11.80 Where a CIL charging schedule is in place, it largely replaces Section 106 obligations in delivering strategic infrastructure. However, S106 would still be used for affordable housing and site development-related infrastructure requirements that are deemed necessary to make a development acceptable. Some developments would pay both Section 106 and CIL, but they would fund different types of infrastructure. Contributions may also be sought for Section 278 of the Highways Act where modifications are required to the highways network.

## Funding Capital Expenditure

11.81 The inclusion of schemes within the Council's capital budget is intrinsically linked with the way schemes can be financed. This ensures that the affordability of the capital programme reflects the organisation's long-term objectives rather than short-term expedience.

11.82 *The Council's strategy is to fund capital expenditure in the first instance from sources other than the Council's Capital Financing Revenue Budget.*



11.83 The Council has a good track record of producing business cases that are supported by government and then backed by subsequent grants and for aligning expenditure with local developments that are then backed by external developer contributions.

11.84 Main forecasted income sources are:

- Government Grants (£250m / 52%)
- Other external contributions (£65m / 13%)
- Receipts from Council Assets (£14m / 3%)

11.85 Capital expenditure may be funded directly from revenue, but not vice-versa. Overall financial pressure on the Council makes returns on capital investment a key element of the overall financial stability of the Medium Term Financial Strategy.

11.86 Capital budgeting differs from revenue budgeting because:

- the need for capital investment tends to fluctuate year on year to a much greater degree than the need for revenue spending
- there is usually significant discretion over how or when to make use of the capital funding that is potentially available, e.g. to determine the level of borrowing and the use made of capital receipts in a particular period
- there is usually significant discretion over when particular capital projects take place capital budgets, unlike revenue budgets, can usually be carried forward from one year to another
- many public sector organisations are able to fund capital expenditure from sources that they are not permitted to use to fund revenue expenditure, such as borrowing.

11.87 The Section 151 Officer will therefore use judgement, as part of the medium-term financial planning process, to determine how schemes can be accommodated within the overall programme, depending on the organisation's overall financial position and its capital investment priorities.

- 11.88 The Council will ensure every effort is made to provide value for money from capital expenditure, and to maximise the local benefits from capital projects the Council will always target alternative funding sources before committing to contributions from the funding parameters set within the MTFS. All high level business cases will therefore contain reference to benefits realisation.
- 11.89 All high level business cases will include information on how alternative funding sources have been considered. All capital scheme budget managers will also provide regular updates on the status of all funding sources, as required by the Section 151 Officer. Funding sources will be categorised as either 'received', 'contractually committed' or 'in negotiation'.

## 4. Investment & Risk Strategy

- 11.90 The Council is faced with diminishing capital finance and reduced access to grants and external funding. Spend will need to be monitored effectively against available funds. However, less dependence and more self reliance will tend to reduce the exposure to risk.
- 11.91 A risk management framework in place and the core of this framework is set out in the Corporate Risk Management Strategy and Corporate Risk Register. In addition to the corporate register, each directorate has its own operational risk register which integrates the relevant directorate Performance Strategy, improvement plans and budgets. In accordance with the HM Treasury Five Case model, a detailed Risk Assessment must be completed for each capital scheme.
- 11.92 Supporting the Council's budget with adequate reserves is a key element to creating financial resilience and a flexible approach to transferring money from general and earmarked

reserves provides protection for Council Tax Payers against year on year fluctuations in expenditure.

- 11.93 The significant resources applied to capital expenditure require the adopted principles of value for money to be at the heart of this strategy. Effective procurement is therefore essential and the Council seeks to apply rigorous procurement standards in the selection of suppliers and contractors throughout the life of a project.
- 11.94 The Capital Programme should be kept under review having regard to the prevailing economic climate, property market and Government policy. Capital receipts estimates should therefore be kept under review with any significant changes reflected in reporting.
- 11.95 Cheshire East's strong tax base and independence provides financial stability and offers some "local protection" from the impact of national economic fluctuations and total spending per head of population is below average when compared to neighbouring authorities. Given this national and local context, overall financial risk profile should continue to reduce.

## 5. Governance

- 11.96 It is important given the risks surrounding Capital Projects that the appropriate governance arrangements are in place:
- The Capital Strategy, including the overall Capital Programme to be presented annually as part of the Medium Term Financial Strategy at full Council.
  - Updates to the capital programme will be reported to Cabinet on a quarterly basis.

- All schemes are subject to approval in accordance with the Finance Procedure Rules.
- Portfolio holders are assigned projects in line with their responsibilities.
- A senior officer group exists known as the Assets Board which meets monthly and is chaired by the Executive Director for Place. The Board will play a key role in the development and implementation of the capital strategy and review performance of the capital programme on a quarterly basis.
- The board provides the strategic oversight of the Council's land and property assets including recommendations and reports on acquisition, disposal, development and management strategies.
- The Assets Board will delegate responsibility for the detailed tasks to a sub-group ~ Capital Programme Board. The board's membership includes project managers from each directorate supported by the enabling services

### Capital Programme Board – Terms of Reference

- The detailed appraisal of projects, taking into consideration the Council's priorities and annual aims and objectives.
- To provide a forum for establishing and providing robust challenge of the business cases and debate around the capital programme.
- Undertake gateway reviews and risk management reviews of major capital projects.
- Undertake a detailed annual review of the capital programme.

- Review the capital programme on an on-going basis and to ensure it is achieving the agreed outcomes.
- Receive post project completion reports to assess benefit realization and lessons learnt.

11.97 The Capital Programme Board will assess all submissions for capital expenditure with the exception of schemes fully funded by external resources (e.g. specific grant, developer contributions); these will be approved in accordance with Finance Procedure Rules (paragraph 2.45, Supplementary Capital Estimates and paragraphs 3.31 to 3.34, Capital Block Provisions).

11.98 The Capital Programme Board provides monthly updates and makes recommendations to the Assets Board who will refer decisions to the appropriate decision maker, whether this is a Portfolio Holder under delegated responsibility, Cabinet or Council.

### Knowledge and Skills

11.99 The Capital Strategy and Treasury Management and Investment Strategies are managed by a team of professionally qualified accountants with extensive Local Government finance experience between them. They all follow a Continuous Professional Development plan (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

11.100 The Council's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities. He is a professionally qualified accountant and follows an ongoing CPD programme.

11.101 The Council's major projects are supported by a Programme Management Office. Project teams are formed from all the professional disciplines from across the Council and when required external professional advice is taken.

## Background Papers

Cheshire East Reports –

- Statement of Accounts
- Medium Term Financial Strategy
- Quarterly Review of Performance Reports
- Financial Resilience - Value for Money
- Finance Procedure Rules

Arlingclose Ltd, Independent Treasury Management Advisors –

- Capital Strategy Template
- Strategy Workshop

Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (CIPFA, 2018)

Local Authority Capital Accounting: A Reference Manual for Practitioners (CIPFA, 2016)

The Prudential Code for Capital Finance in Local Authorities (CIPFA, 2017)

## Annex A: Capital Programme

### CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

#### CAPITAL PROGRAMME 2019/20 - 2021/22

	Prior Years £000	Budget 2019/20 £000	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2019-22 £000
<b>Committed Schemes - In Progress</b>					
People	23,466	12,801	5,551	3,932	22,284
Place	244,950	77,849	81,961	77,342	237,152
Corporate	29,768	21,650	17,517	15,198	54,364
<b>Total Committed Schemes - In Progress</b>	<b>298,184</b>	<b>112,300</b>	<b>105,028</b>	<b>96,472</b>	<b>313,801</b>

#### CAPITAL PROGRAMME 2019/20 - 2021/22

	Prior Years £000	Budget 2019/20 £000	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2019-22 £000
<b>New Schemes</b>					
People	0	4,395	13,361	6,045	23,800
Place	20	32,503	58,935	55,877	147,315
Corporate	0	0	0	0	0
<b>Total New Schemes</b>	<b>20</b>	<b>36,897</b>	<b>72,295</b>	<b>61,922</b>	<b>171,115</b>
<b>Total</b>	<b>298,204</b>	<b>149,197</b>	<b>177,324</b>	<b>158,394</b>	<b>484,915</b>

# CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

## CAPITAL PROGRAMME 2019/20 - 2021/22

	Prior Years £000	Budget 2019/20 £000	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2019-22 £000
<b>Funding Requirement</b>					
<b>Indicative Funding Analysis:</b> (See note 1)					
Government Grants	136,698	89,355	98,918	61,408	<b>249,681</b>
External Contributions	45,587	5,812	17,147	41,953	<b>64,912</b>
Revenue Contributions	549	235	0	0	<b>235</b>
Capital Receipts	30,302	5,500	4,400	4,300	<b>14,200</b>
Prudential Borrowing (See note 2)	85,067	48,295	56,858	50,733	<b>155,886</b>
<b>Total</b>	<b>298,204</b>	<b>149,197</b>	<b>177,324</b>	<b>158,394</b>	<b>484,915</b>

### Note 1:

The funding requirement identified in the above table represents a balanced and affordable position, in the medium term. The Council will attempt to maximise external resources such as grants and external contributions in the first instance to fund the capital programme. Where the Council resources are required the preference will be to utilise capital receipts from asset disposals. The forecast for capital receipts over the next three years 2019-22 assumes a prudent approach based on the work of the Asset Management team and their most recently updated Disposals Programme.

### Note 2:

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



# CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

## CAPITAL PROGRAMME 2019/20 - 2021/22

	Prior Years £000	Budget 2019/20 £000	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2019-22 £000
<b>Addendum</b>					
People	0	234	0	0	234
Place	0	42,123	73,965	40,508	156,596
Corporate	0	3,095	3,891	0	6,986
<b>Total Addendum</b>	<b>0</b>	<b>45,452</b>	<b>77,856</b>	<b>40,508</b>	<b>163,816</b>
<b>Total</b>	<b>0</b>	<b>45,452</b>	<b>77,856</b>	<b>40,508</b>	<b>163,816</b>

The addendum includes projects that have been added to the programme owing to their strategic importance to the Council. However detailed business cases are not yet in place as the precise details are not yet known. Work is currently being progressed for these projects, however they will only be commenced once a detailed business case has been completed and approved, the business case will also need to demonstrate the strategic impact of the scheme, an expenditure profile and funding sources or associated return on investment to enable the project to be delivered. At the stage where the business cases are sufficiently developed and they are deemed to be affordable the Portfolio Holder for Finance and Communications and the Section 151 Officer will provide the additional approval for these schemes to proceed and form part of the main capital programme. Updates on these schemes will be provided to Cabinet through the quarterly reporting process.

# People

# CAPITAL

## CAPITAL PROGRAMME 2019/22 - 2021/22

	Priority	Prior Years	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2019-22	Grants	Forecast External	Funding Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Committed Schemes - In Progress</b>										
<b><u>Childrens Social Care</u></b>										
Foster Carer Capacity Scheme	Medium	329	230	77	0	306	0	0	306	0
<b><u>Children and Families</u></b>										
Adelaide Academy	High	19	149	0	0	149	149	0	0	0
Alsager High School	High	968	1,374	458	0	1,832	1,832	0	0	0
Brine Leas High School (Basic Need)	High	500	525	175	0	700	700	0	0	0
Cranberry Primary School	High	1,140	60	0	0	60	60	0	0	0
DFC Grant	High	4,801	376	512	634	1,522	1,522	0	0	0
Disley Primary School (Basic Needs)	High	859	20	0	0	20	20	0	0	0
Elworth Church of England Primary School	High	50	1,088	363	0	1,450	348	1,102	0	0
Future Years Basic Needs Block Allocation	High	0	0	0	949	949	949	0	0	0
Healthy Pupils Capital Fund	High	236	68	0	0	68	48	0	20	0
Malbank High School (Basic Need)	High	300	900	300	0	1,200	1,200	0	0	0
Monks Copenhall Primary School - Basic Needs	High	2,723	15	0	0	15	15	0	0	0
Nantwich Planning Area (Primary Schools - 105 Places)	High	0	900	300	0	1,200	1,101	99	0	0
Nantwich Planning Area (Secondary Schools - 300 Places)	High	0	0	563	188	750	750	0	0	0
Pupil Referral Unit - New Site	High	2,100	906	302	0	1,209	1,143	66	0	0
St Johns Church of England Primary School	High	0	470	0	0	470	100	370	0	0

# People

# CAPITAL

## CAPITAL PROGRAMME 2019/22 - 2021/22

	Priority	Prior Years	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2019-22	Grants	Forecast External	Funding Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Committed Schemes - In Progress</b>										
Sandbach Planning Area (Secondary Schools - 300 Places)	High	600	2,138	500	0	2,638	2,138	500	0	0
Schools Condition Capital Grant	High	2,723	2,539	1,805	2,162	6,505	6,490	0	15	0
Shavington Academy Trust	High	2,467	130	0	0	130	130	0	0	0
Special Provision Fund Capital Grant	High	230	289	198	0	487	473	14	0	0
The Quinta Primary School	High	620	30	0	0	30	30	0	0	0
To Expand 'in borough' SEN placement Capacity - Springfield Special School	High	750	250	0	0	250	0	10	240	0
Weaver Primary School	High	743	15	0	0	15	15	0	0	0
Wilmslow High School - Condition Works	High	462	20	0	0	20	20	0	0	0
<b><u>Prevention and Support</u></b>										
Early Years Sufficiency Capital Fund	High	847	310	0	0	310	310	0	0	0
<b>Total Committed Schemes - In Progress</b>		<b>23,466</b>	<b>12,801</b>	<b>5,551</b>	<b>3,932</b>	<b>22,284</b>	<b>19,542</b>	<b>2,161</b>	<b>581</b>	<b>0</b>

# People

# CAPITAL

## CAPITAL PROGRAMME 2019/22 - 2021/22

	Priority	Prior Years	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2019-22	Grants	Forecast Funding External	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>New Schemes</b>										
Congleton Primary Planning Area (105 Places)	High	0	0	1,600	0	1,600	1,515	85	0	0
Holmes Chapel Secondary Planning Area (150 Places)	High	0	0	1,500	0	1,500	1,500	0	0	0
Macclesfield Secondary Planning Area (300 Places)	High	0	0	3,450	0	3,450	3,270	180	0	0
Middlewich High School - Mainstream Element (120 Places)	High	0	563	703	234	1,500	1,073	427	0	0
Wilmslow High School - Basic Need (300 Places)	High	0	750	3,188	5,063	9,000	8,348	652	0	0
Wilmslow Primary Planning Area ( 105 Places)	High	0	0	1,050	350	1,400	1,250	150	0	0
To Expand 'in borough' SEN placement Capacity Phase 1 - Adelaide Special School	High	0	128	43	0	170	0	0	170	0
To Expand 'in borough' SEN placement Capacity Phase 1 - Middlewich High School	High	0	375	125	0	500	0	0	500	0
To Expand 'in borough' SEN placement Capacity Phase 1 - Monks Coppenhall Primary School	High	0	100	0	0	100	0	0	100	0
To Expand 'in borough' SEN placement Capacity Phase 1 - Park Lane Special School	High	0	1,187	396	0	1,582	0	0	1,582	0
To Expand 'in borough' SEN placement Capacity Phase 1 - Puss Bank Primary School	High	0	338	113	0	450	0	0	450	0
To Expand 'in borough' SEN placement Capacity Phase 2	High	0	956	1,194	398	2,548	0	0	2,548	0
<b>Total New Schemes</b>		<b>0</b>	<b>4,395</b>	<b>13,361</b>	<b>6,045</b>	<b>23,800</b>	<b>16,956</b>	<b>1,494</b>	<b>5,350</b>	<b>0</b>
<b>Total</b>		<b>23,466</b>	<b>17,195</b>	<b>18,912</b>	<b>9,977</b>	<b>46,084</b>	<b>36,498</b>	<b>3,655</b>	<b>5,931</b>	<b>0</b>

# People

# CAPITAL

## CAPITAL PROGRAMME 2019/22 - 2021/22

	Prior Years	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2019-22	Grants	Forecast Funding External	Borrowing / Revenue Contribution	Capital Receipts
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Addendum Schemes</b>									
Childcare Sufficiency Capital Programme	0	234	0	0	234	0	0	234	0
<b>Total Addendum Schemes</b>	<b>0</b>	<b>234</b>	<b>0</b>	<b>0</b>	<b>234</b>	<b>0</b>	<b>0</b>	<b>234</b>	<b>0</b>

## CAPITAL PROGRAMME 2019/20 - 2021/22

	Priority	Prior Years	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2019-22	Grants	Forecast External Funding	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Committed Schemes - In Progress</b>										
<b><u>Infrastructure &amp; Highways</u></b>										
A500 Dualling scheme	Medium	4,364	136	0	0	136	0	136	0	0
A51/A500 Corridor Nantwich - Option Development	Medium	195	55	0	0	55	0	0	55	0
A54/A533 Leadsmyth Street, Middlewich	High	62	501	0	0	501	0	501	0	0
A556 Knutsford to Bowdon	High	204	150	150	0	300	0	300	0	0
A6 MARR CMM - Disley	High	2,305	264	0	0	264	0	0	264	0
Alderley Edge Bypass Scheme Implementation	High	60,142	970	0	0	970	0	0	970	0
Congleton Link Road	High	17,202	27,592	15,720	30,229	73,541	36,600	20,800	16,141	0
Crewe Green Link Road Phase 2	High	24,520	1,165	62	0	1,227	0	653	574	0
Crewe Green Roundabout	High	6,970	531	0	0	531	0	531	0	0
Digital Solutions - Parking	High	124	17	0	0	17	0	0	17	0
Flower Pot Junction, Macclesfield - Phase 1	High	500	2,250	2,063	688	5,000	3,000	0	2,000	0
Highways Investment Network	High	12,179	3,632	0	0	3,632	0	0	3,632	0
Macclesfield Movement Strategy - Option Development	High	237	130	133	0	263	63	0	200	0
Mid Cheshire Towns Study	High	20	20	0	0	20	20	0	0	0
Poynton Relief Road	High	6,898	1,249	15,184	27,326	43,759	20,025	7,700	14,710	1,324
Road Network and Linked Key Infrastructure	High	8	250	0	0	250	0	0	250	0
Highways Section 106 & 278 Schemes	High	4,264	30	0	0	30	0	30	0	0
Sustainable Travel Access Programme	High	130	889	1,111	565	2,565	1,870	195	500	0
Sydney Road Bridge	High	9,667	625	209	0	834	0	834	0	0

## CAPITAL PROGRAMME 2019/20 - 2021/22

	Priority	Prior Years	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2019-22	Grants	Forecast External	Funding Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Committed Schemes - In Progress</b>										
<b><u>Growth and Regeneration</u></b>										
Crewe Town Centre Regeneration	High	7,909	3,839	14,917	4,973	23,728	9,206	0	14,522	0
Disabled Facilities Grants	High	9,628	1,753	1,751	584	4,087	4,087	0	0	0
Farms Strategy	High	1,651	577	577	576	1,730	0	0	0	1,730
Investment in Heritage Assets	High	642	73	73	72	218	0	0	218	0
Macclesfield Town centre - Leisure Development	High	80	108	0	0	108	0	0	108	0
Macclesfield Town centre - Public Realm	High	187	946	315	0	1,261	0	0	1,261	0
Private Sector Assistance	High	1,767	224	0	0	224	0	0	224	0
Sustainable Towns	High	1,370	225	75	0	300	0	0	300	0
Premises Capital (FM)	High	19,466	2,250	750	0	3,000	0	0	3,000	0
Minor Works	High	3,072	375	125	0	500	0	0	500	0
<b><u>Rural and Green Infrastructure</u></b>										
Accessibility – Walking & Cycling	High	1,557	72	0	0	72	72	0	0	0
Countryside Vehicle Replacement	High	489	26	103	0	129	0	0	129	0
PROW CMM A6 MARR	High	10	90	0	0	90	90	0	0	0
Rural & Green Section 106 Schemes	High	303	54	0	0	54	0	54	0	0
Tatton Park Investment Phase 2 - Stable Yard	High	1,047	1,121	374	0	1,494	0	0	1,494	0

## CAPITAL PROGRAMME 2019/20 - 2021/22

	Priority	Prior Years	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2019-22	Grants	Forecast External	Funding Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Committed Schemes - In Progress</b>										
<b><u>Customer Operations</u></b>										
Next Generation - Self Service	High	326	30	0	0	30	0	0	30	0
<b><u>Client Commissioning</u></b>										
Alsager Leisure Centre Gym conversion	High	118	3	0	0	3	0	3	0	0
Congleton Leisure Centre	High	937	4,328	2,651	884	7,863	0	0	7,863	0
Connecting Cheshire	High	28,929	0	595	0	595	0	48	547	0
Connecting Cheshire Phase 2	High	5,865	39	0	331	370	0	331	39	0
Connecting Cheshire Digital 2020	High	772	420	1,800	4,258	6,478	6,258	0	220	0
Household Bin Replacement	High	1,311	50	50	0	100	0	0	100	0
North Cheshire Garden Village	High	2,489	5,192	11,948	3,983	21,123	21,123	0	0	0
Organic Waste Plant	High	2,100	7,800	2,600	0	10,400	0	0	10,400	0
Park Development Fund	High	428	250	0	0	250	0	0	250	0
Playing Fields Fund	High	50	50	0	0	50	0	0	50	0
South Macclesfield Development Area	High	2,455	7,500	8,625	2,875	19,000	9,550	0	6,157	3,293
<b>Total Committed Schemes - In Progress</b>		<b>244,950</b>	<b>77,849</b>	<b>81,961</b>	<b>77,342</b>	<b>237,152</b>	<b>111,965</b>	<b>32,116</b>	<b>86,725</b>	<b>6,347</b>



## CAPITAL PROGRAMME 2019/20 - 2021/22

	Priority	Prior Years	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2019-22	Grants	Forecast External	Funding Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>New Schemes</b>										
<b>Infrastructure &amp; Highways</b>										
Integrated Transport Block - LTP	High	0	1,803	1,803	1,803	5,409	5,409	0	0	0
Maintenance Block - LTP	High	0	8,409	8,409	8,409	25,227	25,227	0	0	0
Incentive Fund - LTP	High	0	1,751	1,751	1,751	5,253	5,253	0	0	0
<b>Infrastructure Delivery Plan:-</b>	High	0	0	0	0	0	0	0	0	0
Middlewich Southern Link OBC	High	0	0	1,875	625	2,500	0	2,500	0	0
B5077 Crewe Road/B5078 Sandbach Road North junction improvements	High	0	0	300	100	400	0	400	0	0
Improvements to the A5020 Weston Gate Roundabout	High	0	0	1,875	625	2,500	0	2,500	0	0
A537 Adams Hill junction improvements	High	0	0	300	0	300	0	300	0	0
Brook Street/Hollow Lane junction improvements	High	0	0	400	100	500	0	500	0	0
Burford junction improvements, to include complementary improvements on surrounding network	High	0	0	1,875	625	2,500	0	2,500	0	0
Alvaston roundabout junction improvements	High	0	0	1,200	400	1,600	0	1,600	0	0
Peacock roundabout junction improvements	High	0	0	563	188	750	0	750	0	0
A534 Old Mill Road/The Hill junction and Old Mill Road/Middlewich Road junction improvements	High	20	250	930	0	1,180	0	1,180	0	0
A34/A538 West junction improvements	High	0	501	1,125	375	2,001	0	2,001	0	0
HS2 Crewe Hub	High		632	0	0	632	0	0	632	0
Middlewich East Bypass	High	0	7,892	21,699	24,822	54,412	46,780	7,270	362	0
North West Crewe Package	High	0	8,783	10,978	9,430	29,190	15,550	7,640	4,270	1,730
Safer Roads Schemes ( A536 & A537)	High	0	938	313	0	1,250	1,250	0	0	0

## CAPITAL PROGRAMME 2019/20 - 2021/22

	Priority	Prior Years	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2019-22	Grants	Forecast External Funding	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>New Schemes</b>										
<b><u>Growth and Regeneration</u></b>										
Disabled Facilities Grants	High	0	0	0	1,750	1,750	1,750	0	0	0
Fire Remedial Works	High	0	100	100	0	200	0	0	200	0
Strategic Site Development	High	0	500	500	500	1,500	0	0	1,500	0
Malkins Bank - Phase 2	High	0	495	165	0	660	0	0	660	0
Minor Works	High	0	0	375	625	1,000	0	0	1,000	0
Premises Capital (FM)	High	0	0	2,250	3,750	6,000	0	0	6,000	0
Septic Tanks	High	0	450	150	0	600	0	0	600	0
<b>Total New Schemes</b>		<b>20</b>	<b>32,503</b>	<b>58,935</b>	<b>55,877</b>	<b>147,315</b>	<b>101,219</b>	<b>29,142</b>	<b>15,224</b>	<b>1,730</b>
<b>Total</b>		<b>244,970</b>	<b>110,352</b>	<b>140,895</b>	<b>133,219</b>	<b>384,467</b>	<b>213,184</b>	<b>61,257</b>	<b>101,949</b>	<b>8,077</b>

# Place Addendum

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## CAPITAL PROGRAMME 2019/20 - 2021/22

	Prior Years	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2019-22	Grants	Forecast External Funding	Borrowing / Revenue Contribution	Capital Receipts
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b><u>Infrastructure &amp; Highways</u></b>									
A500 Dualling Scheme	0	1,907	30,575	21,508	<b>53,990</b>	42,600	6,315	5,075	0
A51 Shropshire Union Canal Embankment Work	0	800	2,700	0	<b>3,500</b>	0	0	3,500	0
HS2 Crewe Hub	0	8,413	0	0	<b>8,413</b>	5,413	3,000	0	0
Replacement LED units in illuminated signs and bollards	0	1,500	1,000	1,000	<b>3,500</b>	0	0	3,500	0
Winter Service Facility	0	1,400	0	0	<b>1,400</b>	0	600	800	0
Replacement Route Planning System	0	195	0	0	<b>195</b>	0	0	195	0
<b>Transport Studies to Support Growth:-</b>									
Middlewich Southern Link Road	0	50	0	0	<b>50</b>	0	0	50	0
Clive Green Lane Upgrade	0	40	0	0	<b>40</b>	0	0	40	0
A51/A500 Corridor	0	80	0	0	<b>80</b>	0	0	80	0
Rail Studies	0	55	0	0	<b>55</b>	0	0	55	0
<b>Total Infrastructure &amp; Highways</b>	<b>0</b>	<b>14,440</b>	<b>34,275</b>	<b>22,508</b>	<b>71,223</b>	<b>48,013</b>	<b>9,915</b>	<b>13,295</b>	<b>0</b>

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## CAPITAL PROGRAMME 2019/20 - 2021/22

	Priority	Prior Years	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2019-22	Grants	Forecast External Funding	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
<b><u>Growth and Regeneration</u></b>										
Astbury Marsh Caravan Site		0	200	0	0	200	0	0	200	0
Demolition of Crewe Library (linked to Archives Project)		0	1,200	0	0	1,200	0	0	1,200	0
Gypsy and Traveller Sites		0	0	1,501	0	1,501	0	0	1,501	0
Housing Development Fund		0	1,024	0	0	1,024	0	0	0	1,024
Housing Site Development		0	3,030	540	0	3,570	0	0	3,570	0
Macclesfield Town Centre Regeneration Phased Public Realm Enhancement Programme		0	200	2,300	2,500	5,000	0	0	5,000	0
Multi Site Solar PV Scheme		0	684	0	0	684	0	0	684	0
Premises Capital (West Park Museum)		0	900	0	0	900	0	0	900	0
Strategic Acquisitions (Commercial Properties)		0	12,100	10,000	10,000	32,100	0	0	32,100	0
<b>Total Growth &amp; Regeneration</b>		<b>0</b>	<b>19,338</b>	<b>14,341</b>	<b>12,500</b>	<b>46,179</b>	<b>0</b>	<b>0</b>	<b>45,155</b>	<b>1,024</b>
<b><u>Planning &amp; Sustainable Development</u></b>										
Replacement Planning & Regulatory Services ICT Systems		0	922	0	0	922	0	0	922	0
<b>Total Planning &amp; Sustainable Development</b>		<b>0</b>	<b>922</b>	<b>0</b>	<b>0</b>	<b>922</b>	<b>0</b>	<b>0</b>	<b>922</b>	<b>0</b>
<b><u>Rural &amp; Green</u></b>										
Tatton Park Investment Phase 2		0	400	589	0	989	0	0	989	0
Archives		0	0	18,760	0	18,760	4,900	6,930	6,930	0
<b>Total Rural &amp; Green</b>		<b>0</b>	<b>400</b>	<b>19,349</b>	<b>0</b>	<b>19,749</b>	<b>4,900</b>	<b>6,930</b>	<b>7,919</b>	<b>0</b>

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## CAPITAL PROGRAMME 2019/20 - 2021/22

Priority	Prior Years	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2019-22	Grants	Forecast External	Funding Borrowing / Revenue Contribution	Capital Receipts
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b><u>Client Commissioning</u></b>									
Congleton Household Waste Recycling Centre Development	0	2,000	2,000	0	4,000	0	0	4,000	0
Everybody Sport & Leisure Investment Programme	0	5,000	4,000	5,500	14,500	0	0	14,500	0
Cemeteries System Upgrade	0	23	0	0	23	0	0	23	0
<b>Total Client Commissioning</b>	<b>0</b>	<b>7,023</b>	<b>6,000</b>	<b>5,500</b>	<b>18,523</b>	<b>0</b>	<b>0</b>	<b>18,523</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>42,123</b>	<b>73,965</b>	<b>40,508</b>	<b>156,596</b>	<b>52,913</b>	<b>16,845</b>	<b>85,814</b>	<b>1,024</b>

# Corporate

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## CAPITAL PROGRAMME 2019/20 - 2021/22

	Priority	Prior Years	Budget 2019/20	Budget 2020/21	Budget 2021/22	Budget 2019-22	Grants	Forecast External Funding	Borrowing / Revenue Contribution	Capital Receipts
		£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Committed Schemes - In Progress</b>										
<b><u>ICT Services</u></b>										
Adults Social Care & Public Health (Care Act Phase 2) System replacement	High	2,753	1,831	1,299	433	3,562	0	0	3,562	0
Core Financials, HR Services	High	6,571	600	351	117	1,068	0	0	1,068	0
ICT Infrastructure Investment Programme	High	9,717	4,200	1,836	1,612	7,648	0	0	1,525	4,823
Information Assurance and Data Management	High	8,407	1,270	424	0	1,693	0	0	1,693	1,300
Vendor Management	High	193	250	108	36	393	0	0	393	0
<b><u>Finance &amp; Performance</u></b>										
Strategic Investments	Medium	2,127	13,500	13,500	13,000	40,000	0	0	40,000	0
<b>Total</b>		<b>29,768</b>	<b>21,650</b>	<b>17,517</b>	<b>15,198</b>	<b>54,364</b>	<b>0</b>	<b>0</b>	<b>48,241</b>	<b>6,123</b>

# Corporate Addendum

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## CAPITAL PROGRAMME 2019/20 - 2021/22

	Prior Years	Budget 2019/20	Budget 2019/20	Budget 2021/22	Budget 2019-22	Grants	Forecast External Funding	Borrowing / Revenue Contributio n	Capital Receipts
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>ICT Services</b>									
Core Financials, HR Services	0	300	433	0	733	0	0	733	0
Information Assurance and Data Management - Phase 2	0	750	0	0	750	0	0	750	0
Information Assurance and Data Management - Phase 3	0	0	1,750	1,750	3,500	0	0	3,500	0
Information Management Delivery Model	0	350	250	0	600	0	0	600	0
Vendor Management	0	0	420	0	420	0	0	420	0
						0	0	0	0
<b>Corporate Procurement</b>									
Digital Strategy	0	700	0	0	700	0	0	700	0
Elections Systems Replacement	0	0	30	0	30	0	0	30	0
							0		0
People ICT Systems Procurement	0	804	693	0	1,497	0	0	1,497	0
Place ICT System Procurement	0	191	315	0	506	0	0	506	0
						0	0	0	0
<b>Total</b>	<b>0</b>	<b>3,095</b>	<b>3,891</b>	<b>0</b>	<b>8,736</b>	<b>0</b>	<b>0</b>	<b>8,736</b>	<b>0</b>

## Annex B: Revenue Contributions from Services

	2019/20 £000	2020/21 £000	2021/22 £000
<b>A: Direct Revenue Contributions</b>			
Schools Transforming Learning Communities Schemes	895	895	895
Street Lighting	1,000	1,200	1,200
Leisure Schemes - (Investment in Leisure Facilities by Everybody Sport & Leisure)	124	127	348
<hr/>			
<b>B: Revenue Savings arising from capital investment included in the MTFS</b>			
Create a new Investment Portfolio (Revenue Savings) (7)			
<i>Growth &amp; Regeneration - Strategic Acquisitions</i>			
Tatton Investment Phase 2 - Stableyard (Revenue Savings) (3)			
<i>Rural &amp; Cultural Economy - Tatton Vision</i>			
Street Lighting Improvements (Revenue Savings) (21)			
<i>Infrastructure &amp; Highways - LED Street Lighting Upgrade</i>			
Reducing the Cost of Leisure Services (46)			
<i>Client Commissioning Leisure Services - Congleton &amp; Macclefield Leisure Centre Developments</i>			



## **C: Capitalisation of salaries**

Staff time spent on a capital project, can be charged to the scheme providing it meets the criteria of being directly attributable in creating or enhancing the asset.

The fundamental test is whether the employees' activities has contributed to bringing an asset to a location and into a condition so that it can be demonstrated that the life of the asset has been extended, increased in market value or extended the operational use of the asset.

Time spent on option appraisal activities can only be capitalised once an option has been chosen and only the costs associated with that option can be capitalised. Reviewing and monitoring of a capital scheme can not be included as time charged to a project.

Where staff time is intended to be capitalised estimates have been included within the revenue budgets contained within this report.

Further details will be provided throughout 2019/20 and updated through the quarterly reporting process.

## Annex C: Flexible use of capital receipts

- 11.102 The guidance on the flexible use of capital receipts issued under section 15(1) of the **Local Government Act 2003**, states that authorities may treat expenditure which is incurred in the design of projects that will generate on-going revenue savings in public services or that will transform service delivery to reduce costs or manage demand in future years for public service partners as capital expenditure.
- 11.103 It recommends that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent.
- 11.104 The guidance by the Secretary of State states that:
- The Direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform and can only use capital receipts from the disposals received in the years in which the flexibility is offered (for qualifying projects). The Direction also confirms that local authorities are not permitted to use their existing stock of capital receipts to finance the revenue costs of reform.
- 11.105 The Council has reviewed the Flexible Use of Capital Receipts guidance and identified potential expenditure that meets the eligibility criteria laid out in the guidance document, in that they are forecast to generate on-going revenue savings through reducing costs of service delivery.
- 11.106 Further details of actual expenditure will be provided as part of the Financial Outturn and Review of Performance report at the end of each financial year.
- 11.107 The forecast use of flexible capital receipts for 2019/20 to 2021/22 is included within Section 3 of the Capital Strategy (Financial Controls), paragraph 11.49, Table 1.

## Annex D: Prudential Indicators revisions to: 2018/19 and 2019/20 – 2021/22, and future years

### Background

11.108 There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

### Estimates of Capital Expenditure

11.109 In 2019/20, the Council is planning capital expenditure of £149.2 as summarised below:

Capital Expenditure	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	Future years
	£m	£m	£m	£m	£m
<b>Total</b>	120.7	149.2	177.3	105.8	52.6

Source: Cheshire East Finance

### Capital Financing

11.110 All capital expenditure must be financed either from external sources (government grants and other contributions). The Council's own resources (revenue reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of capital expenditure is as follows:

Capital Financing	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	Future years
	£m	£m	£m	£m	£m
Capital receipts	3.9	5.5	4.4	4.3	0.0
Government Grants	53.4	89.4	98.9	61.4	0.0
External Contributions	12.6	5.8	17.1	8.6	33.4
Revenue Contributions	0.5	0.3	0.0	0.0	0.0
<b>Total Financing</b>	<b>70.4</b>	<b>101.0</b>	<b>120.4</b>	<b>74.3</b>	<b>33.4</b>
Prudential Borrowing	50.3	48.2	56.9	31.5	19.2
<b>Total Funding</b>	<b>50.3</b>	<b>48.2</b>	<b>56.9</b>	<b>31.5</b>	<b>19.2</b>
<b>Total Financing and Funding</b>	<b>120.7</b>	<b>149.2</b>	<b>177.3</b>	<b>105.8</b>	<b>52.6</b>

Source: Cheshire East Finance

### Replacement of debt finance

11.111 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets may be used to replace debt finance. Planned MRP repayments are as follows:

Replacement of debt finance	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m
<b>Total</b>	<b>8.7</b>	<b>10.6</b>	<b>12.2</b>	<b>13.7</b>

11.112 The Council's full MRP Statement is available in Annex E.

## Estimates of Capital Financing Requirement

11.113 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. The CFR is expected to increase by £37m during 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Capital Financing Requirement	2018/19 Forecast £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
<b>Total</b>	<b>347</b>	<b>384</b>	<b>428</b>	<b>463</b>

Source: Cheshire East Finance

## Asset disposals

11.114 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation project until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £14.2m of capital receipts in the coming financial years as follows.

Capital Receipts	2018/19 Forecast £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Asset Sales	3.9	5.5	4.4	4.3
Loans Repaid	0.2	0.2	0.2	0.2
<b>Total</b>	<b>4.1</b>	<b>5.7</b>	<b>4.6</b>	<b>4.5</b>

Source: Cheshire East Finance

## Gross Debt and the Capital Financing Requirement

11.115 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.8%) and long-term fixed rate loans where the future cost is known but higher (currently 2 – 3%).

11.116 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases are shown below, compared with the capital financing requirement.

Gross Debt and the Capital Financing Requirement	2018/19 Forecast £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Borrowing	167	170	176	178
Finance Leases	2	1	1	1
PFI Liabilities	22	22	21	20
<b>Total Debt</b>	<b>191</b>	<b>193</b>	<b>198</b>	<b>199</b>
<b>Capital Financing Req.</b>	<b>347</b>	<b>384</b>	<b>428</b>	<b>463</b>

Source: Cheshire East Finance

11.117 Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. As can be seen from the above table, the Council expects to comply with this in the medium term.

## Liability Benchmark

11.118 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year end. This benchmark is currently £255m and is forecast to rise to £343m over the next three years.

Borrowing and the Liability Benchmark	2018/19 Forecast £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Outstanding Debt	134	107	102	99
Liability Benchmark	213	255	308	343

Source: Cheshire East Finance

11.119 The table shows that the Council expects to remain borrowed below its liability benchmark.

## Affordable borrowing limit

11.120 The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	2018/19 limit £m	2019/20 limit £m	2020/21 limit £m	2021/22 limit £m
Authorised Limit for Borrowing	360	395	440	475
Authorised Limit for Other Long-Term Liabilities	24	23	22	21
<b>Authorised Limit for External Debt</b>	<b>384</b>	<b>418</b>	<b>462</b>	<b>496</b>
Operational Boundary for Borrowing	350	385	430	465
Operational Boundary for Other Long-Term Liabilities	24	23	22	21
<b>Operational Boundary for External Debt</b>	<b>374</b>	<b>408</b>	<b>452</b>	<b>486</b>

Source: Cheshire East Finance

## Investment Strategy

11.121 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

11.122 The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with money market funds, other local authorities or selected high quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more

widely, including in shares and property, to balance the risk of loss against the risk of returns below inflation.

Treasury Management Investments	31/03/19 Forecast £m	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m
Short term	0	0	0	0
Long term	10	10	10	10
<b>Total Investments</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>

Source: Cheshire East Finance

- 11.123 Further details on treasury investments are in pages of the Treasury Management Strategy, Annex E.
- 11.124 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury activity are reported to Cabinet as part of the Finance and Performance Update reports. The Audit and Governance Committee is responsible for scrutinising treasury management decisions.
- 11.125 Further details on investments for service purposes and commercial activities are in the Investment Strategy, Annex 13.

### Revenue budget implications

- 11.126 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by an investment income receivable. The net annual charge is known as financing

costs; this is compared to the net revenue stream i.e., the amount funded from Council Tax, business rates and general government grants.

Ratio of Financing Costs to Net Revenue Stream	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Financing Costs (£m)	10.0	12.0	12.0	14.0
Proportion of net revenue stream %	<b>3.73</b>	<b>4.25</b>	<b>4.25</b>	<b>4.84</b>

Source: Cheshire East Finance

- 11.127 Further details on the revenue implications of capital expenditure are on paragraphs 90-97 of the 2019-22 Medium Term Financial Strategy (**Appendix C**).
- 11.128 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable. The longer term revenue implications have been considered and built into the revenue budget forecasts post the period of the current Medium Term Financial Strategy.

## Annex E: Minimum Revenue Provision

- 11.129 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry for Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.
- 11.130 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 11.131 The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the guidance.
- For capital expenditure incurred before 1<sup>st</sup> April 2008 and for supported capital expenditure incurred on or after that date, MRP will be charged at 2% annuity rate over a 50 year period.

- For capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets, as the principal repayment on an annuity rate of 2%, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.  
*(Option 3 in England and Wales)*
- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

- 11.132 Capital expenditure incurred during 2019/20 will not be subject to a MRP charge until 2020/21.

# 12. Treasury Management Strategy

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# 1. Background

- 12.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management
- 12.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 12.3 Investments held for service purposes or for commercial profit are considered in the Investment Strategy (see **Annex 13**).

# 2. External Context

- 12.4 **Economic background:** The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20.

- 12.5 UK Consumer Price Inflation (CPI) for October was up 2.4% year on year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.
- 12.6 Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.
- 12.7 Whilst US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Expectations are now fading that the further hikes previously expected in 2019 will materialise as concerns over trade wars drag on economic activity.
- 12.8 **Credit outlook:** The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ring-fencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ring-fenced banks that now only conduct

lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ring-fenced banks generally being better rated than their non-ring-fenced counterparts.

- 12.9 The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.
- 12.10 European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.
- 12.11 **Interest rate forecast:** Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rates will

be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

- 12.12 The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. Whilst assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.
- 12.13 Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.5% and 2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.
- 12.14 A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Annex A**.
- 12.15 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 1.75%, which takes into account strategic fund investments, and that new borrowing in the form of short term loans will be borrowed at an average of 0.90%.

### 3. Local Context

12.16 As at 11th January 2019 the Authority currently has borrowings of £123m and investments of £43m. This is set out in further detail at **Annex B**. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below.

**Table 1: Balance Sheet Summary and Forecast**

	31/03/18 Actual £m	31/03/19 Estimate £m	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m
General Fund CFR	330	371	407	451	484
Less: Other long-term liabilities *	(26)	(24)	(23)	(23)	(21)
<b>Loans CFR</b>	<b>304</b>	<b>347</b>	<b>384</b>	<b>428</b>	<b>463</b>
Less: External borrowing **	(170)	(110)	(84)	(80)	(78)
<b>Internal (over) borrowing</b>	<b>134</b>	<b>237</b>	<b>300</b>	<b>348</b>	<b>385</b>
Less: Usable reserves	(97)	(77)	(72)	(67)	(67)
Less: Working capital	(67)	(67)	(67)	(63)	(63)
<b>Investments (or New borrowing)</b>	<b>30</b>	<b>(93)</b>	<b>(161)</b>	<b>(218)</b>	<b>(255)</b>

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

\*\* shows only loans to which the Authority is committed and excludes optional refinancing

12.17 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

12.18 The Authority has an increasing CFR due to the capital programme and will therefore be required to borrow up to £116m over the forecast period.

12.19 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2019/20.

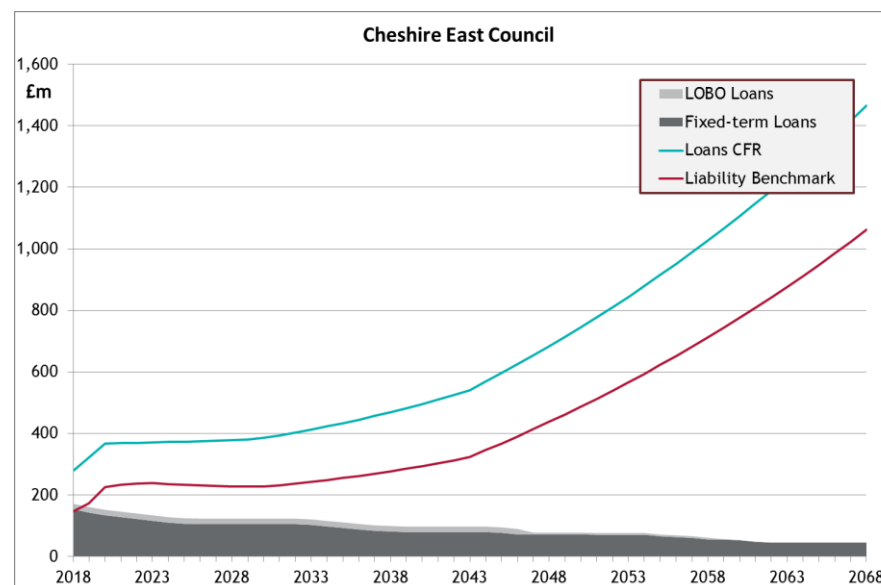
12.20 **Liability Benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain a core strategic investment.

**Table 2: Liability Benchmark**

	31/03/18 Actual £m	31/03/19 Estimate £m	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m
Loans CFR	304	347	384	428	463
Less: Usable reserves	(97)	(77)	(72)	(67)	(67)
Less: Working capital	(67)	(67)	(67)	(63)	(63)
Plus: Minimum investments	10	10	10	10	10
<b>Liability Benchmark</b>	<b>150</b>	<b>213</b>	<b>255</b>	<b>308</b>	<b>343</b>

12.21 Following on from the medium-term forecasts in table 2 above the long-term liability benchmark assumes capital expenditure funded by borrowing of £13.6m a year, minimum revenue provision on new capital expenditure based on a 25 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in **Chart 1**.

**Chart 1: Liability Benchmark Chart**



## 4. Borrowing Strategy

12.22 The Authority currently holds loans of £123m, a decrease of £47m since 31<sup>st</sup> March 2018 but this will increase to a higher level, currently forecast as £167m at 31<sup>st</sup> March 2019. PWLB debt is reducing by £6m per year whilst cash flow shortfalls caused by internal borrowing and prepayment of the pension fund deficit is being funded through cheaper short term borrowing. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.

- 12.23 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 12.24 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to use both internal resources and to borrow short-term loans instead.
- 12.25 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Our treasury advisors will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 12.26 Alternatively, the Authority may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 12.27 In addition, the Authority may borrow further short-term loans to cover unexpected or planned temporary cash flow shortages.
- 12.28 The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board and any successor body
  - UK local authorities
  - any institution approved for investments (see below)
  - any other bank or building society authorised to operate in the UK
  - UK public and private sector pension funds (except Cheshire Pension Fund)
  - capital market bond investors
  - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
  - European Investment Bank
  - Salix Finance Ltd energy efficiency loans
- 12.29 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
  - hire purchase
  - Private Finance Initiative

- sale and leaseback

- 12.30 The Authority has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.
- 12.31 **Municipal Bond Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report.
- 12.32 **LOBO's:** The Authority holds £17m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2019/20, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

- 12.33 **Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.
- 12.34 **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or reduction in risk.

## 5. Investment Strategy

- 12.35 Although reduced from previous years, the Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £10m and £45m. Levels of around £20m are expected to be maintained in the forthcoming year.
- 12.36 The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.



- 12.37 If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 12.38 Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to continue to diversify into more secure and/or higher yielding asset classes during 2019/20. This is especially the case for any longer-term investment. The Authority has some investments in higher yielding asset classes with the remaining surplus cash invested for liquidity purposes in short-term unsecured bank deposits, money market funds and with other Local Authorities.
- 12.39 Under the new IFRS9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 12.40 The Authority may invest its surplus funds with any of the counterparties in table 3 below, subject to the cash limits (per counterparty) and time limits shown.

**Table 3: Approved Investment Counterparties and Limits**

Credit Rating	Banks * Unsecured	Banks * Secured	Government	Corporates	Registered Providers
UK Government	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£6m 5 years	£12m 20 years	£12m 50 years	£6m 20 years	£6m 20 years
AA+	£6m 5 years	£12m 10 years	£12m 25 years	£6m 10 years	£6m 10 years
AA	£6m 4 years	£12m 5 years	£12m 15 years	£6m 5 years	£6m 10 years
AA-	£6m 3 years	£12m 4 years	£12m 10 years	£6m 4 years	£6m 10 years
A+	£6m 2 years	£12m 3 years	£6m 5 years	£6m 3 years	£6m 5 years
A	£6m 13 months	£12m 2 years	£6m 5 years	£6m 2 years	£6m 5 years
A-	£6m 6 months	£12m 13 months	£6m 5 years	£6m 13 months	£6m 5 years
None	£1m 6 months	n/a	£12m 25 years	£100,000 5 years	£6m 5 years
Pooled funds and real estate investment trusts		£12m per fund			

\* Banks includes Building Societies



- 12.41 **Credit Rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 12.42 **Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 12.43 **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
- 12.44 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- 12.45 **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £100,000 per company as part of a diversified pool in order to spread the risk widely.
- 12.46 **Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing and, as providers of public services, they retain the likelihood of receiving government support if needed.
- 12.47 **Pooled Funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
- 12.48 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes

other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

- 12.49 **Real estate investment trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- 12.50 **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept to the lowest practical levels per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
- 12.51 **Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,

- any existing investments that can be recalled or sold at no cost will be, and;
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

- 12.52 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 12.53 **Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 12.54 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the

maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

- 12.55 **Investment Limits:** The Authority's revenue reserves available to cover investment losses are forecast to be £77m on 31<sup>st</sup> March 2019. In order that no more than 8% of available reserves will be put at risk in the case of a single default, the maximum that will be lent unsecured to any one organisation (other than the UK Government) will be £6m. Secured investments will have a higher limit of £12m per organisation. A group of banks under the same ownership will be treated as a single organisation for limit purposes. The limits on fund managers, investments in brokers' nominee accounts and Real Estate Investment Trusts (REIT's) are higher as the investment is diversified over a greater range of counterparties within those funds. These funds are generally held to generate higher on-going returns but with a long term view on the value of the fund which may fluctuate significantly; e.g. REIT's underlying value will reflect the property market movements in whichever sector or geographic region in which that REIT operates. For foreign countries and other sectors with a total limit, the individual organisation limits still apply. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

**Table 4: Investment Limits**

Type of Counterparty	Cash Limit
Any single organisation, except the UK Central Government	£12m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£12m per group
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£12m per country
Registered Providers and Registered Social Landlords	£25m in total
Unsecured investments with Building Societies	£12m in total
Loans to unrated corporates	£12m in total
Money Market Funds	£12m in each (£50m in total)
Real Estate Investment Trusts	£25m in total

12.56 **Liquidity management:** The Authority maintains a cash flow forecasting model to determine the maximum period for which funds may prudently be committed. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

## 6. Treasury Management Indicators

12.57 The Authority measures and manages its exposures to treasury management risks using the following indicators.

12.58 **Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£410,000
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The Council is expected to remain a net borrower in 2019/20 so a fall in rates would lead to savings rather than incurring additional cost.

12.59 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper	Lower
Under 12 months	50%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	35%	0%
5 years and within 10 years	50%	0%
10 years and within 20 years	100%	0%
20 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The upper limit for loans maturing in under 12 months is relatively high as short term funding is currently considerably cheaper than alternatives. This will be kept under review as it does increase the risk of higher financing costs in the future.

#### 12.60 **Principal Sums Invested for Periods Longer than 364**

**days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

Price Risk Indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£25m	£15m	£10m

## 7. Other Items

12.61 The CIPFA code requires the Authority to include the following in its treasury management strategy.

12.62 **Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

12.63 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to.

Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

12.64 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

12.65 **Markets In Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services including advisers, banks, brokers and fund managers, allowing it to access a greater range of services without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, this seems to be the most appropriate status.

## 8. Financial Implications

12.66 Anticipated investment income in 2019/20 is £455,000, based on an average investment portfolio of £26m at an interest rate of 1.75%. The budget for debt interest paid in 2019/20 is £4.3m, based on an average debt portfolio of £134m at an average interest rate of 3.20%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

## Annex A: Economic & Interest Rate Forecast

### Underlying assumptions:

- In November 2018 the Monetary Policy Committee( MPC) kept Bank Rate at 0.75%.
- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialize.
- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.
- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to

reduce the pace of monetary tightening – previous hikes and heightened expectations will, however, slow economic growth.

### Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitional period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.



	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.13
Downside risk	0.00	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.85
<b>3-mth money market rate</b>														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.17
Arlingclose Central Case	0.90	0.95	1.10	1.30	1.40	1.40	1.40	1.35	1.35	1.35	1.35	1.35	1.35	1.27
Downside risk	0.20	0.45	0.60	0.80	0.90	0.90	0.90	0.85	0.85	0.85	0.85	0.85	0.85	0.76
<b>1-yr money market rate</b>														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.33
Arlingclose Central Case	1.15	1.25	1.35	1.50	1.70	1.60	1.50	1.40	1.35	1.35	1.35	1.35	1.35	1.40
Downside risk	0.35	0.50	0.60	0.80	0.90	0.90	0.90	0.85	0.85	0.85	0.85	0.85	0.85	0.77
<b>5-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.15	1.25	1.35	1.50	1.50	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.33
Downside risk	0.50	0.60	0.65	0.80	0.80	0.70	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.66
<b>10-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.50	1.65	1.70	1.80	1.80	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Downside risk	0.55	0.70	0.70	0.80	0.80	0.75	0.75	0.70	0.70	0.70	0.70	0.70	0.70	0.71
<b>20-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	2.00	2.10	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.18
Downside risk	0.60	0.70	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.73
<b>50-yr gilt yield</b>														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.90	1.95	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.99
Downside risk	0.60	0.70	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.73

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%



## Annex B: Existing Investment & Debt Portfolio Position

	11/01/19 Actual Portfolio £m	11/01/19 Average Rate %
<b>External Borrowing:</b>		
PWLB - Fixed Rate	74	4.10%
Local Authorities	29	0.71%
LOBO Loans	17	4.63%
Other	3	-
<b>Total External Borrowing</b>	<b>123</b>	<b>3.15%</b>
<b>Other Long Term Liabilities:</b>		
PFI	23	-
Finance Leases	2	-
<b>Total Gross External Debt</b>	<b>148</b>	<b>-</b>
<b>Investments:</b>		
<i>Managed in-house</i>		
Short-term investments:		
Instant Access	19	0.73%
Fixed Term Deposits	13	0.83%
<i>Managed externally</i>		
Fund Managers	3	0.60%
Property Funds	8	4.56%
<b>Total Investments</b>	<b>43</b>	<b>1.43%</b>
<b>Net Debt</b>	<b>105</b>	<b>-</b>

# 13. Investment Strategy

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# 1. Purpose

- 13.1 The purpose of this document is to set out the Council's Investment Strategy for 2019/20.
- 13.2 The definition of an **investment** covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.
- 13.3 The Council has a Capital Strategy (prepared in line with the requirements of the Prudential Code); and a Treasury Management Strategy (prepared in line with the requirements of the Treasury Management Code) – relevant disclosures are made within each document.
- 13.4 Consequently, this Investment Strategy is part of a suite of related documents, and focuses predominantly on matters not covered by Capital Strategy and Treasury Management Strategy.

## Introduction

- 13.5 On 2 February 2018 the Ministry of Housing, Communities & Local Government (MHCLG) published updated statutory guidance on capital finance, in respect of local government investments and the minimum revenue provision. The MHCLG guidance may be found at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/678866/Guidance\\_on\\_local\\_government\\_investments.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf)

- 13.6 The guidance was issued to reflect concerns raised by MHCLG and Treasury Select Committees over changes in patterns of local authority behaviour. Some local authorities are investing in non-financial assets, with the primary aim of generating profit. Others are entering into very long term investments or providing loans to local enterprises or third sector entities as part of regeneration or economic growth projects that are in line with their wider role for regeneration and place making.
- 13.7 There is ongoing concern that some local authorities are exposing themselves to too much financial risk through their borrowing and investment decisions without fully understanding the implications of their actions. The requirement to produce this annual Investment Strategy, to be approved by Full Council, is an attempt to recognise this and ensure that Members have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving.
- 13.8 The Authority invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
  - to support local public services by lending to or buying shares in other organisations (**service investments**), and

- to earn investment income (known as **commercial investments** where this is the main purpose).

13.9 This investment strategy is a new report for 2019/20, meeting the requirements of the statutory guidance issued by MHCLG in February 2018, and focuses on the second and third of these categories.

## 2. Treasury Management Investments

13.10 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £10m and £45m during the 2019/20 financial year.

13.11 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

13.12 **Further details:** Full details of the Authority's policies and plans for 2019/20 for treasury management investments are covered the Treasury Management Strategy (**Annex 12**).

## 3. Service Investments: Loans

13.13 **Contribution:** The Council lends money to other organisations to support local public services and stimulate economic growth.

13.14 Loans have been provided to Everybody Sport & Recreation for the purpose of investing in new equipment, with the aim of increasing the usage of leisure centres and improving the health of residents.

13.15 In March 2013, Astra Zeneca announced it was relocating its R&D function from Alderley Park to Cambridge. In order to retain the expertise in the region and to stimulate local economic growth the Council has invested in Alderley Park Holdings Ltd by way of equity investment and loans.

13.16 In addition, the Council has committed to investing £5m (and lent £2.8m as at March 2018) in the Greater Manchester & Cheshire Life Science Fund, a venture capital fund investing in a range of life science businesses. Partners in the Fund include the Greater Manchester Combined Authority, Cheshire & Warrington Local Enterprise Partnership and Alderley Park Ltd. The Fund has a regional focus and seeks to target companies looking to re-locate a material part of their business within the Greater Manchester and Cheshire and Warrington areas, which includes Alderley Park where the Fund is based.

13.17 The Council may consider making further Service Investment Loans in 2019/20, subject to business cases and

where the balance of security, liquidity and yield have been considered as part of robust risk assessment.

- 13.18 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

**Table 1: Loans for service purposes in £'000**

Category of borrower	31/03/18 Actual	31/03/19 Forecast			2019/20
		Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0	0	0	0	1,800
Suppliers	24	24	24	0	100
Local businesses	3,727	4,147	50	4,097	10,000
Local charities	288	679	15	664	2,000
<b>TOTAL</b>	<b>4,039</b>	<b>4,850</b>	<b>89</b>	<b>4,761</b>	<b>13,900</b>

- 13.19 Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2018/19 onwards will be shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit

control arrangements in place to recover overdue repayments.

- 13.20 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans. Each application for a loan will require completion of a business case. This is followed by a process of due diligence taking into account creditworthiness and financial standing and the Council's corporate objectives. External advisors will be used where appropriate, dependent on materiality and scope of the loan arrangement. Each application will be considered on a case by case basis. Loans will be approved in accordance with the Finance Procedure Rules, the powers and responsibilities for loans are delegated to the Section 151 Officer. Loan facility agreements are signed by both counterparties.

- 13.21 As Accountable Body for the Cheshire & Warrington Local Enterprise Partnership, the Council is also contracting party to loans provided to organisations from the Growing Places Fund. This £12m Fund was established with Government grants and is "owned" by the Local Enterprise Partnership; consequently these investments are not made using Cheshire East's resources and are not reflected in the table above, as regards investments made, or affecting upper limits of lending.

## 4. Service Investments: Shares

- 13.22 **Contribution:** The Council invests in the shares of its subsidiaries and local businesses to support local public services and stimulate local economic growth.
- 13.23 As noted above, the Authority has invested in Alderley Park Holdings Limited in order to maintain and stimulate this key strategic industry of life sciences within the Borough. Cheshire East is a 10% shareholder in Alderley Park, and has invested in the development of the site along with Bruntwood (51% shareholder) and Manchester Science Partnerships (MSP; 39% shareholder). As part of the arrangement, the Council also invested in MSP, taking a 3% equity stake.
- 13.24 The Council also has shares in its subsidiary, wholly owned companies. However they are of nominal value, and consequently whilst the turnover of the group of companies is significant (£60m in aggregate) the share values are not considered material in the context of this Investment Strategy.
- 13.25 As reflected in this strategy a key objective of future investments will be to yield a return to benefit the Council's Revenue Account. However the Council may consider acquiring shares in companies if there is a compelling business case demonstrating strong potential for growth in capital value.
- 13.26 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be

recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

**Table 2: Shares held for service purposes in £'000**

Category of company	31.3.2018 actual	31.3.2019 forecast			2019/20
		Amounts invested	Gains or losses	Value in accounts	Approved Limit (cost of investment)
Local businesses	4,004	1,809	2,195	4,004	5,000
<b>TOTAL</b>	<b>4,004</b>	<b>1,809</b>	<b>2,195</b>	<b>4,004</b>	<b>5,000</b>

- 13.27 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding shares by: assessing the proposition, taking into consideration the market (the nature and level of competition, how the market/ customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements); using external advisors, where specialist knowledge/ intelligence is required in each case; and being part of the entities' governance arrangements, having a seat on the Board, and receiving and analysing information on financial and operational performance against plan, and updated business plans, on a regular basis.
- 13.28 **Liquidity:** With regard to the existing equity stake in Alderley Park, it was deemed to be a long-term investment, supporting a business and site development plan through to at least 2025. As described above, regular monitoring and

receipt of updated business plans will help to inform considerations in regards to the selling of shares; and it is important to note, as a minority shareholder in both Alderley Park and MSP, that shares must first be offered to other shareholders in those private enterprises (and consequently the prospects for disposing of shares should be seen as good).

13.29 In the event of considering whether to make further Service Investments via shares, the Council will consider maximum investment periods on a case-by-case basis, taking into consideration the prospects for funds being accessible when required (e.g. to repay borrowing; or for other capital financing purposes) by making an assessment of liquidity, given the nature of the proposed investment (e.g. the type of organisation; the market in which it operates).

13.30 **Non-specified Investments:** Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

## 5. Commercial Investments: Property

13.31 Note that MHCLG defines property to be an investment if it is held primarily or partially to generate a profit.

13.32 **Contribution:** The Council invests in local commercial and residential property, and land, with the intention of making a profit that will be spent on local public services.

**Table 3: Property held for investment purposes in £'000**

Property	Actual	31/03/18 actual		31/03/19 expected		2019/20 Approval Limit
	Purchase cost	Gains or (losses) in year	Value in accounts (includes gains/ (losses) to date	Gains or (losses)	Value in accounts	
Industrial Units	907	17	1,443	0	1,443	
Enterprise Centres	770	0	1,297	0	1,297	
Retail	2,350	220	4,370	100	4,470	
Residential	600	0	675	0	675	
<b>Total</b>	<b>4,627</b>	<b>237</b>	<b>7,785</b>	<b>100</b>	<b>7,885</b>	<b>32,100</b>

13.33 **Security:** In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

13.34 **Where value in accounts is at or above purchase cost:** A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2018/19 year end accounts preparation and audit process value these properties below their purchase cost,



then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

13.35 **Where value in accounts is below purchase cost:** The fair value of the Authority's investment property portfolio is no longer sufficient to provide security against loss, and the Authority is therefore taking mitigating actions to protect the capital invested. These actions include annually reviewing the Commercial Properties portfolio and where the fair value is below the original purchase price alternative uses for the assets are considered by the Authority such as changing the use of the asset to earn additional investment income such as refurbishing the asset to make the asset look more desirable or to be re-used within the Council itself as a operational property where services to the public will be provided from. If no alternative service uses are considered viable the asset will be classed as surplus to requirements and steps will be taken to market the asset for sale to realise a capital receipt.

13.36 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by:

- Before entering into any commercial property investment the Authority would assess the local market conditions, by establishing the supply and demand of the need for a certain type of commercial property investment, what competition currently exists locally, nationally and globally dependent on the type of activity that will take place in the asset for example retail units, industrial units or

residential properties. These decisions will be made alongside the expertise, knowledge and market evidence collected from our Economic Development Service.

- The Authority would also ensure that when setting rental income on the assets the Authority will complete a cost of use and sensitivity analysis to future proof the running maintenance costs of the assets so that rents are set at a level where they are competitive in the local market but will ensure that the income will provide that additional financial security.
- Whilst holding the commercial properties we will continually review market prices, look out for changes in the market, and assess the competition.
- The Authority will constantly monitor any changes in the political environments, locally, nationally and globally to assess any potential impact on the local rental markets.

13.37 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority constantly monitors the use of all assets and where there is a market for a particular asset or asset type will look in to realising the capital receipt on those assets if it outweighs the long-term benefits of holding the asset for a potential rental stream.



## 6. Commercial Investments: Loans

13.38 **Contribution:** The Council does not currently provide loans primarily or partially to **make** a profit (i.e. as above, loans are provided for Service Investment purposes).

13.39 Going forward, the Authority may consider making commercial investment loans, but **importantly** there will always be a Council policy-related objective (e.g. regeneration; economic development) in addition to the objective of financial benefit (yield) to the Council's Revenue Account (i.e. interest received) being greater than the costs to the Revenue Account (e.g. debt financing).

13.40 In considering commercial investment opportunities, the Council will adopt a prudent approach, with two underlying objectives:

- **Security** – protecting the capital sum invested from loss
- **Liquidity** – ensuring the funds invested are available when needed

Category of borrower	2019/20
	Approved Limit £000
Partner Organisations	30,000

13.41 **Risk assessment:** The Authority will assess the risk of loss before entering into commercial loans by: assessing the proposition, taking into consideration the market (the nature

and level of competition, how the market/ customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements); using external advisors, where specialist knowledge/ intelligence is required in each case; and receiving and analysing information on financial and operational performance against plan, and updated business plans, on a regular basis.

## 7. Loan Commitments and Financial Guarantees

13.42 As Accountable Body for the Cheshire & Warrington Local Enterprise Partnership, the Council has been approached to act as Entrusted Entity to a £15m European Regional Development Fund (ERDF) supported Urban Development Fund which would commence in 2019/20.

13.43 The Council, as contracting party, would provide guarantees in respect of the amounts provided through ERDF. Due diligence work is currently being undertaken and it is proposed that decisions to proceed will be delegated to the relevant Portfolio Holder, as regards being Entrusted Entity and making the application to ERDF

## 8. Proportionality

13.44 The Authority is only partially dependent on profit generating investment activity to achieve a balanced revenue budget, in respect of Place services. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is

dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Authority's contingency plans for continuing to provide these services include effective budget management and tight cost control.

**Table 4: Proportionality of Investments in £'000**

	2017/18 Actual	2018/19 Forecast	2019/20 Budget	2020/21 Budget	2021/22 Budget
Gross service expenditure - Directorate Level	72,555	74,721	77,325	78,216	80,516
Investment income	(1,684)	(1,986)	(2,236)	(2,486)	(2,486)
Proportion	2%	3%	4%	4%	3%

*NB: The proportion is the investment income divided by the gross service expenditure*

## 9. Borrowing in Advance of Need

- 13.45 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority follows this guidance.

## 10. Capacity, Skills and Culture

- 13.46 **Elected members and statutory officers:** Adequate steps are taken to ensure that those elected members and statutory officers involved in the investments decision

making process have appropriate capacity, skills and information to enable them to: 1. take informed decisions as to whether to enter into a specific investment; 2. to assess individual assessments in the context of the strategic objectives and risk profile of the local authority; and 3. to enable them to understand how the quantum of these decisions have changed the overall risk exposure of the local authority.

- 13.47 The Authority has established an Investment Strategy Board comprised of members, supported by officers and where necessary, external advisors, and acts on recommendations from officers that consider opportunities to enhance the Revenue & Capital Budgets of the Council through strategic investments, whether that involves using capital/cash resources or borrowing and lending powers.
- 13.48 The Board is made up of the following individuals:
- The Leader of the Council (Chair)
  - Portfolio Holder for Finance & Communication
  - Portfolio Holder for Housing, Planning & Regeneration
- 13.49 Support is provided by:
- S151 Officer
  - Monitoring Officer
  - Executive Director Place
  - Head of Assets
- 13.50 It is recognised that in order to support the Board and officers there is a need to engage external advisors. The

Authority has appointed Arlingclose Limited as treasury management advisors and receives specific advice on investment, debt and capital finance issues. Other consultants, such as property consultants, are engaged as required.

13.51 **Commercial deals:** Steps have been taken to ensure that those negotiating and reporting commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate. A team of officers from Place, Finance, Legal, and Procurement are responsible for ensuring that the framework is followed. Where appropriate staff are provided with additional training and up to date skills via CIPFA and other providers.

13.52 **Corporate governance:** Corporate governance arrangements have been put in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the local authority's corporate values and Constitution. The Investment Strategy Board is an important conduit for establishing that the strategy fits with the requirements of external codes and internal priorities.

13.53 The MHCLG requirement to produce an Investment Strategy, approved annually by full Council is a key component of the corporate governance framework.

13.54 The Investment Strategy is presented and approved annually as part of the Medium Term Financial Strategy at full Council. Updates to the Investment Programme will be reported to Cabinet on a quarterly basis.

## 11. Investment Indicators

13.55 The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

13.56 **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

**Table 5: Total investment exposure in £'000**

Total investment exposure	31/03/18 Actual	31/03/19 Forecast	31/03/20 Forecast
Treasury management investments	24,232	10,000	10,000
Service investments: Loans	3,740	4,606	4,555
Service investments: Shares	4,004	4,004	5,000
Commercial investments: Property	7,885	7,885	40,000
Commercial Investments : Loans	0	0	30,000
<b>TOTAL INVESTMENTS</b>	<b>39,861</b>	<b>26,495</b>	<b>89,555</b>
Commitments to lend	2,666	2,229	2,229
<b>TOTAL EXPOSURE</b>	<b>42,527</b>	<b>28,724</b>	<b>91,784</b>

13.57 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. Currently the Authority's investments are funded by usable reserves and income received in advance of expenditure.

13.58 However in 2019/20 there is a possibility if the Authority decides to increase its investments in commercial properties and loans that they may require funding from borrowing.

**Table 6: Investments funded by borrowing in £'000**

Investments funded by borrowing	31/03/18 Actual	31/03/19 Forecast	31/03/20 Forecast
Treasury management investments	0	0	0
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	32,000
Commercial Investments : Loans	0	0	30,000
<b>TOTAL FUNDED BY BORROWING</b>	<b>0</b>	<b>0</b>	<b>62,000</b>

13.59 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all

recorded gains and losses affect the revenue account in the year they are incurred.

**Table 7: Investment rate of return (net of all costs)**

Investments net rate of return	2017/18 Actual	2018/19 Forecast	2019/20 Forecast
Treasury management investments	1.55%	1.75%	2.00%
Service investments: Loans	-1.79%	-0.23%	0.68%
Service investments: Shares	107.50%	0.00%	0.00%
Commercial investments: Property	6.66%	6.66%	6.66%

## 12. Glossary of Terms

**Investment** covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.

For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture, or to a third party. The term does not include *pension funds* or *trust fund investments*, which are subject to separate regulatory regimes and therefore are not covered by this guidance.

A **credit rating agency** is one of the following three companies: Standard and Poor's, Moody's Investors Service Ltd and Fitch Ratings Ltd.

A **loan** is a written or oral agreement where a local authority temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment.

### Specified Investments

An investment is a specified investment if all of the following apply:

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling
- The investment is not a long term investment (the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option)
- The making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended]*
- The investment is made with a body or in an investment scheme described as high quality; or with one of the following bodies:
  - i. The United Kingdom Government;
  - ii. A local authority in England or Wales (as defined in section 23 of *the 2003 Act*) or a similar body in Scotland or Northern Ireland; or
  - iii. A parish council or community council
- should define high credit quality (definition incorporates ratings provided by credit rating agencies)

The **Treasury Management Code** means the statutory code of practice issued by CIPFA: *"Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition"*.

The **Prudential Code** means the statutory code of practice, issued by CIPFA: *"The Prudential Code for Capital Finance in Local Authorities, 2017 Edition"*.

The **Capital Strategy** is the strategy required by the updates to the Prudential Code and Treasury Management Code.

# 14. Reserves Strategy

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## Executive Summary

14.1 Cheshire East Council is maintaining adequate reserves for two main purposes:

1. To protect against risk, and;
2. To support investment

14.2 This strategy reflects how these two purposes are intrinsically linked as financial risks will reduce through appropriate investment in schemes that will generate sustainable returns. At present the risks associated with overall changes in local government funding, and the need to invest now to realise returns in the medium term, increase the need to hold prudent levels of reserves in the short term.

14.3 The Reserves Strategy presents information about the requirements to maintain financial reserves and provides statements on the types of reserves and current and predicted balances.

14.4 The Strategy is revised annually, in line with the process to determine the Council's Budget, and sets out a clear purpose for the holding of reserves, using risk assessments and setting out principles for the management of balances in the medium term.

14.5 Cheshire East Council's Reserve Strategy was last approved at Council on 22<sup>nd</sup> February 2018.

14.6 The quarterly review process informs the Council's thinking on reserves and an updated Reserves Strategy for 2019-22 is being reported to Cabinet and Council in February 2019.

14.7 This strategy represents the latest position, following a review of the balances previously held, to ensure they meet the needs of Cheshire East Council.

14.8 Additional detailed analysis of trends within the Council's finances is provided in the Council's [Value for Money](#) publication demonstrating the sound financial position of the Council.

Alex Thompson

**Alex Thompson** CPFA

Head of Finance and Performance  
(Acting Section 151 Officer)



# 1. Introduction

## Types of Reserves

14.9 When reviewing medium term financial plans and preparing annual budgets the Council considers the establishment and maintenance of reserves. Two types of Revenue Reserves will be held:

### General Reserves (see Section 2)

14.10 This represents the non ring-fenced balance of Council funds. There are two main purposes of general reserves: firstly to operate as a working balance to help manage the impact of uneven cash flows and avoid unnecessary temporary borrowing; and secondly to provide a contingency to cushion the impact of emerging events or genuine emergencies. The target level of reserves retained will be risk based. General Reserves must be adequate and will increase and decrease as follows:

#### 14.11 Increasing General Reserves

- Planned repayment as set out in the Medium Term Financial Strategy, usually to recover to an adequate level in relation to a detailed risk assessment, or to prepare in advance for future risks or investment.
- Allocation of an operating surplus at the close of the financial year.

#### 14.12 Decreasing General Reserves

- Planned draw-down of reserves to create investment, and to counteract the possibility of over-taxing in any financial year.

- Allocation of an operating deficit at the close of the financial year.

### Earmarked Reserves (see Section 3)

14.13 These provide a means of building up funds, for use in a later financial year, to meet known or predicted policy initiatives. Discipline is required around setting up and maintaining earmarked reserves and this Strategy sets out the Council's approach to this. Earmarked reserves will increase through decisions of the Council and will decrease as they are spent on specific intended purposes.

### Assessing the Adequacy of Reserves

14.14 In order to assess the adequacy of unallocated general reserves when setting the budget, the Section 151 Officer will take account of the strategic, operational and financial risks facing the Authority. The Council will therefore adopt formal risk management processes. The Audit Commission Codes of Audit Practice make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks will be assessed in the context of the Authority's overall approach to risk management.

14.15 There is a requirement for local authorities to include an Annual Statement of Governance with the Statement of Accounts. The Section 151 Officer ensures that the Authority has put in place effective arrangements for internal audit of



the control environment and systems of internal control, as required by professional standards.

- 14.16 Setting the level of general reserves is just one of several related decisions in the formulation of the Medium Term Financial Strategy and the budget for a particular year. Account will also be taken of the key financial assumptions underpinning the budget alongside a consideration of the Authority's financial management arrangements.
- 14.17 **Table 1** sets out the significant budget assumptions that are relevant when considering the adequacy of reserves, in addition to the issue of cashflow.
- 14.18 These factors can only be assessed properly at a local level. A considerable degree of professional judgment is required. The Section 151 Officer may choose to express advice on the level of balances in cash and / or as a percentage of budget (to aid understanding), so long as that advice is tailored to the circumstances of the Authority for that particular year.
- 14.19 Advice will be set in the context of the Authority's process to manage medium term financial stability and not focus on short term considerations, although balancing the annual budget by drawing on general reserves may be a legitimate short term option. However, where reserves are to be deployed to finance recurrent expenditure this should be made explicit, and will occur only to pump prime investment and not to regularly support such costs. Advice will be given on the adequacy of reserves over the lifetime of the Medium Term Financial Strategy.

**Table 1:**

Holding adequate reserves will depend on a number of key factors  
Budget Assumptions

- The treatment of inflation and interest rates
- Estimates of the level and timing of capital receipts
- The treatment of demand led pressures
- The treatment of planned efficiency savings / productivity gains
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments
- The availability of other funds to deal with major contingencies and the adequacy of provisions

#### Financial Standing and management

- The overall financial standing of the Authority (including: level of borrowing, debt outstanding and Council Tax collection rates)
- The Authority's track record in budget and financial management including the robustness of the medium term plans
- The Authority's capacity to manage in-year budget pressures
- The strength of the financial information and reporting arrangements
- The Authority's virement and end of year procedures in relation to budget under / overspends at authority and service level
- The adequacy of the Authority's insurance arrangements to cover major unforeseen risks

Source: CIPFA – LAAP Bulletin 55, 2003

- 14.20 The current guidance requires the purpose, usage and the basis of transactions of earmarked reserves to be identified

clearly. A review of the levels of earmarked reserves will be undertaken as part of annual budget preparation.

## 2. General Fund Reserves (Revenue)

### Purposes

- 14.21 The purpose of general reserves is to minimise the possible financial impacts to the Authority from:
- Emergencies
  - In-year emerging financial issues
  - Reacting to investment opportunities
- 14.22 The Finance Procedure Rules set the parameters for the use of general reserves.
- 14.23 The in-year use of general reserves requires Council approval and must not be used for any level of recurring spending unless that spending will be included in revenue budgets in the following financial year or a suitable payback period is agreed in advance.
- 14.24 In all cases the use of reserves should be approved by the Section 151 Officer.

### Opening Balances

- 14.25 The 2018/19 Budget anticipated that the Council would hold general reserves of £10.2m. However an improved outturn position resulted in general reserves remaining at £10.3m.
- 14.26 At 1<sup>st</sup> April 2019, it is anticipated that the Council will hold general reserves of £10.3m, as calculated in **Table 2**.

Table 2		Estimated Balance 1 <sup>st</sup> April 2019 £m
<b>Amount of General Fund Balance available for new expenditure</b>		<b>10.3</b>
(Source: 2017/18 Statement of Accounts)		
<b>The impact of performance against the 2018/19 Revenue Budget</b>		<b>0.0</b>
(Source: 2018/19 Three Quarter Year Review of Performance)		
		<b>10.3</b>

### Estimated Movement in Reserves (2018/19 onwards)

- 14.27 **Table 3** (overleaf) summarises the current estimated movements in general reserves from 2018 to 2021.
- 14.28 The level of reserves needed is assessed each year according to the risks facing the Authority (see Risk Assessment overleaf).
- 14.29 During 2018 CIPFA have published an index of financial resilience of English councils, designed to support the local government sector as it faces continued financial challenge.
- 14.30 This follows the recent National Audit Office (NAO) report on financial sustainability in local authorities, published

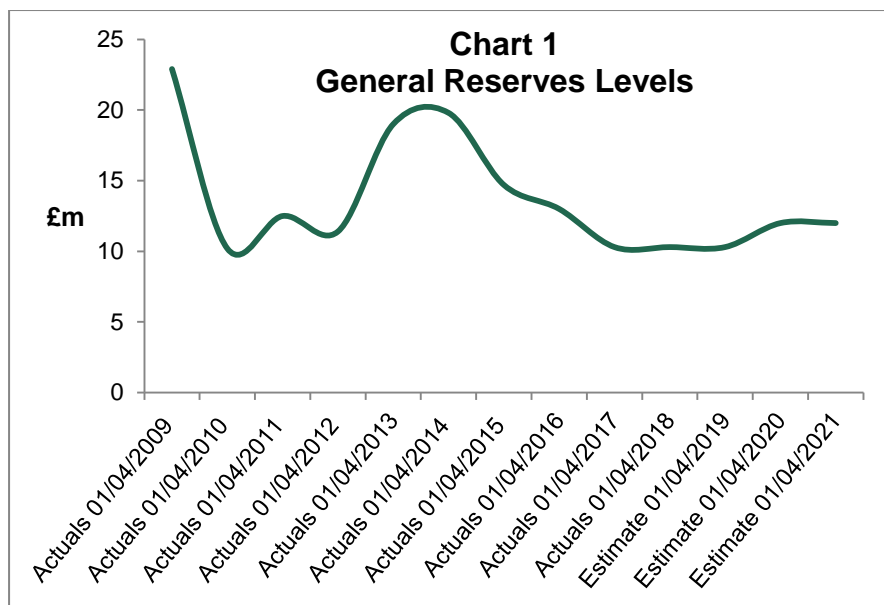
following the crisis at Northamptonshire County Council. This indicated that there is a heightened risk of more councils over the next four years falling into special measures as a result of not reconciling the pressure on budgets.

- 14.31 The aggregated results of the Resilience Index show the majority of councils are in a stable position and not showing significant signs of financial failure. However, in 10-15% of councils there are some signs of potential risk to their financial stability in the short term.
- 14.32 The measure showing the level of general reserves as a proportion of net revenue expenditure indicates that the Council's current reserve is lower than average in the comparator group analysis. This supports the proposal to increase general reserves to £12m in 2019/20, an increase of £1.7m.
- 14.33 General reserves as a proportion of net revenue expenditure will increase to 4.5%, compared to 3.9% in 2018/19.

<b>Table 3:</b> The level of reserves will be increased in the medium term	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Estimated Balance @ 1 <sup>st</sup> April	10.3	10.3	12.0	12.0
Estimated Impact of Spending	0.0	0.0	0.0	0.0
Planned Contribution from Earmarked Reserves	0.0	1.7	0.0	0.0
<b>Forecast General Reserves @ 31<sup>st</sup> March</b>	<b>10.3</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>
Risk Assessed Minimum Level – February 2019	10.0	12.0	12.0	12.0

Source: Cheshire East Finance

- 14.34 **Chart 1** reflects how Cheshire East Reserves are being stabilised over the medium term.



Source: Cheshire East Finance

14.35 The level at which reserves are set for 2019/20, reflects the aim of Cheshire East Council to match the Risk Assessed Minimum Level, ensuring reserves are adequate, and provide sufficient flexibility to manage short term cashflow.

### General Fund Reserves – Risk Assessment

14.36 The risks facing each local area will vary. In the case of Cheshire East, 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.

14.37 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.

14.38 Where specific financial liability has not been established, or where outcomes from emerging pressures cannot be detailed, the Council will assume an appropriate level of risk. This reduces the possibility that the Council will be exposed to excessive financial pressure in a single year thereby smoothing the impact on citizens.

14.39 Risks are categorised, and potential values are applied to them. This presents the potential exposure to financial risk. **Table 4** shows the risk areas and the level of reserves Cheshire East Council should retain to mitigate that risk. In each case the value of the risk retained has been calculated as a percentage of the potential impact. The percentage is based on the likelihood of the risk actually achieving that total impact in any year.

14.40 The updated Risk Assessment for 2019/20 provides for the Minimum Level to increase to £12.0m. This is considered a relatively prudent overall target for reserves at 4.5% of the net budget. This reflects the following potential negative financial issues facing the Council in the medium term:

- Further changes to the local government financial settlement may create funding deficits, and the medium term strategy of the Council remains unbalanced in later years at present.
- Some savings targets may need to be re-phased or revised following more detailed appraisal or consultation work.

- Maintained schools are predicting significant deficit budget positions in their three year forecasts as a result of staffing costs and special educational needs costs increasing at a faster rate than funding.

14.41 It is also possible that a number of events could happen in a single year and the Council could be exposed to new unidentified risks. For this reason the analysis also contains a Strategic Reserve calculated as a percentage of gross expenditure (in this case 0.7%).

14.42 Risks will be included and managed using the following basic principles:

- a. The risk may impact within the medium term.
- b. Risks are potential one-off events.
- c. The risk will have genuine financial consequences beyond insurance cover.
- d. Mitigating actions will be in place to minimise the potential requirement for financial support.
- e. If a risk becomes 100% likely it will be allocated to earmarked reserves or included within appropriate Revenue Budget estimates.
- f. Emerging risks will be addressed from in-year surplus or virement before any request to allocate general reserves.

Table 4: A robust level of reserves is guided by an assessment of potential risks							
Class of Risk	Knock on Effects	Effect on Budget / Mitigating Action	% Risk (a)	Value of Risk Area (b)	Value of risk retained (a x b)	Sub-Total	Risk Assessment
Health & Safety	Major loss of service	Increased cost to reduce further risk of breach / Robust risk assessments	7.0%	£1,000,000	£70,000	£120,000	£100,000
	Lost reputation / Effect on recruitment	Additional cost of new advertising to regain confidence and recruit staff / Effective Communication Plans and Employment option plans	25.0%	£200,000	£50,000		
Fire / Structural damage	Major loss of service	Premises not operational / Robust disaster recovery plan	10.0%	£1,000,000	£100,000	£431,000	£400,000
	Severe Weather	Additional staffing, transport and materials costs / robust emergency plans	30.0%	£1,000,000	£300,000		
	Insurance claims create rising premiums or cost to insurance reserves	Budget growth to cover premiums or self insurance costs / Good claims management	10.0%	£313,000	£31,000		
Budget Pressures	Opening Balances vary from current predictions	Impact on opening balances / apply prudent assumptions to opening balances	2.0%	£10,300,000	£206,000	£4,305,000	£4,300,000
	Savings proposals challenged by changing priorities.	Impact of 2018/19 outturn / robust remedial plans and monitoring of progress	1.0%	£269,500,000	£2,695,000		
	Forecast deficit budgets in maintained schools	In-Year emerging issues / Robust plans and monitoring of progress	10.0%	£5,300,000	£530,000		
	Higher than anticipated inflation arising in year	Increased inflation on contracts and services / contract management and robust remedial plans	1.0%	£61,000,000	£610,000		
	Potential decrease in Council Tax and Business Rates collection rate	Lower than forecast income or increased reliefs/ robust assessment criteria and debt recovery procedures	0.1%	£264,000,000	£264,000		
Legal & IT costs	Legal challenges to Council service delivery / charges for services	Court costs and claims for financial settlement / clear processes and good workforce management	50.0%	£750,000	£375,000	£2,195,000	£2,200,000
			30.0%	£1,000,000	£300,000		
	Data corruption and need to improve security	ICT service days to repair, loss of service / robust security policies and firewalls	10.0%	£500,000	£50,000		
Industrial relations / External organisations	Disruption to service and possible costs of arbitration / tribunal	Loss of income, costs of providing essential services or direct costs of resolution, reduced pay costs / emergency planning	1.0%	£147,000,000	£1,470,000		
Strategic Reserve		Strategic / Emergency risk cover, potential further invest to save options and future pay and structure changes Impact of Brexit on national and local economy	0.7%	£753,120,000	£5,046,000	£5,046,000	£5,000,000
OVERALL RISKS						£12,097,000	£12,000,000
% of Net Revenue Budget							4.5%

- 14.43 The outcome of this analysis has been to place an estimated total value on the range of risks that may arise and which are not covered by insurance. This is equivalent in total to £12.0m.
- 14.44 It should be noted that these risks reflect the net effect of issues relating to sustainable performance against the 2019/20 Revenue Budget. The key factors are:
- The capacity of the organisation to deliver proposed growth or achieve the proposed level of savings entirely.
  - Potential underachievement of cost reduction targets following consultation processes.
  - Demand for services rising above estimated trends.
  - Changes to Government settlements.

### Adequacy of General Reserves

- 14.45 A duty of the Section 151 Officer is to comment on the adequacy of financial reserves (see **Annex A**).
- 14.46 The estimates contained within the medium term financial strategy must be sufficiently robust to achieve certainty that reserves are adequate. The Section 151 Officer uses information contained within the Reserves Strategy to comment specifically in the annual Budget Report on the adequacy of reserves.

### 3. Earmarked Reserves (Revenue)

#### Purpose

14.47 The purpose of earmarked reserves is:

- To prevent an uneven impact from policy options, by allowing balances to be set aside for future year expenditure.
- To set aside amounts for projects which extend beyond one year.

14.48 Once Earmarked reserves have been established by Cheshire East Council it is the responsibility of Chief Officers, in consultation with the Section 151 Officer, to ensure balances are spent in line with their purpose.

14.49 **Table 5** identifies the most commonly established earmarked reserves and the rationale behind why such reserves are created and maintained.

14.50 For each earmarked reserve held by Cheshire East Council there will be a clear protocol setting out:

- the purpose of the reserve,
- how and when the reserve can be used,
- procedures for the reserve's management and control,
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy,
- clear indication of payback periods and approach (if applicable).

**Table 5: All earmarked reserves should have a clear rationale**

Category of Earmarked Reserve	Rationale
Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations	Where expenditure is planned in future accounting periods, it is prudent to build up resources in advance.
Insurance reserves	An Insurance Fund has been established to meet the potential costs of insurance excesses arising from claims in respect of fire and consequential loss, public and employer liability, and vehicles relating to both Cheshire East Council and the former Cheshire County Council.
Reserves of trading and business units	Surpluses arising from in-house trading may be retained, or may have to be retained by statute to cover potential losses in future years, or to finance capital expenditure.
Reserves retained for service departmental use	Increasingly, authorities have internal protocols that permit year-end surpluses at departmental level to be carried forward.
School Balances	These are unspent balances of budgets delegated to individual schools.

Source: CIPFA – LAAP Bulletin 55, 2003



- 14.51 When establishing reserves, Cheshire East Council will ensure that it complies with the Code of Practice on Local Authority Accounting in the United Kingdom and in particular the need to distinguish between reserves and provisions.
- 14.52 The protocol for Cheshire East Council earmarked reserves is set out below. The Section 151 Officer will monitor adherence to these protocols. Details of each reserve will be held to demonstrate compliance with the protocols.
- 14.53 Earmarked Reserves will be:
- Set up by Full Council, on recommendation by the Section 151 Officer,
  - Supported by a business case,
  - Normally held for a maximum of 3 years, except where the business case justifies a longer retention,
  - Subject to a minimum value, set initially at £60,000, unless the business case supports a lower level,
  - Be reviewed at least annually.
- 14.54 Services may also carry forward balances in accordance with Financial Procedure Rules.
- 14.55 Earmarked reserves have the effect of transferring the tax burden across financial years as current taxpayers' funds are being used to support future years' spending. It is therefore recommended that Cheshire East Council's earmarked reserves are subject to annual review, at least as part of the budget setting process to ensure that they are still appropriate, relevant and adequate for the intended purpose.
- 14.56 The 2018/19 position on earmarked reserves is reported in the Third Quarter Review of Performance Report, as part of the 5<sup>th</sup> February Cabinet Agenda.
- 14.57 It is forecast that £1.8m of earmarked reserves will be drawn down to contribute to the pressures on the 2018/19 budget. A review of earmarked reserves has taken place to ensure that where reserves have conditions attached these remain in place. All other reserves will be subject to revised business cases to ensure that only the required levels are carried over into 2019/20.
- 14.58 As per Table 3 of the Reserves Strategy there is also a planned contribution from earmarked reserves to the general reserve in 2019/20. This will increase the general reserve to £12m in accordance with the risk assessed level.
- 14.59 At 1st April 2019, it is anticipated that balances on existing earmarked reserves held by Cheshire East Council will be £30.1m. It is estimated that balances will reduce by £3.6m by the end of 2019/20. Table 6 (overleaf) shows the position on each earmarked reserve.

Table 6: Earmarked Reserves that are statutory or essential have been retained for 2019/20				
Service Description	Estimated Available Balance at 1 <sup>st</sup> April 2019 £000	Forecast Movement in 2019/20 £000	Estimated Available Balance at 31 <sup>st</sup> March 2020 £000	Reason / Use
<b>People</b>				
<b>Adults, Public Health and Communities</b>				
PFI Equalisation - Extra Care Housing	2,373	131	2,504	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
Public Health	657	12	669	Ring-fenced underspend to be invested in areas to improve performance against key targets. Including the creation of an innovation fund to support partners to deliver initiatives that tackle key health issues.
Fixed Penalty Notice Enforcement (Kingdom)	131	(48)	83	Surplus Fixed Penalty Notice receipts to be ring-fenced to provide a community fund to address environmental issues .
<b>Children's Services</b>				
Domestic Abuse Partnership	79	(79)	0	To sustain preventative services to vulnerable people as a result of partnership funding.
<b>Place</b>				
Investment (Sustainability)	102	(102)	0	To support investment that can increase longer term financial independence and stability of the Council.
<b>Planning and Sustainable Development</b>				
Air Quality	41	(41)	0	Provide funding for a temporary Air Quality Officer post
Strategic Planning	636	(636)	0	Rephasing of work associated with the Local Plan, CIL etc.
<b>Growth and Regeneration</b>				
Skills & Growth	168	(168)	0	To achieve skills and employment priorities and outcomes.

**Table 6: Earmarked Reserves that are statutory or essential have been retained for 2019/20**

Service Description	Estimated Available Balance at 1 <sup>st</sup> April 2019 £000	Forecast Movement in 2019/20 £000	Estimated Available Balance at 31 <sup>st</sup> March 2020 £000	Reason / Use
<b>Corporate Legal Services</b>				
Insurance (Cheshire East & Cheshire County Funds)	4,080	(1,700)	<b>2,380</b>	To settle insurance claims and manage excess costs.
<b>Democratic Services</b>				
Elections	311	(311)	<b>0</b>	Reserve to smooth cost of elections between years - added to in years with low election activity and called on in years with high activity. Required for 2019/20 elections.
<b>Finance and Performance</b>				
Collection Fund Management	5,082	1,992	<b>7,074</b>	To manage cash flow implications as part of the Business Rates Retention Scheme. Includes liabilities that will not be paid until future years.
Financing Reserve	11,638	(400)	<b>11,238</b>	To provide for financing of capital schemes, other projects and initiatives.
Enabling Transformation	3,133	(1,582)	<b>1,551</b>	Funding for costs associated with service transformation; particularly in relation to staffing related expenditure.
<b>Cross Service</b>				
Trading Reserve	1,510	(500)	<b>1,010</b>	The Authority's share of ASDVs net surplus to be spent in furtherance of the ASDV's objectives.
Service Manager carry forward	362	(362)	<b>0</b>	Allocations for Cost of Investment or grant funded expenditure.
Revenue Grants - Dedicated Schools Grant	(1,246)	1,246	<b>0</b>	Carried forward into 2019/20.
Revenue Grants - Other	1,048	(1,048)	<b>0</b>	Carried forward into 2019/20.
<b>Total</b>	<b>30,105</b>	<b>(3,596)</b>	<b>26,509</b>	

Source: Cheshire East Council

## 4. Capital Reserves

- 14.60 Capital receipts received in-year are fully applied to finance the capital programme. A small amount of capital receipts are held in reserve to cover future commitments where receipts are to be used flexibly to fund transformational projects.
- 14.61 Where revenue contributions are used to finance capital expenditure these will be held in reserve until such time as the expenditure is incurred.

## 5. Reserves Strategy Conclusion

- 14.62 Overall, Cheshire East Council is establishing reserves that match the minimum risk levels while retaining flexibility to react to investment opportunities. This approach can be supported during the medium term based on recent performance against budget.
- 14.63 This recognises local issues and allows the Section 151 Officer to comment favourably on the adequacy of reserves.
- 14.64 The maintenance of protocols around the use of balances improves control and increases openness in financial reporting and management. This approach assists with financial planning and increases understanding of Cheshire East Council's financial position. Reserves' positions will continue to be reviewed throughout the financial year.

## Background Papers

- 14.65 General Fund Reserves – Risk Assessment Working Papers 2019.
- CIPFA Local Authority Accounting Panel: Bulletin 55, Local Authority Reserves and Balances (2003).
- CIPFA The Financial Resilience Index 2018

## Annex A: Protocols and Controls

### The Existing Legislative / Regulatory Framework

- 14.66 Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 14.67 There are three significant safeguards in place that militate against local authorities over-committing themselves financially:
1. The balanced budget requirement.
  2. The Chief Financial Officer's S114 powers.
  3. The External Auditor's responsibility to review and report on financial standing.
- 14.68 The balanced budget requirement is reinforced by section 114 of the Local Government Finance Act 1988 which requires the Chief Financial Officer to report to all the Authority's Councillors if there is, or is likely to be, unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the Authority will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice cannot be taken lightly and has serious operational implications. The Authority's Full Council must meet within 21 days to consider the S114 notice and during that period the Authority is prohibited from entering into new agreements involving the incurring of expenditure.

- 14.69 While it is primarily the responsibility of the local authority and its Chief Financial Officer to maintain a sound financial position, External Auditors have a responsibility to review the arrangements in place to ensure that financial standing is soundly based. In the course of their duties External Auditors review and report on the level of reserves taking into account their local knowledge of the Authority's financial performance over a period of time. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

### The Role of the Chief Financial Officer

- 14.70 It is the responsibility of the Chief Financial Officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. There is no statutory minimum.
- 14.71 Local authorities, on the advice of their Chief Financial Officers, are required to make their own judgements on the level of reserves taking into account all the relevant local circumstances. Such circumstances vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.

## Good Governance

14.72 It is important that Members take responsibility for ensuring the adequacy of reserves and provisions when they set the budget. CIPFA recommend that the respective roles of officers and Councillors in relation to reserves should be codified locally and given due recognition in the Constitutions. This codification should:

- State which council bodies are empowered to establish reserves
- Set out the responsibilities of the Chief Financial Officer and Councillor – or group of Councillors – responsible for finance
- Specify the reporting arrangements

## A New Reporting Framework

14.73 The Chief Financial Officer has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

14.74 The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Chief Financial Officer. To enable the Council to reach its decision, the Chief Financial Officer should report the factors that influenced his or her judgement and ensure that the advice given is recorded formally. Where the advice is not accepted this should be recorded formally in the minutes of the Council meeting.

## CIPFA recommended that:

14.75 The Business Planning report to the Council should include a statement showing the estimated opening general reserve fund balance for the year ahead, the additional contribution to / withdrawal from balances, and the estimated end of year balance. Reference should be made as to the extent to which such reserves are to be used to finance recurrent expenditure; this should be accompanied by a statement from the Chief Financial Officer on the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the Authority's medium term financial strategy.

14.76 A statement reporting on the annual review of earmarked reserves should also be made at the same time to the Council. The review itself should be undertaken as part of the budget preparation process. The statement should list the various earmarked reserves, the purposes for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions / withdrawals and the estimated closing balances.

# 15. Abbreviations

This annex provides details of the abbreviations used in the Report in alphabetical order.

Term	Meaning
ASC	Adult Social Care
ASDV	Alternative Service Delivery Vehicles – part of the Council's commissioning approach to funding services
BCF	Better Care Fund
BRRS	Business Rates Retention Scheme – the system of local authority funding introduced on 1 <sup>st</sup> April 2013
CAG	Corporate Assurance Group
CDRP	Crime and Disorder Reduction Partnership
CEC	Cheshire East Council
CEFS	Cheshire East Family Support
CERF	Cheshire East Residents First
CFB	Capital Financing Budget
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CSC	Children's Social Care
CTS	Council Tax Support
DfE	Department for Education
DSG	Dedicated Schools Grant – grant received from Government to fund schools
EIA	Equality Impact Assessment
EIP	Early Intervention and Prevention
ERP	Enterprise Resource Platform
ESG	Education Support Grant
FQR	First Quarter Review of Performance (not produced for 2018/19)

Term	Meaning
FTE	Full Time Equivalent
GP	General Practitioner
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.
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 of Performance.
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



Term	Meaning
S151	Section 151 (Officer)
SAGC	Skills and Growth Company
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 of Performance.
TUPE	Transfer of Undertakings (Protection of Employment) regulations
VIC	Visitor Information Centres

## 16. Forecasts (February 2018)

Forecasts presented to the Council in February 2018 reported the potential budget position in the medium term.

Proposals in the Pre-Budget Consultation focused on ensuring that increased growth projections were fully reflected.

Summary position for 2018/19 to 2020/21	Budget Book 2017/18 (revised at Third Quarter Review)	Estimated Net Budget 2018/19	Estimated Net Budget 2019/20	Estimated Net Budget 2020/21
	£m	£m	£m	£m
Outcome 1 - Our Local Communities are strong and supportive	24.3	24.8	25.3	25.8
Outcome 2 - Cheshire East has a strong and resilient economy	24.8	27.0	27.3	27.7
Outcome 3 - People have the life skills and education they need in order to thrive	43.8	46.9	48.3	49.8
Outcome 4 - Cheshire East is a green and sustainable place	29.5	30.6	29.3	29.7
Outcome 5 - People live well and for longer	93.7	99.2	104.8	111.0
Outcome 6 - A responsible, effective and efficient organisation	32.6	30.3	29.9	30.9
Total Outcomes	248.7	258.8	264.9	274.9
<i>CENTRAL BUDGETS:</i>				
Capital Financing	14.0	10.0	12.0	12.0
Past Pensions Adjustment	1.2	0.3	0.2	1.2
Income from Capital Receipts	0.0	-2.0	-1.0	-1.0
Contingency	0.0	1.0	1.0	1.0
New Homes Bonus Community Fund	0.0	1.0	1.0	0.0
Use of/Contribution to Earmarked Reserve	-0.1	-0.3	0.0	0.0
Additional changes to balance future years	0.0	0.0	0.0	-10.1
<b>TOTAL: CENTRAL BUDGETS</b>	<b>263.8</b>	<b>268.8</b>	<b>278.1</b>	<b>278.0</b>
<i>FUNDED BY:</i>				
Council Tax	-191.1	-206.4	-212.7	-219.2
Business Rate Retention Scheme	-41.0	-43.0	-41.8	-42.3
Revenue Support Grant	-13.4	-5.4	0.0	0.0
Specific Grants	-16.9	-13.0	-12.5	-11.2
Sourced from Collection Fund	-1.4	-1.0	-1.0	0.0
<b>TOTAL: FUNDED BY</b>	<b>-263.8</b>	<b>-268.8</b>	<b>-268.0</b>	<b>-272.7</b>
<b>Funding Deficit</b>	<b>0.0</b>	<b>0.0</b>	<b>10.1</b>	<b>5.3</b>

## 17. Feedback

We want you to be involved in decision making in Cheshire East.

To register to be involved in consultations undertaken by Cheshire East Council, you can do so by joining the Digital Influence Panel.

Please use CTRL and Click on the light bulb to join.

If you would like to view the results of previous consultations undertaken by Cheshire East Council, please click [here](#).

