



# Mid Year Review (FINANCE) 2020/21

October 2020

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

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

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# Introduction

Cheshire East Council is the third largest Council in the Northwest of England, supporting over 380,000 local people with annual spending of over £815m.

Local government is going through a period of financial challenges, with a combination of the impact of the Coronavirus pandemic, increasing demand for services, rising costs and reduced Government grant. The Council's response is to focus on emerging needs of residents and businesses, increasing efficiency and productivity that enables us to deliver sustainable, quality services.

Demand for Council services is increasing, with more individuals and families needing support and services than ever before. This reflects an increase in population but also reflects changes in demographics. This demand is resulting in revenue pressures of £3.6m. These are offset by underspends across council services resulting in a forecast outturn of £301.3m against a net revenue budget of £301.8m.

The Council's budget is under unprecedented pressure due to the Coronavirus and the response required to protect both the health and economic wellbeing of local people and businesses during the Covid-19 Pandemic. To date the Council has received funding related to an array of activities in response to the crisis, however at this current time it is not expected to fully cover all of the costs with a potential £26m shortfall. The Council will continue to manage and review the financial forecasts in response to the emergency and how this affects the Council's revenue budget to mitigate this position and protect General Reserves.

When the 2020/21 budget was set, in February 2020, it was highlighted that the use of reserves was not sustainable. Net spending therefore needs to be contained within the estimates of expenditure that form the budget. This issue, and how Covid-19

affects this will also be considered as part of the ongoing planning for the Medium Term Financial Strategy.

To support openness and transparency, and provide evidence of strong governance, the report has two main sections, to provide background and context, and then seven supporting appendices with detailed information about allocation and management of public money during 2020/21:

**Section 1** provides information on the overall financial stability and resilience of the Council. It demonstrates how spending in 2020/21 is being funded, including the positions on overall service budgets, grants, council tax and business rates and centrally held budgets. Further details are contained in the appendices.

**Section 2** provides a summary of the issues relating to the Council's Workforce Development Plan.

- **Appendix 1** shows budget changes since the Medium Term Financial Strategy.
- **Appendix 2** shows the latest position for Corporate Grants.
- **Appendix 3** analyses the position on Outstanding Debt.
- **Appendix 4** shows updates to the Capital Strategy.
- **Appendix 5** shows updates to the Treasury Management Strategy.
- **Appendix 6** shows updates to the Investment Strategy.
- **Appendix 7** lists details of Earmarked Reserves.

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# 2020/21 Outturn Forecast at Mid Year Review - Financial Position

2020/21 Mid Year Review (GROSS Revenue Budget £647.2m)	Revised Budget (NET) £m	Forecast Actual Outturn £m	Forecast Over / (Underspend) £m	For further information please see the following sections
<b>SERVICE DIRECTORATES</b>				
People	181.4	183.5	2.1	<b>Note this table excludes the impact of Covid-19.</b> Section 1 - Paragraphs 5-28
Place	74.3	71.3	(3.0)	Section 1 - Paragraphs 29-44
Corporate	34.1	35.2	1.1	Section 1 - Paragraphs 45-54
<b>Total Services Net Budget</b>	<b>289.8</b>	<b>290.0</b>	<b>0.2</b>	
<b>CENTRAL BUDGETS</b>				
Capital Financing	12.0	12.0	-	Appendix 4
Transfer to/(from) Earmarked Reserves	(0.7)	(0.7)	-	Appendix 7
Corporate Contributions / Central Budgets	0.7	-	(0.7)	Section 1 - Paragraph 55
<b>Total Central Budgets</b>	<b>12.0</b>	<b>11.3</b>	<b>(0.7)</b>	
<b>TOTAL NET BUDGET</b>	<b>301.8</b>	<b>301.3</b>	<b>(0.5)</b>	
Business Rates Retention Scheme	(49.8)	(49.8)	-	Section 1 - Paragraphs 72-76
Specific Grants	(22.4)	(22.4)	-	Appendix 2
Council Tax	(229.5)	(229.5)	-	Section 1 - Paragraphs 61-71
Sourced from Collection Fund	(0.1)	(0.1)	-	
<b>Central Budgets Funding</b>	<b>(301.8)</b>	<b>(301.8)</b>	<b>-</b>	
<b>FUNDING POSITION</b>	<b>-</b>	<b>(0.5)</b>	<b>(0.5)</b>	
	<b>Planned Contribution 2020/21 £m</b>	<b>Forecast Variance Outturn £m</b>	<b>Impact on Reserves Outturn £m</b>	
Impact on Reserves	-	0.5	0.5	Note the impact on reserves excludes the impact of Covid-19.
<b>General Reserves Balance</b>	<b>2020/21 Budget £m</b>	<b>Mid Year Forecast £m</b>		
Opening Balance April 2020	10.3	Actual	10.3	
2020/21 Impact on Reserves (see above)			0.5	Section 1 - Paragraphs 57-59
Closing Balance March 2021	10.3	Forecast	<b>10.8</b>	

2020/21 Mid Year Review  (GROSS Revenue Budget £647.2m)	Covid Financial Pressures		Forecast Over / (Underspend)	For further information please see the following sections
	Expenditure	Income		
	£000	£000	£000	
<b>SERVICE DIRECTORATES</b>				
People	10,212	2,125	12,337	
Place	10,137	9,295	19,432	
Corporate	4,737	1,524	6,261	
<b>Total Services Net Budget</b>	<b>25,086</b>	<b>12,944</b>	<b>38,030</b>	
<b>CENTRAL BUDGETS</b>				
Capital Financing	-	-	-	
Transfer to/(from) Earmarked Reserves	(8,097)	-	(8,097)	Release of Covid Funding received last year held in reserves.
Covid Impact on Collection Fund	9,100	-	9,100	
Corporate Contributions / Central Budgets	-	-	-	
<b>Total Central Budgets</b>	<b>1,003</b>	<b>-</b>	<b>1,003</b>	
<b>TOTAL NET BUDGET</b>	<b>26,089</b>	<b>12,944</b>	<b>39,033</b>	
Business Rates Retention Scheme	-	-	-	
Specific Grants	(13,251)	-	(13,251)	Covid Funding received this year.
Council Tax	-	-	-	
Sourced from Collection Fund	-	-	-	
<b>CENTRAL BUDGETS FUNDING</b>	<b>(13,251)</b>	<b>-</b>	<b>(13,251)</b>	
<b>NET</b>	<b>12,838</b>	<b>12,944</b>	<b>25,782</b>	
<p>The £9.1m impact on the Collection fund does not affect reserves in 2020/21 as the costs can be allocated to 2021/22 – 2023/24 financial years.</p> <p>Capital expenditure of £9.335m included in Directorate expenditure above, £6.3m may not materialise until 2021/22.</p>				

# 1. Financial Stability

## Introduction

1. The Council has a strong track record of sound financial management. Nevertheless, in common with all UK local authorities the Council finds itself in a position where pressures on the revenue budget are intensifying as a result of the Coronavirus pandemic, increased costs, growing demand and reducing Government grant. The Council has received funding in response to the Covid-19 crisis, however it is not expected to cover all the costs of additional expenditure and reduced income caused by the pandemic. Demand for Children's and Adults' Social Care remains a significant pressure for the Council.
2. A full mitigation plan is in progress to address any shortfall in funding for the costs of Covid-19 and ensure that the General Reserves are protected. Given the scale of the financial pressures achieving a balanced budget position this year will be extremely challenging.
3. **Table 1** provides a service summary of financial performance at mid year. The current forecast is that services will be £0.2m over budget in the current year on normal activities. The Financial Narratives provide further details and changes to service net budgets since mid year review are analysed in **Appendix 1**.
4. Further items impacting on the level of the Council's balances are detailed in the paragraphs below on Central Contingencies and Contributions.

**Table 1 - Service Revenue Outturn Forecasts**

2020/21 Outturn Review (GROSS Revenue Budget £647.2m)	Revised Budget (NET) £m	Actual Outturn £m	Over / (Underspend) £m
<b>SERVICE DIRECTORATES</b>			
Directorate	0.9	0.8	(0.1)
Children's Social Care	40.2	42.8	2.6
Education & 14-19 Skills	15.0	14.5	(0.5)
Prevention & Early Help	8.4	8.1	(0.3)
Adult Social Care - Operations	28.1	28.3	0.2
Commissioning	88.8	89.0	0.2
Public Health	-	-	-
<b>People</b>	<b>181.4</b>	<b>183.5</b>	<b>2.1</b>
Directorate	1.0	0.9	(0.1)
Environment & Neighbourhood Services	40.8	40.6	(0.2)
Growth & Enterprise	20.6	18.1	(2.5)
Highways & Infrastructure	11.9	11.7	(0.2)
<b>Place</b>	<b>74.3</b>	<b>71.3</b>	<b>(3.0)</b>
Directorate	0.7	0.3	(0.4)
Finance & Customer Services	8.7	10.0	1.3
Governance & Compliance Services	10.0	9.3	(0.7)
Transformation	14.7	15.6	0.9
<b>Corporate</b>	<b>34.1</b>	<b>35.2</b>	<b>1.1</b>
<b>Total Services Net Budget</b>	<b>289.8</b>	<b>290.0</b>	<b>0.2</b>

Note this table excludes the impact of Covid-19

## Financial Narratives

### People Directorate

5. The base budget for the Children and Families Department for 2020/21 at mid-year is £64.5m.
6. There are a number of key pressures within the Directorate resulting in a forecast overspend of £4.1m against the base budget. Additional costs arising from Covid-19 represent a significant factor and these are forecast at £2.4m. The position excluding Covid-19 costs is a £1.7m overspend.
7. The Covid-19 costs facing the Directorate include £1.2m in Children's Social Care from additional placements and higher costs being incurred as a result of delayed court proceedings plus £0.9m from the loss of income from parents for school meals during the lock down period when schools were only open for the children of key workers.
8. The position is summarised in the table below:

Mid Year Review	Base Budget	Outturn Variance	Covid Element	Net of Covid Costs
	£'000	£'000	£'000	£'000
Executive Director	0.9	(0.1)	-	(0.1)
Children's Social Care	40.2	3.8	1.2	2.6
Prevention and Support	8.4	(0.2)	0.1	(0.3)
Education and Skills	15.0	0.6	1.1	(0.5)
<b>Revised Total</b>	<b>64.5</b>	<b>4.1</b>	<b>2.4</b>	<b>1.7</b>
<b>Dedicated Schools Grant - forecast overspend</b>		<b>5.1</b>		<b>5.1</b>

9. Particular issues are set out in the paragraphs below.

### Children's Social Care

10. The overspend excluding Covid-19 costs is forecast at £2.6m.
11. This is mainly as a result of increasing numbers of children in care (from 533 at the end of March 2020 to 547 at the end of July 2020). This has led to a £0.3m pressure.
12. The second key issue is that the new residential services contract is expected to be fully utilised in-year but there will be a delay in maximising occupancy levels. The full use of the contract means additional costs of £1.7m which should be offset by savings from children moving from more costly block contract places into those settings.
13. However, there will be delays in making the expected savings and some associated costs where children have not yet moved. This additional overall cost is forecast at £0.5m.
14. The service is taking forward a number of demand management projects to reduce the pressure on the agency placements budget. These include:
  - Regular reviews of placements to ensure needs are met at the appropriate cost and improved gatekeeping.
  - Greater analysis of the budget basis, the increase in costs over time and unit costs.
  - Working as part of a regional adoption collaboration to increase adopters.
  - Further projects in 2020/21 to move to a "bespoke" service offer and undertake further challenge of costs.

15. The forecast assumes no further growth in placement numbers at this stage.

### **Prevention and Early Help**

16. The department is forecasting an underspend of £0.3m due to holding vacancies. That is excluding Covid-19 costs of £0.1m for an additional manager and loss of income from rental income and training.

### **Education and Skills**

17. The Department is currently reflecting an underspend of £0.5m excluding Covid-19 costs. The key issues are:

- Special Educational Needs ~ staffing expenditure (including permanent and agency staff) is expected to balance following the additional budget allocation for 2020/21.

However, the demands on the service from higher numbers of Education, Health and Care Plans (EHCPs) continues and there are statutory deadlines to meet. The third quarter will provide a further opportunity to review the overall staffing pressure.

The service is undertaking a number of projects to improve systems for different areas of SEND spend and this is requiring additional support. The service is also looking at different arrangements for procuring additional education psychologists time over a number of years.

- Transport ~ the Children and Families outturn assumes a net nil position for transport. This acknowledges there are pressures but an underspend in quarter 1 as transport was not required along with the growth in budget should mitigate the pressure in-year. TSS have a new route planning system which should support delivering future efficiencies.

- Education and Skills ~ the two services supporting schools are reflecting a £0.1m underspend through vacancies.

- Catering ~ there has been a significant loss of income due to Covid-19 of £0.9m. This has been offset by reductions in spend and other contributions to reflect a £0.5m underspend excluding the Covid-19 pressure. The forecasts assume that income from parents returns to normal from September 2020.

- Schools Capital programme – there are potentially increased capital costs of £2m.

### **Dedicated Schools Grant (DSG)**

18. This is ring-fenced funding received for:

- schools
- high needs / special educational needs
- early years provision
- a number of central services including statutory costs and certain support costs.

19. The key pressure on DSG relates to the high needs block. For 2020/21 the amount of high needs DSG funding expected is £40m representing an increase of £3.1m (8.5%) on 2019/20.

20. However, the overspend from high needs of £4.2m has taken the Council's DSG reserve into a credit position of £2.6m at the 1 April. Therefore, the first call on that additional funding is to top up the reserve to nil.

21. The forecast for 2020/21 from placements is £5.1m overspend. This reflects the significant increase in EHCPs. We continue to create additional local capacity, but demand exceeds the current rate of local expansion. A robust process of significant challenge where increased costs are requested

from providers is now in place. The service has made progress on reducing further pressure but overall this remains a challenge.

22. A significant number of measures to address this are being taken forward including:
- Restructuring the SEND team and increasing capacity.
  - Using new systems to improve monitoring and forecasting.
  - Updating an analysis of SEND needs across the borough.
  - Expanding local SEND provision and opening new facilities to reduce the need for expensive independent placements. This is taking time to deliver and Covid-19 will impact.
  - Piloting a new banding system for funding pupils with SEND to give schools greater flexibility on how the funding is used.
  - Challenging price increases from providers.
  - Developing a demand management strategy.
23. A recovery plan is being developed to keep track of these items and how the continued growth in EHCPs is being mitigated.

#### **Adult Social Care, Public Health and Communities**

24. The Adult Social Care (Operations and Commissioning) and Public Health budget remain under continued pressure across the country. The pressure here in Cheshire East comes from a combination of factors, which have been building over a number of years, and relate to meeting the needs of our most vulnerable residents and this has been recognised in the 2020/21 budget where growth has been allocated.
25. Adult Social Care Commissioning have responded to this challenge by re-commissioning and developing new models of care to ensure there is a better offer to service users and

more sustainability for care providers. In addition to this the Adult Social Care Commissioners have also introduced an Early Help Framework to support better outcomes in the Voluntary, Community and Faith sectors.

26. Covid-19 is creating huge pressures and risks across the wide spectrum of services provided. This includes within the social care market and for our partners such as the NHS, as well as the Voluntary, Community and Faith sectors. Adult Social Care Operations & Commissioners are working collaboratively with providers and our partners to ensure that people's needs continue to be met and that they are protected throughout this challenging time.
27. The service is reporting a forecast overspend of £0.4m at the Mid Year Review point, excluding direct pressure from Covid-19 costs.
28. The forecast overspend for the People Directorate is therefore £2.1m at year end as identified in **Table 1** above.

#### **Place Directorate**

29. The Place Directorate is reporting an underspend of £3m at the Mid Year Review point, this excludes revenue costs and loss of income related to Covid-19 which is significant at £14.9m.

#### **Place Directorate £0.1m underspend**

30. Savings arise from holding staff vacancies. Contributions to the Constellation Partnership are not expected to be made in 2020/21.

#### **Environment & Neighbourhood Services**

31. There is a pressure of £5.2m for Covid-19 revenue costs, excluding these the service would achieve an underspend of £0.2m.

32. Over £2m of the Covid-19 pressure is from Ansa for additional staff, cleaning and PPE costs plus the increased costs of household waste recycling centres and higher levels of waste being collected.
33. Additional costs of £1.2m (a risk projection) have been identified for the delivery of services in leisure centres. This relates to the fact that the leisure trust which provides the leisure centres on behalf of the Council was unable to receive income during the government directed closure of leisure centres. This closure formed part of the restrictions introduced to respond to the pandemic between March and July. Furthermore, whilst leisure centres have reopened they are operating with social distancing restrictions which is expected to impact on income for the remainder of 2020/21.
34. During the period of lock down the trust has been able to reduce its costs and secure additional support, for example funding has come from the Government's job retention scheme. Nonetheless the Trust is projecting that it will not be able to make up the total amount of lost income for the 2020/21 financial year.
35. The Council has therefore provided additional funding to make up this lost income for the 2020/21 year. This may need to be funded from the emergency grant support provided to the council in relation to the expenditure associated with the pandemic.
36. The pandemic has also led to a loss of income including fees for Planning, Building Control and Land Charges. Licensing income has also been reduced as has income within the Libraries service.

37. Excluding pressures related to Covid-19, there are also pressures for reduced recycling income and the revenue costs of rolling out food waste recycling. These have been mitigated by staffing vacancies across the majority of services and by reducing the expenditure on books within libraries.

#### **Growth & Enterprise**

38. Covid-19 revenue costs and loss of income total £4.2m within Growth & Enterprise. The underlying position excluding these is an underspend of £2.5m.
39. There is a forecast £2.4m loss of income at Tatton Park due to the pandemic. Other Covid-19 income losses are forecast across Assets, Public Rights of Way, Countryside and Visitor Economy. Services facing an increase in costs due to Covid-19 include Housing for increased support to the homeless.
40. Covid-19 pressures have been partly mitigated by staffing savings across a number of services including Tatton, Housing, Economic Development and Facilities Management. Other mitigations include cost controls at Tatton and drawing down eligible grants within Housing. Significant savings are forecast within Facilities Management due to lower costs of electricity and water and reduced costs of reactive maintenance.

#### **Highways & Infrastructure**

41. Covid-19 revenue costs total £5.5m within Highways & Infrastructure. The underlying position excluding these is an underspend of £0.2m.
42. £3.7m of the £5.5m Covid-19 pressure is a forecast loss of income within Parking Services. Other Covid-19 pressures are a reduction in income from developers and additional costs of social distancing and support to other services within Highways.

43. In addition there is potentially £4.3m of additional capital expenditure on the major highway infrastructure schemes due to Covid-19.

44. The majority of underspends come from vacancies from Highways and Civil Enforcement Officers within the Parking service.

### **Corporate Directorate**

45. The £34.1m budget for Corporate Services, which includes the Housing Benefits (HB) Payments Centre is currently forecast to outturn at a £1.1m overspend, this excludes £3.6m of pressures as a result of the Covid-19 pandemic. In addition there are £2.8m additional capital costs relating to Covid-19.

46. Pressures elsewhere in the service offset a £2.0m underspend across the controllable service budgets achieved through an in-year budget remediation plan, which has been put in place to address legacy gaps in the base budget for Corporate Services. The reasons for the £1.1m overspend which excludes Covid-19 pressures is as a result of the HB Payments Centre under-recovery (£1.0m), and additional one-off costs relating to implementing the Best4Business System totalling £2.1m split across various Corporate support services (£1.6m) and the Transactional Service Centre (TSC) hosted by Cheshire West and Chester Council (CWaC) (£0.5m).

47. Best4Business pressures reported are mainly one-off additional costs that cannot be charged to the capital project or unachievable in-year savings that rely on the system going live to achieve, which will be mitigated from the revenue budget wherever possible. The £2.1m pressure consists of £0.7m in Finance & Customer Services as a result of additional staffing costs (£0.5m) and unachievable savings

linked to the new system (£0.2m); £0.9m in Transformation relating to additional licences costs in ICT Strategy (£0.3m), additional software costs (£0.3m), and unachievable savings within Human Resources (HR) linked to the new system (£0.3m); and additional staff costs in TSC shared service hosted by CWaC (£0.5m). The Shared Services Joint Committee is looking into the detail of the additional costs.

### **Directorate**

48. The Corporate Services Directorate area includes the cost of the Chief Executive and associated budgets, and the Executive Director of Corporate Services, along with the temporary £0.3m Corporate Services growth (applies to 2020/21 only). The Directorate is forecast to underspend by £0.35m mainly due to assigning the costs of the Director posts against the relevant service budgets, and the remainder is due to budget remediation actions on the Chief Executive budget.

### **Finance & Customer Services**

49. Finance and Customer Services is forecast to overspend by £1.3m, which excludes Covid-19 related pressures of £2.1m arising mainly from an estimated £0.4m loss of overpayment recoveries on the HB Payments Centre, lost court costs income in Revenues (£0.5m) and additional staffing costs through overtime and use of agency staff in Revenues (£0.2m) and Benefits (£0.1m). The majority of the non Covid-19 related service overspend is attributable to a £1.0m under recovery on the HB Payments Centre due to a reduction in HB subsidy from 99% to 97.1% as a result of an increase in supported accommodation costs. These are being investigated as a matter of urgency. The overspend includes the additional costs and unachievable in-year savings within Finance & Procurement linked to implementing the Best4Business System (£0.7m), and the costs of the unbudgeted Director post (£0.1m). These pressures mask

underspending achieved by Finance & Procurement (-£0.2m), and Customer Services (-£0.3m) from implementing the budget remediation plan, through delaying restructures, delaying filling vacancies, and savings on certain non-staff costs.

### **Transformation**

50. Transformation is forecast to overspend by £0.8m, in addition there is £0.6m of additional revenue expenditure and £2.8m of capital expenditure due to Covid-19. Capital expenditure relates to the purchase and set up of equipment to facilitate home working, additional revenue pressures have arisen in ICT Strategy and Service Delivery from a reduction in commissioned project income and additional software.
51. The non Covid-19 related service overspend is attributable to additional costs within ICT relating to implementing the Best4Business System (£0.6m), the shared Transactional Services (TSC) hosted by Cheshire West & Chester (CWaC) overspending by £0.5m mainly due to additional cost relating to implementing the Best4Business System, Business Change loss of income (£0.2m) and unachievable in-year savings within Human Resources (HR) linked to implementing the Best4Business System (£0.3m). The ICT Service Delivery shared service is included in the above figures, an overall pressure of £1.1m is being reported of which the CEC share is £0.6m (related to a reduction in commissioned project income due to unrecoverable time spent on B4B and Covid-19 work and additional software costs).
52. The pressures within Transformation are partially offset by actions in the budget remediation plan, including the HR budget being forecast to underspend by £0.6m due to underspending on Workforce Development (WFD) and Organisational Development due to Covid-19 as well as staff vacancies in addition to ongoing work with the ICT shared

service to mitigate the impacts resulting from the Covid-19 response.

### **Governance & Compliance**

53. Governance & Compliance is forecast to underspend by £0.7m, this is offset by Covid-19 related pressures of £0.9m mainly in the Registrations Service due to lost marriage ceremonies income.
54. The non Covid-19 related service expenditure is forecast to underspend by £0.7m with both Legal Services and Audit & Risk forecasting an underspend of £0.3m due to staff vacancies within Audit and Health & Safety. Changes to the budget combined with reducing the use of locums within Legal Services has resulted in the temporary staffing budget not being required. Governance & Democratic is forecast to underspend by £0.1m due to staffing vacancies and other targeted measures to reduce non-staffing costs.

### **Central Contingencies and Contributions**

55. It is currently forecast that there will be a £0.7m underspend variance to budget on the central budget. This is due to lower past service employer pension contributions following a valuation after the budget was set. Budgeted transfers of £0.7m from earmarked reserves are expected to take place in- year as planned. Grants relating to business rates have been received centrally in-year that are additional to budget which will be transferred to reserves for future use.
56. Details of grants received and reserves can be found at **Appendix 2** and **Appendix 7** respectively.

## Outturn Impact

57. The impact of the projected service outturn position is to maintain balances as reported above (**paragraph 3**).
58. Taken in to account with the central budget items detailed above (**paragraph 55**), the financial impact could result in an increase in balances of £0.5m. However the impact of Covid-19 costs may reduce the balances by up to £25.9m.
59. The Council will continue to manage and review the financial forecasts in response to emerging guidance and the local response to the emergency and how this affects the Council's revenue budget.

## Collecting Local Taxes for Local Expenditure

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

## Council Tax

61. Council Tax is set locally and retained for spending locally. Council Tax was set for 2020/21 at £1,503.98 for a Band D property. This is applied to the taxbase.
62. The taxbase for Cheshire East reflects the equivalent number of domestic properties in Band D that the Council is able to collect Council Tax from (after adjustments for relevant discounts, exemptions and an element of non-collection). The taxbase for 2020/21 was agreed at 152,597.84 which, when multiplied by the Band D charge, means that the expected income for the year is £229.5m.
63. In addition to this, Cheshire East Council collects Council Tax on behalf of the Cheshire Police and Crime Commissioner, the Cheshire Fire Authority and Parish Councils. **Table 3**

shows these amounts separately, giving a total budgeted collectable amount of £282.5m.

64. This figure is based on the assumption that the Council will collect at least 99% of the amount billed. The Council will always pursue 100% collection, however to allow for non-collection the actual amount billed will therefore be more than the budget.
65. This figure may also vary during the year to take account of changes to Council Tax Support payments, the granting of discounts and exemptions, and changes in numbers and value of properties. The amount billed to date is £281.0m.

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

	£m
Cheshire East Council	229.5
Cheshire Police and Crime Commissioner	32.1
Cheshire Fire Authority	12.1
Town and Parish Councils	8.8
<b>Total</b>	<b>282.5</b>

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

**Table 4 – Over 99% of Council Tax is collected within three years**

Financial Year	CEC Cumulative			
	2016/17	2017/18	2018/19	2019/20
	%	%	%	%
After 1 year	98.3	98.2	98.2	97.9
After 2 years	99.1	99.1	99.0	**
After 3 years	99.3	99.4	**	**

\*\*data not yet available

67. The Council Tax in-year collection rate for the period up to July 2019 is 37.1%. This is a decrease of 1.5% on the previous year and is caused by the effect of Covid-19 on taxpayer’s ability to pay. In addition, normal processes to recover unpaid council tax have been postponed during the pandemic. As the situation changes those processes will be recommenced in order to encourage payment where there is ability to pay.
68. Council Tax support payments were budgeted at £16.9m for 2020/21 and at the end of the July the total council tax support awarded was £19.4m.
69. Following consultation changes were made to the Council Tax Support scheme for 2020/21. The scheme was confirmed by full Council in December 2019.
70. Council Tax discounts awarded are £25.1m which is a slight increase on the same period in 2019/20. This is mainly due to

an increase in single person discounts following the postponement of the discount review during Covid-19.

71. Council Tax exemptions awarded is £6.1m which is an increase on the same period in 2019/20. This has been impacted by the postponement of exemption reviews during Covid-19.

### **Non-Domestic Rates (NDR)**

72. NDR is collected from businesses in Cheshire East based on commercial rateable property values and a nationally set multiplier. The multiplier changes annually in line with inflation and takes account of the costs of small business rate relief.
73. The small business multiplier applied to businesses which qualify for the small business relief was set 49.9p in 2020/21. The non-domestic multiplier was set at 51.2p in the pound for 2020/21.
74. Cheshire East Council continues to be in a pooling arrangement with the Greater Manchester (GM) Authorities (also includes Cheshire West and Chester from 2016/17) for the purposes of Business Rates Retention. The purpose of the pool is to maximise the retention of locally generated business rates to further support the economic regeneration of Greater Manchester and Cheshire Councils. As a pool the members will be entitled to retain the levy charge on growth that would normally be paid over to Central Government. Cheshire East will retain 50% of this levy charge locally before paying the remainder over to the pool.
75. **Table 5** demonstrates how collection continues to improve even after year end. The table shows how over 99% of non-domestic rates are collected within three years.

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

Financial Year	CEC Cumulative			
	2016/17	2017/18	2018/19	2019/20
	%	%	%	%
After 1 year	97.7	98.3	98.5	98.2
After 2 years	99.2	99.4	99.4	**
After 3 years	99.8	99.7	**	**

\*\*data not yet available

76. The business rates in-year collection rate for the period up to July 2020 is 36.0%. This is a reduction of 2.7% compared to the same period in 2019/20 and is caused by the effect of Covid-19 on ratepayer’s ability to pay. In addition, normal processes to recover unpaid business rates have been postponed during the pandemic. As the situation changes those processes will be recommenced in order to encourage payment where there is ability to pay.

## 2. Workforce Development

77. This section sets out the Council's activities and progress in relation to HR, Organisational Development, Health and Safety and Workforce Development plans and changes for during 2020/21.

### **Culture and Values**

78. Following the Local Government Association's independent culture review and acceptance of the report recommendations, overall delivery of the planned phases of the Brighter Future Together (Culture) Programme has been completed. The recommendations have been addressed through the programme and all are complete.

79. The Conversation Toolkit has been further developed to include a Workplace Wellbeing Toolkit. This supports discussions between line managers and their staff focussing on working from home and checking in on welfare and wellbeing. Further conversations will be developed for returning to the office.

80. 'My Conversation' toolkits have been launched to guide staff in conversations in one to one meetings, team meetings and for the performance development meetings. The toolkits are aligned with the Vision for the Council's workplace culture and behaviours, and employee deal. This will allow all staff to embed the behaviours in their day to day work alongside other developments such as utilising the behaviours within a recruitment toolkit, leadership and management skills programme, coaching programme and recognition events.

81. A pulse survey Flexible, Future Workplace was opened to staff during July with a very good response rate of 55%. The initial results are very positive in relation to having the technology to continue working from home, positive support from line managers and communication from the organisation. As expected, some concerns were reported around returning to the workplace whilst the Covid-19 pandemic continues. These matters are being addressed through the Workplace Recovery Workstream.

82. Work has continued to promote the 'Made my Day' scheme that enables staff to be recognised at every level across the Council. Made my Day has continued to be well used to thank colleagues. April saw a record level with 307 nominations being made. 896 nominations were made between April and July 2020. As the usual Making a Difference presentation cannot be held all the nominees received to the end of June have been sent their recognition certificate and a letter direct to their home.

83. Since April there has been a concentrated effort to release wellbeing, resilience and mental health support on a regular basis through the Covid-19 brief. A weekly call, Time to Listen and Chat, was introduced in April to support staff during these very difficult times and continues to run with a relevant themes relating to wellbeing. Similar themed calls have latterly been introduced to support Managers to assist them with managing their teams virtually.

### **Building Capability and Capacity**

84. The Corporate Training Programme and Continuous Professional Development Portfolios seek to ensure that the

Council creates a workforce which is safe, knowledgeable and competent in performing their duties to the highest possible standard, providing the best quality services to the residents and businesses.

85. The Covid-19 pandemic has prevented the continuation of face to face training throughout quarter 1 and quarter 2 of 2020/21, but so far in 2020/21, 3 bespoke virtual courses have been offered to CEC employees with 29 individual sessions taking place. 9 employees successfully secured funding approval via the Continuous Professional Development Panel for role specific development and qualifications in over the year, seeing over £12,609 investment. A suite of workplace and well being e-learning packages are currently being developed to support staff with new ways of working.
86. Developing management capability at all levels has continued with 37 managers being on track to complete the Institute of Learning and Management (ILM) Level 3 and Level 5 Diploma qualifications. 19 Managers have completed their ILM qualifications and a further 4 managers are due to start in August 2020.

### **Resourcing and Talent**

87. The Council continues to support work placements at all levels with 26 social work students undertaking placements within Children's or Adult's social work teams.
88. The apprenticeship scheme continues to grow with 111 apprentices undertaking work-based learning across the

Council. Of this figure, 84 are existing staff taking up the opportunity to develop their skills through the apprenticeship scheme.

### **Education HR Consultancy**

89. The Covid-19 pandemic has led to the postponement of scheduled training in relation to Safer Recruitment in Schools.
90. Guidance and support in responding to Covid-19, subsequent school closures and preparation for their reopening in September 2020 has been provided.

### **Health and Safety**

91. The Council's Health and Safety team have continued to provide advice and guidance, ensuring that colleagues across the Council, ASDVs and Schools are supported to work safely.
92. This includes supporting the reopening of sites and services in line with Covid-19 secure guidance, advising on risk assessments for the work place and the workforce.

### **Staffing Changes**

93. As shown in the table below, both Cheshire East Council's overall headcount and the number of full time equivalent (FTE) employees have increased during the first quarter of 2020/21.

**Table 6: Cheshire East Council Employee Headcount and FTE Figures**

Executive Directorate & Service	Employee Headcount March 2020	Employee Headcount June 2020	Employee FTE March 2020	Employee FTE June 2020
<b>People</b>	<b>2151</b>	<b>2152</b>	<b>1605.3</b>	<b>1613.6</b>
Adult Social Care & Health	900	899	715.5	714.4
Children's Services	1098	1103	750.4	763.2
Commissioning	142	141	129.7	128.2
<b>Corporate</b>	<b>674</b>	<b>681</b>	<b>623.5</b>	<b>624.6</b>
Audit & Risk	16	16	14.3	14.0
Legal Services	45	47	40.6	42.7
Democratic Services	86	94	71.8	74.1
HR	38	38	34.3	33.7
ICT	179	179	173.1	173.2
Business Change	56	57	54.9	55.9
Customer Services	176	172	157.9	154.2
Financial Support & Procurement	74	74	72.7	72.8
<b>Place</b>	<b>738</b>	<b>766</b>	<b>552.1</b>	<b>583.0</b>
Growth & Enterprise	364	359	251.3	251.8
Highways & Infrastructure	51	53	46.6	48.6
Environment & Neighbourhood Services	316	347	247.2	275.7
<b>Cheshire East Council Total</b>	<b>3565*</b>	<b>3601*</b>	<b>2782.9*</b>	<b>2823.2*</b>

**\*Note:** The Chief Executive has not been included in any of the Directorate / Service information, but is counted in the overall Cheshire East Council headcount and FTE figures; similarly Executive / Directors and / or "Business Managers" will not appear in the "Service" totals but will appear in the overall "Directorate" figures. Employees with multiple assignments across services will appear in the headcount figures for each service, but will only be counted once in the total CEC headcount figure; where an employee has multiple assignments in the same service they will appear in the overall headcount figure only once for that service.

## Agency workers

94. Agency workers are a valuable component of the Council's workforce, providing short term cover, project work and flexible specialist skills to maintain service delivery in areas such as social services, ICT and other professional services. The table below provides a summary of active agency worker assignments at the beginning and end of the first quarter of 2020/21, together with agency worker assignments as a percentage of all Cheshire East assignments.

**Table 7: Active agency worker assignments**

	Active Assignments on 01.04.20	Active Assignments on 30.06.20	% of all Workforce Assignments on 01.04.20	% of all Workforce Assignments on 30.06.20
People	67	74	3.0%	3.3%
Corporate	82	90	10.8%	11.7%
Place	5	4	0.7%	0.5%
<b>Total</b>	<b>154</b>	<b>168</b>	<b>4.1%</b>	<b>4.4%</b>

95. The overall number of active agency assignments has increased during the first quarter of 2020/21 due to a net increase of 8 assignments in Corporate and 7 in People for a

variety of service needs; particularly, an increase of assignments in ICT and Children's Services.

## Absence

96. During the Covid-19 pandemic, absence figures were compiled on a daily basis initially (reducing to weekly) by service areas to give a snapshot of the number of people absent from work due to sickness (Covid-19 related and for other reasons) or they were self-isolating / shielding (because they could not undertake their job role from home). The majority of employees who were self-isolating or shielding continued to work from home during this period. Opportunities for redeployment were considered for those who could not work from home in their substantive role.

## Voluntary Redundancies

97. The Council's voluntary redundancy scheme continues to support organisational change and the delivery of the planned programme of change in the Corporate Plan. The effective use of voluntary redundancy in this way enables the Council to achieve its planned savings and efficiencies and also helps to maintain good employee relations within the Authority and minimises the prospect of compulsory redundancy.

# Appendices to Mid Year Review (FINANCE) 2020/21

**October 2020**

# Appendix 1

## Changes to Revenue Budget 2020/21 since Medium Term Financial Strategy

	MTFS Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Mid Year Net Budget £000
<b>PEOPLE</b>				
Directorate	907	-	(26)	881
Adult Social Care Operations	27,864	43	213	28,120
Children's Social Care	40,217	42	(69)	40,190
Commissioning	89,012	-	(234)	88,778
Education & 14-19 Skills	14,865	201	2	15,068
Prevention & Early Help	8,103	113	135	8,351
Public Health	-	-	-	-
	180,968	399	21	181,388
<b>PLACE</b>				
Directorate	671	-	306	977
Environment & Neighbourhood Service	40,714	100	30	40,844
Growth & Enterprise	20,489	117	(55)	20,551
Highways & Infrastructure	11,934	-	(25)	11,909
	73,808	217	256	74,281
<b>CORPORATE</b>				
Directorate	693	-	-	693
Finance & Customer Services	8,680	-	(2)	8,678
Governance and Compliance Services	9,985	34	(1)	10,018
Transformation	14,749	-	(21)	14,728
	34,107	34	(24)	34,117
<b>TOTAL SERVICE BUDGET</b>	<b>288,883</b>	<b>650</b>	<b>253</b>	<b>289,786</b>

	MTFS Net Budget £000	Additional Grant Funding £000	Restructuring & Realignments £000	Mid Year Net Budget £000
<b>CENTRAL BUDGETS</b>				
Capital Financing	12,000	-	-	12,000
Corporate Contributions	813	-	(96)	717
Contribution to / from Reserves	(694)	-	-	(694)
	12,119	-	(96)	12,023
<b>TOTAL BUDGET</b>	<b>301,002</b>	<b>650</b>	<b>157</b>	<b>301,809</b>
<b>CENTRAL BUDGETS FUNDING</b>				
Business Rates Retention Scheme	(49,786)	-	-	(49,786)
Specific Grants	(21,565)	(650)	(157)	(22,372)
Council Tax	(229,504)	-	-	(229,504)
Sourced from Collection Fund	(147)	-	-	(147)
<b>TOTAL CENTRAL BUDGETS FUNDING</b>	<b>(301,002)</b>	<b>(650)</b>	<b>(157)</b>	<b>(301,809)</b>
<b>FUNDING POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note: £157,000 additional funding was included in the Outturn Report that was approved at Cabinet in June 2020.

# Appendix 2

## Corporate Grants Register

### Government Grant Funding of Local Expenditure

1. Cheshire East Council receives two main types of Government grants; specific use grants and general purpose grants. The overall total of Government grant budgeted for in 2020/21 was £254.8m.
2. In 2020/21 Cheshire East Council's specific use grants held within the services was budgeted to be £233.2m based on Government announcements to February 2020. At mid-year, this figure was revised up to £241.1m.
3. Mid-year has seen an increase in specific use grants of £7.9m. This is due to a £5.3m grant for Covid-19 Infection Control, £1.5m for a Covid-19 Test, Track and Contain grant, £0.8m for Covid-19 Towns Fund, £0.8m Covid-19 Active Travel and a £0.8m increase in the Public Health Grant. This has been off-set by an adjustment for High Needs Deduction in Schools-related grants. Requests for the allocation of the additional grants received are detailed in **Table 1**.
4. There has also been a reduction in Housing Benefit Subsidy of £1.4m. This grant recompenses the authority for monies which have been paid out to housing benefit claimants and therefore there is a corresponding reduction, the net effect of which is nil.
5. Spending in relation to specific use grants must be in line with the purpose for which it is provided.
6. In the Chancellors Budget on 11 March, two business grant schemes were announced to provide support for businesses as a result of the Covid-19 pandemic.
7. The Small Business Grant Fund (SBGF) is payable to small businesses – essentially those who are currently eligible for Small Business Rate Relief (SBRR) and Rural Rate Relief (RRR). The amount was increased from £3,000 in the Budget to £10,000 in the Chancellor's statement on 17 March.
8. The Retail, Hospitality and Leisure Grant (RHLG) is payable to smaller businesses in this sector, with £10,000 for businesses with rateable values of less than £15,000, and £25,000 for those with rateable values between £15,000 and £51,000 (i.e. those on the Small Business Rate Multiplier).
9. At the beginning of April, Cheshire East was paid £95.5m to passport directly to eligible businesses and by the end of July there had been payments made of £84.6m. The scheme will officially close at the end of August 2020 and any unspent grant will be repaid to central government.
10. General purpose grants were budgeted to be £21.6m. Further in-year grant announcements have increased the amount received to £105.6m.
11. The Covid-19 pandemic has seen additional financial support issued by Central Government.
12. The Government announced in the Budget on 29 October 2018 that it would provide a Business Rates Retail Discount,

to apply in the years 2019/20 and 2020/21. In response to the Coronavirus pandemic, in the Budget on 11 March the Government announced that it would increase the discount to 100% and extend it to include the leisure and hospitality sectors. Following the announcement on 23 March 2020 of further measures to limit the spread of Coronavirus, the Government confirmed that some of the exclusions for this relief have been removed, so that retail, leisure, and hospitality properties that will have had to close as a result of the restriction measures were also eligible for the relief.

13. The estimated full cost for this additional relief for Cheshire East was £58.8m. Usually, local authorities would only be paid their Business Rates Retention share (49%) of any new burdens measures, but in this instance 100% of the funding is being paid to councils to help with cash flow shortfalls. At the end of the financial year, following a detailed reconciliation, the share relating to MHCLG (50%) will be repaid to Government.
14. Other, significant in-year Covid-19 general purpose grants received include £13.3m of Emergency Funding, £2.1m of Council Tax Hardship Funding and Emergency Active Travel Funding.
15. Additional general purpose grants of £0.7m have also been received during the year to date. These include an additional

£0.4m in respect of Children and Families related grants, £0.2m for Place related grants and £0.1m of Corporate related grants. Requests for the allocation of the additional grants received are detailed in **Table 1**.

16. During the quarter service budgets have also been increased by a further £66,668 as a result of an officer decision record. This relates to Environmental Service Feasibility Study (NW Local Energy Hub) funding.
17. Business Rates 'Tax Loss Compensation grants' of £9.2m have also been received during 2020/21. This grant reimburses the Council for providing extra discounts to businesses in line with government guidance. £4.2m of the grant is required to fund services and is included as part of the revenue budget approved in February 2020. The remaining amount will be transferred to the Collection Fund Management earmarked reserve at year end in accordance with the Reserves Strategy.
18. **Table 2** below shows a summary of Covid-19 grants that have already received approval. **Table 3** provides a summary of the updated budget position for grants in 2020/21 by type and service. Further details of grants are shown in **Table 4** Corporate Grants Register.

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

Service	Type of Grant	£000	Details
Central Budgets	Covid-19 Business Support Grant (Specific Purpose)	91,227	Funding provided to local authorities to passport directly to eligible businesses applying for business support grants due to the pandemic. Note a further £4.287m already approved in Table 2.
Central Budgets	Covid-19 Emergency Funding Tranches 2 and 3 (General Purpose)	13,251	The Covid-19 Emergency Funding is additional grant received due to the rising costs caused by the pandemic.
Central Budgets	Covid-19 Business Rate Holiday (Specific Purpose)	58,786	Eligible businesses in the retail, hospitality and leisure sectors in England will not have to pay business rates for the 2020 to 2021 tax year. This grant compensates local authorities for the business rates income not received.  The grant has been received based on 100% of the discount value to help local authority cash flow situations. A reconciliation will be undertaken at the end of the year to pay back MHCLGs 50% share of this funding accordingly.
Central Budgets	Covid-19 Council Tax Hardship (Specific Purpose)	2,063	New grant funding to support economically vulnerable people and households in their local area.
<b>Allocation For Council Approval</b>		<b>165,327</b>	
Place	Covid-19 Emergency Active Travel Fund (Specific Purpose)	774	To develop and deliver a borough-wide programme of Active Travel measures to support Covid-19 recovery by improving active travel provision for workplaces, schools and town centres. £155,000 has been received and £619,000 is pending.
<b>Allocation For Cabinet Approval</b>		<b>774</b>	

Service	Type of Grant	£000	Details
Corporate	Covid-19 Emergency Assistance Grant for Food & Essential Supplies (Specific Purpose)	326	This grant is for local authorities in England to use to support people who are struggling to afford food and other essentials due to Covid-19.
Corporate	Covid-19 Local Authority Discretionary Grant (Specific Purpose)	170	This grant is intended to fund costs incurred in the administration of business support grants including staff costs, software updates, print & postage and other 3 <sup>rd</sup> party support.
Place	Covid-19 Reopening High Streets Safely (Specific Purpose)	340	This additional funding is to support the safe reopening of high streets and other commercial areas. The money will allow local authorities in England to put in place additional measures to establish a safe trading environment for businesses and customers, particularly in high streets, through measures that extend to the end of March 2021.
Place	Covid-19 Bus Support Restart (Specific Purpose)	157	This funding is available to increase capacity on buses in order to help keep passengers safe during the Covid-19 crisis, and also to prepare for a recovering economy.
Place	Covid-19 Local Bus Network (Specific Purpose)	180	Additional support for bus services that have been affected by, or need to be adjusted because of, the impact of Covid-19. Conditions apply and any underspend will need to be returned to DfT.
People – Children & Families	Covid-19 Wellbeing for Education Return (Specific Purpose)	55	This grant seeks to better equip schools and colleges to promote children and young people’s wellbeing, resilience, and recovery in response to Covid-19.
People – Children & Families	Covid-19 Home to School Transport (Specific Purpose)	295	Thousands of students will be supported with new dedicated school and college transport to get them to school or college in the Autumn term. This funding will help them create extra capacity and allow hundreds of

Service	Type of Grant	£000	Details
			thousands more students to use alternatives to public transport, while social distancing measures remain in place.
People – Children & Families	Extended Rights to Free Transport (General Purpose)	201	The Department for Education provides additional transport funding to local authorities to support children from low-income families to be able to attend schools further from home than the statutory walking distances. The funding is paid as a non-ring-fenced grant paid via the Department for Communities and Local Government under the Local Services Support Grant (section 31 of the Local Government Act 2003).
People – Children & Families	Staying Put Implementation (General Purpose)	113	The purpose of the grant is to provide support for local authorities in England for expenditure lawfully incurred or to be incurred by them, in respect of a young person aged 18 and their former foster carer, who wish to continue living together in a 'Staying Put' arrangement. For the purposes of this grant 'young person' means a former relevant child who was looked after immediately prior to their 18 <sup>th</sup> birthday. This supported arrangement can continue until the young person's 21 <sup>st</sup> birthday.
People – Children & Families	Extended Personal Advisor Duty Implementation (General Purpose)	42	The purpose of the grant is to support Local Authorities in England to meet the requirements of the Children and Social Work Act 2017, requiring them to offer Personal Adviser support to all care leavers up to the age of 25. The grant is to support those young people that may request support from the Local Authority after the age of 21 and up to the age of their 25 <sup>th</sup> birthday. The grant has been provided to meet the extra demand for personal adviser time that the new duties create. The new duty provides the Local Authority the ability to respond positively to requests for support from care leavers who may have difficulties and be struggling to transition to adulthood.
People – Adult Social Care & Health	Independent Living Fund (General Purpose)	43	Following the closure of the Independent Living Fund (ILF) in June 2015, the government agreed to continue funding pre-existing ILF arrangements until the end of 2019 to 2020, through the former ILF recipient grant. On the 20 <sup>th</sup> December 2019, the government confirmed that that the former ILF recipient grant will continue to be paid to local authorities in 2020 to 2021.

Service	Type of Grant	£000	Details
			The total value of the grant in 2020 to 2021 will be maintained and this additional funding allocation is to cover the cost of the payments made to clients for the ILF, increasing it to the level of the actual 2020/21 grant, which is £42,776 higher than originally forecast in the Medium Term Financial Strategy.
Place	Neighbourhood Planning Grant for Local Planning Authorities (General Purpose)	100	The conditions of grant mean that this funding could be used across the wider Spatial Planning area.
Place	Homelessness Reduction Act (General Purpose)	116	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.
Place	Letting Agents Transparency & Redress Schemes (General Purpose)	1	This grant is to fund additional monitoring responsibilities within Strategic Housing in respect of letting agents.
Corporate	Individual Electoral Registration (General Purpose)	34	The funding is to be used on activities associated with Individual Electoral Registration (IER) services within the Electoral Services area. Successful delivery of IER as per statutory requirements. Increased number of registered electors in advance of elections and referendums. Improved accuracy of the information held on our electoral database. Increased public trust in the registration system and encourage people to take responsibility for their own inclusion on the Electoral Register and their participation in elections and referendums.
<b>Total Allocation less than £500,000</b>		<b>2,173</b>	
<b>Total Allocation 2020/21</b>		<b>168,274</b>	

**Table 2 - Summary of Covid-19 Grants already Approved**

Service	Type of Grant	£000	Details
Public Health	Covid-19 Infection Control (Specific Purpose)	5,320	The primary purpose of this fund is to support adult social care providers, including those with whom the local authority does not have a contract, to reduce the rate of Covid-19 transmission in and between care homes and support wider workforce resilience.
Public Health	Covid-19 Test, Track and Contain (Specific Purpose)	1,533	The purpose of the grant is to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of Covid-19.
Place	Covid-19 Towns Fund (Specific Purpose)	750	The Towns Fund works with places to address growth constraints and to chart a path of recovery from the impact of Covid-19. The overarching aim of the Towns Fund is to drive the sustainable economic regeneration of towns to deliver long term economic and productivity growth.
Central Budgets	Covid-19 Business Support Grant (Specific Purpose)	4,287	Funding provided to local authorities to passport directly to eligible businesses applying for business support grants due to the pandemic.

Urgent decisions made following Member consultation

Date	Summary of decision	Decision on behalf of	Members, MO/S151 consulted/ content?	Status
26 05 20	Covid-19 Discretionary Grant Fund: approval of supplementary revenue estimate of funds made available from Government, to make payments to businesses in the sum of £4,287,250. Delegation of the design and implementation of a policy and scheme for the distribution of funds.	Council	Yes	Decision made and Members notified
08 06 20	Approval of supplementary revenue estimate of £5.32m relating to the Covid-19 Infection Prevention Fund for Local Authorities' allocation for Cheshire East Council. Authorisation of the distribution of the first 75% of the Grant to eligible care home providers in the Cheshire East Borough in accordance with the DoHSC Grant conditions. Delegated authority to utilise the 25% balance of the Grant to support the wider care market with Infection Control measures.	Council	Yes	Decision made and Members notified

Urgent decisions made by the Chief Executive relating to Covid-19 funding under general delegation dated 2 July 2020

Date	Summary of decision	MO/S151 consulted	Status
07 07 20	Acceptance of the offer of the £750,000 Town Fund allocation for Crewe; agree a Supplementary Capital Estimate; expenditure delegated to the Executive Director of Place, subject to first consulting the Portfolio Holder for Environment and Regeneration.	Yes	Decision made and all Members notified on 08 07 20
08 07 20	<p>Test and Trace:                      Acceptance of the Council's allocated grant of £1.53m.                      Authorisation of a Supplementary Revenue Estimate, for the 2020/21 Financial Year, of £1.53m.                      Authorisation of the Executive Director-People, in consultation with the Portfolio Holder for Public Health and Corporate Services, to distribute the grant in accordance with the conditions which have been attached to it.</p>	Yes	Decision made and all Members notified on 08 07 20 Further clarification provided to all Members on 10 <sup>th</sup> July 2020 that the previous reference to the Portfolio Holder for Adult Social Care and Health had been corrected.

**Table 3 - Summary of Grants**

	Original Budget	Revised Forecast MYR	Change from Original Budget
	2020/21 £m	2020/21 £m	2020/21 £m
<b>SPECIFIC USE</b>			
Held within Services	233.2	241.1	7.9
<b>GENERAL PURPOSE</b>			
Business Support Grant	0.0	95.5	95.5
Service Funding:			
People - Childrens and Families	0.0	0.4	0.4
People - Adult Social Care and Health	8.7	8.8	0.1
Place	0.0	0.3	0.3
Corporate	12.8	28.1	15.3
Central Items	0.0	68.0	68.0
<b>TOTAL GENERAL PURPOSE</b>	<b>21.5</b>	<b>201.1</b>	<b>179.6</b>
<b>TOTAL GRANT FUNDING</b>	<b>254.7</b>	<b>442.2</b>	<b>187.5</b>

**Table 3 – Corporate Grants Register**

Corporate Grants Register 2020/21		Original Budget	Revised Forecast MYR	Change from Original Budget	Treatment of Grant
	<i>Note</i>	2020/21 £000	2020/21 £000	2020/21 £000	<i>Notes 2 &amp; 3</i>
<b>SPECIFIC USE (Held within Services)</b>					
<b>PEOPLE</b>					
Schools	1	151,887	150,438	(1,449)	
Children and Families		1,759	2,021	262	
Adult Social Care		12,637	17,958	5,321	
Public Health		15,967	18,291	2,324	
<b>Total</b>		<b>182,250</b>	<b>188,708</b>	<b>6,458</b>	
<b>PLACE</b>					
Growth and Enterprise		263	1,572	1,309	
Directorate		787	1,897	1,110	
<b>Total</b>		<b>1,050</b>	<b>3,469</b>	<b>2,419</b>	
<b>CORPORATE</b>					
Finance and Customer Services		49,878	48,945	(933)	
<b>Total</b>		<b>49,878</b>	<b>48,945</b>	<b>(933)</b>	
<b>TOTAL SPECIFIC USE</b>		<b>233,178</b>	<b>241,122</b>	<b>7,944</b>	

Corporate Grants Register 2020/21		Original Budget	Revised Forecast MYR	Change from Original Budget	Treatment of Grant
	<i>Note</i>	2020/21 £000	2020/21 £000	2020/21 £000	<i>Notes 2 &amp; 3</i>
<b>GENERAL PURPOSE (Held Corporately)</b>					
<b>Central Funding</b>					
Business Support Grant		0	95,514	95,514	Balances
<b>People - Children and Families</b>					
Staying Put Implementation Grant		0	113	113	SRE
Extended Rights to Free Transport (Home to School Transport)		0	201	201	SRE
Extended Personal Adviser Duty Implementation		0	42	42	SRE
<b>People - Adult Social Care and Health</b>					
Social Care Support Grant		7,616	7,616	0	
Independent Living Fund		818	861	43	SRE
Local Reform & Community Voices, Social Care in Prisons and War Pension Scheme Disregard		340	340	0	
<b>Place</b>					
Neighbourhood Planning Grant for Local Planning Authorities		0	100	100	SRE
Homelessness Reduction Act		0	116	116	SRE
Letting Agents Transparency & Redress Schemes		0	1	1	SRE
Environmental Service Feasibility Study (NW Local Energy Hub)		0	67	67	ODR

Corporate Grants Register 2020/21	Original Budget	Revised Forecast MYR	Change from Original Budget	Treatment of Grant
<i>Note</i>	2020/21 £000	2020/21 £000	2020/21 £000	<i>Notes 2 &amp; 3</i>
<b>GENERAL PURPOSE (Held Corporately)</b>				
<b>Corporate</b>				
Housing Benefit and Council Tax Administration	1,027	1,022	(5)	Balances
NNDR Administration Allowance	571	571	0	
New Homes Bonus	11,193	11,193	0	
Individual Electoral Registration	0	34	34	SRE
COVID-19 Emergency Funding (Tranche 2)	0	10,539	10,539	Balances
COVID-19 Emergency Funding (Tranche 3)	0	2,712	2,712	Balances
COVID-19 Council Tax Hardship Fund	0	2,063	2,063	Balances
<b>Central Items</b>				
COVID-19 Additional Business Rates Reliefs payments for 2020/21	0	58,786	58,786	Reserves
Business Rates Reliefs Grant 2020/21	0	4,988	4,988	Reserves
Business Rates Reliefs Grant 2020/21	0	4,200	4,200	General Fund
<b>Total Service Funding</b>	<b>21,565</b>	<b>105,565</b>	<b>84,000</b>	
<b>TOTAL GENERAL PURPOSE</b>	<b>21,565</b>	<b>201,079</b>	<b>179,514</b>	
<b>TOTAL GRANT FUNDING</b>	<b>254,743</b>	<b>442,201</b>	<b>187,458</b>	

Notes

1 The Dedicated Schools Grant, Pupil Premium Grant, Sixth Form Grant and Other School Specific Grant from the Education Funding Agency (EFA) figures are based on actual anticipated allocations. Changes are for in-year increases/decreases to allocations by the DfE and conversions to academy status.

2 SRE - Supplementary Revenue Estimate requested by relevant service.

3 ODR - Officer Decision Record to approve immediate budget change to relevant service.

# Appendix 3

## Debt Management

1. Sundry debt includes all invoiced income due to the Council except for statutory taxes (Council Tax and Non-Domestic Rates). The balance of outstanding debt has increased by £1.9m since the beginning of the year.
2. Annually, the Council raises invoices with a total value of over £70m. Around a quarter of the Council's overall sundry debt portfolio relates to charges for Adult Social Care, the remainder being spread across a range of functions including Highways, Property Services, Licensing and Building Control.
3. The Council's standard collection terms require payment within 28 days of the invoice date, however, services receive immediate credit in their accounts for income due. The Council uses a combination of methods to ensure prompt payment of invoices. Recovery action against unpaid invoices may result in the use of debt collectors, court action or the securing of debts against property.
4. The Revenue Recovery team (using their experience gained in collecting Council Tax and Non-Domestic Rates) engage with services to offer advice and assistance in all aspects of debt management, including facilitating access to debt collection/enforcement agent services (currently provided by Bristow & Sutor). In 2019/20 the team collected £3m on behalf of services.
5. After allowing for debt still within the payment terms, the amount of outstanding service debt at the end of July 2020 was £10.8m.

6. The total amount of service debt over six months old is £4.9m; provision of £5.7m has been made to cover doubtful debt in the event that it needs to be written off.

### DEBT SUMMARY

	Outstanding Debt £000	Over 6 months old £000
<b>People</b>		
Adults, Public Health and Communities	7,464	3,482
Children's Social Care (Incl. Directorate)	217	35
Education and 14-19 Skills	71	2
Prevention and Early Help	11	11
Schools	70	21
<b>Place</b>		
Highways and Infrastructure	1,886	974
Growth and Enterprise	605	165
Environment and Neighbourhood Services	373	245
<b>Corporate</b>		
Finance and Customer Services	8	6
Governance and Compliance	16	7
Transformation	91	-
	<b>10,812</b>	<b>4,948</b>

# Appendix 4

## Capital Strategy

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**Table 1: Financial Parameters for 2020/21 to 2023/24**

Parameter	Value (£m)			
	2020/21	2021/22	2022/23	2023/24
<b>Repayment of Borrowing</b>				
<b>Minimum Revenue Provision*</b>	11.5	14.0	16.4	17.7
<b>External Loan Interest</b>	5.1	4.8	4.8	4.7
<b>Investment Income</b>	(0.9)	(0.9)	(0.9)	(0.9)
<b>Contributions from Services Revenue Budgets</b>	(1.6)	(1.8)	(1.9)	(2.2)
<b>Total Capital Financing Costs</b>	<b>14.1</b>	<b>16.1</b>	<b>18.4</b>	<b>19.3</b>
<b>Use of Financing EMR</b>	<b>(2.1)</b>	<b>(2.1)</b>	<b>(4.4)</b>	<b>(5.3)</b>
<b>Actual CFB in MTFS</b>	<b>12.0</b>	<b>14.0</b>	<b>14.0</b>	<b>14.0</b>
<b>Capital Receipts targets*</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
<b>Flexible use of Capital Receipts</b>	<b>1.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

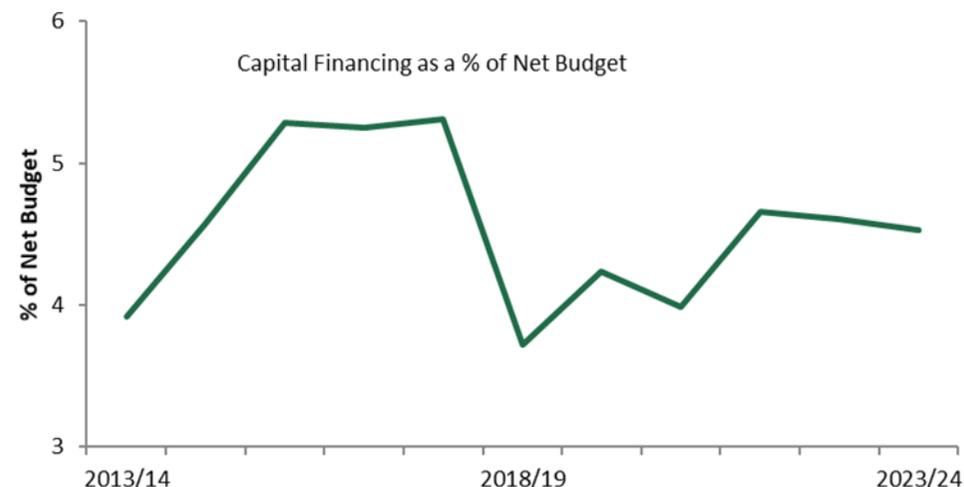
\*Anticipated MRP based on achieving capital receipts targets

### Repayment of Borrowing

- 1.1 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.

- 1.2 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 cost of repaying debt is spread over the life of the asset, similar to depreciation.



- 1.3 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 G. 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.

- 1.4 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 **Appendix 5** of this report.
- 1.5 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.

### **Contributions from Services**

- 1.6 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 (MTFS).
- 1.7 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.
- 1.8 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.

- 1.9 The Council's strategy is to use revenue contributions of £7.5m over the next four financial years to finance the Capital Programme to reduce the overall Capital Financing Budget. These contributions come from: £2.8m contribution from schools towards the schools transformation programme; £2.8m from the Investment Portfolio; £1.0m from ESAR for the improvements to the Council's leisure facilities; £0.6m from Highways Street Lighting for the upgrade to LED lighting; and £0.3m from Transformation Services for the Azure 365 upgrade.

### **Use of Financing Earmarked Reserve**

- 1.10 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.
- 1.11 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 Capital Finance Budget (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.
- 1.12 The Council's current strategy is to draw-down up to £13.1m from the Financing Earmarked Reserve for the period 2020/21 to 2023/24.

### **Capital Programme - Mid Year Review Position**

- 1.13 Since the Medium Term Financial Strategy was approved in February 2020 the Capital Programme has increased by £20.2m for the next four year period.

1.14 The main changes for the increase are carry forwards (slippage) from the previous year of £8.2m, transfers to and from the addendum of £5.4m and a Supplementary Estimate of £6.8m. **Table 2** below shows a summary of the changes.

**Table 2: Summary Capital Programme**

	MTFS Budget	C/F from 2019/20	SCEs/ Virements in Quarter	Transfers to/from Addendum	Budget Reductions at MYR	SCEs/ Virements at MYR	Revised MYR Budget
	2020/24	2020/24	2020/24	2020/24	2020/24	2020/24	2020/24
	£m	£m	£m	£m	£m	£m	£m
People Directorate	41.3	0.7	-	3.0	-	-	45.0
Place Directorate	377.7	11.3	0.2	2.4	(0.2)	6.8	398.2
Corporate Directorate	53.3	(3.8)	(0.2)	-	-	-	49.3
	<b>472.3</b>	<b>8.2</b>	<b>-</b>	<b>5.4</b>	<b>(0.2)</b>	<b>6.8</b>	<b>492.5</b>

1.15 Place Directorate had the largest amount of slippage within their programme of £11.3m and this was namely in the Strategic Highways and Strategic Site Development areas.

1.16 The main transfers from the addendum were £2.5m for the A500 Dualling Scheme that has recently gained entry into the Department of Transport's Large Local Majors programme and £3.0m for the Wilmslow High School Basic Need expansion scheme. These changes are shown in **Annex F**.

1.17 The revised programme is funded from both direct income (grants, external contributions) and the Council's own resources (prudential borrowing, revenue contributions, capital reserve). A funding summary is shown in **Annex A**.

1.18 **Annex B** details requests of Supplementary Capital Estimates (SCE) up to and including £500,000 and Capital Virements up to and including £1,000,000 approved by delegated decision which are included for noting purposes only.

1.19 **Annex C** lists details of a Virement over £1,000,000 that requires Cabinet to approve.

1.20 **Annex D** lists the details of a Supplementary Capital Estimates over £1,000,000 that has been approved under emergency powers.

1.21 **Annex E** lists details of reductions in Approved Budgets where schemes are completed and surpluses can now be removed. These are for noting purposes only.

1.22 **Table 3** shows the revised Addendum programme. There have been two small additions to the Addendum from the main programme since the Medium Term Financial Strategy was approved in February 2020. They are £0.172m for Weston Cemetery and £0.030m for the Election's system these schemes are currently on hold.

1.23 The addendum also now includes the two additional amendments that were approved at the Council meeting in February in respect of new car parking facilities in Crewe (£0.865m) and new facilities for supported living and adult social care (£12.2m). All the other transfers are shown in **Annex F**.

**Table 3: Addendum**

Table 3 - Addendum 2020/21 - 2023/24					
	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Total Budget 2020-24
	£000	£000	£000	£000	£000
<b>Addendum</b>					
People	5,454	17,575	15,775	4,700	<b>43,504</b>
Place	33,109	51,117	36,422	66,463	<b>187,111</b>
Corporate	33,313	34,991	34,724	34,983	<b>138,011</b>
<b>Total Addendum</b>	<b>71,876</b>	<b>103,683</b>	<b>86,921</b>	<b>106,146</b>	<b>368,626</b>

## Annex A: Mid Year Review Update

### CESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

#### CAPITAL PROGRAMME 2020/21 - 2023/24

	Forecast 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Total Forecast 2020-24 £000
<b>Committed Schemes - In Progress</b>					
People	19,676	17,725	4,130	1,945	43,476
Place	109,236	110,631	108,620	26,284	354,771
Corporate	16,829	13,306	9,617	8,012	47,764
<b>Total Committed Schemes - In Progress</b>	<b>145,741</b>	<b>141,662</b>	<b>122,367</b>	<b>36,241</b>	<b>446,011</b>

#### CAPITAL PROGRAMME 2020/21 - 2023/24

	Forecast 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Total Forecast 2020-24 £000
<b>New Schemes</b>					
People	1,500	0	0	0	1,500
Place	6,163	12,627	12,447	12,247	43,484
Corporate	676	300	310	230	1,516
<b>Total New Schemes</b>	<b>8,339</b>	<b>12,927</b>	<b>12,757</b>	<b>12,477</b>	<b>46,500</b>
<b>Total</b>	<b>154,080</b>	<b>154,589</b>	<b>135,124</b>	<b>48,718</b>	<b>492,511</b>

# CHESHIRE EAST COUNCIL CAPITAL PROGRAMME SUMMARY

## CAPITAL PROGRAMME 2020/21 - 2023/24

	Forecast 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Total Forecast 2020-24 £000
<b>Funding Requirement</b>					
<b>Indicative Funding Analysis:</b> (See note 1)					
Government Grants	73,161	84,856	61,043	14,092	<b>233,152</b>
External Contributions	12,386	13,711	26,894	22,650	<b>75,641</b>
Revenue Contributions	300	0	0	0	<b>300</b>
Capital Receipts	3,000	3,000	3,000	3,000	<b>12,000</b>
Prudential Borrowing (See note 2)	65,233	53,022	44,187	8,976	<b>171,418</b>
<b>Total</b>	<b>154,080</b>	<b>154,589</b>	<b>135,124</b>	<b>48,718</b>	<b>492,511</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 2020-24 assumes a prudent approach based on the work of the Asset Management team and their most recently updated Disposals Programme.

### Note 2:

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

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

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
<b>Summary of Supplementary Capital Estimates and Capital Virements</b>		
<b>Supplementary Capital Estimates that have been made up to £500,000</b>		
<b>Highways and Infrastructure</b>		
Hollinswood Road/Redhouse Lane	10,000	Total scheme estimate from Cheshire East Highways is £32,477. This additional sum of £10,000 funded by a developer contribution increases the approved budget to the required value.
<b>Total Supplementary Capital Estimates Requested</b>	<b>10,000</b>	
<b>Capital Budget Virements that have been made up to £1,000,000</b>		
<b>Environment and Neighbourhood Services</b>		
Barony Sports Park Improvements	15,165	Virement from the Nantwich Pool project to Barony Sports Park to ensure that the overall spend for the two Nantwich Schemes are allocated correctly.
<b>Total Capital Budget Virements Approved</b>	<b>15,165</b>	
<b>Total Supplementary Capital Estimates and Virements</b>	<b>25,165</b>	

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

Service / Capital Scheme	Amount Requested £	Reason and Funding Source
<b>Capital Budget Virements above £1,000,000 up to and including £5,000,000</b>		
<b>Highways and Infrastructure</b>		
<b>Highway Pothole and Challenge Fund</b>	1,700,000	A virement from the Strategic Projects allocation to increase the Pothole and Challenge funding so that further improvements can be made to the Council's carriageways including drainage, cycling and walking networks and major maintenance schemes.
<b>Total Capital Virements Requested</b>		<b>1,700,000</b>
<b>Total Supplementary Capital Estimates and Virements</b>		<b>1,700,000</b>

# Annex D: Approved Supplementary Capital Estimates (SCEs)

Service	Amount Requested £	Reason and Funding Source
<b>Cabinet are asked to note the approved Capital Supplementary Estimate</b>		
<b>Highways and Infrastructure</b>		
<b>Highway Pothole and Challenge Fund</b>	6,855,000	Additional Department of Transport Grant received from the Transport Infrastructure Investment Fund.
<b>Total Supplementary Capital Estimates Requested</b>		<b>6,855,000</b>
<b>Total Supplementary Capital Estimates and Virements</b>		<b>6,855,000</b>

## Annex E: Capital Budget Reductions

Service / Capital Scheme	Approved Budget £	Revised Approval £	Reduction Reason and Funding Source £
<b>Cabinet are asked to note the reductions in Approved Budgets</b>			
<b>Highways and Infrastructure</b>			
Brook St, Congleton - Bus Stop	24,000	14,033	(9,967) S106 funded project now completed. Budget no longer required
<b>Growth and Enterprise</b>			
Warm Homes Fund	417,000	207,415	(209,585) The Warm Homes Grant allocation to the Council has been reduced so the approved budget has been reduced in line with the revised grant allocation.
<b>Environment and Neighbourhood Services</b>			
Stanley Hall Park Path Improvements	33,600	33,100	(500) S106 funded project now completed. Budget no longer required
Arnold Rhodes Recreation & Sports Improvements Phase 1	23,367	22,886	(481) S106 funded project now completed. Budget no longer required
Chorley Hall Lane Pitch Improvements	2,211	2,140	(71) S106 funded project now completed. Budget no longer required
	<b>500,178</b>	<b>279,574</b>	<b>(220,604)</b>

## Annex F: Transfers from and to the Capital Addendum

Service / Capital Scheme	Amount Transferred Mid Year £	Reason / Comment
<b>Budgets Transferred from the Addendum to the Main Capital Programme</b>		
<b>Education and 14-19 Skills</b>		
Wilmslow High School Basic Need Project	(3,000,000)	An approved budget of £9m for the Wilmslow High School expansion project is already approved in the main capital programme. This additional budget request will be funded by Basic Need Grant taking the total approved budget to £12m.
<b>Highways and Infrastructure</b>		
A500 Dualling scheme	(2,528,545)	The scheme has entry approval in to the Department of Transport Large Local Majors Programme and the budget to take the project to the next gateway has been transferred in to the main programme.
<b>Growth and Enterprise</b>		
Public Rights of Way: Capital Structures Investments	(99,000)	Approval obtained to transfer from Addendum.
<b>Total Budgets Transferred to Main Capital Programme</b>	<b>(5,627,545)</b>	

Service / Capital Scheme	Amount Transferred Mid Year £	Reason / Comment
<b>Capital Budgets transferred from the Main capital Programme to the Addendum</b>		
Environment Client Commissioning: Weston Cemetery Extension	172,717	Project is currently on hold in line with the recommendations in the Cemeteries Strategy.
<b>Transformation Services</b>		
Elections Replacement System	30,000	Budget removed from the Addendum as recommended by the Service.
<b>Total Capital Budget Transferred to the Addendum</b>	<b>202,717</b>	
<b>Capital Budgets reallocated to any scheme held on the Addendum.</b>		
<b>Highways and Infrastructure</b>		
Congleton Link Road	388,000	Re-distributed from the A500 Dualling Scheme. A virement was approved in 2019/20 from the Congleton Link Road project to fund in year spend on the A500 Dualling project. The agreement was once the A500 Dualling project was fully approved the budget would be re-imbursed. The budget is not currently required but may be needed at a later date.
A500 Dualling Scheme	(388,000)	The amount of £388,000 is a re-imburement to the Congleton Link Road project for a prior virement from the scheme to cover costs on the A500 Dualling project until such time as the scheme had full entry to the Department of Transport programme and was able to draw down the funds from the Addendum.
<b>Total Capital Budget Transferred between Schemes</b>	<b>-</b>	
<b>Net Change to the Addendum</b>	<b>(5,424,828)</b>	

## Annex G: Prudential Indicators revisions to: 2019/20 and 2020/21 – 2023/24, and future years

### Background

1.24 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

1.25 In 2020/21, the Council is planning capital expenditure of £154.1m as summarised below.

Capital Expenditure	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	Future years £m
<b>Total</b>	124.0	154.1	154.6	135.1	48.7

### Capital Financing

1.26 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	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	Future years £m
Capital receipts	7.0	3.0	3.0	3.0	3.0
Government Grants	52.7	73.2	84.8	61.0	14.1
External Contributions	7.3	12.4	13.7	26.9	22.6
Revenue Contributions	0.6	0.3	0.0	0.0	0.0
<b>Total Financing</b>	<b>67.6</b>	<b>88.9</b>	<b>101.5</b>	<b>90.9</b>	<b>39.7</b>
Prudential Borrowing	56.4	65.2	53.1	44.2	9.0
<b>Total Funding</b>	<b>56.4</b>	<b>65.2</b>	<b>53.1</b>	<b>44.2</b>	<b>9.0</b>
<b>Total Financing and Funding</b>	<b>124.0</b>	<b>154.1</b>	<b>154.6</b>	<b>135.1</b>	<b>48.7</b>

### Replacement of debt finance

1.27 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	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
<b>Total</b>	<b>9.7</b>	<b>11.5</b>	<b>14.1</b>	<b>16.4</b>	<b>17.7</b>

### Estimates of Capital Financing Requirement

1.28 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 £55m during 2020/21. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows.

Capital Financing Requirement	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2022/24 Estimate £m
<b>Total</b>	<b>371</b>	<b>426</b>	<b>479</b>	<b>517</b>	<b>546</b>

### Asset disposals

- 1.29 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 £12.8m of capital receipts from asset sales in the coming financial years as follows.

Capital Receipts	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Asset Sales	10.4	3.0	3.0	3.0	3.0
Loans Repaid	0.1	0.2	0.2	0.2	0.2
<b>Total</b>	<b>10.5</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>

### Gross Debt and the Capital Financing Requirement

- 1.30 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 0.3%) and long term fixed rate loans where the future cost is known but higher (currently 2 - 3%).

- 1.31 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	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Borrowing	201	130	78	77	76
Finance Leases	2	1	1	1	0
PFI Liabilities	22	21	20	19	18
<b>Total Debt</b>	<b>225</b>	<b>152</b>	<b>99</b>	<b>97</b>	<b>94</b>
Capital Financing Req.	<b>371</b>	<b>426</b>	<b>479</b>	<b>517</b>	<b>546</b>

- 1.32 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

- 1.33 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 £20m at each year end. This benchmark is currently £243m and is forecast to rise to £391m over the next four years.

Borrowing and the Liability Benchmark	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Outstanding Debt	201	130	78	77	76
Liability Benchmark	181	243	307	355	391

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

### Affordable borrowing limit

1.35 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.

	2019/20 limit £m	2020/21 limit £m	2021/22 limit £m	2022/23 limit £m	2023/24 limit £m
Authorised Limit for Borrowing	359	420	470	510	540
Authorised Limit for Other Long-Term Liabilities	22	22	21	20	18
<b>Authorised Limit for External Debt</b>	<b>381</b>	<b>442</b>	<b>491</b>	<b>530</b>	<b>558</b>
Operational Boundary for Borrowing	349	410	460	500	530
Operational Boundary for Other Long-Term Liabilities	22	22	21	20	18
<b>Operational Boundary for External Debt</b>	<b>371</b>	<b>432</b>	<b>481</b>	<b>520</b>	<b>548</b>

### Investment Strategy

- 1.36 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.
- 1.37 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	31/03/20 Actual £m	31/03/21 Estimate £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m
Short term	27	0	0	0	0
Long term	20	20	20	20	20
<b>Total Investments</b>	<b>47</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>

- 1.38 Further details on treasury investments are in pages of the Treasury Management Strategy, **Appendix 5**.
- 1.39 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 Update reports. The Audit and Governance Committee is responsible for scrutinising treasury management decisions.
- 1.40 Further details on investments for service purposes and commercial activities are in the Investment Strategy, **Appendix 6**.
- 1.41 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.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2019/20 Actual</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>
Financing Costs (£m)	12.0	12.0	14.0	14.0	14.0
Proportion of net revenue stream %	<b>4.23</b>	<b>3.99%</b>	<b>4.66%</b>	<b>4.61%</b>	<b>4.53%</b>

1.42 Further details on the revenue implications of capital expenditure are on paragraphs 89-96 of the 2020-24 Medium Term Financial Strategy (**Appendix C**).

1.43 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.

# Appendix 5

## Treasury Management Strategy

### Treasury Management Report

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## 1. Background

- 1.1 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
- 1.2 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.
- 1.3 Investments held for service purposes or for commercial profit are considered in the Investment Report (see **Appendix 6**).

## 2. External Context

- 1.4 **Economic background:** The UK's exit from the European Union took a back seat during the first

quarter of 2020/21 as the global economic impact from coronavirus took centre stage. Part of the measures taken to stop the spread of the pandemic included the government implementing a nationwide lockdown in late March which effectively shut down almost the entire UK economy. These measures continued throughout most of the quarter with only some easing of restrictions at the end of May and into June.

- 1.5 Bank rate was maintained at 0.1% despite some speculation that the Bank of England's Monetary Policy Committee (MPC) might cut further and some MPC members also suggesting that negative rates are part of the Bank's policy tools. In June the Bank increased the asset purchase scheme by £100 billion, taking the recent round of Quantitative Easing (QE) to £300 billion and total QE to £745 billion.
- 1.6 At the same time, the government also implemented a range of fiscal stimulus measures totalling over £300 billion which had been announced in March and designed to dampen the effect of the pandemic on the labour market.
- 1.7 GDP Growth contracted by 2.2% in quarter 1 (Jan-Mar) 2020 pushing the annual growth rate down to -1.6%. The lockdown only came into force on 23 March, and the markets are braced for a dire set of growth data for quarter 2. In April UK GDP fell 20.4% month-on-month. On the back of the 5.8% month-on-month fall in March, this means economic output fell by 25% compared to its pre-coronavirus peak in February 2020.

- 1.8 The headline rate of UK Consumer Price Inflation fell to 1.2% year on year in May, further below the Bank of England's 2% target.
- 1.9 In the three months to June, labour market data remained largely unchanged on the previous quarter. This is likely due to the government's furlough scheme as more than a quarter of the UK workforce was estimated to be supported by it. The ILO unemployment rate remained unchanged at 3.9% while the employment rate fell to 76.4%. However, employers will have to contribute towards furlough payments from August and the scheme is due to stop at the end of October; unemployment is expected to rise as a result.
- 1.10 The US economy contracted at an annualised rate of 5.0% in quarter 1 2020. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% while the US government announced a \$2 trillion fiscal stimulus package. Relations between the US and China, which had briefly improved when Phase 1 of the trade agreement was signed in January, deteriorated over the quarter.
- 1.11 With little room to move on interest rates, the European Central Bank maintained interest rates at 0% and the rate on the deposit facility (which banks may use to make overnight deposits with the Eurosystem) at -0.5% and announced a further huge, open-ended commitment to buy €600bn of bonds under its Pandemic Emergency Purchase Programme (PEPP)

which can be reinvested out to 2022. This lifted the ECB's total bond buying support package to £1.35 trillion.

- 1.12 **Financial Markets:** After selling off sharply in March, equity markets started recovering in April and while still down on their pre-crisis levels, the Dow Jones and FTSE 100 and 250 have made up around half of the losses. Measures implemented by central banks and governments continue to maintain some degree of general investor confidence, however volatility remains.
- 1.13 Ultra-low interest rates and the flight to quality continued to keep gilts yields low over the period with the yield on some short-dated government bonds turning negative. The 5-year UK benchmark gilt yield dropped from 0.18% at the beginning of April 2020 to -0.06% on 30 June. The 10-year benchmark gilt yield fell from 0.31% to 0.14% over the same period, and the 20-year from 0.69% to 0.52%. 1-month, 3-month and 12-month bid rates averaged 0.04%, 0.28% and 0.44% respectively over the quarter.
- 1.14 **Credit Review:** Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and also non-UK banks from early April onwards. This included revising the outlook on all banks on the counterparty list to negative, with the exception of Barclays Bank, Rabobank, Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as downgrading Close Brothers' long term rating to A-. Network Rail

Infrastructure and LCR Finance's long term ratings were downgraded from AA to AA-. HSBC Bank and HSBC UK Bank were the exceptions however, with Fitch upgrading their long term ratings to AA-.

- 1.15 Fitch affirmed the ratings of Canadian banks but revised their outlook to negative. The agency also downgraded the long and short term ratings of Australia's four largest banking groups. It upgraded the long term deposit rating of both Bayerische Landesbank and Landesbank Baden-Wuerttemberg (LBBW) but downgraded the viability ratings, and revised outlooks to negative. Fitch later placed three Singapore banks on Rating Watch negative.
- 1.16 Standard & Poor's (S&P) also took action on a range of UK and European banks, affirming their ratings but revising their outlook downwards due to the economic consequences of Covid-19. Moody's downgraded the long term rating of Nationwide BS from Aa3 to A1 and S&P downgraded the long and short term ratings of HSBC Bank PLC and HSBC UK Bank PLC to A+ and A-1 respectively.
- 1.17 In May, Fitch and S&P downgraded TfL's long term rating to A+ from AA- after the 95% reduction in tube and train fares which make up 47% of TfL's revenue. However, the UK government agreed to a £1.6 billion

support package which will help ease some of the stress TfL faces.

- 1.18 As the extent of the losses that banks and building societies will suffer due to the impact from the coronavirus pandemic remains uncertain but is expected to be substantial, in early June following Arlingclose's stress testing of the institutions on the counterparty list using bail-in analysis, a number of UK banks and building societies were suspended from the counterparty list for unsecured deposits. Although much better capitalised than before the 2007-09 financial crisis, under the current economic circumstances these entities were suspended for reasons of prudence. For those remaining on the list, the duration advice remains up to 35 days.
- 1.19 An outlook for the remainder of 2020/21 and interest rate forecast provided by Arlingclose is attached at **Annex A**.

### 3. Local Context

- 1.20 As at 31 July 2020 the Authority has borrowings of £133m and investments of £51m. 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**

	31/03/20 Actual £m	31/03/21 Actual £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m
General Fund CFR	371	426	479	517	546
Less: Other long term liabilities *	(24)	(22)	(21)	(20)	(18)
<b>Loans CFR</b>	<b>347</b>	<b>404</b>	<b>458</b>	<b>497</b>	<b>528</b>
Less: External borrowing **	(201)	(130)	(78)	(77)	(76)
<b>Internal (over) borrowing</b>	<b>146</b>	<b>274</b>	<b>380</b>	<b>420</b>	<b>452</b>
Less: Usable reserves	(106)	(102)	(96)	(90)	(87)
Less: Working capital	(80)	(80)	(75)	(73)	(71)
<b>Investments (or New borrowing)</b>	<b>40</b>	<b>(92)</b>	<b>(209)</b>	<b>(257)</b>	<b>(294)</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

1.21 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.

1.22 The Authority has an increasing CFR due to the capital programme and will therefore be required to borrow up to £181m over the forecast period.

1.23 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 2021/21.

1.24 **Liability Benchmark:** To compare the Council’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest

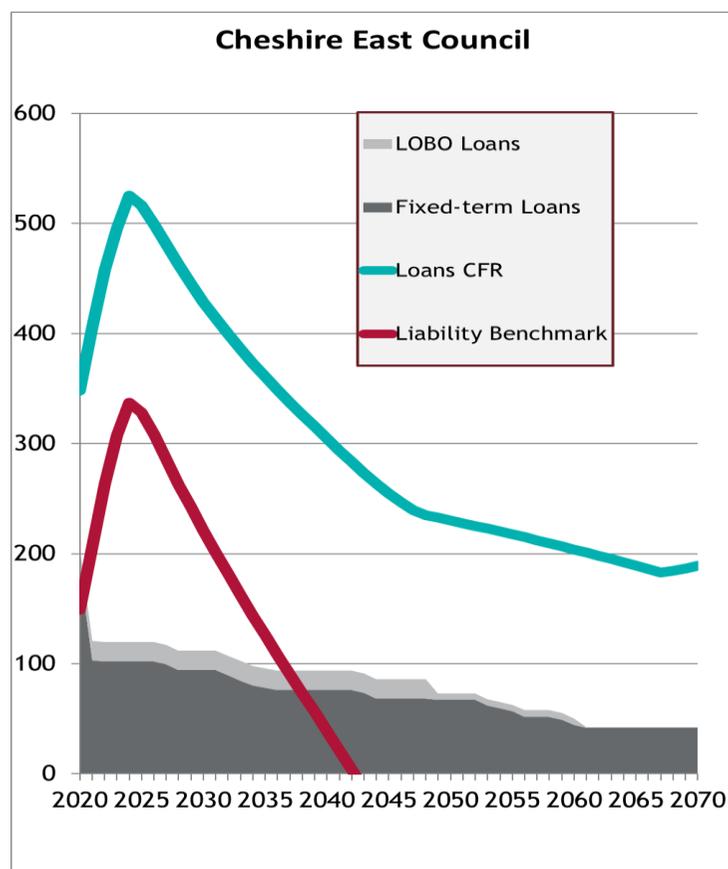
risk level of borrowing. This assumes the same forecasts as **Table 1** above, but that cash and investment balances are kept to a minimum level of £20m at each year-end to maintain a core strategic investment.

**Table 2: Liability Benchmark**

	31/03/18 Actual £m	31/03/19 Actual £m	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m
Loans CFR	278	304	396	443	497
Less: Usable reserves	(97)	(112)	(90)	(80)	(75)
Less: Working capital	(67)	(86)	(86)	(86)	(63)
Plus: Minimum investments	10	10	10	10	10
<b>Liability Benchmark</b>	<b>124</b>	<b>116</b>	<b>230</b>	<b>287</b>	<b>369</b>

1.25 Following on from the medium term forecasts in **Table 2** above the long term liability benchmark assumes 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

1.26 The Authority currently holds loans of £133m, a decrease of £68m since 31 March 2020. This will increase to a higher level, currently forecast as £256m at 31 March 2021. PWLB debt is reducing by £3.5m this year whilst cash flow shortfalls caused by internal borrowing and the forecast effects of Covid-19 are being funded through cheaper short term borrowing.

1.27 At the moment this is being met by temporary borrowing from other Local Authorities which is considerably cheaper than other sources of borrowing. As rates are currently low and the liquidity of short term markets at year end is very much unknown due to the financial effects of Covid-19 on local authority cashflows, new borrowings are for maturity dates extending into 2021/22. The cost (including fees) to 31 July 2020 is around 0.98% although new borrowings are now considerably less. If the predicted interest environment changes or the availability of temporary borrowing changes then this strategy will be re-assessed. A full list of current temporary borrowings is shown below in **Table 3**.

**Table 3 – Current Temporary Borrowing**

Lender	Start	Maturity	Rate %	£m
Brentwood	05/05/20	03/08/20	0.62	2.0
Chichester	15/05/20	17/08/20	0.25	4.0
North & Tyne CA	19/06/20	19/08/20	0.28	5.0
Warwickshire	19/03/20	21/09/20	1.60	10.0
Trafford	20/03/20	21/09/20	1.50	2.0
Vale of Glamorgan	11/05/20	22/09/20	0.40	2.5
North Yorkshire	27/03/20	28/09/20	1.45	5.0
Tewkesbury	01/04/20	01/10/20	1.00	2.0
Western Isles	23/04/20	23/10/20	1.17	5.0
South Ayrshire	07/07/20	07/01/21	0.45	5.0
West of England CA	22/06/20	22/01/21	0.45	5.0
Wokingham	11/09/19	10/09/21	0.90	5.0
<b>TOTAL</b>				<b>52.5</b>

- 1.28 Following on from the medium term forecasts in **Table 2** above the long term liability benchmark assumes minimum revenue provision on new capital expenditure based on a 25 year asset life and income, expenditure increasing by inflation of 2.5% a year. This is shown in **Chart 1**.
- 1.29 **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 2020/21, 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.

## 5. Investment Strategy

- 1.30 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. Due to the overriding need for short term borrowing, other than £20m invested strategically in managed funds, the investments are generally short term for liquidity purposes. However, receipt of Government funding due to Covid-19 measures and other schemes in advance of expenditure has led to higher balances than expected. The level is currently around £50m and is forecast to reduce through the remainder of 2020/21.
- 1.31 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.

1.32 The maximum amount that can be invested with any one organisation is set in the Treasury Management Strategy Report. The maximum amount and duration of investments with any institution depends on the organisations credit rating, the type of investment and for banks and building societies, the security of the investment. Generally credit rated banks and building societies have been set at a maximum value of £6m for unsecured investments and £12m for secured investments. Any limits apply to the banking group that each bank belongs to. Limits for each Money Market fund have been set at a maximum value of £12m per fund with a limit of 50% of total investments per fund. There is also a maximum that can be invested in all Money Market Funds at any one time of £50m. Due to their smaller size, unrated Building Societies have a limit of £1m each although none are currently being used.

1.33 Treasury Management income to 31 July 2020 is £390,000 which is higher than the budgeted £330,000. Offsetting this are increased borrowing costs (currently £83,000 higher than budget). The level of cash balances is expected to remain at around £50m until December after which they will decrease in line with normal Local Authority cash flows resulting in a continued need to borrow.

- The average daily investment balance including managed funds up to 31 July 2020 is £52.0m

- The average annualized interest rate received on in-house investments during 2020/21 is 0.31%
- The average annualized interest rate received on the externally managed funds during 2020/21 is 5.09%

1.34 The Authority's total average interest rate on all investments in 2020/21 is 1.64%. The returns continue to exceed our benchmark, the London Inter-bank Bid Rate for 7 days at 0.06%, and our own performance target of 0.60% (Base Rate + 0.50%).

**Table 4 – Interest Rate Comparison**

Comparator	Average Rate to 31/07/2020
Cheshire East	1.64%
LIBID 7 Day Rate	0.06%
LIBID 3 Month Rate	0.23%
Base Rate	0.10%
Target Rate	0.60%

1.35 As the Authority holds a large amount of reserves and working capital, £20m of this has been placed in strategic investments in order to benefit from higher income returns whilst spreading risk across different asset classes.

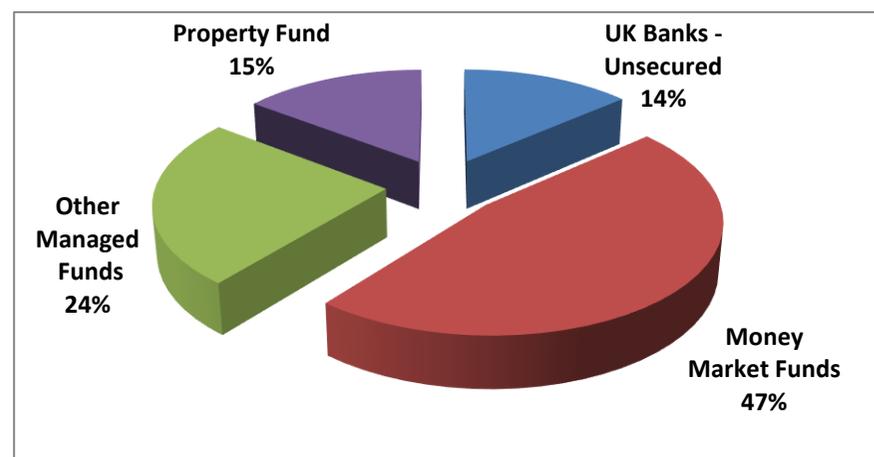
1.36 The investments are in five different funds which are all designed to give an annual income return between 4% and 5% but which have different underlying levels of volatility. By spreading investments across different types of fund, the intention is to dampen any large fluctuations in the underlying value of the investments.

**Table 5 –Strategic Investments**

Fund Manager	Asset Class	Invested £m	Current Value £m
CCLA	Property	7.5	7.4
Kames	Multi Asset	5.0	4.7
Fidelity	Equity - Global	4.0	3.8
Schroders	Equity - UK	2.5	1.8
M & G	Bonds	1.0	0.9
<b>TOTAL</b>		<b>20.0</b>	<b>18.6</b>

1.37 The value of these investments does vary. The effects of Covid-19 on financial markets and values of underlying assets has been considerable. Fund values at 31 July 2020 are significantly lower than the amounts invested although they have improved slightly since 31 March 2020. However, they all continue to deliver high levels of income return.

**Chart 2 – Current Investments by Counterparty Type**



**Table 6 – Types of Investments and Current Interest Rates**

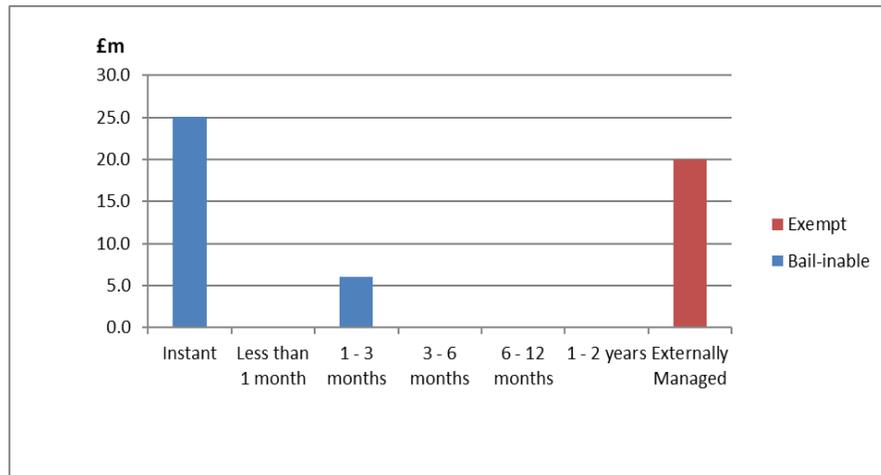
Instant Access Accounts	Average Rate %	£m
Money Market Funds	0.13	24.1
Barclays Bank	0.01	1.0

Call Accounts	Earliest Maturity	Rate %	£m
Santander – 95 day	06/09/20	0.57	6.0

Externally Managed Funds	£m
Total – see table 5	20.0

Summary of Current Investments	£m
<b>TOTAL</b>	<b>51.1</b>

**Chart 3 – Maturity Profile of Investments**



Note: Bail-inable means that in the event of default the counterparty may be required to use part of the investments as their own capital in which case the Council would not get back as much as they invested. This would apply with most bank and Building Society investments.

## 6. Treasury Management Indicators

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

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

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£545,000
Likely revenue impact in 2020/21 of a 1% <u>rise</u> in interest rates after 31 July 2020	£455,000

1.40 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 2020/21 so a fall in rates would lead to savings rather than incurring additional cost so a limit of £0 was set.

1.41 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. Lower limits have been set at 0%. The upper limits on the maturity structure of borrowing and the actual maturity profiles as at 31 July 2020 are:

Refinancing rate risk indicator	Upper Limit	Actual
Under 12 months	70%	49%
12 months and within 24 months	35%	5%
24 months and within 5 years	35%	1%
5 years and within 10 years	75%	9%
10 years and within 20 years	100%	12%
20 years and above	100%	24%

1.42 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 but may currently be limiting ability to take advantage of lower short term rates.

1.43 **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	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	£25m	£15m	£10m
Actual amounts committed beyond year end	£0m	£0m	£0m

## Annex A: Economic & Interest Rate Forecast – Outlook for 2020/21

The medium term global economic outlook is very weak. While containment measures taken by national governments in response to coronavirus are being eased, it is likely to be some time before demand recovers to pre-crisis levels due to rises in unemployment, the on-going need for virus control measures and the impact on consumer/business confidence.

The response from the Bank of England, HM Treasury as well as other central banks and governments have been significant and will act to support the recovery when it occurs, by keeping financial conditions stable and many businesses solvent/employees employed than would otherwise have been the case. There will be an economic bounce in the second half of the year, as businesses currently dormant begin production/supply services once more.

However, the scale of the economic shock to demand and the probable on-going social distancing measures necessary

before a vaccine is produced will mean that the subsequent pace of recovery is limited.

Arlingclose expects Bank Rate to remain at the current 0.10% level and additional monetary loosening in the near future through further financial asset purchases (QE). While the Arlingclose central case for Bank Rate is no change, further cuts to Bank Rate to zero or even into negative territory cannot be ruled out.

Downside risks remain in the near term as households and businesses react to an unprecedented set of economic circumstances.

Gilt yields are expected to remain very low in the medium term. Some shorter-term gilt yields will remain around zero until either the Bank expressly rules out negative Bank Rate or growth prospects improve.

	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
<b>Official Bank Rate</b>												
Upside Risk	0.00	0.00	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30
<b>Arlingclose Central Case</b>	<b>0.10</b>											
Downside Risk	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35

## Annex B: Existing Investment & Debt Portfolio Position

	31/07/20 Actual Portfolio £m	31/07/20 Average Rate for the year %
<b>External Borrowing:</b>		
PWLB – Fixed Rate	62	4.44%
Local Authorities	52	0.88%
LOBO Loans	17	4.63%
Other	2	-
<b>Total External Borrowing</b>	<b>133</b>	<b>3.22%</b>
<b>Other Long Term Liabilities:</b>		
PFI	21	-
Finance Leases	1	-
<b>Total Gross External Debt</b>	<b>155</b>	<b>-</b>
<b>Investments:</b>		
<i>Managed in-house</i>		
Short-term investments:		
Instant Access	24	0.13%
Call Accounts	1	0.01%
Notice Accounts	6	0.57%
<i>Managed externally</i>		
Property Fund	7.5	3.80%
Multi Asset Fund	5	4.85%
Equity - Global	4	5.38%
Equity - UK	2.5	9.06%
Bonds	1	4.77%
<b>Total Investments</b>	<b>51</b>	<b>2.12%</b>
<b>Net Debt</b>	<b>104</b>	<b>-</b>

# Appendix 6

## Investment Strategy

### 1. Purpose

- 1.1 The Investment Strategy is part of a suite of related documents, and focuses predominantly on matters not covered by Capital Strategy and Treasury Management Strategy.
- 1.2 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).
- 1.3 The investment strategy meets the requirements of the statutory guidance issued by MHCLG in February 2018, and focuses on the second and third of the investment categories.

### 2. Treasury Management Investments

- 1.4 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 £20m and £148m during the 2020/21 financial year.
- 1.5 Full details of the Authority's policies and plans for 2020/21 for treasury management investments are covered the Treasury Management Strategy (**Appendix 5**).

### 3. Service Investments: Loans

- 1.6 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.
- 1.7 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.

- 1.8 In addition, the Council has committed to investing £5m (and lent £3.9m as at 31 July 2020) 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.
- 1.9 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	31/03/20	As at 31/08/20			2020/21
	Actual	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0	0	0	0	2,000
Suppliers	24	24	1	23	500
Local businesses	5,087	5,412	61	5,351	30,000
Local charities	601	601	44	557	2,500
<b>TOTAL</b>	<b>5,712</b>	<b>6,037</b>	<b>106</b>	<b>5,931</b>	<b>35,000</b>

- 1.10 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 are 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.

## 4. Service Investments: Shares

- 1.11 The Authority has invested in Alderley Park Holdings Limited in order to maintain and stimulate the 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 but sold those shares in September 2019 at a profit of £1.7m.
- 1.12 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.
- 1.13 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. 2020 actual	As at 31/08/2020			2020/21
		Amounts invested	Gains or losses	Value in accounts	Approved Limit (cost of investment)
Local Businesses	3,110	1,070	2,040	3,110	10,000
<b>TOTAL</b>	<b>3,110</b>	<b>1,070</b>	<b>2,040</b>	<b>3,110</b>	<b>10,000</b>

## 5. Commercial Investments: Property

- 1.14 Note that MHCLG defines property to be an investment if it is held primarily or partially to generate a profit.
- 1.15 The most significant investment is that in land and buildings on the North and East side of Weston road in Crewe purchased in April 2019.

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

Property	Actual	31/03/20 actual		31/03/21 expected		2020/21 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	522	1,965	0	1,965	
Enterprise Centres	770	(947)	350	0	350	
Retail	23,350	(500)	24,870	0	24,870	
Residential	600	(435)	240	0	240	
<b>Total</b>	<b>25,627</b>	<b>(1,360)</b>	<b>27,425</b>	<b>0</b>	<b>27,425</b>	<b>100,000</b>

## 6. Commercial Investments: Loans

- 1.16 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
  - The Council is entering into a £10m loan agreement with Cheshire & Warrington Local Enterprise Partnership linked to developments within the Business Rates Enterprise Zone. The intention is to stimulate economic development and achieve payback from retained business rates.

Category of borrower	2020/21
	Approved Limit £000
Partner Organisations	20,000

## 7. Loan Commitments and Financial Guarantees

- 1.17 As Accountable Body for the Cheshire & Warrington Local Enterprise Partnership, the Council acts as Entrusted Entity to a £20m European Regional Development Fund (ERDF) supported Urban Development Fund which is about to commence. The Council, as contracting party, provides guarantees in respect of the amounts provided through ERDF.
- 1.18 The fund is designed to provide loan finance to specific projects across Cheshire and will not generate a return for the Authority. As such the balances are not included in the investment tables above. The workings of the fund are subject to detailed scrutiny and will be managed by a firm of experienced fund managers with a strong track record of providing loans that minimise the risk of default. The Council, as contracting party, will provide guarantees in respect of the amounts provided through ERDF though this will be offset by the professional indemnity insurance held by the fund manager.

## 8. Proportionality

- 1.19 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, with 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**

	2018/19 Actual	2019/20 Actual	2020/21 Budget	2021/22 Budget	2022/23 Budget
Gross service expenditure - Directorate Level	77,367	73,137	74,082	73,809	75,542
Investment income	(2,298)	(1,785)	(1,698)	(1,698)	(1,698)
Proportion	3%	2.5%	2%	2%	2%

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

## 9. Borrowing in Advance of Need

- 1.20 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

1.21 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.

1.22 The Board is made up of the following individuals:

- The Leader of the Council (Chair)
- Portfolio Holder for Finance, ICT & Communication
- Portfolio Holder for Environment & Regeneration

1.23 Support is provided by:

- Executive Director Corporate Services
- S151 Officer
- Executive Director Place
- Monitoring Officer
- Director of Growth & Enterprise

## 11. Investment Indicators

1.24 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.

1.25 **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	31/07/20 Actual	31/03/21 Forecast	31/03/22 Forecast
Treasury management investments	51,100	20,000	20,000
Service investments: Loans	6,037	5,936	5,802
Service investments: Shares	3,110	3,110	3,110
Commercial investments: Property	27,425	27,425	57,425
Commercial Investments : Loans	0	10,000	20,000
<b>TOTAL INVESTMENTS</b>	<b>87,672</b>	<b>66,471</b>	<b>106,337</b>
Commitments to lend	1,159	1,159	1,159
<b>TOTAL EXPOSURE</b>	<b>88,831</b>	<b>67,630</b>	<b>107,496</b>

1.26 **How investments are funded:** Currently the Authority's investments are funded by usable reserves and income received in advance of expenditure.

1.27 However in 2020/21 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**

<b>Investments funded by borrowing</b>	<b>31/03/19 Actual</b>	<b>31/03/20 Actual</b>	<b>31/03/21 Forecast</b>
Treasury management investments	0	0	0
Service investments: Loans	0	0	10,000
Service investments: Shares	0	0	0
Commercial investments: Property	28,785	27,425	100,000
Commercial Investments : Loans	0	0	20,000
<b>TOTAL FUNDED BY BORROWING</b>	<b>28,785</b>	<b>27,425</b>	<b>130,000</b>

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)**

<b>Investments net rate of return</b>	<b>2019/20 Actual</b>	<b>2020/21 Actual</b>	<b>2021/22 Forecast</b>
Treasury management investments	2.12%	1.64%	2.00%
Service investments: Loans	-12.59%	0.13%	0.35%
Service investments: Shares	-26.25%	0.00%	0.00%
Commercial investments: Property	6.66%	6.66%	6.66%

1.28 **Rate of return received:** This indicator shows the investment income received less the associated costs,

# Appendix 7

## Reserves Strategy

### Management of Council Reserves

1. The Council's Reserves Strategy states that the Council will maintain reserves to protect against risk and support investment.
2. The opening balance at 1 April 2020 in the Council's General Reserves was £10.3m as published in the Council's Statement of Accounts for 2019/20.
3. The updated Risk Assessment for 2020/21 provides for the Minimum Level to be set at £10.3m. This is considered a relatively prudent overall target for reserves at 3.4% of the net budget.
4. The Council also maintains Earmarked Revenue reserves for specific purposes. At 31 March 2020 balances on these reserves stood at £40.9m, excluding balances held by Schools.
5. During 2020/21, an estimated £5.3m will be drawn down and applied to fund service expenditure specifically provided for. Service outturn forecasts take account of this expenditure and funding.

6. **Table 1** shows the forecast total reserves at the end of March 2020/21. Overall the Council remains in a strong financial position given the major challenges across the public sector.

**Table 1 – Reserves Position**

	£m
General Reserve	10.3
Earmarked Reserves (excluding Schools)	35.6
<b>Total Reserves Balance at 31 March 2020</b>	<b>45.9</b>

7. Details of individual reserves are shown in **Table 2** below.

**Table 2 – Earmarked Reserves Position**

Name of Reserve	Opening Balance 1st April 2020 £000	Forecast Movement in 2020/21 £000	Forecast Closing Balance 31st March 2021 £000	Notes
<b>People</b>				
<b>Adults, Public Health and Communities</b>				
PFI Equalisation - Extra Care Housing	2,504	114	2,618	Surplus grant set aside to meet future payments on existing PFI contract which commenced in January 2009.
Public Health	978	422	1,400	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.
NHB Community Fund	132	(132)	0	To support administrative staffing costs in relation to Central Government's New Homes Bonus guidance for community projects
<b>Children's Services</b>				
Domestic Abuse Partnership	70	(55)	15	To sustain preventative services to vulnerable people as a result of partnership funding.
SALT and OT	63	(63)	0	To support the additional investment into Speech and Language Therapy (SALT) and Occupational Therapy (OT).

Name of Reserve	Opening Balance 1st April 2019 £000	Forecast Movement in 2019/20 £000	Forecast Closing Balance 31st March 2020 £000	Notes
<b>Place</b>				
Investment (Sustainability)	682	(561)	121	To support investment that can increase longer term financial independence and stability of the Council.
<b>Planning and Sustainable Development</b>				
Trading Standards and Regulations	36	(36)	(0)	Ongoing Trading Standards prosecution case on product safety.
Air Quality	39	(39)	(0)	Air Quality Management - DEFRA Action Plan.
Strategic Planning	638	(160)	478	To meet costs associated with the Local Plan.
Licensing Enforcement	15	(15)	0	Three year reserve to fund a third party review and update of the Cheshire East Council Taxi Licensing Enforcement Policies.
<b>Infrastructure and Highways</b>				
Parking - Pay and Display Machines & Parking Studies	178	(178)	0	Purchase of Pay and Display Machines.
Highways Procurement	193	(193)	0	To finance the development of the next Highway Service Contract.
Well Managed Highway Infrastructure Delay	230	(230)	0	Due to the call in of WMHI, the savings proposed relating to winter service cannot be realised and the forecast service costs have increased by £230,000.
Flood Recovery Works	400	(400)	0	27 locations identified for repair works as a result of the 2019 flood events. There are also a further 16 which require investigation to ascertain the scope of the works required.
HS2	303	(303)	0	To support the Council's ongoing programme in relation to Government's HS2 investment across the borough and Transport for the North's Northern Powerhouse Rail Business Case.
<b>Growth and Regeneration</b>				
Royal Arcade Crewe	99	(99)	0	To provide for future costs relating to the Royal Arcade including repairs and maintenance.
Legal Proceedings on land and property matters	72	(72)	0	To enable legal proceedings on land and property matters.
Housing - Choice Based lettings	71	(71)	0	Housing partner contributions to support the administration of the choice based lettings scheme .
Homelessness & Housing Options	54	(54)	0	To prevent homelessness and mitigate against the risk of increased temporary accommodation costs.
Investment Portfolio	558	(340)	218	To support the Council's Investment Acquisition Strategy.

Name of Reserve	Opening Balance 1st April 2020 £000	Forecast Movement in 2020/21 £000	Forecast Closing Balance 31st March 2021 £000	Notes
<b>Corporate</b>				
<b>Governance and Compliance Services</b>				
Elections	27	112	139	To provide funds for Election costs every 4 years.
<b>Finance and Customer Services</b>				
Insurance (Cheshire East & Cheshire County Funds)	3,889	0	3,889	To settle insurance claims and manage excess costs.
Collection Fund Management	6,828	3,456	10,284	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	9,080	(1,468)	7,612	To provide for financing of capital schemes, other projects and initiatives.
New Homes Bonus Community Fund	140	0	140	To support Central Government's New Homes Bonus guidance for community projects, to be allocated in accordance with local priorities.
MTFS Reserve	3,439	(346)	3,093	To support the financial strategy and risk management.
<b>Transformation</b>				
HR (CARE4CE Review, Culture Change, Pay realignment, Learning Mgt System)	450	(27)	423	To fund HR expenditure in relation to the Care4CE review, culture change programme, pay realignment and the Learning Management System.
Brighter Future Transformation Programme	910	(910)	0	To fund the Council's four year transformation programme and its five outcomes of Culture; Estates and ICT systems; Customer Experience, Commercial Approach and Governance.
<b>Cross Service</b>				
Revenue Grants - Dedicated Schools Grant	(2,560)	(2,562)	(5,122)	Overspend on reserve
Revenue Grants - Other	11,360	(1,070)	10,290	Unspent specific use grant carried forward into 2020/21.
<b>TOTAL</b>	<b>40,878</b>	<b>(5,280)</b>	<b>35,598</b>	